
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____ .

Commission file number 0-19528

QUALCOMM Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-3685934
(I.R.S. Employer
Identification No.)

5775 Morehouse Drive San Diego, California
(Address of principal executive offices)

92121-1714
(Zip Code)

(858) 587-1121

(Registrant's telephone number, including area code)

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

None

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

Common Stock, \$.0001 par value
(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) 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.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of November 2, 2001 was \$38,831,227,160.*

The number of shares outstanding of the registrant's Common Stock was 764,419,066 as of November 2, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2002 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's fiscal year ended September 30, 2001.

* Excludes the Common Stock held by executive officers, directors and stockholders whose ownership exceeds 5% of the Common Stock outstanding at November 2, 2001. This calculation does not reflect a determination that such persons are affiliates for any other purposes.

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QUALCOMM INCORPORATED
FORM 10-K
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001
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TRADEMARKS AND TRADE NAMES

QUALCOMM®, QUALCOMM Wireless Business Solutions®, OmniTRACS®, OmniOne™, TruckMAIL™, OmniExpress™, LINQ™, Eudora®, QCP®, QCT®, MSM3000™, MSM3300™, MSM5000™, MSM 5010™, MSM5100™, MSM5105™, MSM5200™, MSM5500™, MSM6000™, MSM6050™, MSM6100™, MSM6200™, MSM6300™, MSM6500™, MSM6600™, CSM5000™, CSM5200™, CSM5500™, RFR3300™, RFT3100™, PM1000™, SURF3300™, gpsOne™, SnapTrack® and BREW™ are trademarks and/or service marks of QUALCOMM Incorporated. QUALCOMM, QUALCOMM Wireless Business Solutions, QWBS, eQCOM, QUALCOMM CDMA Technologies, QCT, QUALCOMM Technology Licensing, QTL, QUALCOMM Wireless Systems, QWS, QUALCOMM Wireless and Internet Group, QUALCOMM Digital Media, QDM, QUALCOMM Internet Services, QIS, QUALCOMM Consumer Products, QCP and SnapTrack are trade names of QUALCOMM Incorporated.

QUALCOMM Personal Electronics and QPE are trademarks, service marks and trade names of QUALCOMM Personal Electronics. Wingcast is a trademark, service mark and/or trade name of Wingcast LLC.

cdmaOne™ is a trademark of the CDMA Development Group. CDMA2000 is a service mark and certification mark of the Telecommunications Industry Association. Globalstar™ is a trademark and service mark of Globalstar, L.P.

All other trademarks, service marks and/or trade names appearing in this document are the property of their respective holders.

In this document, the words “we,” “our,” “ours” and “us” refer only to QUALCOMM Incorporated and not any other person or entity.

PART I

ITEM 1. BUSINESS

This Annual Report (including the following section regarding Management’s Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this Annual Report. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements.

Although forward-looking statements in this Annual Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include without limitation those discussed under the heading “Risk Factors” below, as well as those discussed elsewhere in this Annual Report. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report. Readers are urged to carefully review and consider the various disclosures made in this Annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects. Our consolidated financial data includes SnapTrack, Inc. and other consolidated subsidiaries.

We were incorporated in 1985 under the laws of the state of California. In 1991, we reincorporated in the state of Delaware.

Overview

Since first proposing CDMA technology to the wireless industry in 1989, we have been the pioneer of CDMA technology for commercial wireless applications. Our intellectual property portfolio is widely recognized as essential for the development, manufacture and sale of products implementing the cdmaOne, CDMA2000 1X/1xEV-DO, WCDMA, and TD-SCDMA wireless air interface standards. We have significant engineering resources, including engineers with substantial expertise in CDMA technology. Utilizing these resources, we expect to develop new CDMA-based technology, participate in the formation of new wireless telecommunications standards and assist in deployments of working networks around the world. We license and receive license fees and royalty payments on our CDMA technology from major domestic and international telecommunications equipment suppliers.

We are a leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and Global Positioning System (GPS) products. We offer complete system solutions including software and integrated circuits for wireless handsets and infrastructure equipment. This complete system solution approach provides customers with advanced wireless technology, enhanced component integration and interoperability, and reduced time to market. We provide integrated circuits and system software to many of the world’s leading wireless handset and infrastructure manufacturers. We have broad and unique expertise in designing and developing CDMA-based integrated circuits, the associated software, reference designs and tools, and we have the expertise to provide the technical support necessary to create a complete CDMA system solution. We plan to further integrate additional components and functionality into a single integrated circuit to help our customers reduce product costs and size and to simplify customers’ design processes. In addition, we will continue to provide high quality support to enable our customers to reduce their design cycles and meet their time to market objectives.

We provide satellite and terrestrial-based two-way data messaging and position reporting services for transportation companies and private fleets. We design, manufacture and distribute products and provide services for our OmniTRACS and TruckMAIL (satellite-based mobile communications system), OmniEx-

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press (terrestrial CDMA-based system) and LINQ (terrestrial GSM-based system) worldwide. Transportation companies and private fleets use our products to communicate with drivers, monitor vehicle location and provide customer service. We also integrate the mobile data with operations software, such as dispatch, payroll and accounting, so end-users can manage their information and operations.

We provide an open applications platform for wireless devices to provide solutions for the wireless industry as it moves toward wireless Internet convergence. The platform, our Binary Runtime Environment for Wireless (BREW), is a thin applications environment that provides applications developers with an open standard platform for wireless devices on which to develop their products. The BREW platform currently leverages the capabilities available in QUALCOMM CDMA Technologies' (QCT) integrated circuits, system software and Wireless Internet Launchpad software, enabling development of feature-rich applications and content while reducing memory overhead and maximizing system performance. The BREW platform also enables over-the-air downloads of applications by end users directly to their BREW-enabled handsets. In November 2001, Korea Telecom FreeTel Co., Ltd. (KTFreeTel), a leading CDMA carrier in Korea, began commercial service of BREW-enabled applications and services to subscribers, providing end users the ability to download wireless applications over the air and customize their phones with software that meets their individual needs. KTFreeTel's wireless multimedia service runs on a CDMA2000 1X high-speed data network and is available to end users on color display handsets.

In September 2001, The Carmel Group forecast that 840 million people will subscribe to mobile telecommunications service by the end of this calendar year and that the figure will grow to 1.66 billion globally by the end of 2006, exceeding fixed wireline phones subscribers. Wireless networks based on the current implementation of our CDMA technology, referred to as cdmaOne, have been commercially deployed or are under development or trials in 50 countries around the world, with 44 countries already in commercial operations. According to the European Mobile Communications Cellular Database, CDMA carriers had over 104 million commercial subscribers worldwide in September 2001. In October 2001, the CDMA Development Group reported that, as of June 2001, the Asia Pacific region continues to be the largest CDMA market with nearly 40 million users, representing annual growth of 19 percent. Latin America demonstrated significant gains in the last year, increasing 99 percent to a total of approximately 17 million subscribers. This makes CDMA the fastest growing wireless technology in the Latin America region. In North America, CDMA carriers added more than 15 million new subscribers, bringing the total CDMA subscribers to approximately 38 million, which is significantly more than other technologies deployed in the North America region.

Our third generation (3G) CDMA2000 1X technology was commercially deployed in October 2000 in South Korea where there are approximately two million CDMA2000 1X subscribers as of November 2001. Commercial deployment is scheduled by the end of calendar year 2001 in the United States, which will make CDMA2000 1X the first 3G technology to be commercially deployed in the United States. In September 2001, the CDMA Development Group reported that more than 24 models of CDMA2000 enabled handsets are on the market today.

We continue to invest heavily in research and development initiatives focused on extending our leadership position in the market for wireless telecommunications products using CDMA technology. We are developing and commercializing CDMA technology and products to support high-speed wireless Internet access and multimode, multi-band, multi-network products, including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/GPRS, WCDMA and position location technologies.

We intend to remain a technology leader in the high-speed wireless data and Internet access market. We are devoting significant research and development resources toward innovations in this area, including efforts relating to the International Telecommunications Union 3G standards. We believe that high-speed data transmission offers significant growth opportunities in the wireless telecommunications industry, which will enable our customers to integrate new features such as Internet access and advanced multimedia capabilities into new products. We believe 1xEV-DO technology will provide a high speed, cost-effective, fixed and mobile alternative for Internet access, competing with digital subscriber line, cable and satellite networks. 1xEV-DO technology is designed to enable existing wireless carriers and future CDMA2000 service providers to obtain higher capacities and superior performance by optimizing voice and data spectrum separately, while serving both applications from the same base station.

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We intend to continue to actively support the rapid deployment of CDMA-based systems and technologies and the growing demand for high speed, high capacity, wireless data and Internet access enabled by CDMA technology to grow our royalty revenues and integrated circuit and software sales. We plan to continue to broadly grant royalty-bearing licenses to our technology and patents for CDMA and other wireless applications. In December 2000, we announced a new CDMA license program designed to allow selected early stage companies to issue equity to us as a means of paying part of the license fees payable under our CDMA license agreements. We record license fee revenues based on the fair value of the equity instruments received, if determinable. This program does not affect the licensees' obligations to pay royalties under their CDMA license agreements. The amount of cash consideration and the timing of revenue recognition varies depending on the terms of each agreement.

We make strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications. Our strategy is to invest in CDMA carriers, licensed device manufacturers and start-up companies that we believe open new markets for CDMA technology, support the design and introduction of new CDMA-based products or possess unique capabilities or technology. Examples include our investments in Leap Wireless International, Inc. (Leap Wireless), KTFreeTel and Inquam Limited (Inquam). In addition, QUALCOMM Ventures, an internal organization, selects and manages strategic investments in early stage companies and, from time to time, venture funds or incubators, or other entities that have the requisite expertise, resources and networking capabilities to identify and create (or assist others in creating) products, software or technologies focused on the CDMA wireless telecommunications market. For example, we have an interest in QUALCOMM/ Hansol iV CDMA Fund, a partnership formed to invest in early stage companies engaged in the development of CDMA products to support the adoption of CDMA and the wireless Internet. We also provide financing to CDMA carriers to facilitate the marketing and sale of CDMA equipment by licensed manufacturers. We have provided equipment financing to Ericsson on a shared basis with respect to their sale of CDMA infrastructure in Brazil, Mexico and elsewhere. Most of our strategic investments entail a high degree of risk and will not become liquid until more than one year from the date of investment, if at all. To the extent such investments become liquid and meet strategic objectives, we attempt to make regular periodic sales that are recognized in net investment income.

We have entered and expect to continue to enter into alliances and joint ventures with strategic partners that are designed to increase wireless usage and dependence on wireless devices. Examples include, Technicolor Digital Cinema LCC (Digital Cinema), a joint venture that will market the QUALCOMM Digital Cinema System, and Wingcast LCC (Wingcast), a joint venture with Ford Motor Company formed to develop and deliver wireless mobility services into cars and trucks. We also have strategic alliances that relate to our QCT business segment. These partnerships and alliances are designed to ensure product leadership and competitive advantages in the marketplace. In October 2001, Wireless Knowledge Inc. (Wireless Knowledge), a joint venture we established with Microsoft Corp. (Microsoft) in 1998, acquired all shares held by Microsoft in exchange for an agreement that Microsoft's royalty obligations under a Development, License, and Alliance Agreement dated July 19, 2000 by and between Wireless Knowledge and Microsoft would be considered fully paid, and certain other consideration. As a result, Wireless Knowledge will become our subsidiary. The new structure will enable Wireless Knowledge to accelerate the adoption of next generation mobility solutions running on CDMA2000 and WCDMA wireless data networks.

Wireless Telecommunications Industry Overview

Wireless telecommunications equipment and services have enjoyed tremendous growth worldwide in both numbers of subscribers and subscriber usage. Growth in the market for wireless telecommunications services has traditionally been fueled by demand for voice communications. There have been several factors responsible for this increasing demand, including:

- an increasingly mobile workforce with increased need for wireless voice communications;
- lower cost of service, including flat-rate and bundled long-distance call pricing plans;
- wireless networks becoming the primary communications infrastructure in developing countries due to the higher costs of and longer time required for installing wireline networks;

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- regulatory environments worldwide favoring increased competition in wireless telecommunications; and
- increased security, privacy, call clarity and security of digital networks based on digital second-generation wireless technology standards.

In addition to the tremendous demand for wireless voice services, wireless service providers are increasingly focused on providing wireless data services, including wireless access to the Internet and position location services. In May 2001, the IDC estimated that nearly 1 billion people, about 15% of the world's population, will be using the Internet by 2005, which we expect will result in significant demand for access to the Internet through wireless networks. We believe wireless technology standards enabling faster data transmission rates and the introduction of Internet-enabled handsets will facilitate mobile Internet access and accelerate the proliferation of Internet use on a global basis. Critical to the adoption of wireless Internet devices and services is high-speed data connectivity, which is driving the evolution of wireless standards. We expect that the spread of high-speed, cost-effective Internet access will encourage the development of other remote supervision, position location and telemetry applications.

The Evolution of Wireless Standards

The significant growth in wireless penetration worldwide and demand for enhanced network functionality requires constant innovation to further improve network reliability, expand capacity and introduce new types of services. To meet these requirements, progressive generations of wireless telecommunications technology standards have evolved.

First Generation. The first generation wireless telecommunications standard, widely deployed in the late 1980s, was based on analog technology. While this generation helped fuel the adoption of wireless telecommunications usage, the technology is characterized by inherent capacity limitations, minimal data transfer capabilities, low security, inconsistent service levels and significant power consumption.

Second Generation. As the deployment of cellular phone systems grew, the limitations of analog technology drove the development of second generation, digital-based technology standards. Second generation digital technology provides for significantly enhanced efficiency within a broadcast spectrum as well as greatly increased capacity compared to analog systems. Second generation technologies also enabled numerous enhanced services, including paging, e-mail and facsimile, connections to computer networks, greater privacy, lower prices, a greater number of service options and greater fraud protection. The three main second-generation digital technologies are CDMA, called cdmaOne or IS-95A/B, a technology we developed and patented, Time Division Multiple Access (TDMA) and Global System for Mobile Communications (GSM), a form of TDMA.

Our CDMA technology offers 10 to 20 times the capacity of analog systems and more than three times the capacity of TDMA-based systems through more efficient utilization of wireless carriers' licensed spectrum. Some of the advantages of CDMA technology over both analog and TDMA-based technologies include enhanced voice quality, enhanced call security, increased network capacity, fewer dropped calls, compatibility with Internet protocols, lower power and extended talk time, lower infrastructure costs and easier transition.

Many GSM operators are expected to deploy GPRS, a packet data technology, as a 2.5G bridge technology while waiting for 3G WCDMA to become available. GPRS is the only widely anticipated packet data technology that is not CDMA-based. We do not believe that GPRS will be competitive with CDMA-based packet data services, either on a cost or performance basis, although it will be widely deployed in GSM networks.

Third Generation. As demand for wireless networks that carry both data and voice traffic at faster speeds has increased significantly, several 3G wireless standards have been proposed to the International Telecommunications Union by a variety of companies and alliances. These proposals include both CDMA and TDMA-based technologies. The International Telecommunications Union, based in Geneva, Switzerland, is an international union that determines which technology or technologies will be established as 3G standards.

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A technology standard selected for 3G must efficiently support significantly increased data speeds and capacity over limited spectrum bandwidth, thereby enabling new and enhanced services and applications such as mobile e-commerce, position location and mobile multimedia Web browsing, including music and video downloads.

CDMA-Based 3G Technology. A 3G standard encompassing three CDMA wireless operating modes has been adopted by the International Telecommunications Union. These three modes are:

- (1) two versions of CDMA2000, or Multi-Carrier;
- (2) WCDMA, or Direct Spread; and
- (3) Time Division Duplex.

The two versions of CDMA2000 are CDMA2000 1X (up to 307 kbps peak rates) and 1xEV-DO (1.25 MHz channel bandwidth), a standard for high-speed wireless data (up to 2.4 Mbps peak rates) that supports higher data rates than WCDMA (5 MHz channel bandwidth). CDMA2000 1X/1xEV-DO utilizes the same standard channel bandwidth as existing cdmaOne systems and, as a result, is compatible with wireless telecommunications carriers' existing network equipment. We believe CDMA2000 1X provides approximately twice the voice capacity of cdmaOne and six to eight times that of TDMA-based networks. Additionally, CDMA2000 1X initially provides peak data rates of 144 kbps, with growth to 307 kbps planned, longer battery life and position location functionality in compliance with FCC mandates for emergency 911 calls. Commercial deployment of CDMA2000 1X began in October 2000 in South Korea with approximately two million CDMA2000 1X subscribers as of November 2001. Commercial deployment is scheduled by the end of the calendar year 2001 in the United States, which will make CDMA2000 1X the first 3G technology to be commercially deployed in the United States. Our 3G licensees include Nokia, Ericsson, Motorola, Lucent, Samsung, LG Electronics, Hynix (formerly, Hyundai Electronics), Hitachi, NEC, Nortel, Toshiba, Sanyo, Sharp, Sony, Fujitsu, Denso, Agilent, and Kyocera, among others. Operators choosing CDMA2000 1X and 1xEV-DO are expected to have a significant time-to-market advantage over operators choosing WCDMA. In all cases, the royalty rate paid to us is not dependent upon which standard is implemented in the product. The royalty rate to be paid by a licensee for 3G CDMA products is no less than the rate that licensee will pay for second-generation cdmaOne products.

Operating Segments

Our corporate structure is organized into two business groups, QUALCOMM CDMA Technologies Group and QUALCOMM Wireless and Internet Group. The QUALCOMM CDMA Technologies Group is a reportable segment. The QUALCOMM Wireless and Internet Group includes two reportable segments, QUALCOMM Technology Licensing and QUALCOMM Wireless Systems, and other nonreportable segments.

QUALCOMM CDMA Technologies Group

CDMA Technologies Segment (QCT)

QCT is the leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning systems products. QCT offers complete system solutions including software and integrated circuits for wireless handsets and infrastructure equipment. This complete system solution approach provides customers with advanced wireless technology, enhanced component integration and interoperability, and reduced time to market. QCT provides integrated circuits and system software to many of the world's leading wireless handset and infrastructure manufacturers. Through fiscal year 2001, QCT has shipped Mobile Station Modem (MSM) integrated circuit solutions for more than 175 million CDMA handsets worldwide and has shipped over 500 million integrated circuits in total.

QCT supports both wireless handset and infrastructure manufacturers. For wireless handset manufacturers, QCT's products include baseband and system software, radio frequency, intermediate frequency, and power management devices. These robust, highly integrated solutions enable manufacturers to design very

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small, feature-rich handsets with longer standby times that support existing cdmaOne and 3G services. For wireless infrastructure manufacturers, QCT offers CDMA integrated circuits and system software that provide wireless standards-compliant processing of voice and data signals to and from wireless handsets. In addition to the key components in a wireless system, QCT provides our customers with system reference designs and development tools to assist in customizing features and user interfaces, in integrating our solutions with components developed by others, and testing interoperability with existing and planned networks. Together, the handset and infrastructure products and services form complete system solutions for the wireless communications industry. QCT is also closely aligned with manufacturers and carriers in product plans, design specifications and development timelines.

Our gpsOne solution meets the FCC's mandate requiring wireless carriers to provide the location of emergency 911 calls. This fiscal year we performed the first demonstration of over-the-air technology that will enable enhanced 911 deployments for wireless handsets and the delivery of a wide range of wireless location-based consumer information services, including navigation information, area-specific weather forecasts, traffic reports and commercial tracking services, as well as a broad range of e-commerce and entertainment applications: including localized travel, event ticket bookings, zone-based advertising, community information, localized on-line chat and bulletin boards. We also introduced the commercial availability of SnapCore, a multimode global positioning system wireless location product. Recently, we were awarded a patent for locating or tracking wireless devices via the Internet and client-server-based computer networks. In addition, we released SnapSmart v3.0, a location server software product, and SnapWARN (Wide Area Reference Network), a GPS system data feed product, to support gpsOne deployments in North America.

The MSM3300 integrated circuit and system software provides advanced technologies, including gpsOne position-location technology and Bluetooth connectivity technology as well as multimedia features. We recently began shipping samples of the Radio Frequency Receiver 3300 (RFR3300), the first front-end receiver to integrate GPS capability with CDMA position location-enabled phones.

We have developed 1xEV-DO technology designed to provide reliable, cost-effective and always-on wireless Internet access to consumers. It is fully compatible with existing cdmaOne and 3G CDMA2000 1X technologies, and has been standardized as part of the CDMA2000 mode of the 3G standard. The versatility of 1xEV-DO allows the technology to be embedded in handsets, laptop and handheld computers, and other fixed, portable and mobile devices; 1xEV-DO enables manufacturers to deliver products with access to services that were previously only available through wired connections to the Internet or enterprise networks. The 1xEV-DO technology allows carriers to leverage their current infrastructure investment and maintain backward compatibility with existing subscriber equipment. We are designing and developing an end-to-end solution, both infrastructure and handset integrated circuits, in support of the industry-wide movement to standardize, develop and deploy 1xEV-DO technology in cdmaOne networks.

The MSM5000, MSM5100, and MSM5105 integrated circuits and system software are the world's first integrated circuits and software implementations of the 3G CDMA2000 standards. The MSM5000 digital baseband solution is designed to support CDMA2000 1X for operation in a single 1.25 MHz channel. The CDMA2000 1X standard is fully compatible with current cdmaOne networks, allowing carriers to deploy 3G networks while maintaining existing coverage for all subscribers, eliminating the expense of moving to a new network. The MSM5000 features peak data rates of 153.6 kbps, provides up to a 50 percent increase in handset standby time, and is feature- and pin-compatible with the MSM3000, allowing manufacturers currently producing handsets using the MSM3000 to rapidly implement 3G CDMA2000 1X technology in their handsets. QCT's Cell Site Modem (CSM)5000 base station solution is the industry's first to support the CDMA2000 1X standard, based on IS-2000 for CDMA base stations as specified by the International Telecommunications Union. The CSM5000 solution provides carriers with up to twice the overall voice user capacity of IS-95A and IS-95B systems. The MSM5100 is the world's first 3G CDMA2000 1X solution with advanced position location capabilities. The MSM5105 3G CDMA2000 1X solution offers improved voice capacity and the introduction of new 3G services for mainstream subscribers. We conducted the industry's first mobile Internet protocol call using the MSM5105 integrated circuit with Nortel Networks. The CSM5200 and MSM5200 integrated circuits provide the first end-to-end infrastructure and handset solution for WCDMA. The MSM5200 solution incorporates wireless Internet and multimedia applications, including the

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integrated features of the Wireless Internet Launchpad suite. The CSM5500 and MSM5500 integrated circuits offer the world's first 1xEV-DO handset and infrastructure modem solutions for high-speed data. This complete solution supports data rates of up to 2.4 Mbps for the 1xEV standard, as well as CDMA2000 1X, and offers backward compatibility with IS-95 A/ B CDMA systems. QCT's MSM6xxx family of products, incorporating radioOne technology, will enable true global wireless roaming across CDMA2000 1X, 1xEV-DO, WCDMA and GSM/ GPRS networks.

QUALCOMM Wireless & Internet Group

Technology Licensing Segment (QTL)

QUALCOMM's Technology Licensing segment generates revenue from license fees for our CDMA technologies and patents (e.g., cdmaOne, CDMA2000, WCDMA and TD-SCDMA) as well as ongoing royalties based on worldwide sales by licensees that design, manufacture and sell products incorporating our CDMA technology. License fees are generally nonrefundable and may be paid in one or more installments. From time to time we may accept equity interest in a licensee as payment of a portion of the license fee. Ongoing royalties are nonrefundable, generally based upon a percentage of the selling price of licensed products, and are recognized as income when earned based upon the date of such sale. Revenues generated from royalties are subject to quarterly and annual fluctuations. Fluctuations are the result of variations in product pricing and quantities of sales by our licensees and the impact of currency fluctuations associated with royalties generated from international sales.

Wireless Systems Segment (QWS)

QUALCOMM's Wireless Systems segment is comprised of two divisions, Wireless Business Solutions and Wireless Systems.

Wireless Business Solutions. We provide satellite and terrestrial-based two-way data messaging and position reporting services for transportation companies and private fleets. The satellite-based OmniTRACS system was first introduced in the United States in 1988 and is currently operating in 32 countries. In 2000, we introduced and launched commercial sales of our OmniExpress system, a terrestrial CDMA-based system. Through September 2001, we have sold over 400,000 OmniTRACS, TruckMAIL, OmniExpress and LINQ systems worldwide. Message transmission and position tracking for the OmniTRACS and TruckMAIL systems are provided by use of leased Ku-band and C-band transponders on commercially available geostationary earth orbit satellites. The OmniExpress and LINQ systems use wireless digital telecommunications networks for messaging transmission, and the GPS constellation for position tracking. These mobile communications systems help transportation companies and private fleets improve the rate of return on assets and increase efficiency and safety by improving communications between drivers and dispatchers. System features include status updates, load and pick-up reports, position reports at regular intervals, and vehicle and driving performance information.

In the United States, we manufacture and sell OmniTRACS, TruckMAIL and OmniExpress mobile communications systems and related software packages and provide ongoing messaging and maintenance services. Customers in the United States include nearly 1,400 companies, primarily in the trucking industry. We have sold OmniTRACS system products for use by private trucking fleets, service vans, ships, trains, federal emergency vehicles, and for oil and gas pipeline control and monitoring sites. Message transmissions for operations in the United States are formatted and processed at our Network Management Center in San Diego, California, with a fully-redundant backup Network Management Center located in Las Vegas, Nevada. We estimate the Network Management Center currently processes over seven million messages and position reports per day.

We announced a new wireless solution for the transportation industry using digital mobile devices that will provide transportation companies a portable communications tool for fleet management called OmniOne. The OmniOne application is designed to run on our BREW platform, a standard execution environment for wireless devices.

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Outside of the United States, we work with telecommunications companies and carriers to establish the OmniTRACS system solution concept and products in foreign markets. The OmniTRACS system is currently operating throughout Europe and in the Middle East, Argentina, Brazil, Canada, China, Japan, Mexico, and South Korea. Internationally, we generate revenues from the OmniTRACS system through license fees, sales of network products and terminals, messaging and service fees. Service providers that operate network management centers for a region under our granted licenses provide OmniTRACS messaging services. We also run QUALCOMM Wireless Business Solutions Europe bv, a Netherlands subsidiary, that brings mobile communications products and messaging services to the European market.

Wireless Systems. In 1994, we formed Globalstar L.P. (Globalstar) with Loral Space and Communications, Ltd. and other companies to design, construct and operate a worldwide, low-Earth-orbit satellite-based telecommunications system (the Globalstar System). Through a constellation of 48 satellites, this system is designed to connect with existing terrestrial telecommunications systems to create a seamless global network, enabling users to call and send data to and from virtually any place in the world. We currently hold an approximate 6.3% interest in Globalstar through certain limited partnerships and other indirect interests.

We have contracts with Globalstar to design, develop and manufacture subscriber products and ground telecommunications equipment. On January 16, 2001, Globalstar announced that, in order to have sufficient funds available for the continued progress of its marketing and service activities, it had suspended indefinitely principal and interest payments on all of its debt, including its vendor financing obligations. Globalstar also announced the retention of a financial adviser to assist in developing future initiatives, including restructuring Globalstar's debt, identifying funding opportunities and pursuing other strategic alternatives. Efforts, by Globalstar, to restructure its debt are on-going, and work on a final plan is expected to continue. During fiscal 2001, we recorded \$636 million in net charges to fully reserve Globalstar-related assets. We expect our Globalstar-related revenues to be negligible for fiscal 2002.

Other Divisions

Other divisions included in the QUALCOMM Wireless and Internet Group are QUALCOMM Internet Services (QIS) and QUALCOMM Digital Media (QDM).

QUALCOMM Internet Services. The QIS division was formed in November 2000 to focus on wireless applications and services development. In January 2001, we announced our open applications platform for wireless devices to provide solutions for the wireless industry as it moves toward wireless Internet convergence. Our BREW product is a thin applications execution platform that provides applications developers with an open, standard platform for wireless communications devices on which to develop their products. The BREW platform currently leverages the capabilities available in QCT's integrated circuits, system software and Wireless Internet Launchpad software, enabling development of feature-rich applications and content while reducing memory overhead and maximizing system performance. When carriers commercially deploy the BREW platform, it will also enable over-the-air downloads of applications by end users directly to their BREW-enabled handsets. The complete BREW solution provided by QIS includes the BREW platform, the BREW Software Development Kit for developers, the BREW Porting Kit for device manufacturers and the BREW Distribution System, which manages application distribution from developers to carrier networks and includes all the associated business systems for tracking and managing end user downloading of BREW applications and payment for applications.

Our multi-platform Eudora e-mail software products have millions of users worldwide. We provide the Eudora e-mail software to users via electronic download and on CD. Eudora generates revenues from sponsor advertising within the program, retail sales and site licenses. To support ad serving into the user interface, we developed proprietary XML-based content-serving technology that caches ads for the Eudora client software. We also offer the Eudora Internet Suite, containing both a browser and e-mail client for the Palm OS, and several e-mail-server products. We expect revenues from Eudora to be negligible in fiscal 2002.

QUALCOMM Digital Media. The QDM division is comprised of the Digital Cinema and Government Systems businesses.

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We are developing an end-to-end Digital Cinema System for the delivery of motion pictures to theatres worldwide. The Digital Cinema System combines our expertise in advanced image compression, electronic security, network management, integrated circuit design and satellite telecommunications technologies and will provide a turn-key solution to the industry for the secure delivery of digitized motion pictures to theatres worldwide. We are marketing our system and technology to the motion picture industry and participating in the industry-wide standards setting process. In addition, we will promote our image compression and electronic security technologies for other potential applications within the entertainment industry including such areas as archiving, asset management and production and distribution of electronic media content in various forms. In May 2000, we entered into a strategic alliance with Technicolor Digital Cinema, Inc. (Technicolor) and formed a joint venture, Technicolor Digital Cinema, LLC. The venture will market the QUALCOMM Digital Cinema System and work with the motion picture industry as a technology enabler and service provider while supporting open standards for the digital delivery of motion pictures.

The Government Systems business provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies. We have developed a CDMA wireless terrestrial phone for the United States government, the QSec-800, which operates in enhanced security modes and incorporates end-to-end encryption. Initial phones were shipped for testing and verification over a commercial cellular network. In addition, for United States government applications, we have developed a micro base station, the QUALCOMM Deployable Personal Communication System (QDPCS), which provides a scaleable turn-key mobile communications system supporting both commercial and secure phone communications. Additionally, OmniTRACS products and services are being marketed and sold for United States government worldwide applications. These products along with products from future development efforts would likely service a wide range of United States government, as well as potential commercial applications.

Other Businesses

Consumer Products Segment (QCP)

In February 2000, we sold our terrestrial-based CDMA wireless consumer phone business, including our phone inventory, manufacturing equipment and customer commitments, to Kyocera Wireless (Kyocera). We received \$242 million for the net assets sold. Under the agreement with Kyocera, Kyocera agreed to purchase a majority of their CDMA integrated circuits and system software requirements from us for a period of five years. Kyocera will continue their existing royalty-bearing CDMA license agreement with us.

As part of the agreement with Kyocera, we formed a new subsidiary that has a substantial number of employees from QUALCOMM Consumer Products business to provide services to Kyocera on a cost-plus basis to support Kyocera's phone business for up to three years. In addition, selected employees of QUALCOMM Personal Electronics (QPE), our 51% owned consolidated subsidiary and manufacturer of phones for us, were transferred to Kyocera. As a condition of the purchase, QPE paid down and cancelled its two revolving credit agreements. We recorded \$83 million in charges during fiscal 2000 to reflect the estimated difference between the carrying value of the net assets and the consideration to be received from Kyocera, less costs to sell, and employee termination costs.

Research and Development

The wireless telecommunications industry is characterized by rapid technological change, requiring a continuous effort to enhance existing products and develop new products and technologies. Our research and development team has a strong and proven track record of innovation in wireless communications technologies. Our research and development expenditures in fiscal years 2001, 2000 and 1999 totaled approximately \$415 million, \$340 million and \$381 million, respectively. Research and development expenditures in fiscal years 2001 and 2000, are primarily related to integrated circuit product initiatives to support high-speed wireless Internet access and multimode, multi-band, multi-network, products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/GPRS, WCDMA and position location technologies. Fiscal 1999 expenditures included the development of CDMA-based technology phones and infrastructure equipment prior to the

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sale of these businesses. We intend to use our substantial engineering resources and expertise to develop new technologies, applications and services and make them available to licensees to help grow the wireless telecommunications market and generate new or expanded licensing opportunities. In addition to internally sponsored research and development, we perform contract research and development for various government agencies and commercial contractors.

Sales and Marketing

QCT markets and sells products in the United States through a sales force based in San Diego, California, and internationally through a direct sales force based in South Korea, Japan, China and Germany. QCT's sales and marketing strategy is to achieve design wins with technology leaders in our targeted markets by, among other things, providing superior field application and engineering support.

The Wireless Business Solutions division markets and sells products through a sales force, partnerships, and distributors based in the United States, Europe, the Middle East, Argentina, Brazil, Canada, China, Japan, South Korea and Mexico. Wireless Business Solutions' sales and marketing strategy is to achieve contract wins in our target markets by providing high-value wireless fleet management solutions to the transportation industry and other logistics-based businesses.

QIS develops and sells business-to-business products through a team based in San Diego, California to companies worldwide. The QIS sales and marketing strategy is to achieve contract wins with companies in our target markets by providing comprehensive technology solutions to help them provide the next generation of wireless applications and services that combine data and voice capabilities to suit end users' needs in a converged wireless Internet world.

Marketing activities include participation in technical conferences, business cases, competitive analyses and other marketing collateral, publication of customer deployments, new product information and educational articles in industry journals, maintenance of our World Wide Web site and direct marketing to prospective customers. In July 2001, we opened our CDMA Development Center in China, a 43,000 square foot facility in what is popularly known as 'China's Silicon Valley.' The center provides training, support and equipment testing services to manufacturers and mobile carriers in China, as well as supporting research and development of 3G wireless standards based on CDMA. The center will house our CDMA University, which will offer classroom and hands-on training programs and a highly-integrated test program designed to enable time and cost savings when bringing products to market. The center and its staff are focused on providing China with the resources to enable the most timely development of its mobile communications industry using our technologies and applications, such as cdmaOne, CDMA2000 1X/1xEV-DO and the BREW platform. The center will also support the transfer of hardware and software technologies for product development and manufacturing, as well as implementation methods to licensed manufacturers, carriers and government bodies in China.

Competition

Competition in the wireless telecommunications industry in the United States and throughout the world continues to increase at a rapid pace, as businesses and foreign governments realize the market potential of telecommunications services. There can be no assurance that we will be able to compete successfully or that new technologies and products that are more commercially effective than our technologies and products will not be developed. Many of our current and prospective competitors have substantially greater financial, technical, marketing, sales and distribution resources. In addition, many of these companies are licensees of our technology, and have established market positions, trade names, trademarks, patents, copyrights, intellectual property rights and substantial technological capabilities. We may face competition throughout the world with new technologies and services introduced in the future. Although we intend to employ relatively new technologies, there will be a continuing competitive threat from even newer technologies that may render our technologies obsolete. We also expect that the price we charge for our products and services may continue to decline as competition intensifies.

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CDMA Technologies Segment (QCT)

The markets in which our QCT division operates are intensely competitive. QCT competes worldwide with a number of United States and international manufacturers. As a result of the trend toward global expansion by foreign and domestic competitors, technological and public policy changes, and relatively low barriers to entry in the industry, we anticipate that additional competitors will enter this market. We believe that the principal competitive factors for CDMA integrated circuit providers to our addressed markets are product performance, level of integration, quality, compliance with industry standards, price, time to market, system cost, design and engineering capabilities, new product innovation and customer support. The specific bases on which we compete against alternative CDMA integrated circuit providers vary by product platform. We also compete against alternative wireless communications technologies including but not limited to GSM, TDMA and analog.

QCT's current competitors include major semiconductor companies such as Intel, Texas Instruments, PrairieComm, LSI Logic and Philips, as well as major telecommunication equipment companies such as Motorola, Nokia and Matsushita. In addition, QCT faces competition from the in-house development efforts of many of our key customers, including Samsung, as well as QCT also faces competition from start-up ventures, several of which have begun shipping commercial products.

Our competitors may devote a significantly greater amount of their financial, technical, marketing and other resources to aggressively market competitive telecommunications systems or develop and adopt competitive digital cellular technologies, and those efforts may materially and adversely affect QCT. Moreover, competitors may offer more attractive product pricing or financing terms than we do as a means of gaining access to the wireless telecommunications markets.

We have entered into arrangements with LSI Logic, Philips, Motorola, Lucent, Texas Instruments and PrairieComm permitting those companies to manufacture and sell to QUALCOMM's subscriber unit licensees certain CDMA application-specific integrated circuits utilizing certain of QUALCOMM's patents. In every case, the right of the subscriber unit licensees to use such integrated circuits is subject to the payment of royalties to us on the products into which the integrated circuits are incorporated. To date, most subscriber equipment licensees have elected to purchase their CDMA integrated circuits and system software requirements from us.

Technology Licensing Segment (QTL)

As part of our strategy to generate new licensing revenues, significant resources are allocated to develop leading edge technology for the telecommunications industry. We face competition in the development of intellectual property for next-generation digital wireless communications technology and services. There are no guarantees that our technologies will continue to be adopted or we will be able to secure patents for our technology to subsequently license. Furthermore, there are no guarantees that existing systems and applications cannot be replaced by competitors' technologies, thereby jeopardizing our existing royalty and licensing revenues.

On a worldwide basis, we currently compete primarily with two digital wireless telecommunications technologies, TDMA and GSM. TDMA has been deployed primarily in the United States and Latin America, while GSM has been extensively utilized in Europe, much of Asia and certain other markets. To date, GSM has been more widely adopted than CDMA, and, although CDMA technology has been proposed for all third generation wireless systems, there can be no assurance that wireless communications service providers will select CDMA for their networks or update to third generation technology. In addition, GSM operators may deploy GPRS as a 2.5G bridge technology while waiting for third generation WCDMA to become available and/or cost effective for their system. GPRS is the only widely anticipated packet data technology that is not CDMA-based.

Existing competitors offering alternatives to our OmniTRACS, TruckMAIL, OmniExpress and LINQ system products are aggressively pricing their products and services and could continue to do so in the future. In addition, these competitors are offering new value-added products and services similar in many cases to our existing or developing technologies. Emergence of new competitors, particularly those offering low cost terrestrial-based products, may impact margins and intensify competition in new markets.

Patents, Trademarks and Trade Secrets

We rely on a combination of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance our competitive position. We have been granted more than 650 United States patents and have over 1,200 patent applications pending in the United States. The vast majority of such patents and patent applications relate to our CDMA digital wireless communications technology. We also have and will continue to actively file for patent protection around the world and have received CDMA patents with broad coverage throughout most of the world, including China, Japan, South Korea, Europe, Brazil, North America and elsewhere. There can be no assurance that the pending patent applications will be granted, that our patents or copyrights will provide adequate protection, or that our competitors will not independently develop or initiate technologies that are substantially equivalent or superior to our technologies. There can also be no assurance that the confidentiality agreements upon which we rely to protect our trade secrets and proprietary information will be adequate. The cost of defending our intellectual property has been and may continue to be significant. From time to time, certain companies may assert exclusive patent, copyright and other intellectual proprietary rights to technologies that are claimed to be important to the industry or to us. In addition, from time to time third parties provide us with copies of their patents relating to spread spectrum and other digital wireless communications technologies and offer licenses to such technologies. We evaluate such patents and the advisability of such licenses. If any of our products were found to infringe on protected technology, we could be required to redesign such products, license such technology, and/or pay damages to the infringed party. If we are unable to license protected technology used in our products or to redesign such products, we could be prohibited from marketing and selling such products.

A number of companies have each advised the Telecommunication Industry Association (TIA) and other CDMA standards setting bodies that they hold patent rights in technology embodied in such standards. If we and other product manufacturers are required to obtain additional licenses and/or pay royalties to one or more patent holders, this could have a material adverse effect on the commercial implementation of our CDMA technology.

The standards bodies and the International Telecommunications Union have been informed that we hold essential intellectual property rights for the 3G standards that are based on CDMA. We have committed to the International Telecommunications Union to license our essential patents for these CDMA standards on a fair and reasonable basis free from unfair discrimination.

Under our CDMA license agreements, licensees are generally required to pay us license fees as well as ongoing royalties based on a percentage of the selling price of CDMA subscriber, infrastructure, test and integrated circuits products. License fees are paid in one or more installments, while royalties generally continue throughout the life of the licensed patents. Our CDMA license agreements generally provide cross-licenses to us to use certain of our licensees' technology to manufacture and sell certain CDMA products. In most cases, our use of our licensees' technology is royalty free. However, under some of the licenses, if we incorporate certain of the licensed technology into certain of our products, we are obligated to pay royalties on the sale of such products. For a limited period of time, Motorola is entitled, subject to the terms of their license agreement, to share in a percentage of certain third-party subscriber unit royalties paid by licensees to us. For a limited period of time, the Korean Electronics Telecommunications Research Institute (ETRI) is entitled, subject to the terms of a development agreement with us, to share in a percentage of subscriber and infrastructure royalties paid by certain Korean licensees for sales of those CDMA products sold solely for use in Korea.

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As part of our strategy to generate licensing revenues and support worldwide adoption of our CDMA technology, we license to third parties the rights to design, manufacture and sell products utilizing our CDMA technology. The following table lists the majority of our current CDMA licensees:

Infrastructure

Airvana, Inc.
Alps Electric Co., Ltd.
Cisco Systems, Inc.
COM DEV International, Ltd.
Eastern Communication Company Ltd.
Fujitsu Limited
Gbase Communications
Great Dragon Information Technology Corporation Ltd.
Hitachi Kokusai Electric, Inc.
Hitachi, Ltd.
Huawei Technologies Co., Ltd.
Hynix Semiconductor, Inc.
Kisan Telecom Co., Ltd.
LG Electronics
Lucent Technologies Inc.
Matsushita Communication Industrial Co., Ltd.
Mitsubishi Electric Corporation
Motorola, Inc.
NEC Corporation
Nokia Corporation
NORTEL Networks Corporation
Samsung Electronics Co.
Telefonaktiebolaget LM Ericsson
ZTE Corporation

Cable and Repeaters

EMS Technologies, Inc.
Transcept

Test Equipment

Acterna Corporation
Advantest Corporation
Agilent Technologies, Inc.
Allen Telecom Group
Ando Electric Co., Ltd.
Anritsu Corporation
Comarco Wireless Technologies, Inc.
Hewlett-Packard Company
IFR Systems, Inc.
Japan Radio Company, Ltd.
LCC International, Inc.
Matsushita Communication Industrial Co., Ltd.
Mobens Co., Ltd.
Motorola, Inc.
Rohde & Schwarz GmbH & Co.
Rotadata Limited
Sage Instruments
Spirent Communications
Tektronix, Inc.
Telefonaktiebolaget LM Ericsson
Thales Instrument Limited
Willtech, Inc.

Subscriber Equipment

Acer Communications and Multimedia, Inc.
AirPrime Inc.
Alps Electric Co., Ltd.
Appeal Telecom Co., Ltd.
Axesstel, Inc.
Bellwave, Co., Ltd.
Casio Computer Co., Ltd.
COM DEV International, Ltd.
Compal Electronics, Inc.
Cyberlane Inc.
Denso Corporation
eAnywhere Tech Inc.
ETRONICS Corp.
Fujitsu Limited
Garmin Corporation
Glenayre Electronics, Inc.
GTRAN Inc.
Haier Group Company
Handspring, Inc.
Hanwha Corporation
High Tech Computer Corporation
Hitachi Kokusai Electric Inc.

Hitachi, Ltd.
Hynix Semiconductor, Inc.
INTERCUBE Co., Ltd.
Kenwood Corporation
Koninklijke Philips Electronics N.V.
Kyocera Corporation
LG Electronics Inc.
Lucent Technologies Inc.
Matsushita Communication Industrial Co., Ltd.
Matsushita Electronic Components Co., Ltd.
Maxon Telecom Co., Ltd.
Mitsubishi Electric Corporation
Motorola, Inc.
NEC Corporation
NG Industrial Ltda.
Nokia Corporation
Novatel Wireless Inc.
Pantech Co., Ltd.
Qualified Mobile Telecommunications Co., Ltd.
Research In Motion Limited
Samsung Electronics Co.
Sanyo Electric Co., Ltd.
Seiko Instruments Inc.
Sewon Co., Ltd.
Sharp Corporation
Siemens Information & Communication Mobile LLP
Sierra Wireless, SRL
SK Telecom Co., Ltd.
Sony Corporation
Standard Telecom Co., Ltd.
Synertek, Inc.
Telefonaktiebolaget LM Ericsson
Teleion Wireless
Tellus Technology
Telson Electronics Co., Ltd.
Telson Information & Communications Co., Ltd.
Toshiba Corporation
Uniden Corporation
United Computer & Telecommunication, Inc.
Westech Korea, Inc.
Wide Telecom Co., Ltd.
YISO Telecom Co., Ltd.
ZTE Corporation

Subscriber Equipment (Globalstar)

Telefonaktiebolaget LM Ericsson
Tellit Mobile Terminals S.p.A.

ASICs

Koninklijke Philips Electronics N.V.
LSI Logic Corporation
PrairieComm Incorporated
Texas Instruments

Research & Development

Beijing Telecommunications Equipment Factory
Chunghwa Telecom Laboratories
Datang Telecom Technology Co, Ltd.
Hangzhou Unitop Electric Co.
Hisense Group Co., Ltd.
Langchao Group
LT Netcomm (S.H.) Co., Ltd.
Ningbo Bird Co., Ltd.
Xiamen Overseas Chinese Electronics Co., Ltd.

Employees

As of September 30, 2001, we employed approximately 6,500 full-time and temporary employees.

Executive Officers

Our executive officers and their ages as of September 30, 2001 are as follows:

Irwin Mark Jacobs, age 67, one of the founders of the Company, has served as Chairman of the Board of Directors and Chief Executive Officer of the Company since it began operations in July 1985. He served as the Company's President prior to May 1992. Before joining the Company, he was executive vice president and a director of M/ A-COM LINKABIT, Inc., a telecommunications company. From October 1968 to April 1985, he held various executive positions at LINKABIT (M/ A-COM LINKABIT after August 1980), a company he co-founded. During most of his period of service with LINKABIT, he was chairman, president and chief executive officer and was at all times a director. He received his B.E.E. degree from Cornell University and his M.S. and Sc.D. degrees from the Massachusetts Institute of Technology. Dr. Jacobs is a member of the National Academy of Engineering and the American Academy of Arts and Sciences and was awarded the National Medal of Technology in 1994.

Anthony S. Thornley, age 55, was appointed Chief Operating Officer of the Company in July 2001. He continues to serve as the Company's Chief Financial Officer, a position he has held since March 1994. He served as Executive Vice President from November 1997 to July 2001. Prior to joining the Company, he was with Nortel, a telecommunications equipment manufacturer, for sixteen years in various financial and information systems management positions, including Vice President, Public Networks, Vice President Finance NT World Trade and Corporate Controller Nortel Limited. He has also worked for Coopers and Lybrand and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Thornley received his Bachelor's of Science degree in Chemistry from the University of Manchester, England.

Steven R. Altman, age 40, has served as Executive Vice President of the Company since November 1997. He also has served as President of the Company's Technology Transfer and Strategic Alliance Division, which is responsible for, among other things, licensing the Company's intellectual property, since September 1995. He served as General Counsel of the Company from October 1989 through September 2000. He was named Vice President in December 1992, was promoted to Senior Vice President in February 1996 and was promoted to Executive Vice President in November 1997. Prior to joining the Company in October 1989, he was a business lawyer in the San Diego law firm of Gray, Cary, Ware & Freidenrich, where he specialized in intellectual property, mergers and acquisitions, securities and general corporate matters. Mr. Altman received a B.S. degree from Northern Arizona University and a Juris Doctor from the University of San Diego.

Franklin P. Antonio, age 49, one of the founders of the Company, has served as Executive Vice President and Chief Technical Officer of the Company since July 1996, as Senior Vice President of Engineering from September 1992 to July 1996, and as Vice President of Engineering of the Company from August 1985 to September 1992. He served as a Director of the Company from August 1985 until February 1989. Prior to joining QUALCOMM, he was Assistant Vice President of Engineering of M/ A-COM LINKABIT where he held various technical and management positions from May 1972 through July 1985. Mr. Antonio received his B.A. degree in Applied Physics and Information Science from the University of California, San Diego.

Paul E. Jacobs, age 38, was appointed President of the QUALCOMM Wireless & Internet Group in July 2001. He oversees the QUALCOMM Technology Licensing division, the QUALCOMM Internet Services division, the QUALCOMM Wireless Business Solutions division, and the QUALCOMM Digital Media division. He has served as Executive Vice President of the Company since February 2000. He currently serves as a member of the board for Wireless Knowledge, Ignition Corp, and Wingcast, all of which are privately-held companies. He served as President of the Consumer Products Division from February 1997 to February 2000 and as Senior Vice President of the Company and Vice President and General Manager of the Consumer Products Division from April 1995 to February 1997. He joined the Company in September 1990 as Senior Engineer and was promoted to Engineering Director in April 1993. Dr. Jacobs holds a B.S. degree in Electrical Engineering and Computer Science, M.S. degree in Electrical Engineering and Ph.D. degree in

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Electrical Engineering and Computer Science from the University of California, Berkeley. Dr. Paul Jacobs is the son of Dr. Irwin Mark Jacobs, Chairman of the Board of Directors and Chief Executive Officer of the Company.

Donald E. Schrock, age 56, was appointed President of QUALCOMM CDMA Technologies Group in July 2001, overseeing QUALCOMM CDMA Technologies and SnapTrack. He has served as Senior Vice President of the Company since February 1997 and President of CDMA Technologies Division since October 1997. He joined the Company in January 1996 as Corporate Vice President and in June 1996 was promoted to General Manager, QCT Products Division. Prior to joining QUALCOMM, he was Group Vice President and Division Manager with Hughes Aircraft Company. Prior to his employment with Hughes, he was Vice President of Operations with Applied Micro Circuits Corporation. He has also held positions as Vice President/ Division General Manager at Burr-Brown Corporation and spent 15 years with Motorola Semiconductor. Mr. Schrock holds a B.S.E.E. with honors from the University of Illinois, as well as a M.S.E.E. and Advanced Business Administration degrees from Arizona State University.

Jeffrey A. Jacobs, age 35, was appointed President of QUALCOMM Global Development, an organization responsible for proliferating CDMA throughout the world, in May 2001. He also manages QUALCOMM Ventures. He served as Senior Vice President of Business Development from June 1999 to May 2001 and Vice President of Business Development from November 1997 to June 1999. Mr. Jacobs founded the QUALCOMM Eudora division in 1993 and served as Vice President and General Manager of the division from August 1995 to November 1997. He joined the Company in May 1986 as a market analyst and held other management positions at the Company through August 1995. Mr. Jacobs holds a Bachelor of Arts degree in International Economics from the University of California, Berkeley. Mr. Jeffrey Jacobs is the son of Dr. Irwin Mark Jacobs, Chairman of the Board of Directors and Chief Executive Officer of the Company.

Louis Lupin, age 46, was appointed Senior Vice President and General Counsel of the Company in September 2000. He served as Senior Vice President, Proprietary Right Counsel from May 1998 to September 2000, Vice President, Proprietary Right Counsel from April 1996 to May 1998 and Senior Legal Counsel from February 1995 to April 1996. Prior to joining the Company in 1995, he was a partner with Cooley, Godward, Castro, Huddleson and Tatum where he focused on intellectual property litigation in the telecommunications, software and biotechnology industry. Mr. Lupin received his bachelor's degree from Swarthmore College and a J.D. from Stanford Law School.

RISK FACTORS

You should consider each of the following factors as well as the other information in this Annual Report in evaluating our business and our prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of the following risks actually occur, our business and financial results could be harmed. In that case the trading price of our common stock could decline. You should also refer to the other information set forth in this Annual Report, including our financial statements and the related notes.

Risks Related to Our Businesses

A long lasting downturn in the global economy that impacts the wireless communications industry could negatively affect our revenues and operating results.

The global economy is in the midst of a slowdown that has had wide ranging effects on markets that we serve, particularly wireless communications equipment manufacturers and network operators. This downturn has had a negative effect on our revenues from royalties, license fees and integrated circuit products. We cannot predict the depth or duration of this downturn, and if it grows more severe or continues for a long period of time, our ability to increase or maintain our revenues and operating results may be impaired. In addition, because we intend to continue to make significant investments in research and development during

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this downturn, and to maintain extensive ongoing customer service and support capability, any decline in the rate of growth of our revenues will have a significant adverse impact on our operating results.

If CDMA technology is not widely deployed, or if delays occur in the adoption of 3G CDMA standards, our revenues may not grow as anticipated or our stock price could fall.

We focus our business primarily on developing, patenting and commercializing CDMA technology for wireless telecommunications applications. Other digital wireless communications technologies, particularly GSM technology, have been more widely adopted than CDMA technology. If CDMA technology does not become the preferred wireless communications industry standard in the countries where our products and those of our customers and licensees are sold, or if wireless communications service providers do not deploy networks that utilize CDMA technology, our business and financial results could suffer.

To increase our revenues and market share in future periods, we are dependent upon the adoption and commercial deployment of 3G wireless communications equipment, products and services based on our CDMA technology. Industry and government participants of the International Telecommunications Union and regional standards development organizations are currently considering a variety of standards that may be utilized in 3G wireless networks. We continue to advocate the selection of 3G standards based on CDMA technology. We cannot assure you that any of the standards development organizations will select the standards that we are advocating. If they select other standards, our business may suffer, and even if our standards are selected, we cannot assure you that they will achieve commercial acceptance in a timely manner, or at all. Our 1xEV-DO was approved by the International Telecommunications Union for inclusion in the CDMA2000 mode of the 3G standard. Commercial deployment of CDMA2000 1X began in October 2000 in South Korea. A commercial deployment is scheduled by end of the calendar year for 2001 in the United States, which will make CDMA2000 1X the first 3G technology to be commercially deployed in the United States. WCDMA, a technology designed as an alternative to CDMA2000, is currently in the standardization process and has been adopted by several European, Japanese and United States carriers. We expect that, although limited systems have been placed in service this year, widespread and standardized WCDMA networks will not begin operation until 2003 or later, given that the WCDMA standard and interoperability testing is not yet complete. Many GSM operators are expected to deploy GPRS, a packet data technology, as a 2.5G bridge technology while waiting for 3G WCDMA to become available. GPRS is the only widely anticipated packet data technology that is not CDMA-based. We believe that our CDMA patent portfolio is applicable to all CDMA systems that may serve as the basis for such standards. However, we cannot assure you that the wireless communications industry will adopt 3G standards based on CDMA technology, or that our CDMA patents will be determined to be applicable to any proposed 3G standards. If we are unable to successfully, widely and timely deploy CDMA2000 as the preferred 3G technology, our business and financial results could suffer.

Because we have made significant investments in and loans to CDMA carriers, our financial condition may be harmed if those CDMA carriers are not successful.

We provide significant financing to CDMA carriers to promote the worldwide adoption of CDMA products and services. Many domestic and international CDMA carriers to whom we have provided financing have limited operating histories, are faced with significant capital requirements, are highly leveraged and have limited financial resources. Carriers to whom we have provided financing have defaulted on their obligations to us, and it is possible that others will default on their obligations to us in the future. Any such defaults could have a material adverse effect on our financial condition and operating results. Due to currency fluctuations and international risks, foreign borrowers may become unable to pay their debts to us from revenues generated by their projects that are denominated in local currencies. Further, we may not be permitted to retain a security interest in any spectrum licenses held by foreign carriers that we finance. These spectrum licenses initially may constitute the primary asset of the carriers. The amount of financing that we currently are providing and that we expect to provide in the future is substantial.

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We have provided or have committed to provide significant financing to the following companies:

Pegaso Telecomunicaciones, S.A. de C.V.

We provided financing to Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso) under an equipment loan and a bridge facility. Pegaso operates a wireless network in Mexico. At September 30, 2001, \$674 million is outstanding under these facilities, net of deferred interest and unearned fees. On October 31, 2001, Pegaso failed to make a scheduled payment of approximately \$3 million under the equipment loan and also failed to meet covenants related to the completion of a strategic sale or merger with a third party under both facilities. Pegaso is currently engaged in strategic discussions with a third party for a potential sale or merger, and we are actively working with Pegaso and the third party to complete a transaction or, alternatively, to assist Pegaso in raising additional funds. As the transaction did not close on the targeted date of October 31, 2001 and such additional financing is not certain, we ceased accruing interest on these loans effective at the beginning of the fourth fiscal quarter of 2001. The bridge facility is collateralized by a second lien on substantially all of Pegaso's assets. We also have a commitment to provide an additional \$96 million in long-term financing under an arrangement with Telefonaktiebolaget LM Ericsson (Ericsson), subject to Pegaso meeting certain conditions.

Pegaso is at an early stage of development and, if it remains independent, may not be able to compete successfully. Competitors in Mexico have greater financial resources and more established operations than Pegaso. As is normal for early stage wireless operators, Pegaso is experiencing significant losses from operations. Pegaso also has limited cash available to meet its operating and financing commitments and is therefore dependent on securing additional financing or completing a strategic arrangement with an existing carrier.

Vesper Holding S.A. and Vesper Sao Paulo S.A.

Vesper Holding S.A. and Vesper Sao Paulo S.A. (the Vesper Companies) were formed by a consortium of investors to provide wireless and wireline telephone services in the northern region and in the Sao Paulo state of Brazil. At September 30, 2001, our cumulative cash investment, including long-term financing, in the Vesper Companies and VeloCom Inc. (VeloCom), an investor in the Vesper Companies, totaled approximately \$418 million.

As a result of the reorganization of the Vesper Companies initiated during fiscal 2001, we reassessed the recoverability of our assets related to the Vesper Companies and VeloCom and recorded \$241 million in impairment charges. At September 30, 2001, we had approximately \$124 million in net assets remaining related to the Vesper Companies and VeloCom. The Vesper Companies are working to accomplish the terms of their restructuring with owners, vendors and creditors which is expected to be completed in the first quarter of our fiscal 2002. The proposed transaction is contingent on several factors, and there is a risk it will not close. If the transaction closes, we expect to acquire an additional interest in the Vesper Companies for \$266 million of equity commitments. We also expect to convert our Term Loan Agreement with VeloCom into an additional equity interest in VeloCom. After the close, we expect to hold a 49.9% interest in VeloCom, and direct and indirect interests in the Vesper Companies of 74% and 86%, respectively.

We believe the Vesper Companies represent a strategic opportunity with their extensive installed CDMA network in Brazil, including the key cities of Sao Paulo and Rio de Janeiro. The Vesper Companies' debt would be reduced in the proposed restructuring from approximately \$1.3 billion to less than \$200 million. Additionally, the term of the remaining debt would be extended through 2005, providing the Vesper Companies significant operational flexibility to support a growing business. If the proposed restructuring transaction closes, we intend to support the Vesper Companies while they, together with VeloCom, seek to partner with strategic investors and internationally recognized operators who have the ability to successfully enhance the Vesper Companies' business and ultimately assume majority control. We would also consider other strategic alternatives such as spinning off our investment in the Vesper Companies to our shareholders. We will consolidate the results of the Vesper Companies if the proposed transaction closes in fiscal 2002. The Vesper Companies expect to incur increasing operating losses and negative cash flows from operations as they

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expand operations and enter new markets, even if and after they achieve positive cash flows from operations in the initial operating markets. We may incur significant losses in the future related to our proposed ownership of the Vesper Companies, and we cannot assure you that the Vesper Companies will ever operate profitably. Additional risks and uncertainties specific to the Vesper Companies include risks associated with:

- the implementation of the Vesper Companies' restructuring plan;
- the upgrade of the existing network to 3G CDMA 1X, including risks related to the operations of new systems and technologies, substantial required expenditures and potential unanticipated costs, the adequacy of suppliers and consumer acceptance of the products and services to be offered;
- the ability to establish a significant market presence in new geographic and service markets;
- the ability to compete with more well-established competitors in Brazil that may offer less expensive products and services, desirable or innovative products or have extensive resources or better financing;
- the availability and cost of capital; and
- the ability to develop future business opportunities critical to the realization of growth potential.

Leap Wireless

Leap Wireless, a company we spun off in September 1998, is a publicly-traded wireless telecommunications operating company. Under the terms of the senior credit facility between us and Leap Wireless, we are committed to fund up to \$125 million until the earlier of settlement of the FCC's current auction of Personal Communication System (PCS) spectrum or Leap Wireless' withdrawal from the auction. We also hold 308,000 units of Leap Wireless' senior discount notes with detachable warrants and a warrant to purchase 3,375,000 shares of Leap Wireless. At September 30, 2001, the combined fair values of the senior discount notes with warrants and the warrant total \$135 million, and unrealized losses of \$71 million are recorded as a component of comprehensive loss in equity. The fair value is based on the market price of Leap Wireless. We own a large number of senior discount notes and warrants to acquire a large number of shares relative to the trading volumes of these senior discount notes and shares in the public market, and the market price may be higher than the prices we would realize if our shares were sold.

Leap Wireless may incur significant operating losses and generate significant negative cash flow from operating activities in the future while it continues to build out its networks and build its customer base. Leap Wireless requires significant additional capital to buildout and operate planned networks and for general working capital needs. Leap Wireless may not be able to raise additional capital on acceptable terms, or at all. We cannot assure you that Leap Wireless will generate profits in the short term or at all or that we will recover our assets.

We derive a significant portion of our revenue from a limited number of customers and licensees. The loss of any one of our major customers or licensees could reduce our revenues and may harm our ability to achieve or sustain acceptable levels of operating results.

In fiscal 2001, three customers accounted for 37% of consolidated revenues. The loss of any one of our QCT segment's significant customers or other customers or the delay, even if only temporary, or cancellation of significant orders from any of these customers would reduce our revenues in the period of the cancellation or deferral and could harm our ability to achieve or sustain acceptable levels of profitability. Accordingly, unless and until our QCT segment diversifies and expands its customer base, our future success will significantly depend upon the timing and size of future purchase orders, if any, from these customers. Factors that may impact the size and timing of orders from customers of our QCT segment include, among others, the following:

- the product requirements of these customers;
- the financial and operational success of these customers; and
- the success of these customers' products that incorporate our products.

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Our QTL segment derives royalty revenues from shipments by our licensees. We derive a significant portion of our royalty revenue from a limited number of licensees. Our future success depends upon the ability of our licensees to develop and introduce high volume products that achieve and sustain market acceptance. We cannot assure you that our licensees will be successful or that the demand for wireless communications devices and services offered by our licensees will continue to increase. Any reduction in the demand for wireless communications devices utilizing our CDMA technology could have a material adverse effect on our business.

We derive a significant portion of our revenues from sales outside the United States, and numerous factors related to international business activities subject us to risks that could reduce the demand for our licensees' products or our products, negatively affecting our operating results.

A significant part of our strategy involves our continued pursuit of growth opportunities in a number of international markets. We market, sell and service our products internationally. We have established sales offices around the world. We will continue to expand our international sales operations and enter new international markets. This expansion will require significant management attention and financial resources to successfully develop direct and indirect international sales and support channels, and we cannot assure you that we will be successful or that our expenditures in this effort will not exceed the amount of any resulting revenues. If we are not able to maintain or increase international market demand for our products, then we may not be able to maintain an acceptable rate of growth in our business.

Our revenues from international customers as a percentage of total revenues were 65% in fiscal 2001, 47% in fiscal 2000 and 38% in fiscal 1999. In many international markets, barriers to entry are created by long-standing relationships between our potential customers and their local providers and protective regulations, including local content and service requirements. In addition, our pursuit of international growth opportunities may require significant investments for an extended period before we realize returns, if any, on our investments. Our business could be adversely affected by a variety of uncontrollable and changing factors, including:

- unexpected changes in legal or regulatory requirements;
- difficulty in protecting our intellectual property rights in a particular foreign jurisdiction;
- our inability to successfully enter a significant foreign market, such as China or India;
- cultural differences in the conduct of business;
- difficulty in attracting qualified personnel and managing foreign activities;
- recessions in economies outside the United States;
- longer payment cycles for and greater difficulties collecting accounts receivable;
- export controls, tariffs and other trade protection measures;
- fluctuations in currency exchange rates;
- nationalization, expropriation and limitations on repatriation of cash;
- social, economic and political instability;
- natural disasters, acts of terrorism and war;
- taxation; and
- changes in United States laws and policies affecting trade, foreign investment and loans.

In addition to general risks associated with our international sales, licensing activities and operations, we are also subject to risks specific to the individual countries in which we do business. During fiscal 2001, 35% and 22% of our revenue was from customers and licensees based in South Korea and Japan, respectively. A significant downturn in the economies of Asian countries where many of our customers and licensees are

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located, particularly the economies of South Korea and Japan, would materially harm our business. We also are subject to risks in certain markets in which our customers and licensees grant subsidies on handsets to their subscribers. For example, in the past the South Korean government limited the ability of handset manufacturers to provide subsidies on handsets to their subscribers, and this, in turn, reduced our revenues from those sources. Further limitations on the ability of handset manufacturers to sell their products in South Korea, Japan or in other countries may have additional negative impacts on our revenues.

Foreign currency fluctuations could negatively affect future product sales or royalty revenue and harm our ability to collect receivables.

We are exposed to risk from fluctuations in foreign currencies that could impact our operating results, liquidity and financial condition. As a global concern, we face exposure to adverse movements in foreign currency exchange rates:

- Financial instruments held by our consolidated subsidiaries and other companies in which we invest that are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations, which may affect our reported earnings. Our exposure to emerging market currencies may increase as we expand into those markets.
- Declines in currency values in selected regions may adversely affect our operating results because our products and those of our customers and licensees may become more expensive to purchase in the countries of the affected currencies. Our trade receivables are generally United States dollar denominated. Accordingly, any significant change in the value of the dollar against our customers' or licensees' functional currencies could result in an increase in our customers' or licensees' cash flow requirements and could consequently affect our ability to collect receivables.
- Foreign CDMA carriers to whom we have provided financing may be unable to pay their debts to us from revenues generated by their projects that are denominated in local currencies.
- Average selling prices for our customers' products may be denominated in local currencies, and declines in local currency values may adversely affect future royalty revenue.

We may engage in strategic transactions that could result in significant charges or management disruption and fail to enhance stockholder value.

From time to time, we consider strategic transactions and alternatives with the goal of maximizing stockholder value. In February 2000, we completed the sale of our terrestrial wireless consumer products business to Kyocera Wireless. In May 1999, we completed the sale of our terrestrial wireless infrastructure business to Ericsson. In September 1998, we completed the spin-off of Leap Wireless. Additionally, in the past we have acquired businesses, entered into joint ventures and made strategic investments in early stage companies and venture funds or incubators to support the adoption of CDMA and use of the wireless Internet. Most of our strategic investments entail a high degree of risk and will not become liquid until more than one year from the date of investment, if at all.

We will continue to evaluate potential strategic transactions and alternatives that we believe may enhance stockholder value. These potential future transactions may include a variety of different business arrangements, including acquisitions, spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments. Although our goal is to maximize stockholder value, such transactions may impair stockholder value or otherwise adversely affect our business and the trading price of our stock. Any such transaction may require us to incur non-recurring or other charges and may pose significant integration challenges and/or management and business disruptions, any of which could harm our operating results and business prospects.

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The fair values of our strategic investments are subject to substantial quarterly and annual fluctuations and to market downturns. Downward fluctuations and market trends could adversely affect our operating results.

We maintain strategic holdings of various issuers and types. These securities include available-for-sale equity securities and derivative instruments that are recorded on the balance sheet at fair value. We strategically invest in companies in the high-technology industry and typically do not attempt to reduce or eliminate our market exposure. Available-for-sale equity securities and derivative instruments recorded at fair value under FAS 115 and FAS 133, respectively, subject us to equity price risk. The fair market values of these equity securities and derivative instruments are subject to significant price volatility and, in general, suffered a significant decrease in market value during fiscal 2001. In addition, the realizable value of these securities and derivative instruments is subject to market and other conditions. Our investments in specific companies and industry segments may vary over time, and changes in concentrations may affect price volatility. We also invest in privately-held companies, including early stage companies, venture funds or incubators. These investments are recorded at cost, but the recorded values may become impaired due to changes in the companies' condition or prospects. Our strategic investments are inherently risky as the market for the technologies or products the investees have under development may never materialize. As a result, we could lose all or a portion of our investments in these companies, which could negatively affect our financial position and operating results.

In addition to our investments in the Vesper Companies and Leap Wireless, we have a strategic investment in KTFreeTel, a wireless carrier in Korea. In fiscal 2000, we purchased 2,565,000 common shares of KTFreeTel, representing a 1.9% interest, for \$110 million and an \$86 million zero coupon bond with warrants to purchase approximately 1,851,000 additional shares. If KTFreeTel meets certain obligations related to the commercial deployment of 1xEV-DO technology, we will be required to exercise the warrants. The exercise price of the warrants is expected to be paid by tendering the bond as payment in full. The combined fair value of the common shares and bond with warrants is \$95 million at September 30, 2001, and we have recorded \$68 million in unrealized losses as a component of comprehensive loss in equity. The fair value is based on the market price of KTFreeTel. We own and hold warrants to acquire a large number of shares relative to the trading volumes of these shares in the public market, and the market price may be higher than the price we would realize if our shares were sold. Although management believes that KTFreeTel will be successful and that the KTFreeTel stock price will recover, there is no assurance that KTFreeTel will continue to operate profitably or that we will recover our remaining assets.

We depend upon a limited number of third-party manufacturers to produce and test our products. Any disruptions in the operations of, or the loss of, any of these third parties could harm our ability to meet our delivery obligations to our customers and increase our cost of sales.

CDMA Technologies Segment (QCT)

We subcontract all of our manufacturing and assembly, and most of the testing, of our integrated circuits. We depend upon a limited number of third parties to perform these functions, some of which are only available from single sources with which we do not have long-term contracts. During fiscal 2001, IBM, Motorola, Taiwan Semiconductor Manufacturing Co. and Texas Instruments were the primary manufacturers of our family of integrated circuits. Our reliance on a sole-source vendor primarily occurs during the start-up phase of a new product.

Once a new product reaches a significant volume level, we then establish alternative suppliers for technologies that we consider critical. Our reliance on sole or limited-source vendors involves risks. These risks include possible shortages of capacity, product performance shortfalls, and reduced controls over delivery schedules, manufacturing capability, quality assurance, quantity and costs. We have no firm long-term commitments from our manufacturers to supply products to us for any specific period, or in any specific quantity, except as may be provided in a particular purchase order. As a result, these manufacturers may allocate, and in the past have allocated, capacity to the production of other products while reducing deliveries to us on short notice.

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Our operations also may be harmed by lengthy or recurring disruptions at any of the facilities of our manufacturers. These disruptions may include labor strikes, work stoppages, terrorism, war, fire, earthquake, flooding or other natural disasters. These disruptions could cause significant delays in shipments until we are able to shift the products from an affected manufacturer to another manufacturer. The loss of a significant third-party manufacturer or the inability of a third-party manufacturer to meet performance and quality specifications or delivery schedules could harm our ability to meet our delivery obligations to our customers.

In addition, one or more of our manufacturers may obtain licenses from us to manufacture CDMA integrated circuits that compete with our products. In this event, the manufacturer could elect to allocate scarce components and manufacturing capacity to their own products and reduce deliveries to us. In the event of a loss of, or a decision to change, a key third-party manufacturer, qualifying a new manufacturer and commencing volume production or testing could involve delay and expense, resulting in lost revenues, reduced operating margins and possible loss of customers.

Wireless Systems Segment (QWS)

Several of the critical products and services used in our existing and proposed products are currently available only from third-party single or limited sources. These include items such as electronic and radio frequency components, and other sophisticated parts and subassemblies which are used in the OmniTRACS, TruckMAIL, OmniExpress, LINQ, and Globalstar Systems. These third parties include companies such as M/ A Com, Rakon, Mini Circuits, Cambridge, Andrews, ADI, Deutsch, PCI, Key Tronic, Seavey, Symbol, Talon, Thomson Airpax and Eagle Picher. Our reliance and the reliance of our licensees on sole or limited source vendors involve risks. These risks include possible shortages of certain key components, product performance shortfalls, and reduced control over delivery schedules, manufacturing capability, quality and costs. In the event of a long term supply interruption, alternate sources could be developed in a majority of the cases. The inability to obtain adequate quantities of significant compliant materials on a timely basis could have a material adverse effect on our business, operating results, liquidity and financial position.

A reduction or interruption in component supply or a significant increase in component prices could have a material adverse effect on our business or profitability.

Our ability to meet customer demands depends, in part, on our ability to obtain timely and adequate delivery of parts and components from our suppliers and internal manufacturing capacity. We have experienced component shortages in the past, including components for our integrated circuit products, that have adversely affected our operations. Although we work closely with our suppliers to avoid these types of shortages, we may continue to encounter these problems in the future. A reduction or interruption in component supply or a significant increase in the price of one or more components could have a material adverse effect on our business.

Defects or errors in our products could harm our relations with our customers and expose us to liability. Similar problems related to the products of our customers or licensees would harm our business.

Our software and integrated circuit products are inherently complex and may contain defects and errors that are detected only when the products are in use. Further, because our products perform critical functions in our customers' products and networks, such defects or errors could have a serious impact on our customers which could damage our reputation, harm our customer relationships and expose us to liability. Defects or impurities in our components, materials or software or those used by our customers or licensees, equipment failures or other difficulties could adversely affect our ability and that of our customers and licensees to ship products on a timely basis as well as our customers' or licensees' demand for our products. Any such shipment delays or declines in demand could reduce our revenues and harm our ability to achieve or sustain acceptable levels of profitability. We and our customers or licensees also may experience component or software failures or defects which could require significant product recalls, reworks and/or repairs which are not covered by warranty reserves and which could consume a substantial portion of the capacity of our third-party manufacturers or those of our customers or licensees.

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Our operating results are subject to substantial quarterly and annual fluctuations and to market downturns.

Our revenues, earnings and other operating results have fluctuated significantly in the past and may fluctuate significantly in the future. General economic or other conditions causing a downturn in the market for our products or technology, affecting the timing of customer orders or causing cancellations or rescheduling of orders could also adversely affect our operating results. Moreover, our customers may change delivery schedules or cancel or reduce orders without incurring significant penalties and generally are not subject to minimum purchase requirements.

Our future operating results will be affected by many factors, including the following:

- the rate of CDMA technology deployment;
- delays in the adoption of 3G CDMA standards;
- changes in the growth rate of the wireless communications industry;
- consolidation in the wireless communications industry;
- strategic transactions, such as acquisitions, divestitures and investments, including investments in new ventures and CDMA carriers;
- the collectibility of our trade and finance receivables;
- the fair values of our strategic equity and derivative investments;
- our ability to realize the fair values of our investments in thinly-traded public and private markets;
- our ability to retain existing or secure anticipated customers, licensees or orders, both domestically and internationally;
- the availability and cost of products and services from our third-party suppliers;
- our ability to develop, introduce and market new technology, products and services on a timely basis;
- foreign currency fluctuations, inflation and deflation;
- decreases in average selling prices for our products and our customers' products that use our technology;
- decreases in demand for our products and our customers' products that use our technology;
- intellectual property disputes and litigation;
- government regulations;
- product defects;
- management of inventory in response to shifts in market demand;
- energy blackouts and system failures;
- changes in the mix of technology and products developed, licensed, produced and sold; and
- seasonal customer demand.

The foregoing factors are difficult to forecast and these, as well as other factors, could harm our quarterly or annual operating results. If our operating results fail to meet the expectations of investment analysts or investors in any period, the market price of our common stock may decline.

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Our industry is subject to intense competition that could result in declining average selling prices for our licensees' products and our products, negatively affecting our revenues and operating results.

We currently face significant competition in our markets and expect that intense competition will continue. Competition in the telecommunications market is based on varying combinations including:

- comprehensiveness of product and technology solutions;
- manufacturing capability,
- scalability and the ability of the system solution to meet customers' immediate and future network requirements;
- product performance and quality;
- design and engineering capabilities;
- compliance with industry standards;
- time to market;
- system cost; and
- customer support.

This competition has resulted and is expected to continue to result in declining average royalties for our licensed intellectual property and reduced average selling prices for our products and those of our customers and licensees. We anticipate that additional competitors will enter our markets as a result of growth opportunities in wireless telecommunications, the trend toward global expansion by foreign and domestic competitors, technological and public policy changes and relatively low barriers to entry in selected segments of the industry.

Our competitors include companies that promote non-CDMA technologies and companies that design competing CDMA integrated circuits, such as Nokia, Motorola, Philips, Ericsson, Texas Instruments, Intel, LSI Logic, Nortel, Samsung, Matsushita and Siemens, all of who are our licensees with the exception of Intel. With respect to our OmniTRACS, TruckMAIL, OmniExpress, and LINQ products and services, our existing competitors are aggressively pricing their products and services and could continue to do so in the future. In addition, these competitors are offering new value-added products and services similar in many cases to those we have developed or are developing. Emergence of new competitors, particularly those offering low cost terrestrial-based products and current as well as future satellite-based systems, may impact margins and intensify competition in new markets.

Many of these current and potential competitors have advantages over us, including:

- existing royalty-free cross-licenses to competing and emerging technologies;
- longer operating histories and presence in key markets;
- greater name recognition;
- access to larger customer bases; and
- greater financial, sales and marketing, manufacturing, distribution, technical and other resources than we have.

As a result of these factors, these competitors may be more successful than us. In addition, we anticipate additional competitors will enter the market for products based on 3G standards. These competitors may have more established relationships and distribution channels in markets not currently deploying wireless communications technology. These competitors also have established or may establish financial or strategic relationships among themselves or with our existing or potential customers, resellers or other third parties. These relationships may affect customers' decisions to purchase products or license technology from us. Accordingly,

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new competitors or alliances among competitors could emerge and rapidly acquire significant market share to our detriment.

Our stock price is volatile.

The stock market in general, and the stock prices of technology-based companies in particular, have experienced extreme volatility that often has been unrelated to the operating performance of any specific public companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future as well. Factors that may have a significant impact on the market price of our stock include:

- announcements concerning us or our competitors, including the selection of wireless communications technology by cellular, PCS and Wireless Local Loop service providers and the timing of the roll-out of those systems;
- receipt of substantial orders for integrated circuits and system software products;
- quality deficiencies in services or products;
- announcements regarding financial developments or technological innovations;
- international developments, such as technology mandates, political developments or changes in economic policies;
- new commercial products;
- changes in recommendations of securities analysts;
- government regulations;
- acts of terrorism and war;
- proprietary rights or product or patent litigation; or
- strategic transactions, such as acquisitions and divestitures.

Our future earnings and stock price may be subject to significant volatility, particularly on a quarterly basis. Shortfalls in our revenues or earnings in any given period relative to the levels expected by securities analysts could immediately, significantly and adversely affect the trading price of our common stock.

Our industry is subject to rapid technological change that we must keep pace with to successfully compete.

New technological innovations generally require a substantial investment before they are commercially viable. We may make substantial, non-recoverable investments in new technologies that do not result in meaningful revenues.

The market for our products and technology is characterized by many factors, including:

- rapid technological advances and evolving industry standards;
- changes in customer requirements;
- frequent introductions of new products and enhancements; and
- evolving methods of building and operating telecommunications systems.

We are currently making significant investments in developing and introducing new products, such as:

- integrated circuit product to support high-speed wireless Internet access and multimode, multi-band, multi-network products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/ GPRS, WCDMA and position location technologies; and
- Binary Runtime Environment for Wireless (BREW), a thin applications execution platform that provides applications developers with an open standard platform for wireless devices on which to develop their products.

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Our future success will depend on our ability to continue to develop and introduce new products, technology and enhancements on a timely basis. Our future success will also depend on our ability to keep pace with technological developments, protect our intellectual property, satisfy varying customer requirements, price our products competitively and achieve market acceptance. The introduction of products embodying new technologies and the emergence of new industry standards could render our existing products and technology, and products and technology currently under development, obsolete and unmarketable. If we fail to anticipate or respond adequately to technological developments or customer requirements, or experience any significant delays in development, introduction or shipment of our products and technology in commercial quantities, our competitive position could be damaged.

Consolidations in the wireless communications industry could adversely affect our business.

The wireless communications industry has experienced consolidation of participants, and this trend may continue. If wireless carriers consolidate with companies that utilize technologies that compete with CDMA, then CDMA may lose market share unless the surviving entity continues to deploy CDMA. This consolidation could also result in delays in purchasing decisions by the merged companies, negatively affecting our revenues and operating results.

The enforcement and protection of our intellectual property rights may be expensive and could divert our valuable resources.

We rely primarily on patent, copyright, trademark and trade secret laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our proprietary information, technologies and processes, including our patent portfolio. Policing unauthorized use of our products and technologies is difficult. We cannot be certain that the steps we have taken will prevent the misappropriation or unauthorized use of our proprietary information and technologies, particularly in foreign countries where the laws may not protect our proprietary rights as fully as United States laws.

The vast majority of our patents and patent applications relate to our CDMA digital wireless communications technology and much of the remainder of our patents and patent applications relate to our gpsOne, BREW, OmniTRACS, Digital Cinema, Globalstar and Eudora products. Litigation may be required to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. As a result of any such litigation, we could lose our proprietary rights or incur substantial unexpected operating costs. Any action we take to protect our intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results. In addition, failure to protect our trademark rights could impair our brand identity.

Claims by third parties that we infringe their intellectual property or that patents on which we rely are invalid could adversely affect our business.

From time to time, companies may assert patent, copyright and other intellectual proprietary rights to our technologies or technologies used in our industry. These claims may result in our involvement in litigation. We may not prevail in such litigation given the complex technical issues and inherent uncertainties in intellectual property litigation. If any products incorporating our technology were found to infringe on protected technology, we could be required to redesign or license such technology and/or pay damages or other compensation to the infringed party. If we were unable to license protected technology used in our products, we could be prohibited from making and selling such products.

In addition, as the number of competitors in our market increases and the functionality of products incorporating our technology is enhanced and overlaps with the products of other companies, we may become subject to claims of infringement or misappropriation of the intellectual property rights of others. Any claims, with or without merit, could be time consuming, result in costly litigation, divert the efforts of our technical and management personnel or cause product shipment delays, any of which could have a material adverse effect upon our operating results. In any potential dispute involving our patents or other intellectual property, our licensees could also become the targets of litigation. This could trigger obligations on us that could result

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in substantial expenses. In addition to the time and expense required for us to comply with our obligations to our licensees, any such litigation could severely disrupt the business of our licensees, which in turn could hurt our relations with our licensees and cause our revenues to decrease.

A number of third parties have claimed to own patents essential to various proposed 3G CDMA standards. If we are required to obtain additional licenses and/or pay royalties to one or more patent holders, this could have a material adverse effect on the commercial implementation of our CDMA products and technologies and our profitability.

Third parties also may commence actions seeking to establish the invalidity of our patents. In the event that a third-party challenges a patent, a court may invalidate the patent or determine that the patent is not enforceable, which would harm our competitive position. If any of our key patents are invalidated, or if the scope of the claims in any of these patents is limited by court decision, we could be prevented from licensing the invalidated or limited portion of our technology and our licensees may be prevented from manufacturing and selling the products that incorporate such technology without obtaining a license to use a third-party's technology. Even if a third-party challenge is not successful, it could be expensive and time consuming, divert management attention from our business and harm our reputation.

The high amount of capital required to obtain radio frequencies licenses could slow the growth of the wireless communications industry and adversely affect our business.

Our growth is dependent upon the increased use of wireless communications services that utilize our CDMA technology. In order to provide wireless communications services, carriers must obtain rights to use specific radio frequencies. The allocation of frequencies is regulated in the United States and other countries throughout the world and limited spectrum space is allocated to wireless communications services. Industry growth may be affected by the amount of capital required to obtain licenses to use new frequencies. Typically, governments sell these licenses at auctions. Over the last several years, the amount paid for these licenses has increased significantly, particularly for frequencies used in connection with 3G technology. The significant cost of licenses may slow the growth of the industry if service providers are unable to obtain or service the additional capital necessary to implement infrastructure to support 3G technology. Our growth could be adversely affected if this occurs.

Our business and operating results may be harmed by inflation and deflation.

Inflation has had and may continue to have adverse effects on the economies and securities markets of certain countries and could have adverse effects on our customers, licensees and the projects of CDMA carriers in those countries, including their ability to obtain financing and repay debts. Brazil and Mexico, for example, have periodically experienced relatively high rates of inflation and currency devaluation. Significant inflation or deflation could have a material adverse effect on our business, operating results, liquidity and financial position.

If we experience product liability claims or recalls, we may incur significant expenses and experience decreased demand for our products.

Testing, manufacturing, marketing and use of our products and those of our licensees and customers entails the risk of product liability. Although we believe our product liability insurance will be adequate to protect against product liability claims, we cannot assure you that we will be able to continue to maintain such insurance at a reasonable cost or in sufficient amounts to protect us against losses due to product liability. Our inability to maintain insurance at an acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products and those of our licensees and customers and harm our future operating results. In addition, a product liability claim or recall could harm our reputation and result in decreased demand for our products.

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Our business depends on the availability of satellite and other networks for our OmniTRACS, TruckMAIL, OmniExpress, LINQ and OmniOne systems and other communications products.

Our OmniTRACS and TruckMAIL systems currently operate in the United States market on leased Ku-band satellite transponders. Our data satellite transponder and position reporting satellite transponder lease runs through October 2006. Based on system capacity analysis, we believe that the United States OmniTRACS and TruckMAIL operations will not require additional transponder capacity in 2002. We believe that in the event additional transponder capacity would be required in fiscal 2002 or in future years, additional capacity will be available on acceptable terms. However, we cannot assure you that we will be able to acquire additional transponder capacity on acceptable terms in a timely manner. A failure to maintain adequate satellite capacity would harm our business, operating results, liquidity and financial position.

Our OmniExpress, LINQ and OmniOne systems are terrestrial-based products and thus rely on various wireless terrestrial communications networks operated by third parties. We believe these terrestrial networks will be available for our products; however, we cannot assure you that these networks will continue to be available to us or that they will perform adequately for our needs. The unavailability or nonperformance of these network systems could harm our business.

Energy blackouts could cause disruption to a portion of our operations and could have a material adverse affect on our operating results.

Our corporate headquarters, research and development and some manufacturing facilities are located in the state of California, which has experienced temporary localized electricity outages, or rolling blackouts, intermittently over the past nine months which may continue or worsen into blackouts of longer duration in the future. These blackouts could cause disruptions to a portion of our operations and to the operations of our suppliers, distributors and resellers, and customers, which could have a material adverse effect on our operating results.

Our business and operations would suffer in the event of system failures.

Despite the implementation of security measures and the existence of a Disaster Recovery Plan for our internal information technology networking systems, our systems are vulnerable to damages from computer viruses, unauthorized access, natural disasters, terrorism, war, and telecommunication failures. Any system failure, accident or security breach that causes interruptions in our operations could result in a material disruption to our business. To the extent that any disruption or security breach results in a loss or damage to our customers' data or applications, or inappropriate disclosure of confidential information, we may incur liability as a result. In addition, we may incur additional costs to remedy the damages caused by these disruptions or security breaches.

Message transmissions for domestic OmniTRACS, TruckMAIL, OmniExpress, and OmniOne operations are formatted and processed at the Network Management Center in San Diego, California, which we operate, with a fully-redundant backup Network Management Center located in Las Vegas, Nevada. Our Network Management Center operations are subject to system failures which could interrupt the services and have a material adverse effect on our operating results.

We may need additional capital in the future, and such additional financing may not be available.

The design, development and commercialization of digital wireless communications technology and products is highly capital intensive. For example, we must have the ability to fund significant capital for our internal research and development efforts. In addition, terrestrial and satellite wireless system carriers increasingly have required long-term financing or equity. In particular, we have substantial debt and equity funding commitments to various CDMA carriers and strategic investees. In order to meet our financing needs, we may be required to raise additional funds from a combination of sources including potential debt or equity issuances. We cannot assure you that additional financing will be available on reasonable terms or at all.

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Government regulation may adversely affect our business.

Our products and those of our customers and licensees are subject to various Federal Communications Commission regulations in the United States and other international regulations. These regulations require that these products meet certain radio frequency emission standards, not cause unallowable interference to other services, and in some cases accept interference from other services. We are also subject to government regulations and requirements of local standards bodies outside the United States, where we are less prominent than local competitors and have less opportunity to participate in the establishment of regulatory and standards policies. We are also subject to state and federal health, safety and environmental regulations, as well as regulations related to the handling of and access to classified information. Changes in the regulation of our activities, including changes in the allocation of available spectrum by the United States government and other governments, or exclusion of our technology by a standards body, could have a material adverse effect on our business, operating results, liquidity and financial position.

If wireless handsets pose health and safety risks, we may be subject to new regulations, and demand for our products and those of our licensees and customers may decrease.

Media reports have suggested that radio frequency emissions from wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Concerns over radio frequency emissions may have the effect of discouraging the use of wireless handsets, which would decrease demand for our products and those of our licensees and customers. In recent years, the FCC and foreign regulatory agencies have updated the guidelines and methods they use for evaluating radio frequency emissions from radio equipment, including wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless communications technologies pose health concerns and cause interference with airbags, hearing aids and medical devices. There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that may be adopted in response to these risks could reduce demand for our products and those of our licensees and customers in the United States as well as foreign countries.

Our business and operating results will be harmed if we are unable to manage growth in our business.

Since 1996, our businesses have experienced periods of rapid growth that have placed, and are expected to continue to place, significant demands on our managerial, operational and financial resources. In order to manage this growth, we must continue to improve and expand our management, operational and financial systems and controls, including quality control and delivery and service capabilities. We also need to continue to expand, train and manage our employee base. We must carefully manage research and development capabilities and production and inventory levels to meet product demand, new product introductions and product and technology transitions. We cannot assure you that we will be able to timely and effectively meet that demand and maintain the quality standards required by our existing and potential customers and licensees.

In addition, inaccuracies in our demand forecasts could quickly result in either insufficient or excessive inventories and disproportionate overhead expenses. If we ineffectively manage our growth or are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

We may not be able to attract and retain qualified personnel necessary for the design, development and commercialization of our products and technology.

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel. Our success also depends on our ability to continue to attract, retain and motivate qualified personnel. Our key technical personnel represent a significant asset, as the source of our technological and product innovations upon which our revenues are highly dependent. The competition for these personnel is intense in the wireless communications industry.

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We may have particular difficulty attracting and retaining key personnel in periods of poor operating performance given the significant use of incentive compensation by our competitors. We do not have employment agreements with our key management personnel and do not maintain key person life insurance on any of our personnel. The loss of one or more of our key employees or our inability to attract, retain and motivate qualified personnel could negatively impact our ability to design, develop and commercialize our products and technology.

Future changes in financial accounting standards may cause adverse unexpected revenue fluctuations and affect our reported results of operations.

A change in accounting policies can have a significant effect on our reported results and may even affect our reporting of transactions completed before a change is announced. New pronouncements and varying interpretations of pronouncements have occurred with frequency and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Our stockholder rights plan, certificate of incorporation and Delaware law could adversely affect the performance of our stock.

Our certificate of incorporation provides for cumulative voting in the election of directors. In addition, our certificate of incorporation provides for a classified board of directors and includes a provision that requires the approval of holders of at least 66 2/3% of our voting stock as a condition to a merger or certain other business transactions with, or proposed by, a holder of 15% or more of our voting stock. This approval is not required in cases where certain of our directors approve the transaction or where certain minimum price criteria and other procedural requirements are met. Our certificate of incorporation also requires the approval of holders of at least 66 2/3% of our voting stock to amend or change the provisions mentioned relating to the classified board, cumulative voting or the transaction approval. Under our bylaws, stockholders are not permitted to call special meetings of our stockholders. Finally, our certificate of incorporation provides that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting rather than by any consent in writing.

The classified board, transaction approval, special meeting and other charter provisions may discourage certain types of transactions involving an actual or potential change in our control. These provisions may also discourage certain types of transactions in which our stockholders might otherwise receive a premium for their shares over then current market prices and may limit our stockholders' ability to approve transactions that they may deem to be in their best interests.

Further, we have distributed a dividend of one right for each outstanding share of our common stock pursuant to the terms of our preferred share purchase rights plan. These rights will cause substantial dilution to the ownership of a person or group that attempts to acquire us on terms not approved by our board of directors and may have the effect of deterring hostile takeover attempts. In addition, our board of directors has the authority to fix the rights and preferences of and issue shares of preferred stock. This right may have the effect of delaying or preventing a change in our control without action by our stockholders.

We are at risk of securities class action litigation that could result in substantial costs and divert management's attention and resources.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Due to the volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources.

ITEM 2. PROPERTIES

At September 30, 2001, we occupied the indicated square footage in the owned or leased facilities described below (in thousands):

Number of Buildings	Location	Status	Total Square Footage	Primary Use
11	United States	Owned	1,278	Executive and administrative offices, manufacturing, research and development, sales and marketing, service functions, and network management hub.
34	United States	Leased	756	Administrative offices, research and development, sales and marketing, service functions, and network management hub.
1	Japan	Leased	12	Administrative offices and sales and marketing.
1	Israel	Leased	45	Administrative offices and research and development.
1	Netherlands	Leased	20	Administrative offices, research and development and sales and marketing.
2	England	Leased	13	Administrative offices, sales and marketing and research and development.
3	China	Leased	55	Administrative offices, sales and marketing and research and development.
12	Other International	Leased	35	Administrative offices and sales and marketing.
Total square footage			2,214	

In addition to the facilities above, we also own or lease an additional 1,383,800 square feet of properties that are leased or subleased to third parties.

Our leases expire at varying dates through 2008 not including renewals that would be at our option. Between December 2001 and March 2002, we will begin leasing four additional buildings in the United States totaling 215,212 square feet. With this additional space, we believe that our facilities will be suitable and adequate for the present purposes, and that the productive capacity in such facilities is substantially being utilized. In the future, we may need to purchase, build or lease additional facilities to meet the requirements projected in our long-term business plan.

ITEM 3. LEGAL PROCEEDINGS

Schwartz, et al v. QUALCOMM: On December 14, 2000, 77 former employees filed a lawsuit against us in the District Court for Boulder County, Colorado, alleging claims for intentional misrepresentation, nondisclosure and concealment, violation of C.R.S. Section 8-2-104 (obtaining workers by misrepresentation), breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, negligent misrepresentation, unjust enrichment, violation of California Labor Code Section 970, violation of California Civil Code Sections 1709-1710, rescission, violation of California Business & Professions Code Section 17200 and violation of California Civil Code Section 1575. Since then, four other individuals have joined the suit as plaintiffs. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action.

GTE Wireless Incorporated (GTE) v. QUALCOMM: On June 29, 1999, GTE filed an action in the United States District Court for the Eastern District of Virginia asserting that wireless telephones sold by us infringe a single patent allegedly owned by GTE. On September 15, 1999, the court granted us motion to transfer the action to the United States District Court for the Southern District of California. Trial has been set for June 3, 2002. Although there can be no assurance that an unfavorable outcome of the dispute would not

have a material adverse effect on our operating results, liquidity or financial position, we believe the action is without merit and will vigorously defend the action.

Durante, et al v. QUALCOMM: On February 2, 2000, four former employees file a putative class action against us, ostensibly on behalf of themselves and those former employees of us whose employment was terminated in April 1999. Virtually all of the purported class of plaintiffs received severance packages at the time of the termination of their employment, in exchange for a release of claims, other than federal age discrimination claims, against us. The complaint was filed in California Superior Court in and for the County of Los Angeles and purports to state ten causes of action including breach of contract, age discrimination, violation of Labor Code Section 200, violation of Labor Code Section 970, unfair business practices, intentional infliction of emotional distress, unjust enrichment, breach of the covenant of good faith and fair dealing, declaratory relief and undue influence. The complaint seeks an order accelerating all unvested stock options for the members of the class. On June 27, 2000, the case was ordered transferred from Los Angeles County Superior Court to San Diego County Superior Court. On July 3, 2000, we removed the case to the United States District Court for the Southern District of California, and discovery has commenced. On May 29, 2001, the Court dismissed all plaintiffs' claims except for claims arising under the federal Age Discrimination in Employment Act. On July 16, 2001, the Court granted conditional class certification on the remaining claims, to be revisited by the court at the end of the discovery period. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action.

Zoltar Satellite Alarm Systems, Inc. v. QUALCOMM and SnapTrack: On March 30, 2001, Zoltar Satellite Alarm Systems, Inc. filed suit against us and SnapTrack, our wholly owned subsidiary, alleging infringement of three patents. On August 27, 2001, Zoltar filed an amended complaint adding Sprint Corp. as a named defendant and narrowing certain infringement claims against us and SnapTrack. Since then, Zoltar has stated its intention to dismiss Sprint Corp. as a defendant. We and SnapTrack have filed responsive pleadings and discovery has commenced. Although there can be no assurance that an unfavorable outcome of this dispute would not have a material adverse effect on our operating results, liquidity or financial position, we believe the claims are without merit and will vigorously defend the action.

We are engaged in other legal actions arising in the ordinary course of our business and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended September 30, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information. Our Common Stock is traded on the Nasdaq National Market under the symbol "QCOM." The following table sets forth the range of high and low sales prices on the National Market of the Common Stock for the periods indicated, as reported by Nasdaq. Such quotations represent inter-dealer prices without retail markup, markdown or commission and may not necessarily represent actual transactions.

	High (\$)	Low (\$)
Fiscal 2000		
First Quarter	130.53	45.33
Second Quarter	200.00	105.63
Third Quarter	162.56	59.98
Fourth Quarter	78.75	51.50
Fiscal 2001		
First Quarter	107.81	61.00
Second Quarter	89.38	47.25
Third Quarter	71.04	42.75
Fourth Quarter	68.87	42.60

As of November 2, 2001, there were 9,518 holders of record of the Common Stock. On November 2, 2001, the last sale price reported on the Nasdaq National Market for the Common Stock was \$53.52 per share. We have never paid cash dividends on our Common Stock and have no present intention to do so.

On November 2, 1999, our Board of Directors declared a four-for-one stock split of our common stock and an increase in the number of authorized shares of common stock to three billion shares. The stock was distributed on December 30, 1999 to stockholders of record on December 20, 1999.

All references to per share amounts have been restated to reflect this stock split.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following balance sheet data and statements of operations for the five years ended September 30, 2001 were derived from our audited consolidated financial statements. Consolidated balance sheets at September 30, 2001 and 2000 and the related consolidated statements of operations and of cash flows for each of the three years in the period ended September 30, 2001 and notes thereto appear elsewhere herein. The data should be read in conjunction with the annual consolidated financial statements, related notes and other financial information appearing elsewhere herein.

	Years Ended September 30(1)				
	2001	2000	1999	1998	1997
(in thousands except per share data)					
Statement of Operations Data:					
Revenues	\$2,679,786	\$3,196,780	\$3,937,299	\$3,347,870	\$2,096,365
Operating income	6,930	722,638	405,140	242,665	97,457
(Loss) income before accounting change	(530,806)	670,211	200,879	108,532	91,934
Accounting changes, net of tax	(17,937)	—	—	—	—
Net (loss) income	\$ (548,743)	\$ 670,211	\$ 200,879	\$ 108,532	\$ 91,934
Basic net (loss) earnings per common share(2):					
(Loss) income before accounting change	\$ (0.71)	\$ 0.93	\$ 0.34	\$ 0.20	\$ 0.17
Accounting change, net of tax	(0.02)	—	—	—	—
Net (loss) income	\$ (0.73)	\$ 0.93	\$ 0.34	\$ 0.20	\$ 0.17
Diluted net (loss) earnings per common share(2)(3):					
(Loss) income before accounting change	\$ (0.71)	\$ 0.85	\$ 0.31	\$ 0.18	\$ 0.16
Accounting change, net of tax	(0.02)	—	—	—	—
Net (loss) income	\$ (0.73)	\$ 0.85	\$ 0.31	\$ 0.18	\$ 0.16
Shares used in per share calculations(2)(3):					
Basic	755,969	717,205	594,714	553,623	538,681
Diluted	755,969	800,121	649,889	591,697	575,097
Pro forma effect of change in accounting principle(4):					
Net income		\$ 643,181	\$ 209,062	\$ 110,586	\$ 79,879
Net earnings per common share — basic		\$ 0.90	\$ 0.35	\$ 0.20	\$ 0.15
Net earnings per common share — diluted		\$ 0.81	\$ 0.32	\$ 0.19	\$ 0.14
Balance Sheet Data:					
Cash, cash equivalents and marketable securities	\$2,580,512	\$2,520,914	\$1,684,926	\$ 303,324	\$ 808,858
Total assets	5,747,133	6,062,982	4,534,950	2,566,713	2,274,680
Company-obligated mandatorily redeemable Trust Convertible Preferred Securities of a subsidiary trust holding solely debt securities of the Company	—	—	659,555	660,000	660,000
Total stockholders' equity	4,889,815	5,516,328	2,871,755	957,596	1,024,178

- (1) Our fiscal year ends on the last Sunday in September. As a result, fiscal 2001 includes 53 weeks.
- (2) We effected a two-for-one stock split in May 1999 and a four-for-one stock split in December 1999. All references to number of shares and per share amounts have been restated to reflect these stock splits.
- (3) The 2001 diluted shares exclude the potential dilutive effect of 51,188,000 incremental shares due to their anti-dilutive effect.
- (4) The pro forma effect of change in accounting principle reflects the impact of SAB 101 on previously reported results assuming SAB 101 had been in effect in those periods.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Except for the historical information contained herein, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially from those referred to herein due to a number of factors, including but not limited to risks described in the section entitled Risk Factors and elsewhere in this Annual Report. Our consolidated financial data includes SnapTrack, Inc. and other consolidated subsidiaries.

Overview

We design, manufacture and market digital wireless telecommunications products and services based on our CDMA and other technologies. We license and receive royalty payments on our CDMA technology from major domestic and international wireless telecommunications equipment suppliers.

We are a leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning system products. We offer complete system solutions including software and integrated circuits for wireless handsets and infrastructure equipment. This complete system solution approach provides customers with advanced wireless technology, enhanced component integration and interoperability, and reduced time to market. We provide integrated circuits and system software to many of the world's leading wireless handset and infrastructure manufacturers.

We provide satellite and terrestrial-based two-way data messaging and position reporting services for transportation companies and private fleets. We design, manufacture and distribute products and provide services for our OmniTRACS and TruckMAIL (satellite-based mobile communications system), OmniExpress (terrestrial CDMA-based system) and LINQ (terrestrial GSM-based system) worldwide. Transportation companies and private fleets use our products to communicate with drivers, monitor vehicle location and provide customer service. We also integrate the mobile data with operations software, such as dispatch, payroll and accounting, so end-users can manage their information and operations.

We provide an open applications platform for CDMA-based wireless devices to provide solutions for the wireless industry as it moves toward wireless Internet convergence. Our BREW product is a thin applications environment that provides applications developers with an open standard platform for wireless devices on which to develop their products. The BREW platform leverages the capabilities available in QCT integrated circuits, system software and Wireless Internet Launchpad software, enabling development of feature-rich applications and content while reducing memory overhead and maximizing system performance. The BREW platform also enables over-the-air downloads of applications by end users directly to their BREW-enabled handsets. In November 2001, KTFreeTel, a leading CDMA carrier in Korea, began commercial service of BREW-enabled applications and services to subscribers, providing end users the ability to download wireless applications over the air and customize their phones with software that meets their individual needs. KTFreeTel's wireless multimedia service runs on a CDMA2000 1X high-speed data network and is available to end users on color display handsets.

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." The SEC staff subsequently amended SAB 101 to provide registrants with additional time to implement the standard. We adopted SAB 101 in the fourth quarter of fiscal 2001, applied retroactively to the first quarter of fiscal 2001. The effect of the adoption of SAB 101 on our results of operations for fiscal 2001, when applied retroactively, was to decrease revenue by \$40 million and to increase the loss before income taxes and accounting change by \$51 million. We recorded a \$147 million loss, net of taxes of \$98 million, as the cumulative effect of the accounting change as of the beginning of fiscal 2001 to reflect the deferral of revenue and expenses related to future periods. For fiscal 2001, we recognized \$95 million in net income before income taxes and accounting change related to revenue and expense that was recognized in prior years.

Prior to the adoption of SAB 101, we generally recorded revenue from non-refundable license fees on the effective date of the applicable license agreement. After the adoption of SAB 101, license fees are recognized

ratably over the estimated period of future benefit to the licensee. Royalty revenue continues to be recorded as earned when reasonable estimates of such amounts can be made.

Prior to the adoption of SAB 101, we recorded revenue from hardware product sales at the time of shipment, or when title and risk of loss passes to the customer, if later. After adoption of SAB 101, revenue and expense from certain hardware product sales contracted with a continuing service obligation that is essential to the functionality of the hardware are recognized ratably over the shorter of the estimated life of the hardware product or the expected service period. Revenue from hardware product sales without such a continuing service obligation is recorded when risk of loss and title pass to the customer. Messaging revenue continues to be recorded as earned.

We were required to adopt Statement of Financial Accounting Standards No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities," as of the beginning of fiscal 2001. FAS 133 requires certain derivative instruments to be recorded at fair value. After adoption of FAS 133, unrealized gains and losses on these derivative instruments are recorded in the statement of operations. We recorded a \$129 million gain, net of taxes of \$87 million, as the cumulative effect of the change in accounting principle as of the beginning of fiscal 2001. The cumulative effect of the accounting change related primarily to the recognition of the unrealized gain on a warrant to purchase 4,500,000 shares of Leap Wireless common stock issued to us in connection with our spin-off of Leap Wireless in September 1998. Additionally, we recorded \$243 million in pre-tax unrealized losses on derivative instruments during fiscal 2001, primarily resulting from a decline in the market price of Leap Wireless stock which reduced the fair value of the Leap Wireless warrant. The new requirement to record unrealized gains and losses on these instruments in the statement of operations may cause substantial quarterly and annual fluctuations in operating results due to stock market volatility.

Strategic Investments and Financing

We make strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications. In general, we enter into strategic relationships with CDMA carriers and developers of innovative technologies or products for the wireless communications industry. QUALCOMM Ventures, an internal organization, selects and manages strategic investments in early stage companies and, from time to time, venture funds or incubators, to support the adoption of CDMA and use of the wireless Internet. Most of our strategic investments entail a high degree of risk and will not become liquid until more than one year from the date of investment, if at all. To the extent such investments become liquid and meet strategic objectives, we attempt to make regular periodic sales that are recognized in investment (expense) income. During fiscal 2002, we may reduce the planned sale of certain equity investments until market conditions improve. We regularly monitor and evaluate the realizable value of our investments in both marketable and private securities. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, we will record a charge to investment (expense) income. During fiscal year 2001, we recognized \$287 million in charges related to other-than-temporary losses on marketable and private securities.

In December 2000, we announced a new CDMA license program designed to allow selected early stage companies to issue equity to us as a means of paying part of the license fees payable under our CDMA license agreements. We record license fee revenues based on the fair value of the equity instruments received, if determinable. The measurement date for determination of fair value is the earlier of the date on which the parties establish a commitment to perform or the date at which the performance is complete. The evaluation procedures used to determine fair value include, but are not limited to, examining the current market price for the shares if the licensee is publicly traded, examining recent rounds of financing and the licensee's business plan if not publicly traded, and performing other due diligence procedures. This program will not affect the licensees' obligations to pay royalties under their CDMA license agreements. The amount of cash consideration and the timing of revenue recognition varies depending on the terms of each agreement. During fiscal year 2001, we received \$11 million in equity consideration for new or expanded licenses. In addition, we accepted \$9 million in equity in satisfaction of cash license fee receivables during fiscal year 2001. At September 30, 2001, seven licensees have participated in this program.

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The Vesper Companies

In fiscal 1999, we made commitments to invest approximately \$108 million in the Vesper Companies. The Vesper Companies were formed by a consortium of investors to provide wireless and wireline telephone services in the northern region and in the Sao Paulo state of Brazil. We subsequently participated in additional financing rounds completed by the Vesper Companies, thereby increasing our initial equity investment. In addition, we extended long-term financing to the Vesper Companies related to our financing arrangement with Ericsson. At September 30, 2001, our cumulative cash investment, including long-term financing, in the Vesper Companies totaled approximately \$241 million. In January 2000, we acquired an approximate 2.5% interest in VeloCom, an investor in the Vesper Companies, for \$15 million. In December 2000, we executed a Term Loan Agreement with VeloCom in which we agreed to provide \$230 million of convertible debt financing, including \$30 million for capitalized interest. The debt facility has a three-year term and bears interest at 18%. We funded approximately \$172 million under this facility through September 30, 2001.

As a result of a reorganization of the Vesper Companies initiated during fiscal 2001, we reassessed the recoverability of our assets related to the Vesper Companies and VeloCom and recorded \$32 million in asset impairments and related charges, \$90 million in investment (expense) income and \$120 million in other non-operating charges. At September 30, 2001, we had approximately \$124 million in remaining net assets, primarily consisting of finance receivables and notes receivable related to the Vesper Companies and VeloCom. The Vesper Companies are working to accomplish the terms of their restructuring with owners, vendors and creditors, which is expected to be completed in the first quarter of our fiscal 2002. The proposed transaction is contingent on several factors, and there is a risk it will not close. If the transaction closes, we expect to acquire an additional interest in the Vesper Companies for \$266 million in equity commitments. We also expect to convert our Term Loan Agreement with VeloCom into an additional equity interest in VeloCom. After the close, we expect to hold a 49.9% interest in VeloCom, and direct and indirect interests in the Vesper Companies of 74% and 86%, respectively.

We believe the Vesper Companies represent a strategic opportunity with their extensive installed CDMA network in Brazil, including the key cities of Sao Paulo and Rio de Janeiro. The Vesper Companies' debt would be reduced in the proposed restructuring from approximately \$1.3 billion to less than \$200 million. Additionally, the term of the remaining debt would be extended through 2005, providing the Vesper Companies significant operational flexibility to support a growing business. If the proposed restructuring transaction closes, we intend to support the Vesper Companies while they, together with VeloCom, seek to partner with strategic investors and internationally recognized operators who have the ability to successfully enhance the Vesper Companies' business and ultimately assume majority control. We would also consider other strategic alternatives such as spinning off our investment in the Vesper Companies to our shareholders. We will consolidate the results of the Vesper Companies if the proposed transaction closes in fiscal 2002. The Vesper Companies expect to incur increasing operating losses and negative cash flows from operations as they expand operations and enter new markets, even if and after they achieve positive cash flows from operations in the initial operating markets. We may incur significant losses in the future related to our proposed ownership of the Vesper Companies, and we cannot assure you that the Vesper Companies will ever operate profitably.

NextWave Telecom Inc.

In November 1995, we purchased 1,666,666 shares of Series B common stock in *NextWave Telecom Inc.* (*NextWave*), a privately-held company, for \$5 million. As part of the share purchase, we received warrants to buy 1,111,111 additional shares of Series B common stock at \$3 per share. During March 1996, we converted a \$15 million note receivable into 5,000,000 shares of Series B common stock. In June 1998, we recorded a \$20 million impairment charge related to our investment in *NextWave*. Subsidiaries of *NextWave* filed for bankruptcy protection in June 1998 under Chapter 11 of the United States Bankruptcy Code. *NextWave* itself filed for bankruptcy protection in December 1998 under Chapter 11 of the United States Bankruptcy Code.

In August 2001, *NextWave* filed a plan of reorganization with the United States Bankruptcy Court which requires total financing of approximately \$5 billion to build-out an advanced 3G wireless network. The plan provides for payment of all valid claims against *NextWave*, including the claim of the FCC for the PCS

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licenses it granted to NextWave in 1997, plus interest as applicable. The plan also provides that NextWave's debt for its C-block and F-block PCS licenses would be reinstated, with the government receiving all amounts due up to this point, in full, with the remaining balance to be paid in installments. Under this plan, NextWave indicated that it expects to construct wireless networks in 95 markets utilizing CDMA2000 1xEV-DO technology.

During fiscal 2001, we sold 150,000 shares of NextWave series B common stock and recorded a realized gain of \$1 million. At September 30, 2001, we owned 6,516,666 shares of Series B common stock and held warrants to purchase 1,111,111 shares of Series B common stock for \$3 per share. We also held a \$0.4 million promissory note convertible into 1,019,444 shares of Series C common stock.

In August 2001, we committed to purchase 2,000,000 shares of Series A preferred stock in the reorganized NextWave for \$300 million. Our investment was subject to approval by the United States Bankruptcy Court, successful consummation of NextWave's August 2001 plan of reorganization, satisfactory resolution of all disputes involving NextWave's PCS licenses and other conditions. Furthermore, our obligation to make this investment was subject to approval by the Bankruptcy Court on or before October 31, 2001 of the terms and conditions of our investment, as well as a certain Technology Cooperation Agreement dated as of August 15, 2001, as amended, between NextWave and us. NextWave also was entitled to terminate the investment commitment if a certain break-up fee contained in the subject Subscription Agreement was not approved by the Bankruptcy Court on or before October 31, 2001. The approvals required by October 31, 2001 have not been obtained, and we are entitled to terminate our investment agreement with NextWave. Furthermore, on November 8, 2001, NextWave's bankruptcy counsel publicly announced that a settlement with the FCC had been reached pursuant to which NextWave would relinquish its C-block and F-block PCS licenses in return for a cash payment from the FCC. NextWave's bankruptcy counsel indicated that if the settlement receives the necessary approvals, then NextWave intends to file a new plan of reorganization which takes into account the terms of the settlement. Our \$300 million commitment is dependent on NextWave pursuing the plan of reorganization filed in August, 2001. Accordingly, if NextWave does abandon the plan filed in August, 2001 and proceeds with a new plan, then we will not be obligated to make the investment. As a result of the uncertainty surrounding NextWave's financing plans, the terms of the settlement announced November 8, 2001 and other factors, there is significant uncertainty as to whether we will have the opportunity to make our planned investment in a reorganized NextWave.

Globalstar L.P.

We have contracts with Globalstar to design, develop and manufacture subscriber products and ground telecommunications equipment. On January 16, 2001, Globalstar announced that, in order to have sufficient funds available for the continued progress of its marketing and service activities, it had suspended indefinitely principal and interest payments on all of its debt, including its vendor financing obligations. As a result, Globalstar did not make an approximate \$22 million payment for principal and interest due to us on January 15, 2001. Globalstar also announced the retention of a financial adviser to assist in developing future initiatives, including restructuring Globalstar's debt, identifying funding opportunities and pursuing other strategic alternatives. Efforts, by Globalstar, to restructure its debt are on-going, and work on a final plan is expected to continue. However, Globalstar's restructuring has not progressed as we had anticipated. Based on the current status of Globalstar's restructuring efforts, we believe that we will not receive any of the contractual amounts due. As a result, in the fourth quarter of fiscal 2001, we recorded \$44 million in net charges to establish reserves against remaining Globalstar-related assets. During fiscal 2001, we recorded total net charges of \$49 million in cost of revenues, \$519 million in asset impairment and related charges, \$10 million in investment expense and \$58 million in other non-operating charges related primarily to the impairment of certain assets. We expect Globalstar-related revenues to be negligible for fiscal 2002.

Other

In March 2001, our wholly owned subsidiary, 3G Investments (Australia) Pty Limited, was awarded 2x10 MHz licenses in the Australian 3G wireless spectrum auctions for approximately \$84 million. We entered the auctions to acquire appropriate spectrum to support a high-capacity CDMA2000 1X/1xEV-DO

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system in Australia, a country with significant CDMA growth prospects. Our successful participation in numerous spectrum auctions in the past has resulted in nationwide CDMA networks being deployed in other countries, including Mexico, Chile and Brazil. We are preparing to deploy CDMA2000 1X/1xEV-DO networks in Australia with commercial 3G services planned in 2002. The licenses can be used for commercial service starting in October 2002. The licenses will cover a total of 12 million potential customers in eight major markets, including Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Darwin and Canberra.

In October 2000, we agreed to invest \$200 million in the convertible preferred shares of Inquam Limited (Inquam). Inquam was formed to acquire, own, develop and manage wireless communications systems, either directly or indirectly, with the primary intent of deploying CDMA-based technology. In addition, we advanced \$10 million under a promissory note, bearing interest at 10%, that matures on January 31, 2002. At September 30, 2001, \$144 million of the equity funding commitment is outstanding. We expect to fund the remaining commitment through June 2002.

We provided financing to Pegaso under an equipment loan and a bridge facility. Pegaso operates a wireless network in Mexico. At September 30, 2001, \$260 million and \$414 million are outstanding under the equipment loan and the bridge facility, respectively, net of deferred interest and unearned fees. The bridge facility was payable in full on September 19, 2001 or August 29, 2002 if certain milestones were met, including the completion of a strategic sale or merger with a third party. The bridge facility was amended in October 2001 to, among other things, change the timing of milestones required for the August 29, 2002 maturity from September 19 to October 31, 2001. A strategic sale or merger was not completed by October 31, 2001, such that Pegaso failed to meet covenants in both the amended bridge facility and the equipment loan. On October 31, 2001, Pegaso also failed to make a scheduled payment of approximately \$3 million on the equipment loan, Pegaso is currently engaged in strategic discussions with a third party for a potential sale or merger, and we are actively working with Pegaso and the third party to complete a transaction or, alternatively, to assist Pegaso in raising additional funds. As the transaction did not close on the targeted date of October 31, 2001 and such additional financing is not certain, we ceased accruing interest on these loans effective at the beginning of the fourth fiscal quarter of 2001. The bridge facility is collateralized by a second lien on substantially all of Pegaso's assets. We also have a commitment to provide an additional \$96 million in long-term financing under an arrangement with Ericsson, subject to Pegaso meeting certain conditions. Pegaso is at an early stage of development and, if it remains independent, may not be able to compete successfully. Competitors in Mexico have greater financial resources and more established operations than Pegaso. As is normal for early stage wireless operators, Pegaso is experiencing significant losses from operations. Pegaso also has limited cash available to meet its operating and financing commitments and is therefore dependent on securing additional financing or completing a strategic arrangement with an existing carrier.

Fiscal 2001 Compared to Fiscal 2000

Total revenues for fiscal 2001 were \$2,680 million compared to \$3,197 million for fiscal 2000. Total revenues for fiscal 2000 included \$435 million in revenue related to the terrestrial-based CDMA wireless consumer phone business which was sold in February 2000. Excluding the revenue of the business sold from fiscal 2000, total revenues decreased by \$82 million in fiscal 2001. The decrease is primarily related to the implementation of SAB 101 in fiscal 2001, lower revenues related to the business with Globalstar, offset by higher royalties, higher unit shipments and average selling prices of MSM integrated circuits, higher CSM infrastructure integrated circuit revenues, and higher OmniTRACS messaging revenue. Revenue from Samsung Electronics Company (Samsung), Kyocera Wireless Corp. and LG Electronics, Inc., customers of both QCT and QTL, comprised an aggregate of 14%, 12% and 10% of total consolidated revenues, respectively, in fiscal 2001. In fiscal 2000, Samsung accounted for 11% of total consolidated revenues.

Cost of revenues for fiscal 2001 was \$1,035 million compared to \$1,507 million for fiscal 2000. Total cost of revenues for fiscal 2000 included \$433 million in cost of revenues related to the terrestrial-based CDMA wireless consumer phone business which was sold in February 2000. Excluding the cost of revenues of the business sold from fiscal 2000, total cost of revenues decreased by \$39 million in fiscal 2001, consistent with the decrease in revenues. Cost of revenues as a percentage of revenues was 39% for fiscal 2001 and 2000. Cost

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of revenues as a percentage of revenues may fluctuate in future quarters depending on the mix of products sold and services provided, royalties and license fees earned, competitive pricing, new product introduction costs and other factors.

For fiscal 2001, research and development expenses were \$415 million or 15% of revenues, compared to \$340 million or 11% of revenues for fiscal 2000. The dollar and percentage increases in research and development expenses were primarily due to increased integrated circuit product initiatives to support high-speed wireless Internet access and multimode, multi-band, multi-network products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/ GPRS, WCDMA and position location technologies, offset by a decrease in terrestrial-based CDMA wireless consumer phone products research and development as a result of exiting this business in February 2000. In addition, the percentage increase is attributed to a more significant reduction in revenue relative to research and development expenses as a result of the sale of the terrestrial-based CDMA wireless consumer phone business in February 2000.

For fiscal 2001, selling, general and administrative expenses were \$367 million or 14% of revenues, compared to \$343 million or 11% of revenues for fiscal 2000. The dollar and percentage increases in selling, general and administrative expenses from fiscal 2000 were primarily due to expansion of international business activities in China, Japan, South Korea and Europe, trade show expenses related to the expansion of the integrated circuit customer base and product portfolio and the introduction of our BREW application development platform, offset by a decrease in marketing costs for terrestrial-based CDMA wireless consumer phone products as a result of the sale of the business in February 2000. In addition, the percentage increase is attributed to a more significant reduction in revenue relative to selling, general and administrative expenses as a result of the sale of the terrestrial-based CDMA wireless consumer phone business in February 2000.

Amortization of goodwill and other acquisition-related intangible assets was \$255 million for fiscal 2001, compared to \$146 million in fiscal 2000. For fiscal 2001, no purchased in-process technology was recorded, compared to \$60 million in fiscal 2000. The increase in amortization in fiscal 2001 and the purchased in-process technology charge in fiscal 2000 resulted from the acquisition of SnapTrack, Inc. (SnapTrack) in March 2000.

For fiscal 2001, asset impairment and related charges were \$550 million, compared to \$46 million for fiscal 2000. Asset impairment and related charges during fiscal 2001 were comprised primarily of \$519 million in charges resulting from management's determination that certain assets related to the Globalstar business were impaired and \$32 million in charges related to reserves recorded against finance receivables from the Vesper Companies. Asset impairment and related charges during fiscal 2000 were primarily related to the sale of the terrestrial-based CDMA wireless consumer phone business in February 2000.

For fiscal 2001, other operating expenses were \$51 million, compared to \$32 million in fiscal 2000. Other operating expenses for fiscal 2001 were comprised of a \$62 million arbitration decision against us, offset by \$11 million in other income related to the irrevocable transfer of a portion of an FCC Auction Discount Voucher to a third-party. Other operating expenses during fiscal 2000 were comprised primarily of employee termination and other costs related to the sale of the terrestrial-based CDMA wireless consumer phone business.

Interest expense was \$10 million for fiscal 2001, compared to \$5 million for fiscal 2000. The increase was primarily related to interest charges resulting from an arbitration decision against us, offset by lower interest expense resulting from decreased bank borrowings.

Net investment expense was \$256 million for fiscal 2001 compared to net investment income of \$494 million for fiscal 2000. The decrease was primarily due to a \$200 million reduction in net realized gains on marketable and other securities, \$243 million in unrealized losses on derivative instruments, \$148 million in unrealized losses related to other-than-temporary losses on marketable securities, \$140 million in unrealized other-than-temporary losses on other investments and a \$20 million increase in equity in losses of investees.

There were no distributions on Trust Convertible Preferred Securities in fiscal 2001 due to the conversion of all remaining Trust Convertible Preferred Securities into common stock during fiscal 2000. We recorded \$13 million in distributions for fiscal 2000.

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Other non-operating charges were approximately \$167 million in fiscal 2001 compared to \$2 million in fiscal 2000. Other non-operating charges in fiscal 2001 were primarily comprised of a \$120 million write-down of the note receivable from VeloCom to its fair value and \$58 million in write-downs of recorded values of a note receivable from Globalstar and warrants to acquire partnership interests in Globalstar to their estimated fair values.

Income tax expense was \$105 million for fiscal 2001 compared to \$527 million for fiscal 2000. The annual effective tax rate was negative 25% for fiscal 2001, compared to a 44% rate for fiscal 2000. The estimated annual effective tax rate is negative primarily as a result of foreign taxes paid for which it is more likely than not we will not receive a tax benefit. The difference in the tax rate from the prior year is primarily due to the loss for fiscal 2001 resulting from certain asset impairment and related charges. We have provided a valuation allowance on substantially all of our deferred tax assets because of uncertainty regarding their realizability due to the expectation that deductions from future employee stock option exercises will exceed future taxable income. Our net deferred tax assets increased by \$631 million in fiscal 2001, and the resulting increase in the valuation allowance was reflected in part as an increase to the tax expense and in part as a reduction of stockholders' equity. The total expense related to the increase in the valuation allowance was \$185 million.

We recorded an \$18 million loss, net of taxes, in fiscal 2001 as the net cumulative effect of changes in accounting principle at September 25, 2000. The cumulative effect of the adoption of SAB 101 was a \$147 million loss, net of taxes, offset by a \$129 million gain, net of taxes, resulting from the cumulative effect of the adoption of FAS 133. The gain resulting from the adoption of FAS 133 related primarily to the unrealized gain on a warrant to purchase 4,500,000 shares of Leap Wireless common stock issued to us in connection with our spin-off of Leap Wireless in September 1998.

Fiscal 2000 Compared to Fiscal 1999

Total revenues for fiscal 2000 were \$3,197 million compared to \$3,937 million for fiscal 1999. The decrease in revenue for fiscal 2000 was primarily due to a decrease in revenues from the terrestrial CDMA wireless consumer phone business which was sold in February 2000, a decrease in the wireless infrastructure product revenue related to the sale of this business in May 1999 and a decrease in average selling prices of integrated circuits, offset by significant increases in royalty revenues and in CDMA integrated circuits unit volume. Revenue from one South Korean customer, Samsung Electronics Company, by the QCT and QTL segments comprised an aggregate of 11% and 9% of total revenues in fiscal 2000 and 1999.

Cost of revenues for fiscal 2000 was \$1,507 million compared to \$2,485 million for fiscal 1999. The decrease in cost of revenues was primarily due to a decrease in the terrestrial CDMA wireless consumer phone product costs as a result of the sale of the business in February 2000, a decrease in the wireless infrastructure product costs related to the sale of this business in May 1999, and a reduction in the unit cost of integrated circuits, offset by a significant increase in CDMA integrated circuits unit volume. Cost of revenues decreased as a percentage of revenues to 47% for fiscal 2000 from 63% for fiscal 1999. This is primarily due to a change in business strategy resulting in a higher percentage of revenues from high margin integrated circuits and system software and royalties and lower revenues from lower gross margin terrestrial CDMA wireless consumer phones and infrastructure businesses exited in fiscal 2000 and fiscal 1999, respectively. Cost of revenues as a percentage of revenues may fluctuate in future quarters depending on mix of products sold, competitive pricing, new product introduction costs and other factors.

For fiscal 2000, research and development expenses were \$340 million or 11% of revenues, compared to \$381 million or 10% of revenues for fiscal 1999. The decrease in research and development expenses was due to a decrease in terrestrial CDMA wireless consumer phone and infrastructure product research and development as a result of exiting these businesses, offset by increased integrated circuit product initiatives and software development efforts and new 1xEV-DO products.

For fiscal 2000, selling, general and administrative expenses were \$343 million or 11% of revenues, compared to \$425 million or 11% of revenues for fiscal 1999. The dollar decrease in selling, general and administrative expenses from fiscal 1999 was due to a decrease in marketing costs in terrestrial CDMA wireless consumer phone products as a result of the sale of the business in February 2000 and a decrease in

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selling, general and administrative expenses for terrestrial CDMA wireless infrastructure products as a result of the sale of this business in May 1999, partially offset by continued growth in personnel and associated overhead expenses necessary to support other growing business operations, employer payroll tax on employee non-qualified stock option exercises and investor relations expenses.

Amortization of goodwill and other acquisition-related intangible assets increased to \$146 million for fiscal 2000 compared to \$1 million for fiscal 1999, primarily due to the acquisition of SnapTrack in March 2000.

Purchased in-process technology of \$60 million for fiscal 2000 resulted from the acquisition of SnapTrack. Purchased in-process technology was expensed upon acquisition because technological feasibility had not been established and no future alternative uses existed.

For fiscal 2000, asset impairment and related charges were \$46 million, compared to \$143 million for fiscal 1999. Asset impairment and related charges during fiscal 2000 were comprised primarily of charges to reflect the estimated difference between the carrying value of the net assets and the consideration received from Kyocera related to the sale of the terrestrial CDMA wireless consumer phone business, less costs to sell. During fiscal 1999, asset impairment and related charges were comprised primarily of \$66 million in charges to reflect the difference between the carrying value of the net assets to be sold to Ericsson and the net consideration received and various license and settlement agreements in connection therewith and \$77 million in charges to reduce the carrying value of certain other assets related to our terrestrial CDMA wireless infrastructure business.

For fiscal 2000, other operating expenses were \$32 million, compared to \$97 million for fiscal 1999. Other operating expenses during fiscal 2000 were comprised primarily of employee termination costs related to the sale of the terrestrial CDMA wireless consumer phone business to Kyocera. Other operating expenses for fiscal 1999 were comprised primarily of payroll and compensation benefits provided to employees transferred to Ericsson related to the sale of our terrestrial CDMA wireless infrastructure business.

Interest expense was \$5 million for fiscal 2000, compared to \$15 million for fiscal 1999. The decrease was due to decreased bank borrowings by QPE and the subsequent payoff and cancellation of the QPE bank lines of credit in February 2000.

Net investment income was \$494 million for fiscal 2000 compared to \$25 million for fiscal 1999. The increase was primarily due to a \$270 million realized gain on the sale of marketable securities and a \$195 million increase in income related to interest earned on higher cash balances and interest earned on finance receivables.

Distributions on Trust Convertible Preferred Securities decreased to \$13 million for fiscal 2000 compared to \$39 million for fiscal 1999 as a result of conversions of the 5 3/4% Trust Convertible Preferred Securities outstanding into common stock. During the second quarter of fiscal 2000, all remaining Trust Convertible Preferred Securities were converted into common stock.

During fiscal 2000, we recorded \$2 million in net non-operating other charges, including \$6 million in charges relating to amounts advanced to Metrosvyaz, and the release of a \$4 million contingent liability due to a settlement. During fiscal 1999, we recorded \$69 million in non-operating charges, including \$37 million related to the Ericsson transaction and \$15 million related to the write-off of non-operating assets.

Income tax expense was \$527 million for fiscal 2000 compared to \$106 million for fiscal 1999. The annual effective tax rate was 44% for fiscal 2000, compared to 35% for fiscal 1999. The higher tax rate is primarily a result of nondeductible charges for purchased in-process technology and amortization of goodwill and higher pre-tax earnings relative to tax deductions. We have provided a valuation allowance on our net deferred tax assets because of uncertainty regarding their realizability due to the expectation that deductions from future employee stock option exercises and related deductions will exceed future taxable income.

Our Segment Results for Fiscal 2001 Compared to Fiscal 2000

CDMA Technologies Segment (QCT)

QCT segment revenues for fiscal 2001 were \$1,365 million compared to \$1,239 million fiscal 2000. Earnings before taxes for fiscal 2001 were \$306 million compared to \$392 million for fiscal 2000. Revenues increased due to higher unit shipments and average selling prices of MSM integrated circuits and higher shipments of CSM infrastructure integrated circuit voice channels to wireless communications manufacturers. The decrease in earnings before taxes was primarily due to increased research and development, as well as increased general, administrative, selling and marketing expenses. The increased research and development is primarily associated with new integrated circuit product and technology initiatives to support high-speed wireless Internet access and multi-band, multimode, multi-network, products including cdmaOne, CDMA2000 1X/1xEV-DO, GSM/ GPRS, WCDMA and position location technologies, as well as increased advertising expenses for these products. Approximately 58 million MSM integrated circuits were sold during fiscal 2001, compared to approximately 52 million for fiscal 2000. Approximately nine million CSM infrastructure integrated circuits equivalent voice channels were sold during fiscal 2001, compared to approximately two million for fiscal 2000.

Technology Licensing Segment (QTL)

QTL segment revenues for fiscal 2001 were \$782 million compared to \$705 million for fiscal 2000. Earnings before taxes for fiscal 2001 were \$717 million compared to \$633 million for fiscal 2000. The increase in revenues and earnings before taxes was primarily due to an increase in royalties resulting from an increase in worldwide demand for products based on CDMA technologies, offset by the impact of adopting SAB 101. Earnings before taxes included \$11 million in other income related to the irrevocable transfer of a portion of an FCC Auction Discount Voucher to a third-party.

Wireless Systems Segment (QWS)

QWS segment revenues for fiscal 2001 were \$408 million compared to \$721 million for fiscal 2000. Earnings before taxes for fiscal 2001 of \$66 million compared to earnings before taxes of \$272 million for fiscal 2000. Revenues and earnings decreased primarily due to significantly lower shipments of Globalstar portable and fixed phones to service providers and the decision to not recognize revenue on business with Globalstar before cash is received, offset by an increase in OmniTRACS messaging services revenue. We shipped approximately 43,000 OmniTRACS and other related communications systems during fiscal 2001, compared to approximately 56,000 in fiscal 2000. The decrease in unit shipments is due to United States economic conditions affecting the domestic long-haul trucking industry. We shipped less than 100 Globalstar portable and fixed phones in fiscal 2001 compared to 96,000 in fiscal 2000. The decrease in unit shipments is primarily due to the pending restructuring of Globalstar and other uncertainties related to the Globalstar business. Given the current reduced level of business related to Globalstar, we have transferred a number of our QWS staff into other parts of our business to meet staffing needs.

Liquidity and Capital Resources

We anticipate that our cash and cash equivalents and marketable securities balances of \$2,581 million at September 30, 2001, including interest to be earned thereon, will be used to fund our working and other capital requirements, including investments in other companies and other assets to support the growth of our business, financing for customers of CDMA infrastructure products in accordance with the agreement with Ericsson, financing under agreements with CDMA telecommunications carriers, and other commitments. In the event additional needs for cash arise, we may raise additional funds from a combination of sources including potential debt and equity issuance. On July 24, 2001, we announced that we no longer plan to spin-off our integrated circuits and system software business. Although we are withdrawing the plan to spin-off this business, we would reconsider if conflicts arise that adversely affect our ability to operate each business in the best interests of our stockholders.

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In fiscal 2001, \$691 million in cash was provided by operating activities, compared to \$791 million in cash provided by operating activities in fiscal 2000. Cash provided by operating activities in fiscal 2001 and fiscal 2000 includes \$1,051 million and \$1,283 million, respectively, of net cash flow provided by operations. In fiscal 2001, cash flow provided by operations were offset by increases in finance receivables and inventories and a reduction in trade accounts payable, payroll, benefits and other liabilities, offset by a decrease in accounts receivable and other assets and an increase in unearned revenue. In fiscal 2000, cash flow provided by operations were offset by an increase in finance receivables and decreases in accounts payable and payroll, benefits and other liabilities, offset by a decrease in accounts receivables. These changes for fiscal year 2001 and 2000 totaled \$360 million and \$492 million, respectively.

In fiscal 2001, \$149 million in cash was used in investing activities, primarily including \$247 million for other investments and acquisitions, \$226 million for the issuance of notes receivable, \$84 million for the purchase of wireless licenses, \$114 million in capital expenditures and \$205 million in net purchases of available-for-sale securities, offset by \$672 million in net maturities of held-to-maturity securities, \$16 million on collection of notes receivables and \$27 million in proceeds from the sale of investments. We intend to continue our strategic investment activities to promote the worldwide adoption of CDMA products and the growth of CDMA-based wireless data and wireless Internet products and solutions. As part of these investment activities, we may provide financing to facilitate the marketing and sale of CDMA equipment by authorized suppliers. In addition to our commitments to the Vesper Companies and Inquam, equity funding commitments related to other strategic investments total \$48 million at September 30, 2001, which we intend to fund through fiscal 2009.

In fiscal 2001, our financing activities provided \$134 million, comprised primarily of the issuance of common stock under our stock option and employee stock purchase plans. In fiscal 2000, our financing activities provided \$28 million, including \$144 million from the issuance of common stock under our stock option and employee stock purchase plans, offset by \$112 million in net repayments under bank lines of credit.

At September 30, 2001, our remaining commitments to extend long-term financing to certain CDMA customers of Ericsson totaled approximately \$531 million, including \$96 million for Pegaso. The commitment to fund \$400 million of this amount expires on November 6, 2003. The funding of the remaining \$131 million, if it occurs, is not subject to a fixed expiration date. The financing commitments are subject to the CDMA customers meeting conditions prescribed in the financing arrangements and, in certain cases, to Ericsson also financing a portion of such sales and services. Such financing is generally collateralized by the related equipment. Commitments represent the maximum amounts to be financed under these arrangements; actual financing may be in lesser amounts.

Under the terms of the senior credit facility between us and Leap Wireless, we are committed to fund up to \$125 million until the earlier of settlement of the FCC's current auction of PCS spectrum or Leap Wireless' withdrawal from the auction. At September 30, 2001, no cash has been advanced to Leap Wireless, but \$1 million in loan fees and accrued interest are outstanding under the facility.

In addition to the financing commitments to Leap Wireless and Ericsson, we had \$4 million of letters of credit and \$12 million of other financial guarantees and commitments outstanding as of September 30, 2001, none of which are collateralized.

Future Accounting Requirements

In July 2001, the Financial Accounting Standards Board (FASB) issued FASB Statements Nos. 141 and 142 (FAS 141 and FAS 142), "Business Combinations" and "Goodwill and Other Intangible Assets." FAS 141 replaces APB 16 and eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. FAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under FAS 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. FAS 141 and FAS 142 are effective for all business combinations completed after June 30, 2001. Upon adoption of FAS 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1,

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2001 that do not meet the criteria for recognition under FAS 141 will be reclassified to goodwill. Companies are required to adopt FAS 142 for fiscal years beginning after December 15, 2001, but early adoption is permitted. We will adopt FAS 142 on September 30, 2002, the beginning of fiscal 2003. In connection with the adoption of FAS 142, we will be required to perform a transitional goodwill impairment assessment. We have not yet determined the impact these standards will have on our operating results and financial position.

In August 2001, the FASB issued FAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 replaces FAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The FASB issued FAS 144 to establish a single accounting model, based on the framework established in FAS 121, as FAS 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under APB 30, "Reporting The Results of Operations — Reporting The Effects of Disposal of a Segment of a Business, and Extraordinary Unusual and Infrequently Occurring Events and Transactions." FAS 144 also resolves significant implementation issues related to FAS 121. Companies are required to adopt FAS 144 for fiscal years beginning after December 15, 2001, but early adoption is permitted. We will adopt FAS 144 as of the beginning of fiscal 2003. We have not yet determined the impact this standard will have on our operating results and financial position.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Market Risk. We have fixed income securities consisting of cash equivalents and investments in marketable debt securities. Investments in marketable debt securities are classified as available-for-sale and held-to-maturity. Interest income earned on our short-term investment portfolio is affected by changes in the general level of United States interest rates, while interest income earned on long-term fixed income investments is not affected in the near term. (See Note 2 to the Consolidated Financial Statements for information about investments in marketable debt securities.)

Finance receivables bear interest at both fixed and variable rates (see Note 3 to the Consolidated Financial Statements for information about finance receivables). Interest earned on certain finance receivables is at variable interest rates and is affected by changes in the general level of United States interest rates and/or LIBOR. Fair values will vary as interest rates change.

We have other notes receivable from third parties included in other assets. These facilities bear interest at variable rates. Interest earned on credit facilities included in other assets is affected by changes in LIBOR, and fair value will vary as interest rates change.

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The following table provides information about our financial instruments that are sensitive to changes in interest rates. All financial instruments are held for purposes other than trading. For our fixed income investment portfolio, finance receivables and credit facilities in other assets, the table presents principal cash flows and related weighted-average yield at cost and contractual interest rates for fixed income securities and finance receivables or other credit facilities, respectively, by expected maturity dates. Additionally, we have assumed that our fixed income securities are similar enough to aggregate those securities for presentation purposes.

Interest Rate Sensitivity

**Principal Amount by Expected Maturity
Average Interest Rate
(Dollars in millions)**

	2002	2003	2004	2005	2006	Thereafter	No Single Maturity	Total	Fair Value
Fixed income securities	\$ 281	\$ 379	\$220	\$ 15	\$ 19	\$ —	\$ 121	\$1,035	\$1,044
Interest rate	6.4%	4.6%	5.0%	5.0%	4.9%		4.4%		
Finance receivables:									
Fixed rate	\$ 28	\$ 1	\$ —	\$ —	\$ —	\$ 419	\$ —	\$ 448	\$ 425
Interest rate	17.0%	12.9%				18.0%			
Variable rate (LIBOR)	\$ 2	\$ 25	\$ 58	\$ 96	\$ 62	\$ 698	\$ —	\$ 941	\$ 319
Margin over LIBOR	4.8%	4.9%	5.1%	5.6%	6.0%	3.5%			
Credit facilities in other assets:									
Fixed rate	\$ 34	\$ —	\$196	\$ —	\$ —	\$ 2	\$ —	\$ 232	\$ 101
Interest rate	11.4%		4.6%			10.0%			
Variable rate (LIBOR)	\$ 39	\$ —	\$ —	\$ —	\$ 2	\$ 26	\$ —	\$ 67	\$ 42
Margin over LIBOR	12.0%				1.9%	0.0%			

Equity Price Risk. We hold available-for-sale securities and derivative instruments subject to equity price risk. Available-for-sale equity securities and derivative instruments recorded at fair value under FAS 115 and FAS 133, respectively, subject us to equity price risk. The fair values of available-for-sale securities total \$199 million and \$426 million, respectively, at September 30, 2001 and at September 24, 2000. The fair values of these securities are based on the market prices of the securities. To the extent we own a large number of securities relative to the trading volumes of these securities, the market prices may be higher than the prices we would realize if our shares were sold. The available-for-sale securities are held for purposes other than trading. As of September 30, 2001, two securities constituted approximately 20% of the fair value of the available-for-sale securities portfolio.

We received a warrant in connection with the Leap Wireless spin-off to purchase Leap Wireless common stock at \$6.11 per share. At September 30, 2001, we are entitled to purchase 3,375,000 shares of Leap Wireless common stock (see Notes 1 and 15 to the Consolidated Financial Statements for a description of our accounting policy for this instrument and further information). The recorded and fair values of the warrant are \$49 million and \$250 million, respectively, at September 30, 2001 and at September 24, 2000. The estimated fair value of the warrant is directly correlated to movements in the price of the Leap Wireless stock. The warrant is held for purposes other than trading. During fiscal 2001, we recorded \$243 million in losses on derivative instruments, offset by a \$129 million accounting change, net of income taxes, primarily related to this warrant.

We strategically invest in companies in the high-technology industry, and typically do not attempt to reduce or eliminate our market exposure on these securities. During fiscal 2001, many high-technology stocks experienced a significant decrease in value, negatively affecting the fair value of our available-for-sale equity securities and derivative instruments. Investment concentrations in specific companies and industry segments may vary over time, and changes in concentrations may affect the overall price volatility.

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Our strategic investments in other entities consist substantially of investments accounted for under the equity and cost methods that are predominantly closely held and not publicly traded. These investments are held for purposes other than trading. Accordingly, we believe that our exposure to market risk from these investments is not material. Additionally, we do not anticipate any near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures.

Foreign Exchange Market Risk. See Note 1 to the Consolidated Financial Statements for a description of our foreign currency accounting policies and information about our currency exposure management practices. We manage our exposure to foreign exchange market risks, when deemed appropriate, through the use of derivative financial instruments, consisting primarily of forward contracts. Derivative financial instruments are viewed as risk management tools and are not used for speculative or trading purposes. At September 30, 2001 we had one foreign currency forward contract outstanding; no such contracts were outstanding at September 24, 2000. The amount of the unrealized loss as of September 30, 2001 is not material.

Financial instruments held by consolidated subsidiaries and equity method investees which are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations, which may affect reported earnings. As a global concern, we face exposure to adverse movements in foreign currency exchange rates. At the present time, we may hedge currency exposures associated with certain assets and liabilities denominated in nonfunctional currencies and certain anticipated nonfunctional currency transactions. As a result, we could suffer unanticipated gains or losses on anticipated foreign currency cash flows, as well as economic loss with respect to the recoverability of investments. While we may hedge certain transactions with non-United States customers, declines in currency values in certain regions may, if not reversed, adversely affect future product sales because our products may become more expensive to purchase in the countries of the affected currencies.

Finance receivables and notes receivable from international carriers that do not use the United States dollar as their functional currencies subject us to credit risk. Because our financing is dollar denominated, any significant change in the value of the dollar against the debtors' functional currencies could result in an increase in the debtor's cash flow requirements and could thereby affect our ability to collect our receivables. At September 30, 2001, finance receivables from international customers totaled \$735 million.

Our analysis methods used to assess and mitigate risk discussed above should not be considered projections of future risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements at September 30, 2001 and 2000 and the Report of PricewaterhouseCoopers LLP, Independent Accountants, are included in this Annual Report on Form 10-K on pages F-1 through F-33.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item regarding directors is incorporated by reference to our Incorporated Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held in 2002 (the "Proxy Statement") under the heading "Election of Directors." Information regarding executive officers is set forth in Item 1 of Part I of this Report under the caption "Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Executive Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Certain Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

The following documents are filed as part of this report:

	<u>Page Number</u>
(a) Financial Statements:	
(1) Report of Independent Accountants	F-1
Consolidated Balance Sheets at September 30, 2001 and 2000	F-2
Consolidated Statements of Operations for Fiscal 2001, 2000, and 1999	F-3
Consolidated Statements of Cash Flows for Fiscal 2001, 2000 and 1999	F-4
Consolidated Statements of Stockholders' Equity for Fiscal 2001, 2000 and 1999	F-5
Notes to Consolidated Financial Statements	F-7
(2) Schedule II-Valuation and Qualifying Accounts	S-1

Financial statement schedules other than those listed above have been omitted because they are either not required, not applicable or the information is otherwise included.

(b) Exhibits:

<u>Exhibit Number</u>	<u>Description</u>
2.2	Asset Purchase Agreement dated as of March 24, 1999 between the Company and Telefonaktiebolaget LM Ericsson.(20)
2.3	Asset Purchase Agreement dated as of December 22, 1999 among the Company, Kyocera Wireless Corp. and Kyocera International, Inc.(25)
2.4	Agreement and Plan of Merger and Reorganization dated as of January 25, 2000 among the Company, Falcon Acquisition Corporation and SnapTrack, Inc.(27)
3.1	Restated Certificate of Incorporation.(1)

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Exhibit Number	Description
3.2	Certificate of Amendment of Restated Certificate of Incorporation.(7)(26)
3.3	Certificate of Designation of Preferences.(12)
3.4	Bylaws.(2)
3.5	Amendment of the Bylaws.(14)
10.1	Form of Indemnity Agreement between the Company, each director and certain officers.(2)(11)
10.2	1991 Stock Option Plan, as amended.(11)(18)
10.4	Form of Supplemental Stock Option Grant under the 1991 Stock Option Plan.(2)(11)
10.5	1991 Employee Stock Purchase Plan.(11)(18)
10.6	Form of Employee Stock Purchase Plan Offering under the 1991 Employee Stock Purchase Plan.(2)(11)
10.10	Agreement dated April 17, 1989 between the Company and PACTEL Corporation.(2)(3)
10.11	CDMA Technology Agreement and related Patent License Agreement, each dated July 3, 1990 between the Company and American Telephone & Telegraph Company.(2)(3)
10.12	DS-CDMA Technology Agreement and related Patent License Agreement, each dated September 26, 1990 between the Company and MOTOROLA, Inc.(2)(3)
10.13	JSM Shareholders Agreement dated May 24, 1991 between the Company, C. Itoh, Ltd. and Nippon Steel Corporation.(2)(3)
10.14	401(k) Plan.(2)
10.15	Amendments dated January 15, 1992 and February 7, 1992 to that certain Technology Agreement dated July 3, 1990 with American Telephone & Telegraph Company.(4)
10.16	Amendment dated January 21, 1992 to that certain Technology Agreement dated September 26, 1990 with MOTOROLA, Inc.(4)(5)
10.17	Non-Employee Directors' Stock Option Plan (the "Directors' Plan").(11)(12)
10.18	Form of Stock Option Grant under the Directors' Plan, with related schedule.(6)(11)
10.20	Contract dated March 18, 1994 between the Company and Globalstar, L.P.(7)(8)
10.21	Executive Retirement Matching Contribution Plan, as amended.(11)(25)
10.22	1996 Non-qualified Employee Stock Purchase Plan.(10)(11)
10.23	Stockholder Rights Plan.(9)
10.25	Credit Agreement dated as of March 11, 1998, among QUALCOMM Incorporated, as Borrower, the Lender Parties, Bank of America N.T. & S.A., as Administrative Agent, Syndication Agent and Initial Issuing Bank, and Citibank, N.A., as Documentation Agent and Syndication Agent.(15)(16)
10.26	Warrant dated as of September 23, 1998 issued to the Company by Leap Wireless International, Inc.(17)
10.27	Credit Agreement dated as of September 23, 1998 between the Company and Leap Wireless International, Inc.(17)
10.28	Master Agreement Regarding Equipment Procurement dated as of September 23, 1998 between the Company and Leap Wireless International, Inc. (17)
10.29	1998 Non-Employee Director's Stock Option Plan.(11)(18)
10.31	Credit Agreement dated as of March 24, 1999, among QUALCOMM Incorporated, as Borrower, the Lender Parties, Bank of America National Trust & Savings Association as Administrative Agent and Syndication Agent, and Citibank N.A., as Documentation Agent and Syndication Agent. (20)

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Exhibit Number	Description
10.32	Multi-Product License Agreement between QUALCOMM Incorporated and Telefonaktiebolaget LM Ericsson dated March 24, 1999.(20)
10.33	Subscriber Unit License Agreement between QUALCOMM Incorporated and Telefonaktiebolaget LM Ericsson dated March 24, 1999.(20)
10.34	Settlement Agreement and Mutual Release between QUALCOMM Incorporated and Telefonaktiebolaget LM Ericsson dated March 24, 1999.(20)
10.35	First Amendment to Revolving Credit Agreement between QUALCOMM Incorporated, Bank of America National Trust & Savings Association, et al, and Citibank N.A. dated March 24, 1999.(20)
10.36	Amendment No. 1 dated as of May 24, 1999 to the Asset purchase Agreement dated as of March 24, 1999 between QUALCOMM Incorporated and Telefonaktiebolaget LM Ericsson (publ).(21)
10.37	Amendment to Stockholder Rights Plan dated November 15, 1999.(22)
10.38	Credit Agreement dated as of May 5, 2000 between Globalstar, L.P. and the Company. (23)
10.39	2001 Stock Option Plan.(28)
10.40	Stock Option Grant Notice and Agreement under the 2001 Stock Option Plan.(28)
10.41	2001 Employee Stock Purchase Plan.(28)
10.42	2001 Non-Employee Directors' Stock Option Plan.(28)
10.43	Stock Option Grant Notice and Agreement under the 2001 Non-Employee Directors' Stock Option Plan.(28)
10.44	Bridge Loan Agreement dated as of May 27, 1999 with Amendments hereto, among QUALCOMM Incorporated, as lender, and PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., as Borrower, and CITIBANK, N.A., as administrative agent for Lender, and SOCIETE GENERALE, as Syndication Agent, and ABN AMRO BANK N.V., as Documentation Agent.(30)
10.45	Common Agreement dated December 15, 1998, among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., PEGASO PCS, S.A. DE C.V., PEGASO TELECOMUNICACIONES, S.A. DE C.V., PEGASO RECURSOS HUMANOS. S.A. DE C.V. and CITIBANK, NA., as Intercreditor Agent, and CITIBANK MEXICO, S.A., GRUPO FINANCIERO CITIBANK, as Collateral Agent and CITIBANK INTERNATIONAL PLC, as Alcatel Administrative Agent, N.A., and ABN AMRO BANK N.V., as QUALCOMM Administrative Agent.(30)
10.46	Credit Agreement dated as of September 25, 1998 with Amendments hereto, among QUALCOMM Incorporated, as lender, PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., as borrower.(30)
21	Subsidiaries of the Registrant.(29)
23.1	Consent of PricewaterhouseCoopers LLP.
24.1	Power of Attorney. Reference is made to page 48.

- (1) Filed as an exhibit to the Registrant's Registration Statement on Form S-3 (No. 33-62724).
- (2) Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (No. 33-42782).
- (3) Certain confidential portions deleted pursuant to Order Granting Application or Confidential Treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934 dated December 12, 1991.
- (4) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended September 27, 1992.

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- (5) Certain confidential portions deleted pursuant to Order Granting Application for Confidential Treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934 dated March 19, 1993.
- (6) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 26, 1993.
- (7) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 27, 1994, as amended.
- (8) Certain confidential portions deleted pursuant to Order Granting Application for Confidential Treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934 dated July 7, 1994.
- (9) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on September 26, 1995.
- (10) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (File No. 333-2750) filed on March 25, 1996.
- (11) Indicates management or compensatory plan or arrangement required to be identified pursuant to Item 14(c).
- (12) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 29, 1996.
- (13) Filed as an exhibit to the Registrant's Registration Statement on Form S-3 (No. 333-26069).
- (14) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 28, 1997.
- (15) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 29, 1998.
- (16) Certain confidential portions deleted pursuant to Order Granting Application for Confidential Treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934 dated July 14, 1998.
- (17) Filed as an exhibit to the Registration Statement on Form 10, as amended, initially filed on July 1, 1998 by Leap Wireless International, Inc. (File No. 0-29752).
- (18) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (File No. 333-69457) filed on December 22, 1998.
- (19) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 27, 1998.
- (20) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 28, 1999.
- (21) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on May 24, 1999.
- (22) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 26, 1999.
- (23) Filed as an exhibit to the Quarterly Report on Form 10-Q filed by Globalstar Telecommunications Limited for the quarter ended March 31, 2000.
- (24) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 1999.
- (25) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 26, 1999.
- (26) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on December 23, 1999.
- (27) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on March 11, 2000.
- (28) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2001. The compensatory plan contract or arrangement of which the Company's directors and named executive officers may participate.
- (29) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2000.

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(30) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2001.

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.

QUALCOMM Incorporated

/s/ IRWIN MARK JACOBS

Irwin Mark Jacobs
Chief Executive Officer and Chairman

Dated: November 9, 2001

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints Irwin Mark Jacobs and Anthony S. Thornley, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming that all said attorneys-in-fact and agents, or any of them or their or his substitute or substituted, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of Registrant in the capacities and on the dates indicated have signed this Report below.

Signature	Title	Date
/s/ IRWIN MARK JACOBS Irwin Mark Jacobs	Chief Executive Officer and Chairman (Principal Executive Officer)	November 9, 2001
/s/ ANTHONY S. THORNLEY Anthony S. Thornley	Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	November 9, 2001
/s/ RICHARD C. ATKINSON Richard C. Atkinson	Director	November 9, 2001
/s/ ADELIA A. COFFMAN Adelia A. Coffman	Director	November 9, 2001
/s/ DIANA LADY DOUGAN Diana Lady Dougan	Director	November 9, 2001
/s/ NEIL KADISHA Neil Kadisha	Director	November 9, 2001
/s/ ROBERT E. KAHN Robert E. Kahn	Director	November 9, 2001
/s/ JEROME S. KATZIN Jerome S. Katzin	Director	November 9, 2001
/s/ DUANE A. NELLES Duane A. Nelles	Director	November 9, 2001
/s/ PETER M. SACERDOTE Peter M. Sacerdote	Director	November 9, 2001
/s/ FRANK SAVAGE Frank Savage	Director	November 9, 2001
/s/ BRENT SCOWCROFT Brent Scowcroft	Director	November 9, 2001
/s/ MARC I. STERN Marc I. Stern	Director	November 9, 2001
/s/ RICHARD SULPIZIO Richard Sulpizio	Director	November 9, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of QUALCOMM Incorporated

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 48 present fairly, in all material respects, the financial position of QUALCOMM Incorporated and its subsidiaries (the "Company") at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 48 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of recognizing revenue and adopted Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities," during the year ended September 30, 2001.

PRICEWATERHOUSECOOPERS LLP

San Diego, California

November 5, 2001

QUALCOMM INCORPORATED
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

ASSETS

	September 30,	
	2001	2000
Current assets:		
Cash and cash equivalents	\$1,388,602	\$ 716,871
Marketable securities	894,577	1,055,522
Accounts receivable, net	517,557	606,979
Finance receivables, net	10,345	128,515
Inventories, net	95,863	85,366
Other current assets	147,814	136,727
	<u>3,054,758</u>	<u>2,729,980</u>
Marketable securities	297,333	748,521
Finance receivables, net	733,491	799,404
Other investments	263,520	384,859
Property, plant and equipment, net	431,396	431,705
Goodwill, net	585,046	821,834
Other assets	381,589	146,679
	<u>5,747,133</u>	<u>\$6,062,982</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Trade accounts payable	\$ 106,433	\$ 112,856
Payroll and other benefits related liabilities	117,795	128,836
Unearned revenue	184,461	68,419
Other current liabilities	112,300	162,182
	<u>520,989</u>	<u>472,293</u>
Total current liabilities	520,989	472,293
Unearned revenue	295,005	497
Other liabilities	35,437	27,221
	<u>851,431</u>	<u>500,011</u>
Total liabilities	851,431	500,011
Commitments and contingencies (Notes 3, 4 and 11)		
Minority interest in consolidated subsidiaries	5,887	46,643
Stockholders' equity:		
Preferred stock, \$0.0001 par value; issuable in series; 8,000 shares authorized; none outstanding at September 30, 2001 and 2000	—	—
Common stock, \$0.0001 par value; 3,000,000 shares authorized; 763,289 and 747,651 shares outstanding at September 30, 2001 and 2000	76	75
Paid-in capital	4,791,559	4,653,818
Retained earnings	322,347	871,090
Accumulated other comprehensive loss	(224,167)	(8,655)
	<u>4,889,815</u>	<u>5,516,328</u>
Total stockholders' equity	4,889,815	5,516,328
Total liabilities and stockholders' equity	<u>\$5,747,133</u>	<u>\$6,062,982</u>

See accompanying notes.

QUALCOMM INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Years Ended September 30,		
	2001	2000	1999
Revenues	\$2,679,786	\$3,196,780	\$3,937,299
Operating expenses:			
Cost of revenues	1,035,103	1,507,122	2,485,072
Research and development	414,760	340,407	381,139
Selling, general and administrative	367,155	342,940	425,118
Amortization of goodwill and other acquisition-related intangible assets	255,230	145,643	823
Purchased in-process technology	—	60,030	—
Asset impairment and related charges	549,783	45,743	143,338
Other	50,825	32,257	96,669
Total operating expenses	2,672,856	2,474,142	3,532,159
Operating income	6,930	722,638	405,140
Interest expense	(10,235)	(4,923)	(14,698)
Investment (expense) income, net (Note 6)	(255,999)	494,191	24,576
Distributions on Trust Convertible Preferred Securities of subsidiary trust	—	(13,039)	(39,297)
Other (Note 4)	(167,001)	(2,062)	(69,035)
(Loss) income before income taxes and accounting change	(426,305)	1,196,805	306,686
Income tax expense	(104,501)	(526,594)	(105,807)
(Loss) income before accounting change	(530,806)	670,211	200,879
Accounting changes, net of tax (Note 1)	(17,937)	—	—
Net (loss) income	\$ (548,743)	\$ 670,211	\$ 200,879
Basic net (loss) earnings per common share:			
(Loss) income before accounting change	\$ (0.71)	\$ 0.93	\$ 0.34
Accounting change, net of tax	(0.02)	—	—
Net (loss) income	\$ (0.73)	\$ 0.93	\$ 0.34
Diluted net (loss) earnings per common share:			
(Loss) income before accounting change	\$ (0.71)	\$ 0.85	\$ 0.31
Accounting change, net of tax	(0.02)	—	—
Net (loss) income	\$ (0.73)	\$ 0.85	\$ 0.31
Shares used in per share calculations:			
Basic	755,969	717,205	594,714
Diluted	755,969	800,121	649,889

See accompanying notes.

QUALCOMM INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended September 30		
	2001	2000	1999
Operating Activities:			
Net (loss) income	\$ (548,743)	\$ 670,211	\$ 200,879
Depreciation and amortization	319,811	243,842	158,429
Purchased in-process technology	—	60,030	—
Asset impairment and other non-cash charges and credits	733,476	75,872	268,881
Net realized gains on marketable securities and investments	(70,146)	(270,132)	(5,663)
Net unrealized loss on derivative instruments	243,308	—	—
Net unrealized other-than-temporary losses on marketable securities and other investments	287,174	—	—
Minority interest in income of consolidated subsidiaries	3,769	6,264	13,066
Equity in losses of investees	35,192	15,117	15,140
Non-cash income tax expense (benefit)	29,948	481,621	(96,595)
Accounting changes, net of tax	17,937	—	—
Increase (decrease) in cash resulting from changes in:			
Accounts receivable, net	69,541	233,281	(275,846)
Finance receivables, net	(354,140)	(372,072)	(304,546)
Inventories, net	(40,735)	(68,776)	40,102
Other assets	27,519	(29,757)	(8,206)
Trade accounts payable	(13,838)	(164,756)	(5,826)
Payroll, benefits, and other liabilities	(67,440)	(99,976)	191,187
Unearned revenue	18,858	10,012	(10,495)
Net cash provided by operating activities	691,491	790,781	180,507
Investing Activities:			
Capital expenditures	(114,191)	(163,182)	(180,237)
Purchases of wireless licenses	(83,774)	—	—
Purchases of available-for-sale securities	(1,182,698)	(993,512)	—
Proceeds from sale of available-for-sale securities	977,285	571,492	7,163
Purchases of held-to-maturity securities	(301,870)	(1,392,310)	(858,108)
Maturities of held-to-maturity securities	973,879	1,218,189	150,873
Issuance of notes receivable	(225,747)	(214,267)	(171,414)
Collection of notes receivable	15,581	229,654	45,754
Proceeds from sale of businesses	—	246,990	98,097
Proceeds from sale of other investments	26,730	—	—
Other investments and acquisitions	(246,538)	(273,668)	(43,568)
Other items, net	11,921	5,963	(2,192)
Net cash used by investing activities	(149,422)	(764,651)	(953,632)
Financing Activities:			
Net borrowings under bank lines of credit	—	(112,000)	(39,000)
Net proceeds from issuance of common stock	132,690	143,768	1,311,925
Other items, net	895	(4,148)	(2,621)
Net cash provided by financing activities	133,585	27,620	1,270,304
Effect of exchange rate changes on cash	(3,923)	3,105	(13,009)
Net increase in cash and cash equivalents	671,731	56,855	484,170
Cash and cash equivalents at beginning of year	716,871	660,016	175,846
Cash and cash equivalents at end of year	\$ 1,388,602	\$ 716,871	\$ 660,016

See accompanying notes.

QUALCOMM INCORPORATED

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at September 30, 1998	564,726	\$ 56	\$ 959,218	\$ —	\$ (1,678)	\$ 957,596
Components of comprehensive income:						
Net income	—	—	—	200,879	—	200,879
Foreign currency translation	—	—	—	—	(26,100)	(26,100)
Change in unrealized gain on securities, net of income taxes of \$74,410	—	—	—	—	110,690	110,690
Total comprehensive income						285,469
Exercise of stock options	48,994	5	205,223	—	—	205,228
Tax benefit from exercise of stock options	—	—	290,817	—	—	290,817
Issuance for Employee Stock Purchase and Executive Retirement Plans	4,994	1	31,570	—	—	31,571
Stock-based compensation expense	—	—	8,613	—	—	8,613
Sale of common stock	27,600	3	1,079,312	—	—	1,079,315
Issuance of common stock upon conversion of Trust Convertible Preferred Securities	49	—	445	—	—	445
Adjustment to spin-off of Leap Wireless (Note 15)	—	—	12,701	—	—	12,701
Balance at September 30, 1999	646,363	65	2,587,899	200,879	82,912	2,871,755
Components of comprehensive income:						
Net income	—	—	—	670,211	—	670,211
Foreign currency translation	—	—	—	—	2,756	2,756
Change in unrealized gain on securities, net of income taxes of \$45,185	—	—	—	—	67,216	67,216
Reclassification adjustment for gains included in net income, net of income taxes of \$108,593	—	—	—	—	(161,539)	(161,539)
Total comprehensive income						578,644
Exercise of stock options and warrants	22,101	2	109,825	—	—	109,827
Tax benefit from exercise of stock options	—	—	217,846	—	—	217,846
Issuance for Employee Stock Purchase and Executive Retirement Plans	749	—	31,186	—	—	31,186
Stock-based compensation expense	—	—	25,400	—	—	25,400
Shares issued for business acquisitions	5,815	1	1,036,940	—	—	1,036,941
Issuance of common stock upon conversion of Trust Convertible Preferred Securities	72,623	7	644,722	—	—	644,729
Balance at September 30, 2000	747,651	75	4,653,818	871,090	(8,655)	5,516,328
Components of comprehensive loss:						
Net loss	—	—	—	(548,743)	—	(548,743)
Foreign currency translation	—	—	—	—	(39,515)	(39,515)
Change in unrealized loss on securities, net of income taxes of \$42,551	—	—	—	—	(222,931)	(222,931)
Reclassification adjustment for gains included in net loss, net of income taxes of \$18,181	—	—	—	—	(27,044)	(27,044)

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	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total Stockholders' Equity
	Shares	Amount				
Reclassification adjustment for other-than-temporary losses on marketable securities included in net loss, net of income taxes of \$47,092	—	—	—	—	70,053	70,053
Reclassification adjustment for losses included in accounting change, net of income taxes of \$2,638	—	—	—	—	3,925	3,925
Total comprehensive loss						(764,255)
Exercise of stock options	14,831	1	92,051	—	—	92,052
Issuance for Employee Stock Purchase and Executive Retirement Plans	758	—	40,639	—	—	40,639
Stock-based compensation expense	—	—	2,661	—	—	2,661
Shares issued for business acquisitions	49	—	—	—	—	—
Adjustment to spin-off of Leap Wireless (Note 15)	—	—	2,390	—	—	2,390
Balance at September 30, 2001	763,289	\$ 76	\$4,791,559	\$322,347	\$ (224,167)	\$4,889,815

See accompanying notes.

QUALCOMM INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — The Company and its Significant Accounting Policies

The Company

QUALCOMM Incorporated (the Company or QUALCOMM), a Delaware corporation, develops, designs, manufactures and markets digital wireless telecommunications products and services based on its Code Division Multiple Access (CDMA) technology. The Company licenses and receives royalty payments on its CDMA technology from major domestic and international wireless telecommunications equipment suppliers.

The Company is also a leading developer and supplier of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning system products. The Company offers a complete system solution including software and integrated circuits for wireless handsets and infrastructure equipment. This complete system solution approach provides customers with advanced wireless technology, enhanced component integration and interoperability, and reduced time to market. The Company provides integrated circuits and system software to many of the world's leading wireless handset and infrastructure manufacturers.

The Company provides satellite and terrestrial-based two-way data messaging and position reporting services for transportation companies and private fleets. The Company develops, designs, manufactures and distributes products and provides services for OmniTRACS and TruckMAIL (satellite-based mobile communications system), OmniExpress (terrestrial CDMA-based system) and LINQ (terrestrial GSM-based system) worldwide. Transportation companies and private fleets use the Company's products to communicate with drivers, monitor vehicle location and provide customer service. The Company also integrates the mobile data with operations software, such as dispatch, payroll and accounting, so end-users can manage their information and operations.

Principles of Consolidation

The Company's consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries and other subsidiaries controlled by the Company. The ownership of the other interest holders of consolidated subsidiaries is reflected as minority interest. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Preparation

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company's financial statements and the accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

Fiscal Year

The Company operates and reports using a 52–53 week fiscal year ending on the last Sunday in September. As a result, the fiscal years ended September 30, 2001, 2000, and 1999 include 53 weeks, 52 weeks, and 52 weeks, respectively. For presentation purposes, the Company has indicated its fiscal years as ending on September 30.

Revenues

In December 1999, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." The SEC staff subsequently amended

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SAB 101 to provide registrants with additional time to implement the standard. The Company adopted SAB 101 in the fourth quarter of fiscal 2001, applied retroactively to the first quarter of fiscal 2001.

Prior to the adoption of SAB 101, the Company generally recorded revenue from non-refundable license fees on the effective date of the applicable license agreement. After the adoption of SAB 101, license fees are recognized ratably over the estimated period of future benefit to the licensee. Royalty revenue continues to be recorded as earned when reasonable estimates of such amounts can be made.

Prior to the adoption of SAB 101, the Company recorded revenue from hardware product sales at the time of shipment, or when title and risk of loss passed to the customer, if later. After adoption of SAB 101, revenue and expense from certain hardware product sales contracted with a continuing service obligation that is essential to the functionality of the hardware are recognized ratably over the shorter of the estimated life of the hardware product or the expected service period. Revenue from hardware product sales without such a continuing service obligation is recorded when risk of loss and title pass to the customer. Messaging revenue continues to be recorded as earned.

The effect of the adoption of SAB 101 on the Company's quarterly results of operations for fiscal 2001, when applied retroactively, and the pro forma effect on the results of operations for the fourth quarter of fiscal 2000 are presented in the summarized quarterly data note (Note 18). The unaudited pro forma effect of the adoption of SAB 101 on the Company's fiscal 2000 and 1999 results of operations, assuming SAB 101 had been adopted in those years, are as follows (in thousands, except per share data):

	2000	1999
	(unaudited)	
Net income (loss)	\$643,181	\$209,062
Basic earnings (loss) per common share	\$ 0.90	\$ 0.35
Diluted earnings (loss) per common share	\$ 0.81	\$ 0.32

The Company recorded a \$147 million loss, net of taxes of \$98 million, as the cumulative effect of the accounting change as of the beginning of fiscal 2001 to reflect the deferral of revenue and expenses related to future periods. For fiscal 2001, the Company recognized \$95 million in net income before income taxes and accounting change related to revenue and expense that was recognized in prior years.

Revenue from providing services is recorded when earned. Revenue from long-term contracts is generally recognized using the percentage-of-completion method, based on costs incurred compared with total estimated costs. Billings on uncompleted contracts in excess of incurred cost and accrued profits are classified as unearned revenue. Estimated contract losses are recognized when determined. If substantive uncertainty related to customer acceptance exists or the contract's duration is less than three months, the Company uses the completed-contract method.

The Company recognizes software license revenue when all of the following criteria are met: execution of a written agreement; delivery of software; the license fee is fixed and determinable; collectibility of the proceeds is probable; and vendor-specific objective evidence exists to allocate the total fee to elements of multiple-element arrangements, including post contract customer support. Vendor-specific objective evidence is based on the price charged when an element is sold separately, or if not yet sold separately, the price established by authorized management or a substantive renewal rate for post-contract customer support. If the Company does not have sufficient evidence of the fair value of undelivered elements, revenue is recognized ratably over the support period when the undelivered element is post-contract customer support.

Unearned revenue consists primarily of fees related to software products and other intellectual property for which delivery is not yet complete and to hardware products sales contracted with a continuing service obligation.

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Research and Development

Costs incurred in research and development are expensed as incurred.

Shipping and Handling Costs

Costs incurred for shipping and handling costs are included in cost of revenues when incurred. Amounts billed to a customer for shipping and handling are reported as revenue.

Concentrations

A significant portion of the Company's revenues are concentrated with a limited number of customers as the worldwide market for wireless telephone systems and products is dominated by a small number of large corporations and government agencies. During fiscal 2001, sales to two South Korean customers and one Japanese customer by the QCT, QTL and other nonreportable segments (Note 12) comprised 37% of consolidated revenues. During fiscal 2000 and 1999, sales to one South Korean customer by the QCT and QTL segments comprised 11% and 9% of consolidated revenues, respectively. During fiscal 2001, 2000 and 1999, revenues from Globalstar (Note 4) accounted for 1%, 7% and 11% of consolidated revenues, respectively. At September 30, 2001, accounts receivable from two South Korean customers comprised 25% of net receivables.

Revenues from international customers were approximately 65%, 47% and 38% of total revenues in fiscal 2001, 2000 and 1999, respectively.

Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised of money market funds, certificates of deposit, commercial paper, loan participations, medium-term notes, United States treasuries and government agencies' securities. The carrying amounts approximate fair value due to the short maturities of these instruments.

The Company's policy is to place its cash, cash equivalents and investments with high quality financial institutions, government agencies and corporate entities to limit the amount of credit exposure.

Marketable Securities

Management determines the appropriate classification of marketable securities at the time of purchase and reevaluates such designation as of each balance sheet date. Held-to-maturity securities are carried at amortized cost, which approximates fair value. Available-for-sale securities are stated at fair value as determined by the most recently traded price of each security at the balance sheet date. The net unrealized gains or losses on available-for-sale securities are reported as a component of comprehensive income (loss), net of tax, unless the Company provides a valuation allowance against the tax benefit resulting from the loss. The specific identification method is used to compute the realized gains and losses on debt and equity securities.

The Company regularly monitors and evaluates the realizable value of its marketable securities. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, the Company records a charge to investment (expense) income.

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Inventories

Inventories are valued at the lower of cost or market using the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated or amortized using the straight-line method over their estimated useful lives. Buildings and building improvements are depreciated over thirty years and fifteen years, respectively. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the related lease. Direct external and internal costs of developing software for internal use are capitalized subsequent to the preliminary stage of development. Other property, plant and equipment have useful lives ranging from two to five years. Maintenance, repairs, and minor renewals and betterments are charged to expense.

Upon the retirement or disposition of property, plant and equipment, the related cost and accumulated depreciation or amortization are removed and the gain or loss is recorded.

Other Investments

Investments in Other Entities

The Company makes strategic investments in companies that have developed or are developing innovative wireless data applications and wireless carriers that promote the worldwide deployment of CDMA systems. Investments in corporate entities with less than a 20% voting interest are generally accounted for under the cost method. The Company uses the equity method to account for investments in corporate entities in which it has a voting interest of 20% to 50% and other than minor to 50% ownership interests in partnerships and limited liability corporations, or in which it otherwise has the ability to exercise significant influence. Under the equity method, the investment is originally recorded at cost and adjusted to recognize the Company's share of net earnings or losses of the investee, limited to the extent of the Company's investment in, advances to and financial guarantees that create additional basis in the investee.

The Company regularly monitors and evaluates the realizable value of its investments. If events and circumstances indicate that a decline in the value of these assets has occurred and is other than temporary, the Company records a charge to investment income (expense).

Derivatives

The Company adopted Statement of Financial Accounting Standard No. 133 (FAS 133), "Accounting for Derivative Instruments and Hedging Activities," as of the beginning of fiscal 2001. FAS 133 requires certain derivative instruments to be recorded at fair value. Derivative instruments held by the Company are comprised of warrants and other rights to purchase equity interests in certain other companies related to strategic investment and financing activities. The Company recorded a \$129 million gain, net of taxes of \$87 million, as the cumulative effect of the change in accounting principle as of the beginning of fiscal 2001. The cumulative effect of the accounting change related primarily to the recognition of the unrealized gain on a warrant to purchase 4,500,000 shares of Leap Wireless International, Inc. (Leap Wireless) common stock issued to the Company in connection with its spin-off of Leap Wireless in September 1998 (Note 15).

Warrants

The Company holds warrants to purchase equity interests in certain other companies related to its strategic investment activities. The Company's warrants are not held for trading purposes.

Prior to the adoption of FAS 133, warrants to purchase equity interests in publicly-traded companies that could not be net settled were stated at fair value and classified as available-for-sale or held-to-maturity,

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consistent with the expected classification of the underlying equity securities. Changes in fair value were recorded as a component of comprehensive income (loss). All other warrants were carried at cost.

After the adoption of FAS 133, the Company's warrants to purchase equity interest in certain publicly-traded companies continue to be recorded at fair value. Changes in fair value are recorded in investment (expense) income, as a change in unrealized gain on derivative instruments because the warrants do not meet the requirements for hedge accounting. Realized derivative gains and losses are reclassified from the change in unrealized gains on derivative instruments to net realized gains (losses) on marketable securities upon the sale of the underlying equity investment. During fiscal 2001, \$18 million of unrealized derivative gains were reclassified to realized gains (losses) on the sale of marketable securities. Warrants in privately-held companies are carried at cost as those warrants are excluded from the scope of FAS 133.

At September 30, 2001 and 2000, the Company's warrant balances were included in other assets and none of the Company's warrants were designated as hedges.

Forward Contracts

The Company enters into foreign currency forward contracts to hedge certain foreign currency transactions and probable anticipated foreign currency transactions. Prior to the adoption of FAS 133, gains and losses arising from foreign currency forward contracts offset gains and losses resulting from the underlying hedged transaction.

After the adoption of FAS 133, unrealized gains and losses arising from foreign currency forward contracts are reported in investment (expense) income as a change in unrealized gain on derivative instruments because the forward contracts are not designated as hedging instruments. Upon settlement of the foreign currency forward contracts, the unrealized gains and losses are reclassified to realized gains on derivative instruments. The Company did not have any foreign currency forward contracts designated as a hedging instrument during fiscal 2001.

The Company had one foreign currency forward contract outstanding as of September 30, 2001; no such contracts were outstanding as of September 30, 2000. The amount of the unrealized loss as of September 30, 2001 was not material.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill is amortized on a straight-line basis over its useful life, ranging from three to four years. Other intangible assets are amortized on a straight-line basis over their useful lives, ranging from three to twenty years. Software development costs are capitalized when a product's technological feasibility has been established through the date a product is available for general release to customers.

Long-Lived and Intangible Assets

The Company assesses potential impairments to its long-lived assets and intangible assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is recognized when the undiscounted cash flows expected to be generated by an asset (or group of assets) is less than its carrying amount. Any required impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value, and is recorded as a reduction in the carrying value of the related asset and a charge to operating results.

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Warranty

Estimated future warranty obligations related to certain products are provided by charges to operations in the period in which the related revenue is recognized.

Stock-Based Compensation

The Company measures compensation expense for its stock-based employee compensation using the intrinsic value method and provides pro forma disclosures of net income and net earnings per common share as if the fair value method had been applied in measuring compensation expense.

Equity instruments issued to non-employees for goods or services are accounted for at fair value and are marked to market until service is complete or a performance commitment date is reached.

Foreign Currency

Foreign subsidiaries operating in a local currency environment use the local currency as the functional currency. Assets and liabilities are translated to United States dollars at year-end exchange rates; revenues, expenses, gains and losses are translated at rates of exchange that approximate the rates in effect at the transaction date. Resulting remeasurement gains or losses are recognized as a component of other comprehensive income. During fiscal 1999, a significant devaluation of the Brazilian real resulted in a \$25 million translation loss that was recorded as a component of other comprehensive income. The functional currency of the Company's foreign investees that do not use local currencies is the United States dollar. Where the United States dollar is the functional currency, the monetary assets and liabilities are translated into United States dollars at the exchange rate in effect at the balance sheet date. Revenues, expenses, gains and losses associated with the monetary assets and liabilities are translated at the rates of exchange that approximate the rates in effect at the transaction date. Non-monetary assets and liabilities and related elements of expense, gains and losses are translated at historical rates. Resulting remeasurement gains or losses of these foreign investees are recognized in the statement of income.

During fiscal 2001, 2000 and 1999, net foreign currency transaction gains and losses included in the Company's statements of operations were not material.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year, prior to the recognition of benefits from stock option deductions. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to more likely than not be realized in future tax returns. Tax law and rate changes are reflected in income in the period such changes are enacted.

Comprehensive Income

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. The Company presents other comprehensive income (loss) in its consolidated statements of stockholders' equity.

The reclassification adjustment for other-than-temporary losses on marketable securities results from the recognition of unrealized losses in the statement of operations resulting from declines in the market prices of those securities deemed to be other-than-temporary. The reclassification adjustment for net realized losses (gains) results from the recognition of the net realized losses or gains in the statement of operations when the marketable securities are sold. The reclassification adjustment for losses included in the accounting change

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results from the recognition of unrealized losses attributable to derivative instruments as of the beginning of fiscal 2001 in the statement of operations as a result of the implementation of FAS 133. Unrealized losses on certain derivative instruments subject to FAS 133 were previously recorded as a component of other comprehensive income (loss).

Components of accumulated other comprehensive loss consisted of the following (in thousands):

	September 30,	
	2001	2000
Foreign currency translation	\$ (64,537)	\$(25,022)
Unrealized (loss) gain on marketable securities, net of income taxes	(159,630)	16,367
	\$(224,167)	\$ (8,655)

Stock Splits

On April 14, 1999, the Company's Board of Directors declared a two-for-one stock split of the Company's common stock in the form of a stock dividend. The stock dividend was distributed on May 10, 1999 to stockholders of record on April 21, 1999. On November 2, 1999, the Company's Board of Directors declared a four-for-one stock split of the Company's common stock and an increase in the number of authorized shares of common stock to three billion shares. The stock was distributed on December 30, 1999 to stockholders of record on December 20, 1999. All references to per share amounts have been restated to reflect these stock splits.

Net Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share (diluted EPS) reflect the potential dilutive effect, calculated using the treasury stock method, of additional common shares that are issuable upon exercise of outstanding stock options and warrants and the potential dilutive effect for the period prior to conversion of shares issuable upon conversion of Trust Convertible Preferred Securities, determined on an if-converted basis, as follows (in thousands):

	Years Ended September 30,		
	2001	2000	1999
Options	—	64,802	55,175
Trust Convertible Preferred Securities	—	18,114	—
	—	82,916	55,175

The diluted share base for fiscal 2001 excluded the potential dilutive effect of 51,188,000 incremental shares related to outstanding stock options, calculated using the treasury stock method, due to their anti-dilutive effect as a result of the Company's loss before accounting change.

Options outstanding during the years ended September 30, 2001, 2000 and 1999 to purchase approximately 14,427,000, 2,625,000, and 13,494,000 shares of common stock, respectively, were not included in the computation of diluted EPS because the options' exercise prices were greater than the average market prices of the common stock during the period and, therefore, the effect would be anti-dilutive. Net income in the computation of diluted EPS for fiscal 2000 was increased by \$7 million, representing the assumed savings of distributions, net of taxes, on the Trust Convertible Preferred Securities. The additional common shares assuming the conversion of the Trust Convertible Preferred Securities (Note 7) were not included for purposes of computing diluted EPS for fiscal 1999 because the effect would have been anti-dilutive.

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Future Accounting Requirements

In July 2001, the Financial Accounting Standards Board (FASB) issued FASB Statements Nos. 141 and 142 (FAS 141 and FAS 142), “Business Combinations” and “Goodwill and Other Intangible Assets.” FAS 141 replaces APB 16 and eliminates pooling-of-interests accounting prospectively. It also provides guidance on purchase accounting related to the recognition of intangible assets and accounting for negative goodwill. FAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Under FAS 142, goodwill will be tested annually and whenever events or circumstances occur indicating that goodwill might be impaired. FAS 141 and FAS 142 are effective for all business combinations completed after June 30, 2001. Upon adoption of FAS 142, amortization of goodwill recorded for business combinations consummated prior to July 1, 2001 will cease, and intangible assets acquired prior to July 1, 2001 that do not meet the criteria for recognition under FAS 141 will be reclassified to goodwill. Companies are required to adopt FAS 142 for fiscal years beginning after December 15, 2001, but early adoption is permitted. The Company will adopt FAS 142 as of the beginning of fiscal 2003. In connection with the adoption of FAS 142, the Company will be required to perform a transitional goodwill impairment assessment. The Company has not yet determined the impact these standards will have on its operating results and financial position.

In August 2001, the FASB issued FAS 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” FAS 144 replaces FAS 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.” The FASB issued FAS 144 to establish a single accounting model, based on the framework established in FAS 121, as FAS 121 did not address the accounting for a segment of a business accounted for as a discontinued operation under APB 30, “Reporting The Results of Operations — Reporting The Effects of Disposal of a Segment of a Business, and Extraordinary Unusual and Infrequently Occurring Events and Transactions.” FAS 144 also resolves significant implementation issues related to FAS 121. Companies are required to adopt FAS 144 for fiscal years beginning after December 15, 2001, but early adoption is permitted. The Company will adopt FAS 144 as of the beginning of fiscal 2003. The Company has not yet determined the impact this standard will have on its operating results and financial position.

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Note 2 — Marketable Securities

Marketable securities were comprised as follows (in thousands):

	Current		Noncurrent	
	September 30,		September 30,	
	2001	2000	2001	2000
Held-to-maturity:				
Certificates of deposit	\$ 290	\$ 201,338	\$ —	\$ —
Commercial paper	—	289,761	6,200	—
U.S. government securities	—	—	—	10,000
Corporate medium-term notes	227,022	194,576	99,698	312,791
	<u>227,312</u>	<u>685,675</u>	<u>105,898</u>	<u>322,791</u>
Available-for-sale:				
Commercial paper	—	2,956	—	—
Federal agencies	96,078	—	—	—
U.S. government securities	231,903	110,256	—	—
Corporate medium-term notes	216,512	108,748	—	—
Mortgage and asset-backed securities	115,095	147,887	—	—
Equity securities	7,677	—	191,435	425,730
	<u>667,265</u>	<u>369,847</u>	<u>191,435</u>	<u>425,730</u>
	<u>\$894,577</u>	<u>\$1,055,522</u>	<u>\$297,333</u>	<u>\$748,521</u>

Available-for-sale equity securities include debt securities issued by a publicly-traded company that are recorded at fair value. The fair value of these debt securities was \$77 million and \$136 million at September 30, 2001 and 2000, respectively.

As of September 30, 2001, the contractual maturities of debt securities were as follows (in thousands):

	Years to Maturity		No Single Maturity Date
	Less than One Year	One to Five Years	
Held-to-maturity	\$227,312	\$ 99,698	\$ 6,200
Available-for-sale	11,395	533,098	115,095
	<u>\$238,707</u>	<u>\$632,796</u>	<u>\$121,295</u>

Securities with no single maturity date include mortgage-backed securities and asset-backed securities.

Available-for-sale securities were comprised as follows at September 30 (in thousands):

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
2001				
Equity securities	\$ 374,799	\$ 3,388	\$(179,075)	\$199,112
Debt securities	643,531	16,070	(13)	659,588
Total	<u>\$1,018,330</u>	<u>\$ 19,458</u>	<u>\$(179,088)</u>	<u>\$858,700</u>
2000				
Equity securities	\$ 400,114	\$180,787	\$(155,171)	\$425,730
Debt securities	368,095	2,446	(694)	369,847
Total	<u>\$ 768,209</u>	<u>\$183,233</u>	<u>\$(155,865)</u>	<u>\$795,577</u>

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The fair values of held-to-maturity debt securities at September 30, 2001 and 2000 approximate cost.

In April 2000, the Company purchased approximately 11,500,000 shares of the common stock of NetZero, Inc. (NetZero), representing a 9.9% interest, for \$144 million in cash. NetZero was a publicly-traded company that provided Internet access and services to consumers and on-line direct marketing services to advertisers. Effective September 26, 2001, NetZero and Juno Online Services, Inc. completed a merger and became United Online, Inc. (United Online). The Company received 2,300,000 shares of United Online for its 11,500,000 shares of NetZero, representing an approximate 5.7% interest in United Online. During fiscal 2001, the Company recorded an other-than-temporary impairment charge of \$134 million in investment (expense) income related to this investment. The fair value of the United Online investment was \$5 million at September 30, 2001.

In February 2000, the Company purchased 308,000 units of Leap Wireless' senior discount notes with detachable warrants for \$150 million. The notes mature in April 2010 and bear interest at 14.5%. The warrants entitle each holder to purchase 2.503 common shares per each senior discount note unit held. The exercise price is \$96.80 per common share. Upon the adoption of FAS 133, the Company bifurcated the warrants from the senior discount notes and accounted for the warrants separately. The resulting adjustment was recorded as an accounting change, net of tax, and subsequent changes in fair value of the warrants were recorded in investment (expense) income. The fair values of the senior discount notes and the warrants were \$77 million and \$10 million, respectively, at September 30, 2001.

In November 1999, the Company purchased 2,565,000 common shares of Korea Telecom Freetel Co., Ltd. (KTFreeTel), representing a 1.9% interest, for \$110 million and an \$86 million zero coupon bond with warrants to purchase approximately 1,851,000 additional shares. If KTFreeTel meets certain obligations related to the commercial deployment of 1xEV-DO technology, the Company will be required to exercise the warrants. The exercise price of the warrants is expected to be paid by tendering the bond as payment in full. If KTFreeTel does not meet such obligations, the Company will have the right to redeem the bond at face value plus a premium equal to 10% per year. Upon the adoption of FAS 133, the Company bifurcated the warrants from the zero coupon bond and accounted for the warrants separately. The resulting adjustment was recorded as an accounting change, net of tax, and subsequent changes in fair value of the warrants were recorded in investment (expense) income. The Company used the cost method to account for 1,924,000 of the common shares and approximately 1,388,000 shares under warrant through June 1, 2001 as those shares were restricted. Subsequent to that date, the Company used the fair value method to account for all of the common shares and the warrants, recording changes in fair value as a component of comprehensive loss, net of tax, and investment (expense) income, respectively. The combined fair value of the common shares and bond with warrants was \$95 million at September 30, 2001.

Note 3 — Composition of Certain Financial Statement Captions

Accounts Receivable

	September 30,	
	2001	2000
	(In thousands)	
Trade, net of allowance for doubtful accounts of \$15,756 and \$9,610, respectively	\$493,930	\$542,288
Long-term contracts:		
Billed	11,917	38,059
Unbilled	3,846	21,185
Other	7,864	5,447
	\$517,557	\$606,979

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Unbilled receivables represent costs and profits recorded in excess of amounts billable pursuant to contract provisions and are expected to be realized within one year.

Finance Receivables

Finance receivables result from arrangements in which the Company has agreed to provide its customers or certain CDMA customers of Telefonaktiebolaget LM Ericsson (Ericsson) (Note 14) with long-term interest bearing debt financing for the purchase of equipment and/or services. Finance receivables were comprised as follows:

	September 30,	
	2001	2000
	(In thousands)	
Finance receivables	\$1,388,684	\$939,063
Allowance for doubtful receivables	(644,848)	(11,144)
	743,836	927,919
Current maturities, net	10,345	128,515
Noncurrent finance receivables, net	\$ 733,491	\$799,404

At September 30, 2001 and 2000, the fair value of finance receivables approximated \$744 million and \$826 million, respectively. The fair value of finance receivables is estimated by discounting the future cash flows using current interest rates at which similar financing would be provided to similar customers for the same remaining maturities.

Maturities of finance receivables at September 30, 2001 were as follows (in thousands):

Fiscal Year Ending September 30,	Amount
2002	\$ 29,713
2003	26,255
2004	58,191
2005	96,261
2006	62,069
Thereafter	1,116,195
	\$1,388,684

Maturities after 2006 include finance receivables which have been fully reserved or which the Company has not or does not expect to receive payments in accordance with the scheduled maturities.

At September 30, 2001, remaining commitments to extend long-term financing by the Company to certain CDMA customers of Ericsson (Note 14) totaled approximately \$531 million. The commitment to fund \$400 million of this amount expires on November 6, 2003. The funding of the remaining \$131 million, if it occurs, is not subject to a fixed expiration date. The financing commitments are subject to the CDMA customers meeting conditions prescribed in the financing arrangements and, in certain cases, to Ericsson also financing a portion of such sales and services. Such financing is generally collateralized by the related equipment. Commitments represent the maximum amounts to be financed under these arrangements; actual financing may be in lesser amounts.

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Inventories

	September 30,	
	2001	2000
	(In thousands)	
Raw materials	\$18,251	\$47,952
Work-in-process	3,346	8,370
Finished goods	74,266	29,044
	\$95,863	\$85,366

Property, Plant and Equipment

	September 30,	
	2001	2000
	(In thousands)	
Land	\$ 38,093	\$ 37,953
Buildings and improvements	280,851	279,265
Computer equipment	283,293	254,675
Machinery and equipment	176,300	193,194
Furniture and office equipment	16,393	14,424
Leasehold improvements	44,990	33,798
	839,920	813,309
Less accumulated depreciation and amortization	(408,524)	(381,604)
	\$ 431,396	\$ 431,705

Depreciation and amortization expense related to property, plant, and equipment for fiscal 2001, 2000, and 1999 was \$91 million, \$109 million and \$151 million, respectively. At September 30, 2001 and 2000, buildings and improvements and leasehold improvements with a net book value of \$91 million and \$145 million, respectively, including accumulated depreciation and amortization of \$37 million and \$36 million, respectively, were leased or held for lease to third parties.

Intangible Assets

At September 30, 2001 and 2000, goodwill was presented net of \$389 million and \$144 million in accumulated amortization, respectively. At September 30, 2001 and 2000, intangible assets totaled \$121 million and \$45 million, respectively, net of \$21 million and \$8 million in accumulated amortization, respectively. During fiscal 2001, the Company acquired licenses in the Australian 3G wireless spectrum auctions. At September 30, 2001, intangible assets included \$78 million related to these licenses. The Company will begin amortizing the licenses upon the commercial launch of the system in Australia, which is expected to occur in October 2002. The licenses will be amortized over their expected useful lives of 15 years. Capitalized software development costs were \$16 million and \$6 million, at September 30, 2001 and 2000, respectively. Accumulated amortization was \$6 million at September 30, 2001 and 2000. Amortization expense for fiscal 2001, 2000, and 1999 was not material.

Note 4 — Investments in Other Entities

Vesper Holding S.A. and Vesper Sao Paulo S.A.

In fiscal 1999, the Company made commitments to invest approximately \$108 million in Vesper Holding S.A. and Vesper Sao Paulo S.A. (the Vesper Companies), formerly know as Canbra Holdings, S.A. and

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Megatel Holdings, S.A., respectively. The Vesper Companies were formed by a consortium of investors to provide wireless and wireline telephone services in the northern region and in the Sao Paulo state of Brazil. The Company subsequently participated in additional financing rounds completed by the Vesper Companies, thereby increasing the Company's initial equity investment. In addition, the Company extended long-term financing to the Vesper Companies related to the Company's financing arrangement with Ericsson (Note 3). At September 30, 2001, the Company's cumulative cash investment, including long-term financing, in the Vesper Companies totaled approximately \$241 million. In January 2000, the Company acquired an approximate 2.5% interest in VeloCom, Inc. (VeloCom), an investor in the Vesper Companies, for \$15 million. In December 2000, the Company executed a Term Loan Agreement with VeloCom in which the Company agreed to provide \$230 million of convertible debt financing, including \$30 million for capitalized interest. The debt facility has a three-year term and bears interest at 18%. The Company funded approximately \$172 million under this facility through September 30, 2001.

As a result of a reorganization of the Vesper Companies initiated during fiscal 2001, the Company reassessed the recoverability of its assets related to the Vesper Companies and VeloCom and recorded \$32 million in asset impairments and related charges, \$90 million in investment (expense) income and \$120 million in other non-operating charges. At September 30, 2001, the Company had approximately \$124 million in remaining net assets, primarily consisting of finance receivables and notes receivable, net of allowances of \$174 million, related to the Vesper Companies and VeloCom. The Company has not recognized interest income since the impairment and will evaluate whether to recognize interest income subsequent to the reorganization. The Vesper Companies are working to accomplish the terms of their restructuring with owners, vendors and creditors, which is expected to be completed in the first quarter of fiscal 2002. The proposed transaction is contingent on several factors, and there is a risk it will not close. If the transaction closes, the Company expects to acquire an additional interest in the Vesper Companies for \$266 million in equity commitments. The Company also expects to convert its Term Loan Agreement with VeloCom into an additional equity interest in VeloCom. After the close, the Company expects to hold a 49.9% interest in VeloCom, and direct and indirect interests in the Vesper Companies of 74% and 86%, respectively. The Company will consolidate the results of the Vesper Companies if the proposed transaction closes in fiscal 2002. The Vesper Companies expect to incur increasing operating losses and negative cash flows from operations as they expand operations and enter new markets, even if and after they achieve positive cash flows from operations in the initial operating markets. The Company may incur significant losses in the future related to its proposed ownership of the Vesper Companies, and the Vesper Companies may never operate profitably.

Globalstar L.P.

The Company has contracts with Globalstar L.P. (Globalstar) to design, develop and manufacture subscriber products and ground communications systems utilizing CDMA technology and to provide contract development services. Globalstar was formed to design, construct, and operate a worldwide, low-Earth-orbit satellite-based telecommunications system (the Globalstar System).

Through partnership interests held in certain intermediate limited partnerships and other indirect interests, the Company owns an approximate 6.3% interest in Globalstar, a limited partnership formed to develop, own and operate the Globalstar System. The Company accounts for its investment under the equity method. As a result of the intermediate limited partnership agreements, Globalstar profits and losses are allocated to the Company in accordance with its percentage ownership interest, provided that no loss shall be allocated to the Company if such allocation would create negative balances in the Company's intermediate partnership adjusted capital accounts. For financial reporting purposes, the Company's investment in the intermediate partnerships had no basis during each of fiscal 2001, 2000 and 1999, and, as a result, the Company has not recorded any equity losses during those respective fiscal years.

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On June 30, 2000, Globalstar defaulted on a \$250 million bank facility that QUALCOMM partially guaranteed in 1996. As a result of this default, QUALCOMM's guaranty was called, and QUALCOMM paid \$22 million to the subject banks in full satisfaction of this guaranty plus interest. Pursuant to an agreement entered into in 1996, with respect to the original provision of this guaranty, QUALCOMM accepted a subordinated promissory note issued by Globalstar with a principal amount equal to the amount QUALCOMM paid under its guaranty (the Globalstar Promissory Note). The Globalstar Promissory Note bears interest at LIBOR plus 3%, and principal and interest are due and payable in full on June 30, 2003.

The Company continues to provide services and sell products under a number of development and production contracts involving the Globalstar System. Starting in the first quarter of fiscal 2001, the Company decided to not recognize revenue on business with Globalstar before cash is received. Revenues resulting from the agreements with Globalstar for fiscal 2001, 2000 and 1999 were \$35 million, \$219 million and \$435 million, respectively.

On January 16, 2001, Globalstar announced that, in order to have sufficient funds available for the continued progress of its marketing and service activities, it had suspended indefinitely principal and interest payments on all of its debt, including its vendor financing obligations. As a result, Globalstar did not make an approximate \$22 million payment for principal and interest due to QUALCOMM on January 15, 2001. Globalstar also announced the retention of a financial adviser to assist in developing future initiatives, including restructuring Globalstar's debt, identifying funding opportunities and pursuing other strategic alternatives. Efforts, by Globalstar, to restructure its debt are on-going, and work on a final plan is expected to continue. However, Globalstar's restructuring has not progressed as the Company had anticipated. Based on the current status of Globalstar's restructuring efforts, the Company believes it will not receive any of the contractual amounts due. As a result, the Company recorded \$44 million in net charges to establish reserves against remaining Globalstar-related assets in the fourth quarter of fiscal 2001. During fiscal 2001, the Company recorded total net charges of \$49 million in cost of revenues, \$519 million in asset impairment and related charges, \$10 million in investment expense and \$58 million in other non-operating charges related primarily to the impairment of certain assets. Valuation allowances have been established against the entire finance and note receivables balances totaling \$602 million, and the Company does not anticipate recognition of any interest income in the future.

Inquam Limited

In October 2000, the Company agreed to invest \$200 million in the convertible preferred shares of Inquam Limited (Inquam). Inquam was formed to acquire, own, develop and manage wireless communications systems, either directly or indirectly, with the primary intent of deploying CDMA-based technology. In addition, QUALCOMM advanced \$10 million under a promissory note, bearing interest at 10%, that matures on January 31, 2002. At September 30, 2001, \$144 million of the equity funding commitment was outstanding. The Company expects to fund the remaining commitment through June 2002.

Wingcast, LLC

In July 2000, Ford Motor Company and QUALCOMM created a new company, Wingcast, LLC (Wingcast), to develop and deliver wireless mobility services into cars and trucks. QUALCOMM committed to contribute \$125 million to the initial capital of Wingcast, including up to \$75 million in cash and \$50 million in non-cash consideration. QUALCOMM may be further committed to fund an additional \$75 million in cash upon vehicle manufacturers committing to enable certain volumes of vehicles to use Wingcast's services. QUALCOMM holds a 15% interest in Wingcast. At September 30, 2001, \$50 million of the initial \$75 million cash commitment was outstanding and remained subject to certain conditions, and Wingcast had not met the performance milestones related to the additional \$75 million cash commitment. Performance milestones must be completed by April 2003 or before Wingcast's initial public offering.

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QUALCOMM Personal Electronics

In fiscal 1994, a subsidiary of the Company and a subsidiary of Sony Electronics Inc. (Sony Electronics) entered into a general partnership, QUALCOMM Personal Electronics (QPE), to manufacture CDMA consumer equipment for cellular, PCS and other wireless applications. The Company owns 51% of the venture and consolidates QPE in its financial statements. Sony Electronics' 49% general partnership share in QPE is presented as a minority interest in the Company's financial statements. In February 2000, the Company sold its terrestrial-based CDMA wireless consumer phone business (Note 14). As a result, QPE has no on-going operations.

During fiscal 2001, QPE distributed certain assets to its owners based on their pro-rata ownership interests. Sony Electronics' share of the distribution reimbursed the Company for cash advanced to and the forgiveness of receivables from Sony Electronics in February 2000 related to the sale of the Company's terrestrial-based CDMA wireless consumer phone business (Note 14). The distribution by QPE reduced the minority interest liability to Sony Electronics and a related receivable included in other current assets by \$40 million.

During fiscal 2000 and 1999, QPE sales to Sony Electronics amounted to \$6 million and \$249 million, respectively. Purchases of inventory and capital equipment from Sony Electronics and other Sony affiliates during fiscal 2000 and 1999 amounted to \$3 million and \$80 million, respectively. At September 30, 2001 and 2000, outstanding accounts receivable from Sony Electronics amounted to none and \$2 million, respectively. The \$2 million receivable at September 30, 2000 was the result of on-going business unrelated to QPE. At September 30, 1999, accounts payable to all Sony Electronics affiliated companies amounted to \$14 million.

NextWave Telecom Inc.

In November 1995, the Company purchased 1,666,666 shares of Series B common stock in NexWave Telecom Inc. (NextWave), a privately-held company, for \$5 million. As part of the share purchase, the Company received warrants to buy 1,111,111 additional shares of Series B common stock at \$3 per share. During March 1996, the Company converted a \$15 million note receivable into 5,000,000 shares of Series B common stock. In June 1998, the Company recorded a \$20 million impairment charge related to the Company's investment in NextWave. Subsidiaries of NextWave filed for bankruptcy protection in June 1998 under Chapter 11 of the United States Bankruptcy Code. NextWave itself filed for bankruptcy protection in December 1998 under Chapter 11 of the United States Bankruptcy Code.

In August 2001, NextWave filed a plan of reorganization with the United States Bankruptcy Court which requires total financing of approximately \$5 billion to build-out an advanced 3G wireless network. The plan provides for payment of all valid claims against NextWave, including the claim of the FCC for the PCS licenses it granted to NextWave in 1997, plus interest as applicable. The plan also provides that NextWave's debt for its C-block and F-block PCS licenses would be reinstated, with the government receiving all amounts due up to this point, in full, with the remaining balance to be paid in installments. Under this plan, NextWave indicated that it expects to construct wireless networks in 95 markets utilizing CDMA2000 1xEV-DO technology.

During fiscal 2001, the Company sold 150,000 shares of NextWave series B common stock and recorded a realized gain of \$1 million. At September 30, 2001, the Company owned 6,516,666 shares of Series B common stock and held warrants to purchase 1,111,111 shares of Series B common stock for \$3 per share. The Company also held a \$0.4 million promissory note convertible into 1,019,444 shares of Series C common stock.

In August 2001, the Company committed to purchase 2,000,000 shares of Series A preferred stock in the reorganized NexWave for \$300 million. The Company's investment was subject to approval by the United States Bankruptcy Court, successful consummation of NextWave's August 2001 plan of reorganization,

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satisfactory resolution of all disputes involving NextWave's PCS licenses and other conditions. Furthermore, the Company's obligation to make this investment was subject to approval by the Bankruptcy Court on or before October 31, 2001 of the terms and conditions of the Company's investment, as well as a certain Technology Cooperation Agreement dated as of August 15, 2001, as amended, between NextWave and QUALCOMM. NextWave also was entitled to terminate the investment commitment if a certain break-up fee contained in the subject Subscription Agreement was not approved by the Bankruptcy Court on or before October 31, 2001. The approvals required by October 31, 2001 have not been obtained, and the Company is entitled to terminate its investment agreement with NextWave. The Company's \$300 million commitment is dependent on NextWave pursuing the plan of reorganization filed in August, 2001. Accordingly, if NextWave abandons the plan filed in August, 2001 and proceeds with a new plan, then the Company will not be obligated to make the investment. As a result of the uncertainty surrounding NextWave's financing plans, the terms of a settlement with the FCC and other factors, there is significant uncertainty as to whether the Company will have the opportunity to make its planned investment in a reorganized NextWave.

Other

Other strategic investments as of September 30, 2001 and 2000, amounted to \$184 million and \$148 million, respectively. At September 30, 2001, effective ownership interests in the investees ranged from 1% to 50%.

Funding commitments related to these investments totaled \$48 million at September 30, 2001, which the Company expects to fund through fiscal 2009. Such commitments are subject to the investees meeting certain conditions; actual equity funding may be in lesser amounts. It is not practicable to estimate the fair value of these investments as the investments are predominantly closely held and not publicly traded. An investee's failure to successfully develop and provide competitive products and services due to lack of financing, market demand or unfavorable economic environment could adversely affect the value of the Company's investment in the investee. There can be no assurance that the investees will be successful in their efforts.

Note 5 — Debt and Credit Facilities

The Company had an unsecured credit facility under which banks were committed to make up to \$400 million in revolving loans to the Company. The credit facility was cancelled in January 2001.

Under terms of two identical revolving credit agreements, cancelled in February 2000 as a condition of the sale of the Company's terrestrial-based CDMA wireless consumer phone business (Note 14), QPE (Note 4) could borrow a total of \$150 million. The interest under the facilities was at the applicable LIBOR rate plus 0.5%. The weighted average interest rate on outstanding borrowings was 6.4% and 5.9% during fiscal 2000 and 1999, respectively.

Cash amounts paid for interest were \$11 million in fiscal 2001, \$5 million in fiscal 2000 and \$11 million in fiscal 1999. Cash paid for interest in fiscal 2001 included \$8 million related to an arbitration decision against the Company.

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Note 6 — Investment (Expense) Income

Investment (expense) income for the years ended September 30 was comprised as follows (in thousands):

	2001	2000	1999
Interest income	\$ 243,298	\$245,440	\$ 50,392
Net realized gains on marketable securities	63,420	270,132	5,663
Net realized gains on other investments	6,267	—	—
Net realized gains on derivative instruments	459	—	—
Loss on cancellation of warrants (Note 15)	—	—	(3,273)
Unrealized other-than-temporary losses on marketable securities	(147,649)	—	—
Unrealized other-than-temporary losses on other investments	(139,525)	—	—
Change in unrealized gain on derivative instruments	(243,308)	—	—
Minority interest in income of consolidated subsidiaries	(3,769)	(6,264)	(13,066)
Equity in losses of investees	(35,192)	(15,117)	(15,140)
	<u>\$ (255,999)</u>	<u>\$494,191</u>	<u>\$ 24,576</u>

Note 7 — Trust Convertible Preferred Securities of Subsidiary

In February 1997, QUALCOMM Financial Trust I (the Trust), the Company's wholly-owned subsidiary trust created under the laws of the State of Delaware, completed a private placement of \$660 million of 5 3/4% Trust Convertible Preferred Securities. The sole assets of the Trust were QUALCOMM Incorporated 5 3/4% Convertible Subordinated Debentures due February 24, 2012. The Company fully and unconditionally guaranteed the obligations of the Trust related to the Trust Convertible Preferred Securities. The Trust Convertible Preferred Securities were convertible into Company common stock at the rate of 5.5056 shares of Company common stock for each Trust Convertible Preferred Security (equivalent to a conversion price of \$9.082054 per share of common stock). Distributions on the Trust Convertible Preferred Securities were payable quarterly by the Trust. The Trust Convertible Preferred Securities were subject to mandatory redemption on February 24, 2012, at a redemption price of \$50 per preferred security. The Company had the right to convert the Trust Convertible Preferred Securities, in whole or in part, on or after March 4, 2000. The Company was required to pay a premium over the initial conversion price if securities were converted prior to March 4, 2002. As a result of the Leap Wireless Spin-off, and pursuant to a resolution of the Board of Directors of QUALCOMM, each QUALCOMM Trust Convertible Preferred Security was convertible, subject and pursuant to the terms of the Convertible Subordinated Debentures, into both QUALCOMM common stock and Leap Wireless common stock at the rate of 5.5056 and 0.17205 shares, respectively, for each QUALCOMM Trust Convertible Preferred Security.

During fiscal 2000, approximately 13,191,000 Trust Convertible Preferred Securities were converted into approximately 72,623,000 shares of common stock. As of September 30, 2000, all Trust Convertible Preferred Securities had been converted into common stock.

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Note 8 — Income Taxes

The components of income tax provision for the years ended September 30 were as follows (in thousands):

	2001	2000	1999
Current provision:			
Federal	\$ 274,316	\$289,135	\$143,534
State	69,640	54,423	22,211
Foreign	77,276	62,385	36,657
	<u>421,232</u>	<u>405,943</u>	<u>202,402</u>
Deferred (benefit) provision:			
Federal	(279,730)	97,522	(86,996)
State	(37,001)	23,129	(9,599)
	<u>(316,731)</u>	<u>120,651</u>	<u>(96,595)</u>
	<u>\$ 104,501</u>	<u>\$526,594</u>	<u>\$105,807</u>

The following is a reconciliation from the expected statutory federal income tax provision to the Company's actual income tax provision for the years ended September 30 (in thousands):

	2001	2000	1999
Expected income tax provision at federal statutory tax rate	\$(149,208)	\$ 418,881	\$107,363
State income tax (benefit) provision, net of federal benefit	(22,168)	62,234	15,951
Foreign taxes	77,277	62,385	36,657
Permanent differences	6,567	8,382	(701)
Foreign differential	2,665	7,896	2,809
Goodwill amortization and purchased in-process technology	95,728	79,811	—
Valuation allowance	185,217	—	—
Tax credits	(101,044)	(104,497)	(56,800)
Alternative Minimum Tax	4,165	—	—
Other	5,302	(8,498)	528
Actual income tax provision	<u>\$ 104,501</u>	<u>\$ 526,594</u>	<u>\$105,807</u>

The Company did not provide for United States income taxes and foreign withholding taxes on a cumulative total of approximately \$217 million of undistributed earnings for certain non-United States subsidiaries. The Company intends to reinvest these earnings indefinitely in operations outside the United States.

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At September 30, 2001 and 2000, the Company had net deferred tax assets as follows (in thousands):

	2001	2000
Accrued liabilities	\$ 451,912	\$ 127,942
Deferred revenue	186,094	16,153
Unrealized loss on marketable securities	71,988	62,658
Unused net operating losses	184,725	289,613
Tax credits	324,793	214,349
Unrealized loss on investments	89,720	—
	<hr/>	<hr/>
Total gross assets	1,309,232	710,715
Valuation allowance	(1,208,107)	(584,001)
	<hr/>	<hr/>
Total net deferred assets	101,125	126,714
	<hr/>	<hr/>
Purchased intangible assets	(7,319)	(11,496)
Deferred contract costs	(42,524)	—
Unrealized gain on marketable securities	(7,817)	(73,659)
Other basis differences	(36,434)	(41,559)
	<hr/>	<hr/>
Total deferred liabilities	\$ (94,094)	\$(126,714)

The Company has provided a valuation allowance on substantially all of its net deferred tax assets because of uncertainty regarding their realizability due to the expectation that deductions from future employee stock option exercises and related deductions will exceed future taxable income. If and when recognized, the tax benefit of these deferred assets will primarily be accounted for as a credit to stockholders' equity rather than as a reduction of the income tax provision.

At September 30, 2001, the Company had unused net operating losses, manufacturing, research, foreign tax and alternative minimum tax credits expiring from 2002 through 2021. The unused net operating tax losses were generated by the exercise of non-qualified employee stock options.

Cash amounts paid for income taxes were \$75 million, \$44 million and \$68 million for fiscal 2001, 2000 and 1999, respectively.

Note 9 — Capital Stock

Common Stock Warrants

In March 2000, the Company assumed warrants to purchase 11,000, 68,000, and 7,000 shares of common stock at \$10.21, \$2.91, and \$6.56 per share, respectively, as a result of the acquisition of SnapTrack. In April 2000, the Company issued 86,000 shares of common stock upon the exercise of the warrants.

Preferred Stock

The Company has 8,000,000 shares of preferred stock authorized for issuance in one or more series, at a par value of \$0.0001 per share. In conjunction with the distribution of Preferred Share Purchase Rights, the Company's Board of Directors designated 1,500,000 shares of preferred stock as Series A Junior Participating Preferred Stock and reserved such shares for issuance upon exercise of the Preferred Share Purchase Rights. At September 30, 2001 and 2000, no shares of preferred stock were outstanding.

Preferred Share Purchase Rights Plan

During fiscal 1996, the Board of Directors implemented a Preferred Share Purchase Rights Plan (Rights Plan) to protect stockholders' rights in the event of a proposed takeover of the Company. Under the Rights

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Plan, the Company declared a dividend of one preferred share purchase right (a Right) for each share of the Company's common stock outstanding. Pursuant to the Rights Plan, each Right entitles the registered holder to purchase from the Company a one one-hundredth share of Series A Junior Participating Preferred Stock, \$0.0001 par value per share, at a purchase price of \$250. In November 1999, the Rights Plan was amended to provide that the purchase price be set at \$400. The Rights are exercisable only if a person or group (an Acquiring Person) acquires beneficial ownership of 15% or more of the Company's outstanding shares of common stock. Upon exercise, holders, other than an Acquiring Person, will have the right, subject to termination, to receive the Company's common stock or other securities, cash or other assets having a market value, as defined, equal to twice such purchase price. The Rights, which expire on September 25, 2005, are redeemable in whole, but not in part, at the Company's option at any time for a price of \$0.005 per Right.

Note 10 — Employee Benefit Plans

Employee Savings and Retirement Plan

The Company has a 401(k) plan that allows eligible employees to contribute up to 15% of their salary, subject to annual limits. The Company matches a portion of the employee contributions and may, at its discretion, make additional contributions based upon earnings. The Company's contribution expense for fiscal 2001, 2000 and 1999 was \$19 million, \$17 million and \$17 million, respectively.

Stock Option Plans

The Board of Directors may grant options to selected employees, directors and consultants to the Company to purchase shares of the Company's common stock at a price not less than the fair market value of the stock at the date of grant. The 2001 Stock Option Plan (the 2001 Plan) was adopted and replaced the 1991 Stock Option Plan (the 1991 Plan) which expired in August 2001. The shares reserved under the 2001 Plan are equal to the number of shares available for future grant under the 1991 Plan on the date the 2001 Plan was approved by the Company's stockholders. At that date, 50,541,570 shares were available for future grants under the 2001 Plan. This share amount is automatically increased by the amount equal to the number of shares subject to any outstanding option under the 1991 Plan that expires or is terminated or cancelled following the date that the 2001 Plan was approved by stockholders. The Board of Directors of the Company may terminate the 2001 Plan at any time. The 2001 Plan provides for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding six years and are exercisable for up to ten years from the grant date. At September 30, 2001, options for 57,787,000 shares were exercisable at prices ranging from \$1.09 to \$172.38 for an aggregate exercise price of \$682 million.

The Company has adopted the 2001 Non-Employee Directors' Stock Option Plan (the 2001 Directors' Plan) which replaces the 1998 Non-Employee Directors' Stock Option Plan. The shares reserved under the 2001 Directors' Plan are equal to the number of shares available for future grant under the 1998 Directors' Plan on the date the 2001 Directors' Plan was approved by the Company's stockholders. At that date, 2,050,000 shares were available for future grants under the 2001 Directors' Plan. This share amount is automatically increased by the amount equal to the number of shares subject to any outstanding option under the 1998 Directors' Plan that expires or is terminated or cancelled following the date that the 2001 Directors' Plan was approved by stockholders. The Board of Directors of the Company may terminate the 2001 Directors' Plan at any time. This plan provides for non-qualified stock options to be granted to non-employee directors at fair market value, vesting over periods not exceeding five years and are exercisable for up to ten years from the grant date. At September 30, 2001, options for 2,678,000 shares were exercisable at prices ranging from \$2.78 to \$133.00 per share for an aggregate exercise price of \$18 million.

In March 2000, the Company assumed 1,560,000 outstanding stock options under the SnapTrack, Inc. 1995 Stock Option Plan (the SnapTrack Plan), as amended with respect to the acquisition. The SnapTrack Plan expired on the date of acquisition, and no additional shares may be granted under that plan. The

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SnapTrack Plan provided for the grant of both incentive stock options and non-qualified stock options. Generally, options outstanding vest over periods not exceeding four years and are exercisable for up to ten years from the grant date. At September 30, 2001, options for 283,000 shares were exercisable at prices ranging from \$0.02 to \$5.26 for an aggregate exercise price of \$0.4 million.

A summary of stock option transactions for the plans follows (number of shares in thousands):

	Options Shares Available for Grant	Number of Shares	Options Outstanding	
			Exercise Price Per Share	
			Range	Weighted Average
Balance at September 30, 1998	31,824	180,572	\$ 0.61 to \$8.56	\$ 5.19
Additional shares reserved	28,000	—	—	—
Options granted	(18,964)	18,964	4.95 to 48.10	13.03
Options canceled	25,336	(25,336)	0.61 to 29.39	5.85
Options exercised	—	(48,994)	0.61 to 8.56	4.39
Balance at September 30, 1999	66,196	125,206	\$ 1.09 to \$48.10	\$ 6.56
Additional shares reserved(a)	1,560	—	—	—
Options assumed(a)	(1,560)	1,560	0.02 to 5.30	1.32
Options granted	(9,523)	9,523	46.93 to 172.38	84.30
Options canceled	4,306	(4,306)	2.06 to 140.00	13.94
Options exercised	—	(22,015)	0.02 to 112.50	4.96
Balance at September 30, 2000	60,979	109,968	\$0.02 to \$172.38	\$ 13.25
Additional shares reserved(a)	6	—	—	—
Options assumed(a)	(6)	6	0.02 to 5.30	1.32
Plan shares expired(b)	(58)	—	—	—
Options granted	(15,589)	15,589	45.54 to 100.50	71.17
Options cancelled	2,557	(2,557)	1.02 to 140.00	27.83
Options exercised	—	(14,831)	0.13 to 83.50	6.28
Balance at September 30, 2001	47,889	108,175	\$0.02 to \$172.38	\$ 22.20

(a) Represents activity related to options that were assumed as a result of the acquisition of SnapTrack in March 2000.

(b) Represents shares available for future grant cancelled pursuant to the SnapTrack escrow agreement.

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The following table summarizes information about fixed stock options outstanding at September 30, 2001 (number of shares in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Shares	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$0.02 to \$3.39	9,978	3.15	\$ 2.92	8,893	\$ 2.94
\$3.43 to \$6.21	33,190	4.56	5.03	28,220	4.95
\$6.25 to \$8.01	31,767	6.45	7.10	15,399	7.09
\$8.02 to \$19.25	7,753	7.08	13.94	3,196	14.04
\$23.83 to \$66.33	9,794	8.89	54.13	1,524	45.82
\$66.35 to \$83.50	8,649	8.73	75.27	2,044	77.67
\$86.00 to \$172.38	7,044	8.89	98.02	1,472	102.82
	108,175	6.17	22.20	60,748	11.52

Employee Stock Purchase Plans

The Company has employee stock purchase plans for all eligible employees to purchase shares of common stock at 85% of the lower of the fair market value on the first or the last day of each six-month offering period. Employees may authorize the Company to withhold up to 15% of their compensation during any offering period, subject to certain limitations. The 2001 Employee Stock Purchase Plan (the 2001 Purchase Plan) was adopted and replaces the 1991 Employee Stock Purchase Plan which expired in August 2001. The 2001 Purchase Plan authorizes up to 12,154,733 shares to be granted until the Board of Directors of the Company terminates the 2001 Purchase Plan. The 1996 Non-Qualified Employee Stock Purchase Plan authorizes up to 200,000 shares to be granted at anytime. During fiscal 2001, 2000 and 1999, shares totaling 758,000, 749,000 and 4,774,000 were issued under the plans at an average price of \$50.16, \$37.75 and \$5.44 per share, respectively. At September 30, 2001, 12,240,049 shares were reserved for future issuance.

Executive Retirement Plans

The Company has voluntary retirement plans that allow eligible executives to defer up to 100% of their income on a pre-tax basis. On a quarterly basis, the Company matches up to 10% of the participants' deferral in Company common stock based on the then-current market price, to be distributed to the participant upon eligible retirement. The income deferred and the Company match held in trust are unsecured and subject to the claims of general creditors of the Company. Company contributions begin vesting based on certain minimum participation or service requirements, and are fully vested at age 65. Participants who terminate employment forfeit their unvested shares. All shares forfeited are used to reduce the Company's future matching contributions. The plans authorize up to 800,000 shares to be allocated to participants at anytime. During fiscal 2001 and 2000, no shares were issued under the plans. During fiscal 1999, there were 220,000 shares, net of forfeitures, issued under the plans. The Company's matching contribution net of amounts forfeited during fiscal 2001, 2000 and 1999 amounted to \$3 million, \$2 million and \$1 million, respectively. At September 30, 2001, 307,753 shares, including 129,137 issued and unallocated forfeited shares, were reserved for future allocation.

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Accounting for Stock-Based Compensation

Pro forma information regarding net income and net earnings per common share has been estimated at the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	Stock Option Plans			Employee Stock Purchase Plans		
	2001	2000	1999	2001	2000	1999
Risk-free interest rate	5.0%	6.3%	5.2%	4.4%	5.7%	4.7%
Volatility	63.0%	57.0%	51.0%	78.0%	72.0%	51.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected life (years)	6.0	5.5	6.0	0.5	0.5	0.5

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and negotiable in a free trading market. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The weighted average estimated fair values of stock options granted during fiscal years 2001, 2000 and 1999 were \$44.25, \$48.62 and \$7.14 per share, respectively. The weighted average estimated fair values of shares granted under the Employee Stock Purchase Plans during fiscal years 2001, 2000 and 1999 were \$24.20, \$31.95 and \$2.80, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options is assumed to be amortized to expense over the options' vesting periods. The pro forma effects of recognizing compensation expense under the fair value method on net income and net earnings per common share for the years ended September 30 were as follows (in thousands, except for net earnings per share):

	2001		2000		1999	
	As reported	Pro forma	As reported	Pro forma	As reported	Pro forma
Net (loss) income	\$(548,743)	\$(715,867)	\$670,211	\$570,044	\$200,879	\$149,100
Net (loss) earnings per common share:						
Basic	\$ (0.73)	\$ (0.95)	\$ 0.93	\$ 0.79	\$ 0.34	\$ 0.25
Diluted	\$ (0.73)	\$ (0.95)	\$ 0.85	\$ 0.71	\$ 0.31	\$ 0.23

The effects on pro forma disclosures of applying the fair value method are not likely to be representative of the effects on pro forma disclosures of future years because the fair value method is applicable only to options granted subsequent to September 30, 1995.

Note 11 — Commitments and Contingencies

Litigation

Schwartz, et al v. QUALCOMM: On December 14, 2000, 77 former QUALCOMM employees filed a lawsuit against the Company in the District Court for Boulder County, Colorado, alleging claims for intentional misrepresentation, nondisclosure and concealment, violation of C.R.S. Section 8-2-104 (obtaining workers by misrepresentation), breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, negligent misrepresentation, unjust enrichment, violation of California Labor Code Section 970, violation of California Civil Code Sections 1709-1710, rescission, violation of California Business & Professions Code Section 17200 and violation of California Civil Code Section 1575. Since then, four other individuals have joined the suit as plaintiffs. Although there can be no assurance that an

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unfavorable outcome of the dispute would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

GTE Wireless Incorporated (GTE) v. QUALCOMM: On June 29, 1999, GTE filed an action in the United States District Court for the Eastern District of Virginia asserting that wireless telephones sold by the Company infringe a single patent allegedly owned by GTE. On September 15, 1999, the Court granted the Company's motion to transfer the action to the United States District Court for the Southern District of California. Trial has been set for June 3, 2002. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the action is without merit and will vigorously defend the action.

Durante, et al v. QUALCOMM: On February 2, 2000, four former QUALCOMM employees filed a putative class action against the Company, ostensibly on behalf of themselves and those former employees of the Company whose employment was terminated in April 1999. Virtually all of the purported class of plaintiffs received severance packages at the time of the termination of their employment, in exchange for a release of claims, other than federal age discrimination claims, against the Company. The complaint was filed in California Superior Court in and for the County of Los Angeles and purports to state ten causes of action including breach of contract, age discrimination, violation of Labor Code Section 200, violation of Labor Code Section 970, unfair business practices, intentional infliction of emotional distress, unjust enrichment, breach of the covenant of good faith and fair dealing, declaratory relief and undue influence. The complaint seeks an order accelerating all unvested stock options for the members of the class. On June 27, 2000, the case was ordered transferred from Los Angeles County Superior Court to San Diego County Superior Court. On July 3, 2000, the Company removed the case to the United States District Court for the Southern District of California, and discovery has commenced. On May 29, 2001, the Court dismissed all plaintiffs' claims except for claims arising under the federal Age Discrimination in Employment Act. On July 16, 2001, the Court granted condition class certification on the remaining claims, to be revisited by the Court at the end of the discovery period. Although there can be no assurance that an unfavorable outcome of the dispute would not have a material adverse effect on the Company's operating results, liquidity or financial position, the Company believes the claims are without merit and will vigorously defend the action.

Zoltar Satellite Alarm Systems, Inc. v. QUALCOMM and SnapTrack: On March 30, 2001, Zoltar Satellite Alarm Systems, Inc. filed suit against QUALCOMM and SnapTrack, a QUALCOMM wholly-owned subsidiary, alleging infringement of three patents. On August 27, 2001, Zoltar filed an amended complaint adding Sprint Corp. as a named defendant and narrowing certain infringement claims against QUALCOMM and SnapTrack. Since then, Zoltar has stated its intention to dismiss Sprint Corp. as a defendant. QUALCOMM and SnapTrack have filed responsive pleadings and discovery has commenced. Although there can be no assurance that an unfavorable outcome of this dispute would not have a material adverse effect on QUALCOMM's operating results, liquidity or financial position, QUALCOMM believes the claims are without merit and will vigorously defend the action.

The Company is engaged in other legal actions arising in the ordinary course of its business and believes that the ultimate outcome of these actions will not have a material adverse effect on its operating results, liquidity or financial position.

Operating Leases

The Company leases certain of its facilities and equipment under noncancelable operating leases, with terms ranging from two to ten years and with provisions for cost-of-living increases. Rental expense for these facilities and equipment for fiscal 2001, 2000 and 1999 was \$28 million, \$19 million and \$17 million, respectively. Future minimum lease payments in each of the next five years from fiscal 2002 through 2006 are \$35 million, \$27 million, \$17 million, \$13 million and \$10 million, respectively, and \$13 million thereafter.

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Purchase Obligations

The Company has agreements with certain suppliers to purchase components and estimates its noncancelable obligations under these agreements to be approximately \$1 million through fiscal 2003. The Company also has commitments to purchase telecommunications and research and development services for approximately \$28 million in fiscal 2002 and \$16 million in each of the subsequent fiscal years through 2006.

Letters of Credit, Financial Guarantees and Other Financial Commitments

On December 22, 1999 and April 25, 2000, the Company and Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso) executed commitment letters in which the Company agreed to underwrite up to \$500 million of debt financing to Pegaso and its wholly-owned subsidiary, Pegaso Comunicaciones y Sistemas, a CDMA wireless operating company in Mexico. No amounts were drawn on this commitment, and it expired on June 15, 2001.

In May 1999, the Company agreed to advance \$115 million, including capitalized interest, under a bridge facility to Pegaso. Subsequent amendments to the bridge facility extended amounts available under the facility and its final maturity and increased the interest rate. At the end of fiscal 2001, \$414 million was outstanding under the bridge facility, net of deferred interest and unearned fees. The facility was payable in full on September 19, 2001 or August 29, 2002 if certain milestones were met, including the completion of a strategic sale or merger with a third party. The bridge facility was amended in October 2001 to, among other things, change the timing of milestones required for the August 29, 2002 maturity from September 19 to October 31, 2001 and reduce the interest rate from 20% to 19% on a prospective basis in exchange for the granting of a second lien on substantially all of Pegaso's assets.

The Company also has an equipment loan facility with Pegaso. At September 31, 2001, \$260 million was outstanding under the equipment loan facility, net of deferred interest and unearned fees. The equipment loan facility is payable through December 31, 2006 and bears interest at LIBOR plus 4.5%. The Company has a further commitment to provide an additional \$96 million in long-term financing to Pegaso under its arrangement with Ericsson (Note 3), subject to Pegaso meeting certain conditions.

A strategic sale or merger was not completed by October 31, 2001, such that Pegaso failed to meet covenants in both the amended bridge facility and the equipment loan. On October 31, 2001, Pegaso also failed to make a scheduled payment of approximately \$3 million on the equipment loan. Pegaso is currently engaged in strategic discussions with a third party for a potential sale or merger, and the Company is actively working with Pegaso and the third party to complete a transaction or, alternatively, to assist Pegaso in raising additional funds. As the transaction did not close on the targeted date of October 31, 2001 and such additional financing is not certain, the Company ceased accruing interest on these loans effective at the beginning of the fourth fiscal quarter of 2001.

In March 2001, the Company transferred a \$125 million Auction Discount Voucher (ADV) to Leap Wireless to support its spectrum acquisition activities in the FCC's current auction of PCS spectrum. The transfer was funded under the Company's \$125 million senior credit facility with Leap Wireless, and the face value was recorded as a note receivable on the Company's balance sheet. The facility is repayable in a lump sum payment, including principal and interest accrued through October 2002, no later than March 9, 2006. After October 2002, interest is payable semi-annually. The facility bears interest at LIBOR plus 7.5%. The Company deferred the recognition of income related to the ADV transfer due to Leap Wireless' right to return the ADV in satisfaction of the note within two years upon the occurrence of certain future events. In August 2001, Leap Wireless transferred the ADV back to the Company, and the Company removed the note

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receivable and the related deferred income from the balance sheet. In September 2001, the Company recognized \$11 million in other operating income related to the irrevocable transfer of a portion of the ADV to another third-party. Under the terms of the senior credit facility with Leap Wireless, the Company is committed to fund up to \$125 million as a result of the return of the ADV until the earlier of settlement of the FCC auction or Leap Wireless' withdrawal from the auction. At September 30, 2001, no cash has been advanced to Leap Wireless, but \$1 million in loan fees and accrued interest were outstanding under the facility.

In addition to the financing commitments to Leap Wireless and Ericsson (Note 3), the Company had \$4 million of letters of credit and \$12 million of other financial guarantees and commitments outstanding as of September 30, 2001, none of which were collateralized.

Note 12 — Segment Information

The Company is organized on the basis of products and services. Reportable segments are as follows: QUALCOMM CDMA Technologies (QCT) is a leading developer and supplier worldwide of CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning products; QUALCOMM Technology Licensing (QTL) licenses third parties to design, manufacture, and sell products incorporating the Company's technologies; and QUALCOMM Wireless Systems (QWS) designs, manufactures, markets, and deploys infrastructure and handset products for use in terrestrial and non-terrestrial CDMA wireless and satellite networks and provides satellite and terrestrial-based two-way data messaging and position reporting services to transportation companies and private fleets. The Company sold its terrestrial-based CDMA wireless consumer phone business, the former operating segment, QUALCOMM Consumer Products (QCP), to Kyocera in February 2000 (Note 14).

The Company evaluates the performance of its segments based on earnings before income taxes and accounting change (EBT), excluding certain impairment and other charges that are not allocated to the segments for management reporting purposes. EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Segment data includes intersegment revenues. Segment assets are comprised of accounts receivable, finance receivables and inventory. Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets.

The table below presents information about reported segments for the years ended September 30 (in thousands):

	QCT	QTL	QWS	Reconciling Items	Total
2001					
Revenues	\$1,364,687	\$781,939	\$ 407,686	\$ 125,474	\$2,679,786
EBT	305,546	716,643	66,155	(1,514,649)	(426,305)
Total assets	296,638	180,276	829,432	4,440,787	5,747,133
2000					
Revenues	\$1,238,702	\$705,484	\$ 720,907	\$ 531,687	\$3,196,780
EBT	391,519	633,336	272,202	(100,252)	1,196,805
Total assets	296,054	160,604	1,118,644	4,487,680	6,062,982
1999					
Revenues	\$1,133,422	\$454,163	\$ 939,780	\$ 1,409,934	\$3,937,299
EBT	427,994	404,947	20,220	(546,475)	306,686
Total assets	187,517	91,368	868,143	3,387,922	4,534,950

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Other reconciling items for the years ended September 30 were comprised as follows (in thousands):

	2001	2000	1999
Revenues			
Revenues from external customers of QCP segment sold	\$ —	\$ 541,856	\$ 1,469,637
Elimination of intersegment revenue	(61,444)	(190,950)	(382,796)
Other products	186,918	180,781	323,093
Reconciling items	<u>\$ 125,474</u>	<u>\$ 531,687</u>	<u>\$ 1,409,934</u>
Earnings before income taxes			
Unallocated corporate expenses	\$(1,138,323)	\$(337,456)	\$ (337,723)
EBT of QCP segment sold	—	(70,073)	(39,983)
Unallocated interest expense	(9,632)	(2,204)	(11,595)
Unallocated investment (loss) income, net	(334,631)	391,749	26,610
Distributions on Trust Convertible Preferred Securities of subsidiary trust	—	(13,039)	(39,297)
Intracompany eliminations	4,547	(73,848)	(130,676)
Other	(36,610)	4,619	(13,811)
Reconciling items	<u>\$ (1,514,649)</u>	<u>\$ (100,252)</u>	<u>\$ (546,475)</u>

Generally, revenues between operating segments are based on prevailing market rates or an approximation thereof. Unallocated corporate expenses for fiscal 2001 included \$626 million in charges related to the Globalstar business (Note 4), \$152 million in charges related to the Vesper Companies (Note 4), and \$252 million for amortization of goodwill and other acquisition-related intangible assets. Unallocated corporate expenses for fiscal 2000 included \$83 million in charges related to the sale of the terrestrial-based CDMA wireless consumer phone business (Note 14), \$60 million for in-process technology related to the SnapTrack acquisition (Note 13), and \$146 million for amortization of goodwill and other acquisition-related intangible assets. Unallocated corporate expenses for fiscal 1999 include \$331 million related to the sale of certain assets of the Company's terrestrial CDMA wireless infrastructure business (Note 14), restructuring charges (Note 16) and other asset impairments.

Specified items included in segment EBT for years ended September 30 were as follows (in thousands):

	QCT	QTL	QWS
2001			
Revenues from external customers	\$ 1,360,427	\$ 727,564	\$ 404,877
Intersegment revenues	4,260	54,375	2,809
Interest income	2,366	122	81,358
Equity in losses of investees	—	—	(2,056)
2000			
Revenues from external customers	\$ 1,130,216	\$ 628,766	\$ 715,161
Intersegment revenues	108,486	76,718	5,746
Interest income	—	—	110,419
Equity in losses of investees	—	—	(1,206)
1999			
Revenues from external customers	\$ 896,484	\$ 343,242	\$ 928,696
Intersegment revenues	236,938	110,921	11,084
Interest income	—	—	16,889
Equity in losses of investees	—	—	(7,074)

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Sales information by geographic area for the years ended September 30 was as follows (in thousands):

	2001	2000	1999
United States	\$ 942,579	\$1,681,104	\$2,459,838
South Korea	937,504	711,588	881,494
Other Foreign	799,703	804,088	595,967
	<u>\$2,679,786</u>	<u>\$3,196,780</u>	<u>\$3,937,299</u>

The Company distinguishes revenues from external customers by geographic areas based on customer location.

The net book value of long-lived assets located outside of the United States was \$10 million, \$10 million and \$16 million at September 30, 2001, 2000 and 1999, respectively.

Note 13 — Acquisitions

SnapTrack, Inc.

In March 2000, the Company completed the acquisition of all of the outstanding capital stock of SnapTrack, Inc. (SnapTrack), a developer of wireless position location technology, in a transaction accounted for as a purchase. The purchase price was approximately \$1 billion, representing the value of QUALCOMM shares issued to effect the purchase, the value of vested and unvested options and warrants exchanged at the closing date and estimated transaction costs of \$2 million. The allocation of purchase price, based on the estimated fair values of the acquired assets and assumed liabilities, reflects acquired goodwill of \$948 million, purchased in-process technology of \$60 million and other intangible assets of \$34 million. Tangible assets acquired and liabilities assumed were not material to the Company's financial statements. Amounts allocated to goodwill and other intangible assets are amortized on a straight-line basis over their estimated useful lives of four years. The acquisition has been treated as a non-cash transaction in the statement of cash flows.

Purchased in-process technology was expensed upon acquisition because technological feasibility had not been established and no future alternative uses existed. The fair values for each of the in-process technologies were determined by estimating the resulting net cash flows from such products after their completion and commercialization, discounting the net cash flows to present value, and applying the percentage completion of the projects thereto. The fair value of in-process technology was determined to be \$60 million, including Multimedia ASIC (\$27 million), Server Release 2.0 (\$23 million), DSP Release 2.0 (\$8 million) and the pager product (\$2 million). Net cash flow projections were made based on an assessment of customer needs and the expected pricing and cost structure. If these projects are not developed, future revenue and profitability of QUALCOMM may be adversely affected. Additionally, the value of other intangible assets acquired may become impaired.

The consolidated financial statements include the operating results of SnapTrack from the date of acquisition. Unaudited pro forma operating results for the Company, assuming the acquisition of SnapTrack had been made at the beginning of the years ended September 30, were as follows (in thousands, except per share data):

	2000	1999
	(unaudited)	
Revenues	\$3,197,119	\$3,937,364
Net income (loss)	\$ 619,226	\$ (50,915)
Basic earnings (loss) per common share	\$ 0.86	\$ (0.08)
Diluted earnings (loss) per common share	\$ 0.78	\$ (0.08)

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These pro forma results have been prepared for comparative purposes only and may not be indicative of the operating results which actually would have occurred had the combination been in effect at the beginning of the respective periods or of future operating results of the consolidated entities.

Note 14 — Disposition of Assets and Other Charges

In February 2000, the Company sold its terrestrial-based CDMA wireless consumer phone business, including its phone inventory, manufacturing equipment and customer commitments, to Kyocera Wireless (Kyocera). Under the agreement with Kyocera, Kyocera agreed to purchase a majority of its CDMA integrated circuit sets and system software requirements from QUALCOMM for a period of five years. Kyocera will continue its existing royalty-bearing CDMA license agreement with QUALCOMM. QUALCOMM received \$242 million, including interest, during fiscal 2000 for the net assets sold.

As part of the agreement with Kyocera, QUALCOMM formed a new subsidiary that has a substantial number of employees from QUALCOMM Consumer Products business to provide services to Kyocera on a cost-plus basis to support Kyocera's phone business for up to three years. In addition, selected employees of QPE were transferred to Kyocera. As a condition of the purchase, QPE paid down and cancelled its two revolving credit agreements. QUALCOMM recorded \$83 million in charges during fiscal 2000 to reflect the estimated difference between the carrying value of the net assets and the consideration received from Kyocera, less costs to sell, and employee termination costs.

In May 1999, the Company sold certain of its assets related to its terrestrial CDMA wireless infrastructure business to Ericsson and entered into various license and settlement agreements with Ericsson. Pursuant to the Company's agreement with Ericsson, the Company has and will extend financing for possible future sales by Ericsson of infrastructure equipment and related services to specific customers in certain geographic areas, including Brazil, Chile, Mexico, and Russia or in other areas selected by Ericsson (Note 3). The Company recorded charges of \$251 million during fiscal 1999 related to the sale of its terrestrial CDMA wireless infrastructure business.

The Company leases certain facilities to Ericsson and Kyocera under noncancelable operating leases, with provisions for cost-of-living increases. The leases expire on various dates through May 31, 2004 and February 20, 2005, respectively, and generally provide for renewal options thereafter. Future minimum rentals in each of the next four years from fiscal 2002 to 2005 are \$21 million, \$21 million, \$17 million and \$4 million, including \$1 million in fiscal 2002 and fiscal 2003 related to subleases.

Note 15 — Spin-Off of Leap Wireless International, Inc.

On September 23, 1998, the Company completed the spin-off and distribution (the Distribution or Leap Wireless Spin-off) to its stockholders of shares of Leap Wireless. In connection with the Distribution, the Company transferred to Leap Wireless its joint venture and equity interests in certain domestic and international emerging terrestrial-based wireless telecommunications operating companies and recorded a \$17 million liability in connection with its agreement to transfer its ownership interest in Telesystems of Ukraine (TOU), a wireless telecommunications company in Ukraine, and its working capital loan receivable from TOU (TOU assets) to Leap Wireless if certain events occurred within 18 months of the Leap Wireless Spin-off. During the first six months of fiscal 1999, the Company provided an additional \$2 million working capital loan to TOU and recorded 100% of the losses of TOU, net of eliminations, because the other investors' equity interests were depleted. In March 1999, the Company reassessed the recoverability of TOU assets in light of certain developments affecting the TOU business and the disposition of other assets related to the terrestrial CDMA wireless infrastructure business (Note 14). As a result, the Company recorded a \$15 million non-operating charge to write off the TOU assets, as well as a \$12 million charge to operations to write off other assets related to the TOU contract, and the adjusted liability to transfer TOU to Leap Wireless of \$15 million was reversed against equity as an adjustment to the Distribution. As of September 30, 1999, all TOU assets

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were written off. In fiscal 2001, the Company assessed its remaining liabilities related to the Leap Wireless spin-off and reversed \$2 million against equity as an adjustment to the Distribution.

In connection with the Distribution, Leap Wireless issued to QUALCOMM a warrant to purchase 5,500,000 shares of Leap Wireless common stock at \$6.10625 per share. The Company recorded the warrant at its predecessor basis of \$24 million net of the related deferred tax liability. In March 1999, the Company agreed to reduce the number of shares under warrant to 4,500,000 in exchange for \$3 million in consideration from Leap Wireless, resulting in a pre-tax loss of \$3 million. The Company agreed to the cancellation to enable Leap Wireless to meet Federal Communications Commission regulatory requirements. At September 30, 2001 and 2000, the Company had the right to purchase 3,375,000 and 4,500,000 shares, respectively, of Leap Wireless common stock under warrants. The estimated fair values of the warrant at September 30, 2001 and 2000 were \$49 million and \$250 million, respectively, as calculated using the Black-Scholes option-pricing model.

Note 16 — Restructuring

During January 1999, the Company completed a review of its operating structure to identify opportunities to improve operating effectiveness in connection with the Company's plan to exit certain activities in its infrastructure equipment business. As a result of this review, management approved a formal restructuring plan that eliminated 651 positions. The Company recorded charges to operations of \$15 million during the second quarter of fiscal 1999, including \$10 million in employee termination costs, \$3 million in asset impairments and \$1 million in estimated net losses on subleases or lease cancellation penalties. The activities related to the restructuring have been completed. The following table presents the roll forward from the initial provision during fiscal 1999 to September 30, 2000 (in thousands):

	Provisions	Deductions	September 30, 1999	Deductions	September 30, 2000
Employee termination costs	\$10,162	\$(10,162)	\$ —	\$ —	\$ —
Facility exit costs	4,397	(3,866)	531	(531)	—
Total	\$14,559	\$(14,028)	\$ 531	\$ (531)	\$ —

Note 17 — Subsequent Events (Unaudited)

Effective October 25, 2001, Wireless Knowledge Inc. (Wireless Knowledge), a joint venture established by QUALCOMM and Microsoft Corp. (Microsoft) in 1998, acquired all shares held by Microsoft in exchange for an agreement that Microsoft's royalty obligations under a Development, License, and Alliance Agreement dated July 19, 2000 by and between Wireless Knowledge and Microsoft would be considered fully paid, and certain other consideration. As a result, Wireless Knowledge will become a subsidiary of QUALCOMM.

Note 18 — Summarized Quarterly Data

The following financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the results of the interim periods. In the fourth quarter of fiscal 2001, the Company modified its revenue recognition policy on adoption of SAB No. 101 (Note 1).

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The table below presents quarterly data for the year ended September 30, 2001, as reported and as adjusted for the impact of the adoption of SAB No. 101, and for the year ended 2000, as reported. (in thousands, except per share data):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2001				
Revenues				
As reported on Form 10-Q	\$ 684,021	\$ 713,255	\$ 640,027	N/A
Impact of SAB101 adjustment (4)	(28,812)	3,893	16,571	N/A
	<u>\$ 655,209</u>	<u>\$ 717,148</u>	<u>\$ 656,598</u>	<u>\$ 650,831</u>
Gross profit(2)				
As reported on Form 10-Q	\$ 388,100	\$ 459,758	\$ 407,157	N/A
Impact of SAB101 adjustment (4)	(33,821)	552	13,510	N/A
	<u>\$ 354,279</u>	<u>\$ 460,310</u>	<u>\$ 420,667</u>	<u>\$ 409,427</u>
(Loss) income before accounting changes				
As reported on Form 10-Q	\$(357,558)	\$ 149,072	\$(274,736)	N/A
Impact of SAB101 adjustment (4)	(17,304)	380	13,847	N/A
	<u>\$(374,862)</u>	<u>\$ 149,452</u>	<u>\$(260,889)</u>	<u>\$ (44,507)</u>
Accounting changes, net of tax				
As reported on Form 10-Q	\$ 128,815	\$ —	\$ —	N/A
Impact of SAB101 adjustment (4)	(146,752)	—	—	N/A
	<u>\$ (17,937)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net (loss) income				
As reported on Form 10-Q	\$(228,743)	\$ 149,072	\$(274,736)	N/A
Impact of SAB101 adjustment (4)	(164,056)	380	13,847	N/A
	<u>\$(392,799)</u>	<u>\$ 149,452</u>	<u>\$(260,889)</u>	<u>\$ (44,507)</u>
Basic net (loss) earnings per common share(3)				
Loss before accounting changes				
As reported on Form 10-Q	\$ (0.48)	\$ 0.20	\$ (0.36)	N/A
Impact of SAB101 adjustment(4)	(0.02)	—	0.02	N/A
	<u>\$ (0.50)</u>	<u>\$ 0.20</u>	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>
Accounting changes, net of tax				
As reported on Form 10-Q	\$ 0.17	\$ —	\$ —	N/A
Impact of SAB101 adjustment(4)	(0.19)	—	—	N/A
	<u>\$ (0.02)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net (loss) income				
As reported on Form 10-Q	\$ (0.31)	\$ 0.20	\$ (0.36)	N/A
Impact of SAB101 adjustment(4)	(0.21)	—	0.02	N/A
	<u>\$ (0.52)</u>	<u>\$ 0.20</u>	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>
Diluted net (loss) earnings per common share(3)				
Loss before accounting changes				
As reported on Form 10-Q	\$ (0.48)	\$ 0.18	\$ (0.36)	N/A
Impact of SAB101 adjustment(4)	(0.02)	0.01	0.02	N/A
	<u>\$ (0.50)</u>	<u>\$ 0.19</u>	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>

QUALCOMM INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Accounting changes, net of tax				
As reported on Form 10-Q	\$ 0.17	\$ —	\$ —	N/A
Impact of SAB101 adjustment(4)	(0.19)	—	—	N/A
	<u>\$ (0.02)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net income				
As reported on Form 10-Q	\$ (0.31)	\$ 0.18	\$ (0.36)	\$ —
Impact of SAB101 adjustment(4)	(0.21)	0.01	0.02	—
	<u>\$ (0.52)</u>	<u>\$ 0.19</u>	<u>\$ (0.34)</u>	<u>\$ (0.06)</u>
2000(5)				
Revenues(1)	\$1,120,073	\$ 727,741	\$713,521	\$635,445
Gross profit(2)	471,325	377,345	438,569	402,419
Net income	177,119	199,716	154,701	138,675
Basic net earnings per common share(3)	\$ 0.27	\$ 0.28	\$ 0.21	\$ 0.19
Diluted net earnings per common share(3)	\$ 0.23	\$ 0.25	\$ 0.19	\$ 0.17

- (1) The decrease in revenues from the first quarter to the second quarter of fiscal 2000 was primarily due to a decrease in the terrestrial-based CDMA wireless consumer product revenue as a result of the sale of the business in February 2000.
- (2) Gross profit is calculated by subtracting cost of revenues from total revenues.
- (3) Earnings per share are computed independently for each quarter and the full year based upon respective average shares outstanding. Therefore, the sum of the quarterly net earnings per share amounts may not equal the annual amounts reported.
- (4) See Note 1 for an explanation of the impact of the adoption of SAB101.
- (5) The pro forma impact of the adoption of SAB101 on fourth quarter fiscal 2000 results was to decrease revenues by \$21 million, gross profit by \$23 million, net income by \$12 million, basic net earnings per common share by \$0.02, and diluted net earnings per common share by \$0.01.

SCHEDULE II

QUALCOMM INCORPORATED
VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

	BALANCE AT BEGINNING OF PERIOD(A)	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER	BALANCE AT END OF PERIOD(A)
Year ended September 30, 1999					
Allowance for doubtful accounts:					
— trade receivables	\$ (21,933)	\$ (2,154)	\$ 1,766	\$ 45(B)	\$ (22,276)
— finance receivables	(4,955)	(5,909)	241	—	(10,623)
Inventory reserves	(42,786)	(22,840)	16,284	4,458(B)	(44,884)
	<u>\$ (69,674)</u>	<u>\$ (30,903)</u>	<u>\$ 18,291</u>	<u>\$ 4,503</u>	<u>\$ (77,783)</u>
Year ended September 30, 2000					
Allowance for doubtful accounts:					
— trade receivables	\$ (22,276)	\$ 4,195	\$ 8,471	\$ —	\$ (9,610)
— finance receivables	(10,623)	(525)	4	—	(11,144)
Inventory reserves	(44,884)	(46,615)	32,028	38,637(C)	(20,834)
Valuation allowance on deferred tax assets	—	—	—	(584,001)(D)	(584,001)
	<u>\$ (77,783)</u>	<u>\$ (42,945)</u>	<u>\$ 40,503</u>	<u>\$ (545,364)</u>	<u>\$ (625,589)</u>
Year ended September 30, 2001					
Allowance for doubtful accounts:					
— trade receivables	\$ (9,610)	\$ (10,412)	\$ 4,266	\$ —	\$ (15,756)
— finance receivables	(11,144)	(633,743)	39	—	(644,848)
— notes receivable	—	(155,107)	—	—	(155,107)
Inventory reserves	(20,834)	(65,268)	8,817	—	(77,285)
Valuation allowance on deferred tax assets	(584,001)	(185,217)	—	(438,889)(E)	(1,208,107)
	<u>\$ (625,589)</u>	<u>\$ (1,049,747)</u>	<u>\$ 13,122</u>	<u>\$ (438,889)</u>	<u>\$ (2,101,103)</u>

(A) The Company's fiscal year ends on the last Sunday of September.

(B) Disposition in connection with sale of assets related to the terrestrial CDMA wireless infrastructure business in May 1999.

(C) Disposition in connection with the sale of assets related to the terrestrial-based CDMA wireless consumer phone business in February 2000.

(D) Balance was charged to paid-in-capital (see Note 8 to the Consolidated Financial Statements).

(E) Of this amount, \$64,171 was charged against the tax benefit as a component of comprehensive loss related to the Company's temporary losses on marketable securities and \$374,718 was charged to paid-in-capital (see Note 8 to the Consolidated Financial Statements).

 BRIDGE LOAN AGREEMENT

dated as of May 27, 1999

by and among

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.
 as Borrower

THE MEMBERS OF BORROWER GROUP NAMED HEREIN

THE LENDERS PARTY HERETO

CITIBANK, N.A.
 as Administrative Agent

SOCIETE GENERALE
 as Syndication Agent

and

ABN AMRO BANK N.V.
 as Documentation Agent

Milbank, Tweed, Hadley & McCloy LLP

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Exhibit C	Form of Capitalized Interest Loan Request
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Exhibit E	Form of Assignment and Assumption Agreement
Exhibit F	Amendment No. 1 to Common Agreement
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SCHEDULES

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BRIDGE LOAN AGREEMENT

This BRIDGE LOAN AGREEMENT (this "Agreement"), dated as of May 27, 1999, among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM") and the Syndicated Lenders (as defined below) from time to time party hereto (each Syndicated Lender, together with QUALCOMM, a "Lender"

and, collectively, "Lenders"), CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), SOCIETE GENERALE, as Syndication Agent, and ABN AMRO BANK N.V., as Documentation Agent.

WITNESSETH

A. Borrower desires to obtain from the Working Capital Lenders (as defined below) Working Capital Facilities (as defined below) in the aggregate principal amount of up to One Hundred Million Dollars (\$100,000,000) for the purposes of financing Borrower's working capital needs and for capital expenditures and other purposes, all as more particularly described below;

B. Borrower desires to obtain from the Capitalized Interest Lenders (as defined below) a credit facility to finance the interest payments, when and as due, under the Working Capital Facilities, in an aggregate principal amount of up to Fifteen Million Dollars (\$15,000,000), all as more particularly described below; and

C. Lenders are willing to supply such financing subject to the terms and conditions and in reliance on the representations and warranties set forth in this Agreement and the other documents executed in connection herewith;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants set forth below, Borrower, Lenders and Administrative Agent agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the referenced provision following such term:

"Additional Lender" shall have the meaning assigned in Section 2.9(f).

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"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement.

"Administrative Agent's Account" shall mean such account located in New York, New York as is specified in writing by Administrative Agent to Borrower and Lenders from time to time.

"Administrative Agent's Fee Letter" shall mean that letter agreement dated the date hereof by and between Borrower and Administrative Agent regarding payment of fees in connection with Administrative Agent's duties in its capacity as Administrative Agent.

"Administrative Questionnaire" shall mean an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" shall mean, with respect to a specified Person, any other Person which directly or indirectly controls, or is under common control with, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event, any Person which owns directly or indirectly 10% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 10% or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person. Notwithstanding the foregoing, (i) no individual shall be deemed to be an Affiliate of a Person solely by reason of his or her being a director, committee member, officer or employee of such person and (ii) each member of the Borrower Group and each of their respective Affiliates shall be deemed to be an Affiliate of each other member of the Borrower Group.

"Agreement" shall mean this Bridge Loan Agreement, as the same may be from time to time further modified, amended, supplemented or restated.

"Alcatel" shall mean Alcatel, a corporation duly organized under the laws of France.

"Alcatel Credit Agreement" shall mean the Credit Agreement, dated as of December 15, 1998, among Borrower, the lenders thereunder and Citibank International plc, as Alcatel Administrative Agent.

"Applicable Law" shall mean any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, Permit, or any published directive, guideline, requirement or other governmental restriction which has the force of law, or any determination by, or interpretation of any of the

foregoing by, any judicial authority, binding on a given Person whether in effect as of the date hereof or as of any date thereafter, including all applicable Environmental Laws.

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"Applicable Margin" shall mean (i) for Eurodollar Loans, six percent (6%); and (ii) for Base Rate Loans, five percent (5%); provided that in each case, the Applicable Margin shall increase by one-half of one percent (0.5%) on each Interest Adjustment Date.

"Assignment Agreement" shall mean the Assignment and Assumption Agreement in the form of Exhibit E (appropriately completed).

"Authorized Officer" shall mean, with respect to any Person, the Managing Director, the President, the Vice President, the Chief Financial Officer, the Assistant Vice President, the Treasurer, the Assistant Treasurer or equivalent officers of such Person and, with respect to Borrower, shall include any officer or representative holding any of the foregoing positions (or their equivalent) whose name appears on a certificate of incumbency delivered concurrently with the execution of this Agreement, as such certificate of incumbency may be amended, supplemented or replaced from time to time to identify names of the individuals then holding such offices or the names of such representatives and the capacity in which they are acting.

"Availability Period" shall mean, for any Lender, (i) with respect to such Lender's Syndicated Working Capital Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Syndicated Working Capital Facility, (ii) with respect to such Lender's Vendor Working Capital Commitment, the period from (A) the date that is 90 days after the Closing Date, if such Lender is QUALCOMM, or such earlier date as QUALCOMM may elect by written notice to Borrower and Administrative Agent, or (B) the Closing Date, if such Lender is an Additional Lender acquiring such Vendor Working Capital Commitment in accordance with Section 2.9(f), until, in each case, the Commitment Termination Date applicable to the Vendor Working Capital Facility, (iii) with respect to such Lender's Term Loan Commitment, the Commitment Termination Date applicable to the Syndicated Working Capital Facility, and (iv) with respect to such Lender's Capitalized Interest Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Capitalized Interest Facility.

"Base Rate" shall mean, for any period, a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

(a) the rate of interest announced publicly by Citibank in New York, New York from time to time as Citibank's base rate; and

(b) 1/2 of one percent per annum above the Federal Funds Rate for such period.

"Base Rate Loan" shall mean any Loan bearing interest at the Base Rate.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrower Group" shall mean (i) Borrower, (ii) Holdings, (iii) Pegaso PCS, (iv) Personnel Co. (v) the respective Subsidiaries of each of the foregoing in existence as of the

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Closing Date, and (vi) any Subsidiary of any of the foregoing which is formed, established, purchased or acquired after the Closing Date as described in Section 7.5. Any reference to a "member" or to a "member of the Borrower Group" shall mean one or more of the Persons described in clause (i) through (vi) of this definition.

"Borrower Obligations" shall mean all obligations of Borrower now existing or hereinafter arising, direct or indirect, absolute or contingent, due or to become due, under this Agreement, the Pagares or any other Loan Document to which Borrower is a party, including, without duplication, (i) payment of the principal of and interest on the Loans and the reimbursement obligations of Borrower in connection with the Letters of Credit, (ii) payment of all fees, expenses, indemnities and other amounts under the Loan Documents, and (iii) all other obligations, duties and liabilities of Borrower under or in connection with the Loan Documents (whether or not evidenced by any note, bond or other instrument and whether or not for the payment of money).

"Borrowing" shall mean the incurrence by Borrower of Loans of the same Type, on the same date, and under the same Facility, and, in the case of Eurodollar Loans, having the same Interest Period.

"Borrowing Request" shall mean a request by Borrower for a Borrowing in accordance with Section 2.6.

"Budget" shall mean the Initial Budget, as the same shall be updated by Borrower with the prior written consent of QUALCOMM.

"Budget Breakdown" shall have the meaning assigned in Section 2.6(b).

"Business" shall mean the business of development, operation and use of the Licenses (and, subject to the terms and conditions set forth in the Vendor Facilities, other new licenses and/or concessions issued to any member of the Borrower Group) and pursuant thereto the installation and operation of terrestrial-based wireless telecommunications systems in Mexico and, to the extent integral to such wireless terrestrial-based telecommunications systems, long-distance telecommunications systems in Mexico.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York City or in the Federal District of Mexico; provided that, when used in conjunction with any Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Business Plan" shall mean the Business Plan dated as of March 19, 1999, as updated from time to time as provided in Section 7.1(d).

"Capital Lease" as applied to any Person, shall mean any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

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"Capital Stock" of any Person shall mean any and all shares, interest, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) the common or preferred equity or preference share capital of such Person, including partnership interests.

"Capitalized Interest Commitment" shall mean, with respect to each Capitalized Interest Lender, the amount set forth on Schedule 2.3 as such Lender's "Capitalized Interest Commitment," as such amount may be adjusted from time to time pursuant to the terms of this Agreement.

"Capitalized Interest Commitment Percentage" shall mean, with respect to any Capitalized Interest Lender, the percentage equivalent of such Lender's Capitalized Interest Commitment divided by the Total Capitalized Interest Commitment.

"Capitalized Interest Facility" shall mean the extension of credit to Borrower by the Capitalized Interest Lenders as set forth in Section 2.3.

"Capitalized Interest Lenders" shall mean any Lender having a Capitalized Interest Commitment.

"Capitalized Interest Loans" shall mean loans made to Borrower by Capitalized Interest Lenders under the Capitalized Interest Facility pursuant to this Agreement.

"Capitalized Interest Loan Request" shall have the meaning set forth in Section 2.6(c).

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of any Person in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Flow Forecast" shall mean the Initial Cash Flow Forecast, as the same shall be updated as required pursuant to Section 7.1(e).

"Change of Control" shall mean (i) the failure at any time and for any reason prior to the consummation of a Qualified Public Offering of (a) the Original Mexican Shareholders to own at least 51% of the voting Capital Stock of Holdings, or (b) Leap to own, directly or indirectly through a wholly-owned Subsidiary, at least 20% of the Capital Stock of Holdings, or (ii) at any time after the consummation of a Qualified Public Offering, any transaction or series of transactions whereby (A) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of voting Capital Stock of Holdings representing 35% or more of the combined voting power of all voting stock of Holdings, or (B) during any period of 18 consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such 18 month period were

directors of Holdings, together with such directors who are approved by directors who were directors at the beginning of such period, shall cease for any reason to constitute a majority of board of directors of Holdings; or (iii) any Person or two or more Persons acting in concert shall have

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acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Holdings, or (iv) the failure for any reason of Holdings to own (beneficially and of record) all of the Capital Stock of each of Borrower, Pegaso, PCS and Personnel Co. (other than one share of such Capital Stock which is owned, and shall continue to be owned, by another member of the Borrower Group). Notwithstanding the foregoing, any such transaction or series of transactions described in clause (ii) above shall not constitute a Change of Control if the Original Mexican Shareholders, Leap and their wholly-owned Subsidiaries continue to own, directly or indirectly, in the aggregate a greater percentage of the voting Capital Stock of Holdings than any other Person or two or more Persons acting in concert.

"Charter Documents" shall mean, with respect to any Person, the articles of incorporation, by-laws, partnership agreements or such other documents or instruments which are required to be registered or lodged in the place of incorporation or organization of such Person and which establish the legal existence of such Person. With respect to Holdings, the term "Charter Documents" shall also include the Joint Venture Agreement.

"Citibank" shall mean Citibank, N.A., a national banking association.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Syndicated Working Capital Loans, Term Loans, Vendor Working Capital Loans or Capitalized Interest Loans.

"Closing Date" shall mean the date upon which each condition set forth in Section 5.1 has been satisfied, or waived by each Lender.

"Commitment" shall mean, (a) with respect to each Syndicated Lender, its Syndicated Working Capital Commitment or its Term Loan Commitment, as the case may be, (b) with respect to each Vendor Working Capital Lender, its Vendor Working Capital Commitment, and (c) with respect to each Capitalized Interest Lender, its Capitalized Interest Commitment.

"Commitment Termination Date" shall mean, for any Lender, (a) with respect to such Lender's Syndicated Working Capital Commitment, the date that is 364 days after Closing Date, subject to Section 2.10(b), (b) with respect to such Lender's Vendor Working Capital Commitment, the Scheduled Maturity Date, and (c) with respect to such Lender's Capitalized Interest Commitment, the Scheduled Maturity Date; provided, in each case, that if any such date is not a Business Day, the relevant Commitment Termination Date for such Lender shall be the immediately preceding Business Day. When the term "Commitment Termination Date" is used in this Agreement without reference to any particular Lender or Facility, such term shall, in such instance, be deemed to be a reference to the latest Commitment Termination Date of any of the Lenders under any Facilities then in effect hereunder.

"Common Agreement" shall mean the Common Agreement dated as of December 15, 1998 among each member of the Borrower Group, Citibank N.A., as Intercreditor Agent, Citibank Mexico, S.A., Grupo Financiero Citibank, as Collateral Agent, Citibank International

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plc, as Alcatel Administrative Agent, and ABN AMRO Bank N.V., as QUALCOMM Administrative Agent.

"Contingent Obligations" shall mean as to any Person any obligation of such Person Guaranteeing or intending to Guarantee any Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure, indemnify or hold harmless the owner of such primary obligation against loss in respect thereof (other than indemnity obligations arising in the ordinary course of business), provided, however, that the term Contingent

Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined in good faith.

"Counter-Guarantors" shall mean collectively Leap and Alejandro Burillo Azcarraga.

"Counter-Guaranties" shall mean collectively each of those guaranty agreements, dated as of the date hereof, executed by the Counter-Guarantors, respectively, in favor of QUALCOMM.

"Covered Pops" shall mean, as of any date of determination, Pops for those geographical areas as to which (a) Borrower has the right under valid, enforceable and effective Licenses owned by Borrower to provide PCS and WLL services, and (b) Borrower has, as of such date of determination, constructed or intends to construct facilities to provide such services.

"Deemed Capitalized Interest Loan Request" shall have the meaning set forth in Section 2.6(c).

"Default" shall mean any event, act or condition which, with the giving of notice, lapse of time, fulfillment of any condition or any combination thereof, would become an Event of Default.

"Dollars" or "\$" shall mean the lawful currency of the United States.

"Eligible Assignee" shall mean (i) a commercial bank organized under the laws of the United States, or any state thereof, (ii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such country, which is acting

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through a branch or agency located in the United States; which, in each case (under clauses (i) and (ii) above) has a combined capital and surplus of at least two hundred million dollars (\$200,000,000); (iii) a Person that is primarily engaged in the business of banking and that is a Lender or a Subsidiary or Affiliate of a Lender; or (iv) a finance company, financial institution, fund or any other Person that has a combined capital and surplus of at least two hundred million dollars (\$200,000,000) and is approved in writing by Administrative Agent and QUALCOMM (which approval shall not be unreasonably withheld); provided, however, that none of the Borrower Group or their respective Affiliates (other than Affiliates that are commercial banks, finance companies, financial institution or funds that would otherwise qualify hereunder) shall qualify as an Eligible Assignee.

"Environmental Claims" shall mean, with respect to any Person, any notice, claim, administrative, regulatory or judicial action, suit, judgment, demand or other communication (whether written or oral) by any other Person alleging or asserting such Person's liability (contingent or otherwise) for investigatory costs, cleanup or environmental remediation costs, governmental response costs, damages to natural resources or other property of such Person, personal injuries, fines or penalties arising out of, based on or directly or indirectly resulting from (i) the generation, presence, use, handling, transportation, storage, treatment, disposal or release or threatened release into the environment of any Hazardous Material at any location, whether or not owned by such Person, (ii) exposure to any Hazardous Materials, (iii) any fact, circumstance, condition or occurrence forming the basis of any violation, or alleged violation, of any Environmental Law, or (iv) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing. The term "Environmental Claim" shall include, (a) any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law and (b) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" shall mean any statute, law, rule, regulation, code, ordinance, order, decree, judgment, injunction, notice, policy having the force of law, or binding agreement issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Eurocurrency Liabilities" shall have the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Loan" shall mean any Loan bearing interest at the Eurodollar Rate.

"Eurodollar Rate" shall mean, for any Interest Period for each Eurodollar Loan, the rate per annum (rounded upward, if necessary, to the nearest whole multiple of 1/16 of 1% per annum) appearing on Telerate Page 3750 as of 11:00 A.M. (London time) on the date (as to any Interest Period, the "Determination Date") that is two Business Days before the first day of

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such Interest Period, as LIBOR for a period equal to such Interest Period. In the event that Telerate Page 3750 shall cease to report such LIBOR or, in the reasonable judgement of the Required Syndicated Lenders, shall cease to accurately reflect such LIBOR, then the "Eurodollar Rate" with respect to such Interest Period for such Eurodollar Loan shall be the rate per annum equal to the average of the rate per annum at which deposits in U.S. dollars are offered by the principal office of each of the Reference Banks in London, England to leading banks in the London interbank market at 11:00 A.M. (London time) on the Determination Date in an amount substantially equal to such Reference Bank's Eurodollar Loan comprising part of the related Borrowing and for a period equal to such Interest Period or, if no Reference Bank has a Eurodollar Loan constituting part of the related Borrowing, the rate per annum at which deposits in U.S. dollars are offered by the principal office of Citibank in London, England to leading banks in the London interbank market at 11:00 A.M. (London time) on the Determination Date in an amount substantially equal to the aggregate of all Eurodollar Loans constituting part of the related Borrowing and for a period equal to such Interest Period. The Eurodollar Rate for any Interest Period for each Eurodollar Loan shall be determined by Administrative Agent on the basis of the applicable rate appearing on Telerate Page 3750 as aforesaid (or the applicable rates furnished to and received by Administrative Agent from the Reference Banks) on the Determination Date for such Interest Period, subject, however, to the provisions of Section 2.13.

"Eurodollar Rate Reserve Percentage" of any Lender for any Interest Period for any Eurodollar Borrowing shall mean the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Lender with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Event of Default" shall have the meaning set forth in Section 9.1.

"Excluded Taxes" shall mean, with respect to Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by Borrower under Section 4.6(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 4.4(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from Borrower with respect to such withholding tax pursuant to Section 4.4(a).

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"Existing Equity" shall mean the equity capital contributed to Holdings by the Existing Shareholders and the New Shareholders (in consideration for Capital Stock of Holdings issued to such shareholders) prior to the Closing Date.

"Existing Equity Commitments" shall mean (i) the commitments of the Original Mexican Shareholders as set forth in Article III of the Joint Venture Agreement and in resolutions adopted at various shareholder meetings pursuant to which such Persons have become obligated to contribute specified amounts of equity capital to Holdings on or prior to the dates specified therein in consideration for Capital Stock to be issued by Holdings and (ii) any obligation of Alcatel existing or under negotiation on the date hereof to purchase equity capital of Holdings.

"Existing Shareholders" shall have the meaning set forth in the Joint Venture Agreement.

"Exposure" shall mean, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans and its LC Exposure, if any, at such time.

"Facility" shall mean, respectively, each of the Syndicated Working Capital Facility, the Vendor Working Capital Facility, and the Capitalized Interest Facility.

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three Federal funds brokers of recognized standing selected by Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, Section 3.1.

"Fiscal Year" shall mean the accounting year of any member of the Borrower Group, as the case may be.

"Foreign Lender" shall mean any Lender (other than QUALCOMM) that is organized under the laws of a jurisdiction other than Mexico.

"GAAP" shall mean generally accepted accounting principles in Mexico as in effect from time to time, it being understood and agreed that determinations in accordance with GAAP (i) for purposes of Section 7, including defined terms as used therein, are subject (to the extent provided therein) to Section 1.3 and shall include U.S. GAAP reconciliations, and (ii) for the purposes of any other Section, to the extent that GAAP is limited, qualified or modified in any such particular Section of this Agreement, such determinations are subject to such limitations, qualifications or modifications as are set forth in such Section (but only as applied to such Section).

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"Good Faith Contest" shall mean, with respect to the payment of Taxes or any other claims or liabilities by any Person, the satisfaction of each of the following conditions: (i) the validity or amount thereof is being diligently contested in good faith by such Person by appropriate proceedings timely instituted, (ii) during the period of such contest, the enforcement of any contested item is effectively stayed, (iii) during the period of such contest, such Person maintains sufficient reserves for the payment of such Taxes or other claims or liabilities if determined adversely, and (iv) such contest and any resultant failure to pay or discharge the claimed or assessed amount is not reasonably likely to have a Material Adverse Effect.

"Government of Mexico" shall mean the Government of Mexico, including any instrumentality, subdivision, authority, agency, ministry or statutory or legal entity or person (whether autonomous or not) thereof.

"Governmental Authority" shall mean the government of the United States, Mexico or any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GTE" shall mean GTE Data Services Mexico, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of Mexico.

"GTE Deferred Fee" shall mean the portion of the fee payable to Leap Wireless Mexico pursuant to the Operator Agreement the payment of which is deferred in connection with a possible investment by GTE Corporation, or any of its affiliates, in Borrower.

"GTE Operator Agreement" shall mean the Management and Operator Agreement between Leap Wireless Mexico and GTE.

"Guarantors" shall mean (i) Pegaso PCS, (ii) Personnel Co. (iii) Holdings, and (iv) any other Subsidiary of a member of the Borrower Group executing a Guaranty Agreement as required by Section 7.5.

"Guaranty" by any Person shall mean any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing in any manner any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such

Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise), (ii) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation or (iii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guaranty" shall not include (x) endorsements for collection or deposit in the ordinary course of business, or (y) indemnity or hold harmless provisions included in contracts entered into in the ordinary course of business. The term "Guaranty" or "Guaranteed" used as a verb has a correlative meaning.

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"Guaranty Agreements" shall mean any agreement by which a Guarantor Guarantees the obligations of Borrower under this Agreement, including the Pegaso Guaranty Agreement.

"Guaranty Fee" shall have the meaning set forth in the QUALCOMM Guaranty.

"Guaranty Trust Agreement" shall mean the Irrevocable Administration and Guaranty Trust Agreement executed by the Counter-Guarantors and the trustee thereunder, with respect to the Stock Options granted to the Counter-Guarantors.

"Hazardous Materials" shall mean (i) all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, (ii) any other chemicals, materials or substances defined as or included in the definition "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable Environmental Law and (iii) any other chemical, material, substance or waste of any nature regulated pursuant to any Environmental Law.

"Holdings" shall mean Pegaso Telecomunicaciones, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of Mexico.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money, (ii) all obligations of such Person for the deferred purchase price of property or services, other than the GTE Deferred Fee and trade accounts payable arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable (and are paid) within 90 days of the date the respective goods are delivered or the respective services are rendered, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) the currently available amount of all letters of credit issued for the account of such Person and all outstanding reimbursement obligations with respect to such letters of credit, (v) all liabilities secured by any Lien on any property owned by such Person, (vi) any Guaranty of Indebtedness by such Person, (vii) all obligations under trade or bankers' acceptances, (viii) Capitalized Lease Obligations, (ix) all net obligations under agreements providing for swaps, ceiling rates, ceiling and floor rates, contingent participation or other hedging mechanisms with respect to the payment of interest or the convertibility of currency, (x) all obligations under any conditional sale agreement or other title retention agreement and (xi) all Contingent Obligations of such Person.

"Indemnified Taxes" shall mean Taxes other than Excluded Taxes.

"Independent Accountant" shall mean PricewaterhouseCoopers LLP or any replacement therefor of international recognized standing appointed by the Borrower Group.

"Initial Budget" shall mean the Borrower Group's budget for the 18-month period commencing on the Closing Date in form and substance satisfactory to QUALCOMM, which

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shall set forth the aggregate projected expenditures of the Borrower Group for each Permitted Usage Category set forth therein for the eighteen (18) months following the Closing Date.

"Initial Cash Flow Forecast" shall mean the Borrower Group's cash flow forecast for the six month period beginning April 1, 1999, in form and substance reasonably satisfactory to QUALCOMM.

"Interest Adjustment Date" shall mean (i) the date that is on the one-year anniversary of the Closing Date, and (ii) each date, prior to, but not including, the Scheduled Maturity Date, that is ninety (90) days following the previous Interest Adjustment Date.

"Interest Election Request" shall mean a request by Borrower to convert or continue a Borrowing in accordance with Section 2.8.

"Interest Payment Date" shall mean each date on which interest is payable on the Loans.

"Interest Period" shall mean, with respect to each Eurodollar Loan, the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending one, three or six months thereafter, as Borrower may elect in the applicable Interest Election Request; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (c) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period applicable to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Business Day of the appropriate subsequent calendar month;

(c) no Interest Period with respect to a Eurodollar Loan of any Facility shall end after the Commitment Termination Date for such Facility;

(d) no Interest Period applicable to a Eurodollar Loan shall have a duration of less than one month, and if any Interest Period applicable to such Eurodollar Loan would be for a shorter period, such Interest Period shall not be available hereunder; and

(e) subject to the foregoing clauses (a) through (d), until the earlier of (i) ninety (90) days after the Closing Date and (ii) the date on which the Total Syndicated Working Capital Commitment is increased pursuant to Section 2.9(f) up to \$100,000,000, the Interest Period with respect to each Eurodollar Loan shall be the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending one month thereafter.

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"Investment Company Act of 1940" shall mean the U.S. Investment Company Act of 1940, and the rules and regulations promulgated thereunder.

"Issuing Bank" shall mean Citibank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.4(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joint Venture Agreement" shall mean the Joint Venture Agreement, entered into as of July 16, 1998 by and among the Pegaso Comunicaciones y Servicios, S.A. de C.V., Corporativo del Valle de Mexico, S.A. de C.V., Alejandro Burillo Azcarraga, Leap Mexico, Holdings, International Equity Investments, Inc., NI MEDIA EQUITY, LLC, and LAIF X Ltd., as in effect on the Closing Date.

"Judgment Currency" shall have the meaning set forth in Section 11.15.

"LC Disbursement" shall mean a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" shall mean, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of Borrower at such time. The LC Exposure of any Syndicated Lender at any time shall be its Syndicated Working Capital Commitment Percentage of the total LC Exposure at such time.

"Leap" shall mean Leap Wireless International, Inc., a corporation organized under the laws of Delaware.

"Leap Wireless Mexico" shall mean Leap Wireless Mexico S.A. de C.V., a corporation organized under the laws of Mexico.

"Leap Mexico" shall mean Leap PCS Mexico, Inc., a corporation

organized under the laws of California, formerly known as QUALCOMM PCS Mexico, Inc.

"Lenders" shall mean the Syndicated Lenders, the Capitalized Interest Lender and the Vendor Working Capital Lender and any other Person that shall have become a party hereto pursuant to an Assignment Agreement, other than any such Person that ceases to be a party hereto pursuant to an Assignment Agreement.

"Letter of Credit" shall mean any letter of credit issued pursuant to this Agreement.

"LIBOR" shall mean the rate at which deposits in U.S. dollars are offered to leading banks in the London interbank market.

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"Licenses" shall mean the Frequency Band Concessions (as defined in the Common Agreement) and the Telecommunication Networks Concession (as defined in the Common Agreement) and any other licenses granted to the Borrower by the Secretaria de Comunicaciones y Transportes in connection with the Business.

"Lien" shall mean any security interest, mortgage, pledge, assignment by way of security, charge, lease, easement, servitude, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever including (i) any conditional sale or other title retention agreement, any financing or similar statement or notice filed under any recording or notice statute, and any lease having substantially the same effect as any of the foregoing, and (ii) any designation (except as contemplated by this Agreement) of loss payees or beneficiaries or any similar arrangement under any insurance contract.

"Loan" shall mean a Syndicated Working Capital Loan, a Vendor Working Capital Loan, or a Capitalized Interest Loan, and "Loans" shall mean all of such loans, collectively, unless the context otherwise requires.

"Loan Document Currency" shall have the meaning set forth in Section 11.14.

"Loan Documents" shall mean, collectively, the following agreements and instruments: (i) this Agreement, (ii) the Pagares, (iii) each Guaranty Agreement, (iv) the Reimbursement Agreement, (v) Administrative Agent's Fee Letter, (vi) the QUALCOMM Fee Letter, (vii) the Stock Options, (viii) any Letter of Credit or related Letter of Credit application, (ix) the QUALCOMM Guaranty, (x) an agreement dated as of the Closing Date among QUALCOMM and the members of the Borrower Group regarding the waiver of certain conditions under Section 5.2, and (xi) any other agreements or instruments that may be executed and delivered in favor of Administrative Agent or one or more Lenders pursuant to or in connection with this Agreement or any of the above-listed documents.

"Material Adverse Effect" shall mean an event, circumstance, occurrence or condition which has caused or could reasonably be expected to cause, as of any date of determination, a material and adverse effect on (i) the business, assets, liabilities, operations, prospects or condition (financial or otherwise) of the Borrower Group (taken as a whole), (ii) the ability of Borrower to perform Borrower Obligations or the ability of the Borrower Group (taken as a whole) to perform its (or their) material Obligations under the Loan Documents (including its (or their) ability to pay its (or their) obligations under the Loan Documents as such obligations become due), (iii) the legality, validity or enforceability of any of the Loan Documents or (iv) the rights of or benefits available to the Lenders under the Loan Documents; provided, however, that, after the Closing Date, clause (ii) of this definition shall apply only for purposes of Sections 5.3(c) and 9.1(k).

"Maturity" or "maturity" shall mean the earlier of (i) the Scheduled Maturity Date and (ii) the date on which (A) the Loans have been accelerated pursuant to Section 9.2 or (B) the Loans have been prepaid in full and the Commitments terminated pursuant to this Agreement.

"Mexico" shall mean the United Mexican States.

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"New Shareholders" shall have the meaning set forth in the Joint Venture Agreement.

"Obligation Currency" shall have the meaning set forth in Section 11.15.

"Obligations" shall mean all Borrower Obligations and all other obligations of members of the Borrower Group now existing or hereinafter arising, direct or indirect, absolute or contingent, due or to become due, under

any of the Loan Documents, including, without duplication, (i) the principal of and interest on the Loans, the reimbursement obligations of Borrower in connection with Letters of Credit, the reimbursement obligations of the Borrower Group pursuant to the Reimbursement Agreement and all other obligations, advances, debts and liabilities of members of the Borrower Group, including indemnities, and fees and interest incurred under, arising out of or in connection with the this Agreement or any other Loan Document (whether or not evidenced by any note, bond or other instrument and whether or not for the payment of money), (ii) the obligations of Borrower to make deposits to the cash collateral account described in Section 2.4(j), and (iii) the expenses of any exercise by Administrative Agent or any Lender of its rights or remedies under this Agreement or any other Loan Document, together with attorneys' fees and court costs.

"Operator Agreement" shall mean the Management and Operator Agreement between Borrower and Leap Wireless Mexico.

"Original Mexican Shareholders" shall mean Pegaso Comunicaciones y Servicios, S.A. de C.V., Corporativo del Valle de Mexico, S. A. de C. V. and Alejandro Burillo Azcarraga.

"Other Taxes" shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Pagare" or "Pagares" shall have the meaning set forth in Section 2.11(d).

"Pegaso Guaranty Agreement" shall mean the Guaranty Agreement dated as of the Closing Date as executed by each of the Guarantors in favor of Administrative Agent for the benefit and on behalf of Lenders.

"Pegaso PCS" shall mean Pegaso PCS, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of Mexico.

"Permit" shall have the meaning set forth in Section 6.7.

"Permitted Lien" shall have the meaning set forth in Section 6.01 of the Common Agreement as in effect on the date hereof.

"Permitted Usage Category" shall mean one or more of the following categories of expenditures, as the context shall require: (i) network operating expenses, general and administrative expenses, sales and marketing expenses, Taxes and interest expense (except that

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no proceeds of Syndicated Working Capital Loans may be used to pay any interest due on any Loans under this Agreement or the Pagares), other than handset purchases (ii) handset purchases, (iii) capital expenditures not financed under the Vendor Facilities and (iv) all amounts due and payable on the Closing Date under the QUALCOMM Bridge Notes, and any other non-interest financing costs and expenses payable under or in connection with the Loan Documents.

"Person" shall mean any natural person, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization or Governmental Authority or other entity.

"Personnel Co." shall mean Pegaso Recursos Humanos, S.A. de C.V., a sociedad anonima de capital variable organized under the laws of Mexico.

"Pesos" or "Ps." shall mean the lawful currency of Mexico.

"Pops" shall mean population, as based on specific population estimates of geographic areas as determined in accordance with those population estimates provided by Comision Federal de Telecomunicaciones of Mexico in connection with the bidding for and award of the Licenses.

"QUALCOMM" shall mean QUALCOMM Incorporated, a corporation organized under the laws of Delaware.

"QUALCOMM Bridge Notes" shall mean the pagares dated April 16, 1999 and April 29, 1999, each between Borrower and QUALCOMM, evidencing loans by QUALCOMM to Borrower in the aggregate principal amount of \$20,119,444.

"QUALCOMM Credit Agreement" shall mean the Amended and Restated Credit Agreement dated as of December 15, 1998, between Borrower, the lenders thereunder and ABN AMRO Bank N.V., as QUALCOMM Administrative Agent.

"QUALCOMM Event" shall mean, so long (i) as any Obligations owing to Administrative Agent or any Syndicated Lender remain unpaid or unsatisfied, (ii) any Syndicated Working Capital Loans, Term Loans or Letters of Credit remain outstanding, or (iii) any Syndicated Lender has any Commitment or any

Exposure under this Agreement, any of the following: (a) any event constituting a "Guarantor Event of Default" under the QUALCOMM Guaranty; (b) any actual or purported repudiation, revocation or rescission by QUALCOMM of the QUALCOMM Guaranty, or QUALCOMM's obligations under the QUALCOMM Guaranty; or (c) the QUALCOMM Guaranty shall cease to remain in full force and effect.

"QUALCOMM Fee Letter" shall mean that letter agreement dated the date hereof by and among the Borrower Group and QUALCOMM regarding the payment of fees and other compensation in connection with the delivery by QUALCOMM of the QUALCOMM Guaranty.

"QUALCOMM Guaranty" shall mean that Guaranty Agreement, dated as of the date hereof, between QUALCOMM and Administrative Agent pursuant to which QUALCOMM

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has guaranteed the obligations of Borrower under this Agreement and the Pagares as therein provided.

"Qualified Public Offering" shall mean a public offering of common stock of Holdings, (i) in which the offering is made by Holdings and the proceeds are to be used by Holdings in its Business, (ii) the amount received by Holdings (net of commissions, discounts and expenses) is not less than \$75,000,000, and (iii) such offering results in the common stock (or depository receipts with respect thereto) of Holdings being listed on a national securities market in the United States or in the European Union.

"Reference Banks" shall mean Citibank, ABN AMRO Bank N.V. and Societe Generale.

"Register" shall have the meaning provided in Section 11.4(c).

"Registered Financial Institution" shall mean a bank or other financial institution duly registered in the Registry of Foreign Banks of Mexico, Financing Entities, Pension Funds and Investments Funds.

"Registration Rights Agreements" shall mean the Registration Rights Agreement dated as of July 16, 1998 by and among Holdings and the Sponsors as amended as of the date hereof.

"Reimbursement Agreement" shall mean that Reimbursement Agreement dated as of the date hereof by and among the members of the Borrower Group and QUALCOMM, with respect to Borrower's reimbursement obligations to QUALCOMM in connection with any payments made by QUALCOMM under the QUALCOMM Guaranty.

"Related Parties" shall mean, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Capitalized Interest Lenders" shall mean, at any time, the Capitalized Interest Lenders having Exposures under the Capitalized Interest Facility and unused Capitalized Interest Commitments representing at least 51% of the sum of the total Exposures under the Capitalized Interest Facility and unused Capitalized Interest Commitments of all Capitalized Interest Lenders at such time.

"Required Lenders" shall mean, at any time, all of the following: (a) the Required Syndicated Lenders, (b) the Required Vendor Working Capital Lenders, and (c) the Required Capitalized Interest Lenders.

"Required Syndicated Lenders" shall mean, at any time, the Syndicated Lenders having Exposures under the Working Capital Facility and unused Working Capital Commitments (or, following the Commitment Termination Date, Term Loans) representing at least 51% of the sum of the total Exposures under the Working Capital Facility and unused Working Capital Commitments (or, following the Commitment Termination Date, Term Loans)

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of all Syndicated Lenders at such time; provided, however, that references to "Required Syndicated Lenders" shall be deemed to be references to "Required Lenders" (and clause (a) of the definition of "Required Lenders" shall be disregarded) if (i) the Exposures of all Syndicated Lenders shall have been reduced to zero, (ii) all Syndicated Working Capital Commitments, all Term Loan Commitments and all LC Exposures shall have been terminated, (iii) all Syndicated Working Capital Loans and all Term Loans shall have been repaid, (iv) no Letters of Credit shall be outstanding, and (v) all other Obligations payable to any Syndicated Lender or to the Administrative Agent shall have been paid in full.

"Required Vendor Working Capital Lenders" shall mean, at any time, the Vendor Working Capital Lenders having Exposures under the Vendor Working

Capital Facility and unused Working Capital Commitments representing at least 51% of the sum of the total Exposures under the Vendor Working Capital Facility and unused Working Capital Commitments of all Vendor Working Capital Lenders at such time.

"Responsible Officer" shall mean, with respect to any member of the Borrower Group, the President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or General Counsel of such member, or any Person having a similar function.

"Satisfaction of QUALCOMM Conditions Precedent Letter" shall mean that letter of QUALCOMM to Administrative Agent indicating that the conditions precedent set forth in Section 5.2 and 5.3 have occurred or been waived, in each case to the satisfaction of QUALCOMM.

"SEC" shall mean the U.S. Securities and Exchange Commission.

"Scheduled Maturity Date" shall mean the date that is 18 months after the Closing Date; provided, that if such date is not a Business Day, the Scheduled Maturity Date shall be the immediately preceding Business Day.

"Senior Indebtedness" shall have the meaning set forth in Annex A to the Common Agreement as in effect on the date hereof .

"Sponsors" shall mean collectively all of the shareholders of Holdings, which as of the date hereof are Leap Mexico, the Original Mexican Shareholders and the New Shareholders.

"Sponsors Negative Pledge Agreement" shall mean the Negative Pledge Agreement, dated as of April 12, 1999, pursuant to which each of the Sponsors has agreed not to grant a Lien to any third party on the Capital Stock of Holdings held by such Sponsor, to the extent provided therein.

"Stock Options" shall mean collectively the Stock Option Agreements of even date herewith granted by Holdings in favor of QUALCOMM and each of the Counter-Guarantors.

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"Subsidiary" shall mean, for any Person, any other Person (whether now existing or hereafter organized) for which at least a majority of the securities or other ownership interests having ordinary voting power for the election of directors or other managers are at the time owned or controlled by such first Person or one or more Subsidiaries of such first Person or any combination thereof.

"Syndicated Lender" shall mean any Lender having a Syndicated Working Capital Commitment or a Term Loan Commitment.

"Syndicated Working Capital Commitment" shall mean, with respect to each Syndicated Lender, the amount set forth on Schedule 2.1 as such Syndicated Lender's "Syndicated Working Capital Commitment", as such amount may be adjusted from time to time pursuant to the terms of this Agreement.

"Syndicated Working Capital Commitment Percentage" shall mean, with respect to any Syndicated Lender, the percentage equivalent of such Syndicated Lender's Syndicated Working Capital Commitment divided by either (a) if the Term-Out Option shall not have become effective for any reason, the Total Syndicated Working Capital Commitment or (b) if, subject to the terms and conditions hereof, the Term-Out Option shall have become effective, the Total Term Loan Commitment.

"Syndicated Working Capital Facility" shall mean the extension of credit to Borrower by the Syndicated Lenders as set forth in Section 2.1.

"Syndicated Working Capital Loans" shall mean loans made to Borrower by the Syndicated Lenders under the Syndicated Working Capital Facility pursuant to this Agreement, as described in clause (a) of Section 2.1.

"Syndication" shall have the meaning assigned in Section 2.16.

"System" shall mean the wireless broadband PCS system to be constructed and rolled out by the Borrower Group pursuant to the Business Plan.

"Taxes" shall mean all taxes of every kind (including gross and net income, gross and net receipts, capital gains, excess profits and minimum taxes, taxes on tax preferences, capital, net worth, franchise, sales, use value-added, stamp, documentary, excise, property and other similar taxes), charges and withholdings, levies, imposts, duties, fees and deductions imposed by any Governmental Authority, together with all interest, additions to tax, penalties and similar add-ons payable with respect thereto.

"Tax Return" shall mean any return, declaration, report, claim for refund or information return or statement relating to Taxes or any amendment

thereto, and including any schedule or attachment thereto.

"Term Loans" shall mean loans made to Borrower by the Syndicated Lenders under the Syndicated Working Capital Facility pursuant to this Agreement, as described in clause (c) of Section 2.1, subject to the exercise of the Term-Out Option pursuant to Section 2.10(b).

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"Term Loan Commitment" shall mean, with respect to each Syndicated Lender, (a) if, subject to the terms and conditions hereof, the Term-Out Option shall have become effective, an amount equal to such Syndicated Lender's Syndicated Working Capital Commitment, and (b) if the Term-Out Option shall not have become effective for any reason, zero.

"Term-Out Option" shall have the meaning set forth in Section 2.10(b).

"Total Capitalized Interest Commitment" shall mean Fifteen Million Dollars (\$15,000,000), as such amount may be increased pursuant to Section 2.12(d).

"Total Commitment" shall mean, as of the date of determination, the aggregate amount of the Total Capitalized Interest Commitment plus the Total Working Capital Commitment.

"Total Syndicated Working Capital Commitment" shall mean (a) Sixty Million Dollars (\$60,000,000), or (b) to the extent, if any, increased pursuant to Section 2.9(f), an amount up to One Hundred Million Dollars (\$100,000,000), as such amount, in each case, may be reduced pursuant to Section 2.9(g).

"Total Term Loan Commitment" shall mean, as of the date of determination, the aggregate amount of the Term Loan Commitments of all Syndicated Lenders.

"Total Vendor Working Capital Commitment" shall mean Forty Million Dollars (\$40,000,000), as such amount may be adjusted pursuant to Section 2.9(f).

"Total Working Capital Commitment" shall mean the sum of the Total Syndicated Working Capital Commitment and the Total Vendor Working Capital Commitment, which shall be an aggregate amount equal to One Hundred Million Dollars (\$100,000,000); provided that after the Commitment Termination Date applicable to Syndicated Working Capital Loans, if the Term-Out Option shall have become effective, the "Total Working Capital Commitment" shall mean the sum of the Total Term Loan Commitment and the Total Vendor Working Capital Commitment.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Eurodollar Rate or the Base Rate.

"Underwriting Fee" shall mean the "Underwriting Fee" under and as defined in the QUALCOMM Fee Letter.

"United States" or "U.S." shall mean the United States of America.

"U.S. GAAP" shall mean generally accepted accounting principles in the United States.

"Usury Permit" shall have the meaning set forth in Section 7.7.

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"Vendor Facilities" shall mean the credit facilities provided to Borrower under the QUALCOMM Credit Agreement and the Alcatel Credit Agreement.

"Vendor Post-Closing Agreement" shall mean the Agreement Regarding Closing Conditions dated as of February 26, 1999, among each member of the Borrower Group, Citibank, N.A., as Intercreditor Agent, Citibank Mexico, S.A., Grupo Financiero Citibank, as Collateral Agent, Citibank International Plc, as Alcatel Administrative Agent, and ABN AMRO Bank N.V., as QUALCOMM Administrative Agent.

"Vendor Working Capital Commitment" shall mean, with respect to each Vendor Working Capital Lender, the amount set forth on Schedule 2.2 as such Vendor Working Capital Lender's "Vendor Working Capital Commitment", as such amount may be adjusted from time to time pursuant to the terms of this Agreement.

"Vendor Working Capital Commitment Percentage" shall mean, with respect to any Vendor Working Capital Lender, the percentage equivalent of such Vendor Working Capital Lender's Vendor Working Capital Commitment divided by the

Total Vendor Working Capital Commitment.

"Vendor Working Capital Facility" shall mean the extension of credit to Borrower by the Vendor Working Capital Lenders as set forth in Section 2.2.

"Vendor Working Capital Lender" shall mean QUALCOMM and, following the Commitment Termination Date applicable to Syndicated Working Capital Loans, any other Lender having a Vendor Working Capital Commitment.

"Vendor Working Capital Loans" shall mean loans made to Borrower by Vendor Working Capital Lenders under the Vendor Working Capital Facility pursuant to this Agreement.

"Working Capital Commitment" shall mean, with respect to each Working Capital Lender, such Working Capital Lender's Syndicated Working Capital Commitment or Vendor Working Capital Commitment, as the case may be.

"Working Capital Facilities" shall mean the Syndicated Working Capital Facility and the Vendor Working Capital Facility.

"Working Capital Lender" shall mean any Lender having a Working Capital Commitment.

"Working Capital Loans" shall mean Syndicated Working Capital Loans and Vendor Working Capital Loans.

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1.2 Other Interpretive Provisions.

(a) All terms defined in this Agreement shall have their defined meanings when used in the other Loan Documents and any certificate or other document made or delivered pursuant hereto, unless the context clearly indicates otherwise.

(b) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, recital, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) References to the words "include" or "including" shall be deemed to be followed by "without limitation" or "but not limited to", whether or not they are followed by such phrases or words of similar import.

(d) The word "or" is not exclusive.

(e) All terms defined in this Agreement in the singular form shall be equally applicable to both the singular and plural forms of the terms defined and the masculine, feminine or neuter gender shall include all genders.

(f) References in any Loan Document to any statute, decree, regulation or other Applicable Law shall be construed as a reference to such statute, law, decree, regulation or other Applicable Law as re-enacted, redesignated, amended or extended from time to time, except as otherwise provided in such Loan Document.

(g) References in any Loan Document to any other document or agreement shall (unless otherwise expressly indicated) be deemed to include references to such other document or agreement as amended, varied, supplemented or replaced from time to time in accordance with the terms of such document or agreement and this Agreement and to include any appendices, schedules, exhibits, clarification letters, side letters and disclosure letters executed in connection therewith.

(h) References to any Person or Persons shall be construed as a reference to any successors or assigns of such Person or Persons to the extent permitted under the Loan Documents and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities.

1.3 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time. All financial statements to be furnished to Administrative Agent, QUALCOMM or the other Lenders pursuant to this Agreement shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto); provided that if at any time such computations utilize accounting principles different from those utilized in the financial statements furnished pursuant to Section 7.1(a), such financial statements shall be accompanied by reconciliation worksheets.

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SECTION 2. THE CREDITS.

2.1 Syndicated Working Capital Facility.

(a) Syndicated Working Capital Loan Commitments. Subject to the terms and conditions set forth in this Agreement, each Syndicated Lender agrees to make Syndicated Working Capital Loans to Borrower from time to time during the Availability Period applicable to the Syndicated Working Capital Facility in an aggregate principal amount that will not result in (i) such Lender's Exposure under the Syndicated Working Capital Facility exceeding such Lender's Syndicated Working Capital Commitment or (ii) the sum of all Syndicated Lenders' Exposures under the Syndicated Working Capital Facility exceeding the Total Syndicated Working Capital Commitment. The amount otherwise available for Borrowings of Syndicated Working Capital Loans as of any time of determination (other than to reimburse the Issuing Bank for an LC Disbursement as contemplated by Section 2.4(e)) shall be reduced by the LC Exposure as of such time of determination. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrower may borrow, prepay and reborrow Syndicated Working Capital Loans.

(b) Permitted Uses of Syndicated Working Loan Proceeds and Letters of Credit. Borrower shall use the proceeds of each Syndicated Working Capital Loan and any Letter of Credit issued under Section 2.4 solely for Permitted Use Category expenditures, and to support Permitted Use Category obligations, in amounts as outlined in the Budget and, with respect to Syndicated Working Capital Loans, to finance the reimbursement of an LC Disbursement as contemplated by Section 2.4(e), and for such other uses as may be approved by QUALCOMM in its sole and absolute discretion.

(c) Term Loan Commitments. Subject to the terms and conditions set forth in this Agreement, each Syndicated Lender agrees to make Term Loans to Borrower on the Commitment Termination Date applicable to the Syndicated Working Capital Facility in an aggregate principal amount equal to the principal balance of such Syndicated Lender's Syndicated Working Capital Loans then outstanding plus such Syndicated Lender's unused Syndicated Working Capital Commitment on such date, so long as (i) the making of such Term Loans will not result in (A) such Lender's Exposure under the Syndicated Working Capital Facility exceeding such Lender's Term Loan Commitment or (B) the sum of all Syndicated Lenders' Exposures under the Syndicated Working Capital Facility exceeding the Total Term Loan Commitment, and (ii) the terms and conditions of Section 2.10(b) are satisfied upon the election of the Term-Out Option by Borrower. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrower may borrow and prepay Term Loans. Once repaid, Term Loans may not be reborrowed. Once repaid by the proceeds of Term Loans, amounts under the Syndicated Working Capital Facility may not be re-borrowed.

(d) Permitted Uses of Term Loan Proceeds. Borrower shall use the proceeds of the Term Loans solely for (i) the payment in full of the principal balance of all Syndicated Working Capital Loans outstanding on the Commitment Termination Date applicable to Syndicated Working Capital Loans and (ii) to the extent the aggregate principal balance of the

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Term Loans exceeds the aggregate principal balance of such Syndicated Working Capital Loans, for Permitted Use Category expenditures in amounts as outlined in the Budget.

2.2 Vendor Working Capital Facility.

(a) Vendor Working Capital Loan Commitments. Subject to the terms and conditions set forth in this Agreement, each Vendor Working Capital Lender agrees to make Vendor Working Capital Loans to Borrower from time to time during the Availability Period applicable to the Vendor Working Capital Facility in an aggregate principal amount that will not result in (i) such Lender's Exposure under the Vendor Working Capital Facility exceeding such Lender's Vendor Working Capital Commitment or (ii) the sum of all Vendor Working Capital Lenders' Exposures under the Vendor Working Capital Facility exceeding the Total Vendor Working Capital Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrower may borrow, prepay and reborrow Vendor Working Capital Loans.

(b) Permitted Uses of Vendor Working Loan Proceeds. Borrower shall use the proceeds of each Vendor Working Capital Loan solely for (i) Permitted Use Category expenditures in amounts as outlined in the Budget and (ii) such other uses as may be approved by QUALCOMM in its sole and absolute discretion.

2.3 Capitalized Interest Facility.

(a) Capitalized Interest Loan Commitments. Subject to the terms and conditions set forth in this Agreement, each Capitalized Interest Lender agrees to make Capitalized Interest Loans to Borrower from time to time during the Availability Period applicable to the Capitalized Interest Facility in an

aggregate principal amount that will not result in (i) such Lender's Exposure under the Capitalized Interest Facility exceeding such Lender's Capitalized Interest Commitment or (ii) the sum of all Capitalized Interest Lenders' Exposures under the Capitalized Interest Facility exceeding the Total Capitalized Interest Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, Borrower may borrow and prepay Capitalized Interest Loans. Once repaid, amounts under the Capitalized Interest Facility may not be re-borrowed.

(b) Permitted Uses of Capitalized Interest Loan Proceeds. Borrower shall use the proceeds of each Capitalized Interest Loan solely for (i) interest payments to Working Capital Lenders on the Working Capital Loans, (ii) interest payments to Syndicated Lenders on the Term Loans, (iii) payments to the Issuing Bank for fees and costs related to the issuance of Letters of Credit, and (iv) payment to QUALCOMM of the Underwriting Fee and the Guaranty Fee.

2.4 Letters of Credit.

(a) General. In addition to Borrower requesting Syndicated Working Capital Loans pursuant to Section 2.1, subject to the terms and conditions set forth herein, Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to Administrative Agent and the Issuing Bank, at any time and from time to time during the

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Availability Period applicable to the Syndicated Working Capital Facility. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by Borrower to, or entered into by Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), Borrower shall hand deliver or facsimile (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice, approved and signed by QUALCOMM in accordance with Section 2.6(b), requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$10,000,000 and (ii) the sum of the total Syndicated Lenders' LC Exposures plus the aggregate principal amount of outstanding Syndicated Working Capital Loans shall not exceed the Total Syndicated Working Capital Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Scheduled Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or Syndicated Lenders, the Issuing Bank hereby grants to each Syndicated Lender, and each Syndicated Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Syndicated Lender's Syndicated Working Capital Commitment Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Syndicated Lender hereby absolutely and unconditionally agrees to pay to Administrative Agent, for the account of the Issuing Bank, such Syndicated Lender's Syndicated Working Capital Commitment Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to Borrower for any reason. Each Syndicated Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including

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any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, Borrower shall reimburse such LC Disbursement by paying to Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.1 that such payment be financed with a Syndicated Working Capital Loan in an equivalent amount and, to the extent so financed, Borrower's obligation to make such payment shall be discharged and replaced by the resulting Syndicated Working Capital Loan. If Borrower fails to make such payment when due, Administrative Agent shall notify each Syndicated Lender of the applicable LC Disbursement, the payment then due from Borrower in respect thereof and such Syndicated Lender's Syndicated Working Capital Commitment Percentage thereof. Promptly following receipt of such notice, each Syndicated Lender shall pay to Administrative Agent its Syndicated Working Capital Commitment Percentage of the payment then due from Borrower, in the same manner as provided in Section 2.7 with respect to Loans made by such Syndicated Lender (and Section 2.7 shall apply, mutatis mutandis, to the payment obligations of Lenders), and Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from Syndicated Lenders. Promptly following receipt by Administrative Agent of any payment from Borrower pursuant to this paragraph, Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Syndicated Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Syndicated Lenders and the Issuing Bank as their interests may appear. Any payment made by a Syndicated Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of Syndicated Working Capital Loan as contemplated above) shall not constitute a Loan and shall not relieve Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of:

(i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein;

(ii) any amendment or waiver of or any consent to departure from all or any of the provisions of any Letter of Credit or this Agreement;

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(iii) the existence of any claim, setoff, defense or other right that Borrower, any other party guaranteeing, or otherwise obligated with, Borrower, any Subsidiary or other Affiliate thereof or any other Person may at any time have against the beneficiary under any Letter of Credit, the Issuing Bank, Administrative Agent or any Lender or any other Person, whether in connection with this Agreement or any other related or unrelated agreement or transaction;

(iv) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit; and

(vi) any other act or omission to act or delay of any kind of the Issuing Bank, Lenders, Administrative Agent or any other Person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of Borrower's obligations hereunder.

Neither Administrative Agent, the Syndicated Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft,

notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by Borrower to the greatest extent permitted by applicable law) suffered by Borrower that are caused by the Issuing Bank's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that (A) the Issuing Bank may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit, (B) the Issuing Bank shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit, (C) any action taken by the Issuing Bank in accordance with either of the foregoing clauses shall be deemed not to constitute gross negligence or willful misconduct and (D) this sentence shall establish the standard of care to be exercised by the Issuing Bank when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

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(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify Administrative Agent and Borrower by telephone (confirmed by facsimile) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve Borrower of its obligation to reimburse the Issuing Bank and the Syndicated Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that Borrower reimburses such LC Disbursement, at the rate per annum then applicable to Syndicated Working Capital Loans that are Base Rate Loans; provided that, if Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(b) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Syndicated Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Syndicated Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time with respect to Letters of Credit to be issued thereafter by written agreement among Borrower, Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. Administrative Agent shall notify the Syndicated Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.1(d). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that Borrower receives notice from Administrative Agent or the Required Syndicated Lenders (or, if the maturity of the Syndicated Working Capital Loans has been accelerated, Syndicated Lenders with an LC Exposure representing at least 51% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, Borrower shall deposit in an account with Administrative Agent, in the name of Administrative Agent and for the benefit of the Syndicated Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence

of any Event of Default with respect to Borrower described in clause (e), (f) or (g) of Section 9.1; provided,

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further, that the Required Syndicated Lenders shall not give any such notice nor direct Administrative Agent to give any such notice in the case of any Event of Default of the type described in clause (b), (c) except if resulting from a breach of Section 8.1 or 8.4, (d), (k), (n) or (o) of Section 9.1 if, upon any such Event of Default, QUALCOMM shall have delivered to Administrative Agent, promptly upon request, a confirmation of the QUALCOMM Guaranty, and no other type of Event of Default nor any QUALCOMM Event shall have occurred and be continuing. Such deposit shall be held by Administrative Agent as collateral for the payment and performance of the obligations of Borrower under this Agreement. Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of Administrative Agent in such investments as may be usual and customary for collateral accounts of this type maintained by the Administrative Agent and at Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by Administrative Agent, first, to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, second, to the extent not so applied, shall be applied to satisfy other Obligations of Borrower then due and payable under this Agreement and, third, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of Borrower for the LC Exposure at such time. If Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to Borrower within three Business Days after the date when no Default shall exist or all the Obligations shall have been paid in full.

2.5 Loans and Borrowings.

(a) Each Syndicated Working Capital Loan shall be made as part of a Borrowing consisting of Syndicated Working Capital Loans made by the Syndicated Lenders ratably in accordance with their respective Syndicated Working Capital Commitments; provided that if any Vendor Working Capital Loans are outstanding when any Additional Lender acquires all or a portion of QUALCOMM's Vendor Working Capital Commitment and Vendor Working Capital Loans as provided in Section 2.9(f), concurrently with the assignment by QUALCOMM to such Additional Lender of such Vendor Working Capital Loans and the deemed conversion of such Vendor Working Capital Loans to Syndicated Working Capital Loans pursuant to clause (B) of Section 2.9(f), such Additional Lender shall fund a Syndicated Loan (the proceeds of which shall be paid directly to the other Syndicated Lenders as a principal prepayment on their respective outstanding Syndicated Loans) in such amount as shall be sufficient to cause the Syndicated Loans outstanding by all Syndicated Lenders (after giving effect to such assignment) to be held by the Syndicated Lenders ratably in accordance with their respective Syndicated Working Capital Commitments, and, when such new Syndicated Loan is applied to the payment of such outstanding Syndicated Loans, Borrower shall pay any amounts due in respect thereof under Section 4.2. Each Vendor Working Capital Loan shall be made as part of a Borrowing consisting of Vendor Working Capital Loans made by the Vendor Working Capital Lenders ratably in accordance with their respective Vendor Working Capital Commitments. Each Capitalized Interest Loan shall be made as part of a Borrowing consisting of Capitalized Interest Loans made by the Capitalized Interest Lenders ratably in accordance with their respective

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Capitalized Interest Commitments. Each Term Loan shall be made as part of a Borrowing consisting of Term Loans made by the Syndicated Lenders ratably in accordance with their respective Term Loan Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13(c), each Borrowing shall be composed entirely of Base Rate Loans or Eurodollar Loans as Borrower may request in accordance with this Agreement. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the time that each Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$2,500,000; provided that (i) a Base Rate Syndicated Working Capital Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Total Syndicated Working Capital Commitment or that is required

to finance the reimbursement of an LC Disbursement as contemplated by Section 2.4(e), (ii) a Base Rate Vendor Working Capital Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Total Vendor Working Capital Commitment and (iii) a Base Rate Capitalized Interest Borrowing may be in any amount. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of ten (10) Borrowings outstanding.

(d) There shall not be Eurodollar Loans outstanding at any one time having more than six (6) different Interest Periods.

(e) Notwithstanding any other provision of this Agreement, Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing of Eurodollar Loans if the Interest Period requested with respect thereto would end after the relevant Commitment Termination Date.

(f) No Borrowing of Vendor Working Capital Loans shall be permitted unless the Total Syndicated Working Capital Commitment shall then have been fully utilized, after giving effect to any concurrent Borrowing of Syndicated Working Capital Loans.

2.6 Requests for Borrowings.

(a) Working Capital Borrowings and Term Loan Borrowings. To request a Working Capital Borrowing or a Term Loan Borrowing for the purposes described in Section 2.1(d)(ii), Borrower shall notify Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed Borrowing, or (b) in the case of a Base Rate Borrowing, not later than 11:00 a.m., New York City time, one (1) Business Day before the date of the proposed Borrowing; provided that any such notice of a Base Rate Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.4(e) may be given not

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later than 10:00 a.m., New York City time, on the date of the proposed Borrowing; and provided, further, that the Syndicated Loan to be funded by the Additional Lender described in the proviso to the first sentence of Section 2.5(a) shall not require any notice by Borrower, shall not be included as a Borrowing for the purpose of the limitation in the number of Borrowings outstanding under the proviso at the end of Section 2.5(c), and, subject to Section 2.9(f), if not made on the last day of the Interest Period for the Syndicated Loans prepaid by such new Syndicated Loan, if such Syndicated Loans are Eurodollar Loans, shall have an initial Interest Period equal to the period from the date of funding until the next occurring last day of an Interest Period for an outstanding Syndicated Loan or, if such Interest Period is not available hereunder, shall be a Base Rate Loan. To request a Term Loan Borrowing for the purposes described in Section 2.1(d)(i), Borrower shall notify Administrative Agent of such request as provided in Section 2.10(b). Each telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to Administrative Agent of a written Borrowing Request in the form of Exhibit B-1 approved by Administrative Agent and signed by Borrower and QUALCOMM. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.5:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Working Capital Borrowing or Term Loan Borrowing is specified, then the requested Borrowing shall be a Base Rate Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, Administrative Agent shall advise each Working Capital Lender, in the case of Borrowings of Working Capital Loans, or each Syndicated Lender, in the case of Borrowings of Term Loans, of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(b) Approval by QUALCOMM. QUALCOMM agrees to approve and sign any Borrowing Request for any Working Capital Loan under Section 2.1(a) or Section 2.2(a) or in connection with the issuance, amendment, renewal or extension any Letter of Credit under Section 2.4(b) so long as Borrower shall first have delivered to QUALCOMM a certificate, substantially in the form of Exhibit B-2,

signed by an Authorized Officer of Borrower, stating that the requested Borrowing or Letter of Credit will be used to pay or support Permitted Usage Category expenses, which certificate shall include (i) a breakdown (the "Budget Breakdown") by Permitted Usage Category of the amount of expenditures and Letter of Credit support as of such date and (ii) the amount requested according to the unexpended and unsupported portion of such

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Permitted Usage Categories as set forth in the Budget. Each delivery of a Borrowing Request signed by QUALCOMM in accordance with Section 2.6(a), and each delivery of a request for the issuance, amendment, renewal or extension of a Letter of Credit signed by QUALCOMM in accordance with Section 2.4(b), if made in conjunction with any Borrowing under the Syndicated Working Capital Facility (including any Borrowing of Syndicated Working Capital Loans and any Borrowing of Term Loans) or any issuance, amendment, renewal or extension of any Letter of Credit, shall be deemed to constitute (A) a confirmation on the date thereof by QUALCOMM of the QUALCOMM Guaranty and QUALCOMM's obligations thereunder and (B) a representation and warranty by QUALCOMM on the date thereof as to the matters specified in paragraph (d) of Section 5.3 or in paragraph (a) of Section 5.5, as the case may be.

(c) Capitalized Interest Borrowings. To request a Capitalized Interest Borrowing, Borrower shall notify Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed Borrowing, or (b) in the case of a Base Rate Borrowing, not later than 11:00 a.m., New York City time, one (1) Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to Administrative Agent of a written Capitalized Interest Loan Request in the form of Exhibit C, approved by Administrative Agent and signed by Borrower. Each such telephonic and written Capitalized Interest Loan Request shall specify the following information in compliance with Section 2.5:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day and (A) an Interest Payment Date, (B) a date on which fees are payable under this Agreement in connection with any Letter of Credit or (C) a date on which the Underwriting Fee is payable;

(iii) whether such Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period".

If no election as to the Type of Capitalized Interest Borrowing is specified, then the requested Capitalized Interest Borrowing shall be a Base Rate Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Capitalized Interest Borrowing, then Borrower shall be deemed to have selected an Interest Period of one month's duration. With respect to Capitalized Interest Loans to be made for the payment of interest on the Working Capital Loans, if Borrower has not delivered a Capitalized Interest Loan Request on or before the Business Day prior to the next succeeding Interest Payment Date, a Capitalized Interest Loan Request shall be deemed to have been made on such date (a "Deemed Capitalized Interest Loan Request") for a Base Rate Loan in the amount of the interest payment to become due and payable on such Interest Payment Date. Promptly following receipt of a Capitalized Interest Loan Request or a Deemed Capitalized Interest Loan Request in accordance with this Section, Administrative Agent shall

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advise each Capitalized Interest Lender of the details thereof and of the amount of such Capitalized Lender's Capitalized Interest Loan to be made as part of the requested Borrowing.

2.7 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of Administrative Agent most recently designated by it for such purpose by notice to the Lenders. Administrative Agent shall make such Loans available to Borrower by promptly crediting the amounts so received, in like funds, to an account of Borrower maintained with Administrative Agent in New York City and designated by Borrower in the applicable Borrowing Request or Capitalized Interest Loan Request; provided that Base Rate Syndicated Working Capital Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.4(e) shall be remitted by Administrative Agent to the Issuing Bank; provided, further, that

Capitalized Interest Loans made to pay fronting fees in respect of Letters of Credit or any other amounts due and payable by Borrower to the Issuing Bank shall be remitted by Administrative Agent to the Issuing Bank; provided, further, that Capitalized Interest Loans made to pay interest on Working Capital Loans, interest due on Term Loans, or participation fees due in respect of Letters of Credit shall be (i) disbursed on behalf of Borrower directly to Administrative Agent for the ratable account of the Lenders (other than QUALCOMM) entitled to receive such payment of interest or fees (net of any amounts described in clause (ii) of this paragraph that are due and payable to QUALCOMM from such payment in accordance with the QUALCOMM Guaranty) and (ii) withheld by (or, to the extent QUALCOMM is not the sole Capitalized Interest Lender, paid to) QUALCOMM, as the "Guarantor" under the QUALCOMM Guaranty, to the extent QUALCOMM, as the "Guarantor" under the QUALCOMM Guaranty, is entitled to receive from the proceeds of such Capitalized Interest Loan payment of interest on Vendor Working Capital Loans or payment of the Guaranty Fee as and when due in accordance with the QUALCOMM Guaranty; and provided, further, that the new Syndicated Loan to be funded by the Additional Lender in accordance with the proviso to the first sentence of Section 2.5(a) shall be paid directly to the other Syndicated Lenders as contemplated in such sentence.

(b) Unless Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to Administrative Agent such Lender's share of such Borrowing, Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to Administrative Agent, then the applicable Lender and Borrower severally agree to pay to Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to Borrower to but excluding the date of payment to Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of Borrower, the interest rate applicable to Base Rate Loans. If

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such Lender pays such amount to Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

2.8 Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request or Capitalized Interest Loan Request, as the case may be, and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request or Capitalized Interest Loan Request. Thereafter, Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered separate Borrowings.

(b) To make an election pursuant to this Section, Borrower shall notify Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.6 if Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to Administrative Agent of a written Interest Election Request in a form approved by Administrative Agent and signed by Borrower.

(c) Each telephonic and written Interest Election Request shall be in the form of Exhibit D to this Agreement, shall evidence the joint and several guarantee "avalado" by the Guarantors, shall be attached to the Pagare which evidences such Loans by Administrative Agent (if it holds possession of the Pagare) and otherwise by the relevant Lender, and shall specify the following information in compliance with Section 2.5:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

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If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of a Interest Election Request with respect to a Borrowing of any Class, Administrative Agent shall advise each Lender making or holding Loans of that Class of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to a Base Rate Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and Administrative Agent, at the request of the Required Syndicated Lenders or, if the Exposure of all Syndicated Lenders is zero and the Syndicated Working Capital Commitments and the Term Loan Commitments have been terminated or expired, at the request of the Required Lenders, so notifies Borrower and QUALCOMM, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to a Base Rate Borrowing at the end of the Interest Period applicable thereto.

2.9 Termination and Reduction of, and Increases in, Commitments; Further Syndication.

(a) Unless previously terminated, the Commitments shall terminate on the Scheduled Maturity Date.

(b) Borrower may at any time terminate, or from time to time reduce, the Commitments, without premium or penalty, as provided in this Section; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$100,000, (ii) each reduction of the Total Working Capital Commitment shall be in an amount that is not less than \$5,000,000, (iii) Borrower shall not terminate or reduce the Total Commitment if, after giving effect to any concurrent prepayment of Loans, the sum of the aggregate Exposures of all Lenders would exceed the Total Commitment; (iv) Borrower shall not terminate or reduce the Commitments under any Facility if, after giving effect to any concurrent prepayment of Loans under that Facility, the sum of the aggregate Exposures of all Lenders under that Facility would exceed the aggregate Commitments of all Lenders under that Facility; (v) unless the Required Syndicated Lenders, in their sole discretion, shall consent, Borrower shall not partially reduce the Syndicated Working Capital Commitment unless the Vendor Working Capital Commitment shall first have been reduced to zero.

(c) Borrower shall notify Administrative Agent in writing (with a copy to QUALCOMM) of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least five (5) Business Days (which notice shall be deemed to be given on a certain day only if given before 12:00 noon New York City time) prior to the effective date of

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such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, Administrative Agent shall advise Lenders of the contents thereof. Each notice delivered by Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Total Commitment delivered by Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by Borrower (by notice to Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) The Commitments under any Facility shall be reduced, from time to time, by the principal amounts of any Loans under such Facility that are required to be prepaid pursuant to Section 2.15, and the amounts so prepaid may not be reborrowed; provided that the Commitments shall not be reduced and such amounts may be reborrowed (subject to the terms and conditions set forth in this Agreement) to the extent, if any, set forth in a notice delivered by QUALCOMM (with the consent and acknowledgement of Borrower) modifying the terms of clause (a) of Section 2.15 as contemplated by the proviso thereto.

(e) Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments under any Facility shall be made

ratably among the Lenders under such Facility in accordance with their respective percentages of the total Commitments under such Facility.

(f) Lenders who are Syndicated Lenders as of the Closing Date shall each use reasonable efforts to syndicate the Vendor Working Capital Facility to additional banks or financial institutions that would satisfy the requirements of Eligible Assignees (each, an "Additional Lender"). If, as a result of any such Syndication, Administrative Agent (at the direction of any Syndicated Lender) notifies Borrower and QUALCOMM, at any time and from time to time, that one or more Additional Lenders have agreed to underwrite all or a portion (but not less than \$5,000,000) of QUALCOMM's Vendor Working Capital Commitment and Vendor Working Capital Loans hereunder, then (i) QUALCOMM shall sell and assign to each such Additional Lender the portion to be so underwritten of QUALCOMM's rights, and delegate the corresponding obligations, as a Vendor Working Capital Lender under this Agreement (including the corresponding portion of QUALCOMM's Vendor Working Capital Commitment and the Vendor Working Capital Loans owing to it at that time), in accordance with the provisions of Section 11.4, and (ii) such Additional Lender and QUALCOMM shall execute and deliver to Administrative Agent an Assignment Agreement and (if such Additional Lender is not already a Lender) an Administrative Questionnaire and take such other actions as required by Section 11.4. Immediately upon the effectiveness of any such assignment to any Additional Lender, unless such assignment takes effect on or after the Commitment Termination Date applicable to Syndicated Working Capital Loans, and without any further action on any Person's part, (A) the portion of the Vendor Working Capital Commitment so delegated shall be deemed to constitute a Syndicated Working Capital Commitment of such Additional Lender, (B) the Vendor Working Capital Loans so assigned shall be deemed to be Syndicated Working Capital Loans of such Additional Lender, (C) such Additional Lender shall become a Syndicated Lender and not a Vendor Working Capital Lender for all purposes under this Agreement, and, as such, shall be subject to all the duties (including with respect to Loans and Letters of Credit) of a Syndicated Lender under this Agreement and shall be entitled to all the rights, benefits and privileges of a

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Syndicated Lender under this Agreement, the QUALCOMM Guaranty and the other Loan Documents, (D) the Total Syndicated Working Capital Commitment shall be increased, and the Total Vendor Working Capital Commitment shall be reduced, each by the amount of such delegation, and (E) without duplication, QUALCOMM's Vendor Working Capital Commitment shall be reduced by the amount of such delegation. If, as a result of any assignment and delegation or series of assignments and delegations pursuant to this Section 2.9(f), the Vendor Working Capital Commitment shall be reduced to zero and all Vendor Working Capital Loans (if any) shall be deemed to be converted to Syndicated Working Capital Loans, then, subject to the subsequent application of Section 2.9(g), all references in this Agreement to Vendor Working Capital Loans or Vendor Working Capital Lenders (or similar words) shall be disregarded. In no event shall any assignment and delegation under this Section 2.9(f) result in any increase or decrease in the Total Working Capital Commitment. If any Vendor Working Capital Loans are outstanding when any Additional Lender acquires all or a portion of QUALCOMM's Vendor Working Capital Commitment and Vendor Working Capital Loans as provided in this Section 2.9(f), QUALCOMM shall assign all or such portion of its Vendor Working Capital Commitment and such Vendor Working Capital Loans to such Additional Lender in accordance with this Section 2.9(f) only on the last day of the Interest Period for such Vendor Working Capital Loans unless Borrower otherwise consents; provided, in any event, that when such Additional Lender's new Syndicated Loan is applied to the payment of the relevant outstanding Syndicated Loans pursuant to Section 2.5(a), Borrower shall pay all amounts, if any, due in respect thereof under Section 4.2, and such payment by Borrower shall not be a condition to the effectiveness of any such assignment.

(g) If QUALCOMM shall acquire some or all of the Syndicated Lenders' Syndicated Working Capital Loans, LC Exposures (if any) and Syndicated Working Capital Commitments (pursuant to the QUALCOMM Guaranty or, to the extent permitted by this Agreement and the QUALCOMM Guaranty, otherwise), then immediately upon the effectiveness of any such assignment and delegation to QUALCOMM, and without any further action on any Person's part, (i) the portion of each Syndicated Working Capital Commitment so delegated shall be deemed to constitute an additional Vendor Working Capital Commitment of QUALCOMM, (ii) the Syndicated Working Capital Loans so assigned shall be deemed to be Vendor Working Capital Loans of QUALCOMM, (iii) QUALCOMM shall become or remain a Vendor Working Capital Lender and not a Syndicated Lender for all purposes under this Agreement, and, as such, shall be subject to all the duties (including with respect to Loans) of a Vendor Working Capital Lender under this Agreement, shall be entitled to all the rights, benefits and privileges of a Vendor Working Capital Lender under this Agreement and the other Loan Documents, and shall not be entitled to the benefit of the QUALCOMM Guaranty nor to exercise any rights or powers (with respect to voting, consents, waivers or otherwise) of a Syndicated Lender under this Agreement or the other Loan Documents, provided, however, that QUALCOMM shall remain obligated as a Syndicated Lender under Section 2.4 with respect to any LC Exposure acquired by it from a Syndicated Lender (but not with respect to any additional Letter of Credit issued thereafter), and the amount of its LC Exposure shall be included in the

aggregate LC Exposures of all Syndicated Lenders for purposes of determining the availability of any additional Letters of Credit required to be issued, amended, renewed or extended under Section 2.4(b), (iv) the Total Vendor Working Capital Commitment shall be increased, and the Total Syndicated Working Capital Commitment shall be reduced, each by the amount of such

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delegation, and (v) without duplication, each assigning Syndicated Lender's Syndicated Working Capital Commitment shall be reduced by the amount of such delegation. In no event shall any assignment and delegation contemplated by this Section 2.9(g) (A) result in any increase or decrease in the Total Working Capital Commitment or (B) limit the right of the Issuing Bank under Section 11.4 to consent, in its sole and absolute discretion, to any assignment and delegation of any Lender's LC Exposure under this Agreement.

2.10 Repayment of Loans.

(a) Borrower hereby irrevocably and unconditionally promises to pay (i) to Administrative Agent for the account of each Syndicated Lender the then unpaid principal amount of each Syndicated Working Capital Loan on the Commitment Termination Date applicable to Syndicated Working Capital Loans, provided that, if the Term-Out Option shall have become effective under clause (b) of this Section, such Syndicated Working Capital Loan shall be converted to a Term Loan on such Commitment Termination Date as provided herein, (ii) to Administrative Agent for the account of each Syndicated Lender the then unpaid principal amount of each Term Loan on the Scheduled Maturity Date, (iii) to Administrative Agent for the account of each Vendor Working Capital Lender the then unpaid principal amount of each Vendor Working Capital Loan on the Scheduled Maturity Date, and (iv) to Administrative Agent for the account of each Capitalized Interest Lender the then unpaid principal amount of each Capitalized Interest Loan on the Scheduled Maturity Date.

(b) Borrower shall have the option (the "Term-Out Option"), to convert the principal balance of all Syndicated Working Capital Loans outstanding on the Commitment Termination Date to Term Loans, subject to the terms and conditions of this Section 2.10(b) and Section 2.1. To make an election pursuant to this Section 2.10(b), Borrower shall notify Administrative Agent of such election and request a Borrowing of Term Loans by not later than 11:00 a.m., New York City time, five (5) Business Days before the Commitment Termination Date. Such telephonic election to exercise the Term-Out Option and each Borrowing Request in connection with a Term Loan shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to Administrative Agent of a written notice of election and a Borrowing Request, signed by Borrower, in accordance with Section 2.6. Any Borrowing of Term Loans for the purposes set forth in Section 2.1(d) (i) upon the election of the Term-Out Option shall be subject to the requirements applicable to Borrowing Requests under Section 2.6(a) (other than the approval of QUALCOMM of such Borrowing), to the conditions of Section 2.1(c) and (d), and to the conditions of Section 5.4. Any Borrowing of Term Loans for the purposes set forth in Section 2.1(d) (ii) upon the election of the Term-Out Option shall be subject to the requirements applicable to Borrowing Requests under Section 2.6(a) and (b), to the conditions of Section 2.1(c) and (d), and to the conditions of Section 5.3 or Section 5.5, as the case may be. The effective date of such election and the only date on which any Borrowing of Term Loans shall be made, subject to the terms and conditions of this Agreement, shall be the Commitment Termination Date applicable to Syndicated Working Capital Loans.

2.11 Evidence Of Debt.

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(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(b) Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from Borrower to each Lender hereunder and (iii) the amount of any sum received by Administrative Agent hereunder for the account of Lenders and each Lender's share thereof.

(c) The entries made in the accounts maintained pursuant to paragraph (b) or (d) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of Borrower to repay the Loans in accordance with the terms of this Agreement.

(d) Within five (5) Business Days of the making of any Loan,

Borrower shall execute and deliver to Administrative Agent to hold on behalf of the Lender making such Loan a promissory note of Borrower payable to such Lender substantially in the form of Exhibit A with appropriate insertions as to issue date, principal repayment dates, principal amount, and Applicable Margin (each, a "Pagare"), which promissory note shall be jointly and severally guaranteed "avalado" by the Guarantors and shall be dated the date such Loan is made. Notwithstanding anything to the contrary contained herein, upon the request of Administrative Agent at any time, Borrower shall promptly execute and deliver to Administrative Agent to hold on behalf of such Lender a replacement Pagare with respect to any Pagare theretofore issued in order to conform the terms thereof to the terms of this Agreement, which replacement Pagare shall be jointly and severally guaranteed "avalado" by the Guarantors and shall be dated the date on which the replacement is to be effective. Concurrently therewith, Administrative Agent or Lender, as the case may be, shall return the replaced Pagare to Borrower.

(e) Upon the written request of any Lender, Administrative Agent shall forward to such Lender (i) all Pagares payable to such Lender received by Administrative Agent on or prior to such date (the "Request Date") within ten (10) Business Days of receipt by Administrative Agent of such request, and (ii) all Pagares payable to such Lender received by Administrative Agent after the Request Date within ten (10) Business Days of the receipt by Administrative Agent thereof; provided that any Lender requesting such delivery of its Pagares shall reimburse Administrative Agent for all costs and expenses incurred by Administrative Agent in the distribution thereof.

(f) In the case of any conflict between the terms of this Agreement and any Pagare, the terms of this Agreement shall control. Without limiting the generality of the foregoing, all Loans made hereunder shall accrue interest from the date such Loan is made and, to the extent not evidenced by a Pagare, shall otherwise be treated as a Loan hereunder irrespective of Borrower's execution or nonexecution of a Pagare evidencing such Loan.

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(g) Upon partial repayment of any principal amount evidenced by any Pagares, Borrower may execute and deliver to Administrative Agent to hold on behalf of each Lender a replacement Pagare taking into account such prepayment, which replacement Pagare shall be jointly and severally guaranteed "avalado" by the Guarantors and shall be dated the date on which the replacement is to be effective. Concurrently therewith, Administrative Agent or Lender, as the case may be, shall return the replaced Pagare to Borrower.

(h) Upon the payment in full of all Obligations and the termination of the Commitments, Administrative Agent and Lenders, as applicable, shall return all Pagares in their possession to Borrower.

(i) In addition to the Pagares, Borrower agrees to execute and deliver to each Lender, promptly upon request by such Lender, a promissory note evidencing Borrower's Indebtedness to such Lender under this Agreement in the amount of such Lender's Commitment, which promissory note shall be satisfactory in form and substance to such Lender and shall be consistent with the terms of this Agreement.

2.12 Interest.

(a) The Loans constituting each Eurodollar Borrowing shall bear interest at the Eurodollar Rate for the Interest Period in effect for such Borrowing plus the relevant Applicable Margin. The Loans constituting each Base Rate Borrowing shall bear interest at the Base Rate plus the relevant Applicable Margin.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, five percent (5%) plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or (ii) in the case of any other amount, five percent (5%) plus the rate applicable to Base Rate Loans as provided in paragraph (a) of this Section. Upon the occurrence of any Event of Default other than under Section 9.1(a), and (subject to the preceding sentence) for so long as such Event of Default shall continue, Borrower shall, at the option of QUALCOMM, pay interest on all Loans at a rate per annum equal to two percent (2%) plus the rate otherwise applicable to such Loans. Notwithstanding anything to the contrary herein, upon the Scheduled Maturity Date, if an Event of Default shall exist, the interest rate on all Loans and other amounts outstanding hereunder shall be a fixed rate of twenty-two and one-half percent (22.5%) per annum and, if the Obligations shall not have been fully and finally satisfied prior to that date three (3) months following the Scheduled Maturity Date, shall increase to twenty-five (25%) per annum.

(c) Interest on each Loan shall accrue from the date of the Borrowing of such Loan to the date on which such Loan is paid in full. Accrued

Interest on each Loan shall be payable (i) in the case of Base Rate Loans, on the last Business Day of each calendar quarter, and (ii) in the case of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three

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month intervals after the first day of such Interest Period and (iii) in the case of all Loans, on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand; provided that accrued and unpaid interest owing to any Syndicated Lender on the portion of any Syndicated Loan prepaid pursuant to the proviso to the first sentence of Section 2.5(a) (to the extent accruing prior to the date of such partial prepayment) shall be payable to such Syndicated Lender on the earlier of (y) the first date on which interest is payable to the relevant Additional Lender in respect of the new Loan from the proceeds of which such Syndicated Loan was partially prepaid and (z) the date on which such interest would have been payable but for such prepayment.

(d) Anything in this Section 2.12 to the contrary notwithstanding, and unless Borrower shall notify Administrative Agent that this Section 2.12(d) shall not be applicable to any of the interest payments on the Capitalized Interest Loans otherwise covered hereby, the interest that accrues on Capitalized Interest Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to Maturity, but on each such Interest Payment Date relating to a Capitalized Interest Loan such accrued interest on such Capitalized Interest Loan shall be capitalized and added to the principal of the Capitalized Interest Loans as a new Capitalized Interest Loan and the Total Capitalized Interest Commitment (and each Capitalized Interest Lender's Capitalized Interest Commitment as a proportionate share thereof) shall be increased by the amount of such capitalized accrued interest. Each new Capitalized Interest Loan made under this Section 2.12(d) shall be a Base Rate Loan unless Borrower shall request otherwise in accordance with Section 2.6(c).

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Base Rate (other than at times when the Base Rate is based on the Federal Funds Rate) shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Base Rate or Eurodollar Rate shall be determined by Administrative Agent, and such determination shall be conclusive absent manifest error.

(f) Notwithstanding any provision of this Agreement to the contrary, and irrespective of any Borrowing Notice or Interest Election Request delivered by Borrower under this Agreement, each Capitalized Interest Loan and each Vendor Working Capital Loan borrowed prior to the delivery of the Usury Permit under Section 7.7 (each, a "Prior Loan") shall bear interest at the fixed rate of ten percent (10%) per annum from the date made until the date repaid; provided, however, that, upon the delivery of the Usury Permit in accordance with Section 7.7, each Prior Loan shall be deemed to have been repaid in full with the proceeds of a new Capitalized Interest Loan or Vendor Working Capital Loan, as the case may be (each, a "New Loan"), the Borrowing of which shall not be subject to the requirements of clause (a) or (c), as applicable, of Section 2.6 (other than, in each case, clauses (iii) and (iv) thereof and the first two sentences thereafter) or Section 5.3 or 5.4, and such New Loan shall bear interest (in lieu of the fixed rate stated above), accrued retroactively to the date on which the corresponding Prior Loan was borrowed until the date on which such New Loan is repaid, at the rate that would have applied under Section 2.12(a) to such Prior Loan pursuant to the Borrowing Request and

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any subsequent Interest Election Request with respect to such Prior Loan but for this Section 2.12(f).

2.13 Additional Interest on Eurodollar Loans; Interest Rate Determinations; Alternate Rate of Interest.

(a) Borrower shall pay to each Lender, upon demand, additional interest on the unpaid principal amount of each Eurodollar Loan of such Lender, from the date of the Borrowing of such Eurodollar Loan until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for each Interest Period for such Borrowing from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Lender for such Interest Period, payable on each date on which interest is payable on such Loan. Such additional interest shall be determined by such Lender and notified to Borrower through Administrative Agent.

(b) Each Reference Bank agrees, upon the request of Administrative Agent, to furnish to Administrative Agent timely information for the purpose of

determining each Eurodollar Rate. If any one or more of the Reference Banks shall not furnish such timely information to Administrative Agent for the purpose of determining any such interest rate, Administrative Agent shall determine such interest rate on the basis of timely information furnished by the remaining Reference Banks (subject to the provisions set forth in the definition of "Eurodollar Rate" in Section 1.01 and to clause (c) below).

(c) If prior to the commencement of any Interest Period for any Eurodollar Borrowing either (i) Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period or (ii) Administrative Agent is advised by the Required Syndicated Lenders (in the case of Syndicated Working Capital Loans and Term Loans) or the Required Lenders (in the case of all other Loans) that the Eurodollar Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period, then Administrative Agent shall give notice thereof to Borrower and Lenders by telephone or facsimile as promptly as practicable thereafter and, until Administrative Agent notifies Borrower and Lenders that the circumstances giving rise to such notice no longer exist, (y) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (z) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as a Base Rate Borrowing.

2.14 Voluntary Prepayments.

(a) Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that Borrower shall not have the right to prepay any Borrowing comprising Vendor Working Capital Loans or Capitalized Interest Loans without first repaying in full all Syndicated Working Capital Loans and all Term Loans then outstanding, unless the

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Required Syndicated Lenders shall otherwise consent; and provided, further, that any voluntary prepayment by Borrower pursuant to this Section 2.14 shall be permitted only if such prepayment shall not require any payment or prepayment, pro rata or otherwise, of any Senior Indebtedness under the Vendor Facilities.

(b) Borrower shall notify Administrative Agent by telephone (confirmed by facsimile) of any prepayment hereunder not later than 11:00 a.m., New York City time, five (5) Business Days before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.9(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.9(c). Promptly following receipt of any such notice relating to a Borrowing, Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in a minimum principal amount of \$2,500,000, and no partial prepayment of a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the minimum amount that would be permitted to be requested in the case of a Borrowing of the same Type as provided in Section 2.5. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12. Notwithstanding the foregoing, the provisions of this Section 2.14(b) shall not apply to any partial prepayments of Syndicated Loans from the proceeds of a new Syndicated Loan by an Additional Lender pursuant to the proviso to the first sentence of Section 2.5(a) and Section 2.9(f).

2.15 Mandatory Prepayments.

All net proceeds from (a) any issuance of Capital Stock by any member of the Borrower Group, excluding the proceeds of the Existing Equity Commitments and, with the consent of QUALCOMM, the proceeds of any other contributions to the equity capital of any member of the Borrower Group, and (b) any Indebtedness (other than Indebtedness to the extent permitted under subsections (a), (b), (c), (e), (f), (i), (j) and (l) of Section 6.04 of the Common Agreement as in effect on the date hereof and the GTE Deferred Fee) issued or incurred by any member of the Borrower Group, shall be paid by such member of the Borrower Group on behalf of Borrower to Administrative Agent promptly upon receipt by such member of the Borrower Group; provided, however, that in the event QUALCOMM (with the consent and acknowledgement of Borrower) delivers written notice to Administrative Agent that repayment from the proceeds of any such issuance of Capital Stock is not required or that such repayment is required but reborrowing of the amount repaid will be permitted to the extent of such repayment, the requirements of clause (a) of this Section shall be modified as set forth in such written notice. Any amounts received by Administrative Agent in satisfaction of Borrower's prepayment obligations under this Section shall be

applied first to the payment of any Base Rate Loans then outstanding and, next, to the payment of any Eurodollar Loans then outstanding. Subject to the immediately preceding sentence, such prepayments shall be applied in accordance with Section 4.5(b).

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2.16 Syndication. QUALCOMM, Administrative Agent and each Syndicated Lender shall have the right from time to time to arrange, or to attempt to arrange, a syndication of the Commitments, Loans and LC Exposures under the Facilities (a "Syndication"). Borrower and each other member of the Borrower Group shall cooperate with QUALCOMM, Administrative Agent and each Syndicated Lender to facilitate any Syndication, and Borrower agrees, at its expense, to execute and deliver such documents (including amendments to this Agreement reasonably requested by QUALCOMM or Administrative Agent relating to such Syndication and which do not impose on Borrower additional financial obligations, conditions precedent, negative covenants or events of default), furnish such information, attend such meetings, assist QUALCOMM, Administrative Agent and the Syndicated Lenders, and take any and all other actions as may be reasonably requested by QUALCOMM, Administrative Agent, the Issuing Bank or any Syndicated Lender in connection with any Syndication.

SECTION 3. FEES; CONSIDERATION FOR QUALCOMM GUARANTY.

3.1 Fees.

(a) Borrower agrees to pay to Administrative Agent, for its own account, fees payable in the amounts and at the times provided in Administrative Agent's Fee Letter.

(b) Borrower agrees to pay (i) to Administrative Agent for the account of each Syndicated Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Margin applicable to Eurodollar Loans multiplied by the average daily amount of such Syndicated Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from the Closing Date to the later of the Commitment Termination Date and the date on which such Syndicated Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from the Effective Date to the later of the Commitment Termination Date and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Closing Date; provided that all such fees shall be payable on the date on which the Syndicated Working Capital Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within five (5) Business Days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to Administrative Agent (or to the Issuing Bank, in the case of fees payable to it)

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for distribution, in the case of participation fees, to the Syndicated Lenders. Fees paid shall not be refundable under any circumstances.

3.2 Consideration for QUALCOMM Guaranty.

QUALCOMM shall be entitled to be paid, from the proceeds of Capitalized Interest Loans, a portion of the interest or fees payable from time to time by Borrower under this Agreement as the Guaranty Fee in accordance with, and subject to the terms and conditions of, the QUALCOMM Guaranty and Section 2.7(a) of this Agreement, and the terms of the Guaranty Fee may be modified by QUALCOMM, Administrative Agent and the Syndicated Lenders in accordance with the QUALCOMM Guaranty at any time and from time to time without any consent of or disclosure to any member of the Borrower Group. On the Closing Date, Borrower shall pay, from the proceeds of the initial Capitalized Interest Loans, the Underwriting Fee to QUALCOMM in accordance with the QUALCOMM Fee Letter.

SECTION 4. YIELD PROTECTION; PAYMENTS; TAXES; ETC.

4.1 Increased Costs.

(a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to any Lender (other than by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage and compensated under Section 2.13(a)) or the Issuing Bank of agreeing to make or making, funding or maintaining, or otherwise related to, Eurodollar Loans or any Letter of Credit or participation therein, then Borrower shall from time to time, upon demand by such Lender or the Issuing Bank (with a copy of such demand to Administrative Agent), pay to Administrative Agent for the account of such Lender or the Issuing Bank, as the case may be, additional amounts sufficient to compensate such Lender or the Issuing Bank for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and Administrative Agent by such Lender or the Issuing Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender or the Issuing Bank determines that compliance with any law or regulation or any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company and that the amount of such capital is increased by or based upon the existence of such Lender's or the Issuing Bank's commitment to lend or extend credit hereunder and other commitments of this type, or if any Lender or the Issuing Bank determines that the introduction of or any change in or in the interpretation of any law or regulation regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's

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holding company could have achieved but for such introduction or change in or in the interpretation of such law or regulation (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then, upon demand by such Lender or the Issuing Bank (with a copy of such demand to Administrative Agent), Borrower shall immediately pay to Administrative Agent for the account of such Lender or the Issuing Bank, as the case may be, from time to time as specified by such Lender or the Issuing Bank, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered and such additional amount or amounts as will compensate such Lender or the Issuing Bank or such holding company to the extent that such Lender or the Issuing Bank reasonably determines such increase in capital to be allocable to the existence of such Lender's or the Issuing Bank's commitment to lend or extend credit hereunder. A certificate as to such amounts submitted to Borrower and Administrative Agent by such Lender or the Issuing Bank shall be conclusive and binding for all purposes, absent manifest error.

4.2 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.14(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by Borrower pursuant to Section 4.6, then, in any such event, Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan had such event not occurred, at the Eurodollar Rate that would have been applicable to such Eurodollar Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to Borrower and shall be conclusive absent manifest error. Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

4.3 Illegality. Notwithstanding any other provision of this Agreement, if

any Lender shall notify Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its applicable lending office to perform its obligations hereunder to make or continue Eurodollar Borrowings or to fund or otherwise maintain Eurodollar Loans hereunder, (i) the obligation of such Lender to make or

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continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended until Administrative Agent shall notify Borrower and Lenders that the circumstances causing such suspension no longer exist and (ii) each Eurodollar Loan of such Lender shall convert into a Base Rate Loan at the end of the then current Interest Period for such Eurodollar Loan.

4.4 Taxes.

(a) Any and all payments by or on account of any obligation of Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) Administrative Agent, any Lender or the Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions and (iii) Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Borrower shall indemnify Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by a Lender or the Issuing Bank, or by Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by Borrower to a Governmental Authority, Borrower shall deliver to Administrative Agent, to the extent reasonably available, the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, or a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to Borrower (with a copy to Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by Borrower as will permit such payments to be made without withholding or at a reduced rate; provided, however, that if any Foreign Lender fails to deliver such documentation as necessary to permit such payments to be made without withholding or at a

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reduced rate, such Foreign Lender shall be entitled to reimbursement only to the extent such additional amounts would have been payable notwithstanding such failure to deliver such documentation, and such Foreign Lender shall incur no additional liability to Borrower or any other Person as a result of such failure to deliver such documentation.

(f) If Borrower pays any additional amount under this Section 4.4 to a Lender and such Lender, in such Lender's sole and absolute determination, subsequently determines that it has received or realized in connection with any such additional amount paid by Borrower any refund or any reduction of, or credit against, its tax liabilities in or with respect to the taxable year in which such additional amount is paid by Borrower, such Lender shall return to Borrower an amount equal to the net benefit, after tax, which was obtained by Lender in such year as a consequence of such refund, reduction or credit. Such amount shall be paid as soon as practicable after such Lender makes such determination with respect to receipt or realization by such Lender of such

refund, reduction or credit.

(g) Borrower shall have no obligation to make any payment pursuant to this Section 4.4 to any Foreign Lender that is not a Registered Financial Institution (other than QUALCOMM or any Affiliate of QUALCOMM) in respect of Indemnified Taxes constituting withholding taxes or that are imposed by any Governmental Authority on amounts payable to such Foreign Lender and arising after the Closing Date in excess of such amounts as would be required to be withheld or imposed on amounts payable to such Foreign Lender if such Foreign Lender were a Registered Financial Institution.

4.5 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 4.1, 4.2. or 4.4, or otherwise) prior to 11:00 a.m., New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to Administrative Agent at its address referred to in Section 11.1, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Sections 4.1, 4.2, 4.4, 10.7 and 11.3 shall be made directly to the Persons entitled thereto. Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment

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of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties; provided, however, that all payments or (subject to Section 2.15) prepayments in respect of principal of Loans at any time shall be applied first to the payment or prepayment of all outstanding Syndicated Working Capital Loans or Term Loans, as the case may be, second to the payment or prepayment of all outstanding Vendor Working Capital Loans, and last to the payment or prepayment of all outstanding Capitalized Interest Loans.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of Borrower in the amount of such participation.

(d) Unless Administrative Agent shall have received notice from Borrower prior to the date on which any payment is due to Administrative Agent for the account of Lenders or the Issuing Bank hereunder that Borrower will not make such payment, Administrative Agent may assume that Borrower has made such payment on such date in accordance herewith and may, in reliance upon such

assumption, distribute to Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.4(d) or (e), 2.7(b) or 4.5(d), then Administrative Agent may, in its

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discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

4.6 Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 4.1, or if Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.4, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 4.1 or 4.4, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.13(a) or Section 4.1, or if Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.4, or if any Lender defaults in its obligation to fund Loans hereunder, then Borrower may, at its sole expense and effort, upon notice to such Lender and Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 11.4), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) Borrower shall have received the prior written consent of Administrative Agent (and, if a Syndicated Working Capital Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.13(a) or Section 4.1 or payments required to be made pursuant to Section 4.4, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling Borrower to require such assignment and delegation cease to apply.

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SECTION 5. CONDITIONS PRECEDENT TO LOANS AND LETTERS OF CREDIT.

5.1 Conditions Precedent to the Initial Syndicated Working Capital Loans and the First Letter of Credit. The obligations of the Syndicated Lenders to make the initial Syndicated Working Capital Loans and of the Issuing Bank to issue the first Letter of Credit are subject to the satisfaction (or waiver by Administrative Agent and each Syndicated Lender) of the following conditions:

(a) Loan Agreement. Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to Administrative Agent (which may include facsimile transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) Pagares. Administrative Agent shall have received each Pagare evidencing the initial Loans, duly executed and delivered by Borrower.

(c) QUALCOMM Guaranty Documents. Administrative Agent (or its counsel) shall have received from QUALCOMM either (i) a counterpart of the

QUALCOMM Guaranty, duly signed on behalf of QUALCOMM or (ii) written evidence satisfactory to Administrative Agent (which may include facsimile transmission of signed signature pages of the QUALCOMM Guaranty) that QUALCOMM has signed counterparts of the QUALCOMM Guaranty.

(d) Pegaso Guaranty Agreement. Administrative Agent (or its counsel) shall have received a counterpart of the Pegaso Guaranty Agreement, duly executed by the Guarantors.

(e) Administrative Agent's Fee Letter. Administrative Agent shall have received Administrative Agent's Fee Letter, duly executed by the Borrower Group and QUALCOMM and accepted by Administrative Agent.

(f) Satisfaction of QUALCOMM Conditions Precedent Letter. There shall have been delivered to Administrative Agent the Satisfaction of QUALCOMM Conditions Precedent Letter, in form and substance satisfactory to Administrative Agent, duly signed by on behalf of QUALCOMM, confirming that the conditions set forth in Section 5.2 have been satisfied (or waived by QUALCOMM on such terms as QUALCOMM may agree).

(g) Opinions of Counsel. (i) Administrative Agent shall have received a favorable written opinion (addressed to Administrative Agent, QUALCOMM and the other Lenders and dated the Closing Date) of White & Case LLP, special New York counsel to the Borrower Group and Mijares, Angoitia, Cortes y Fuentes, S.C., Mexican counsel to the Borrower Group, covering such matters relating to Borrower, the other members of the Borrower Group, this Agreement or the transactions contemplated by the Loan Documents as Administrative Agent, QUALCOMM or the other Lenders shall reasonably request, and (ii) Administrative Agent shall have received a favorable written opinion (addressed to Administrative Agent and the Syndicated Lenders and dated the Closing Date) of Cooley Godward LLP, California counsel

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to QUALCOMM, covering such matters relating to QUALCOMM, this Agreement, the QUALCOMM Guaranty or the transactions contemplated by the Loan Documents as Administrative Agent or the Syndicated Lenders shall reasonably request and a favorable written opinion of special New York counsel, covering such matters related to the QUALCOMM Guaranty as Administrative Agent for the Syndicated Lenders shall reasonably request. Borrower, each other member of the Borrower Group and QUALCOMM hereby requests such counsel to deliver such opinions.

(h) Incumbency Certificates. Administrative Agent and the Syndicated Lenders shall have received signature and incumbency certificates of the officers of QUALCOMM and of each member of the Borrower Group executing this Agreement or the other Loan Documents to which it is or is to be a party.

(i) Other Documents. Administrative Agent shall have received such documents and certificates as Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the members of the Borrower Group and QUALCOMM, the authorization of the transactions contemplated by the Loan Documents, and any other legal matters relating to the members of the Borrower Group, QUALCOMM, this Agreement, the QUALCOMM Guaranty, or the transactions contemplated by the Loan Documents and Administrative Agent and each Syndicated Lender shall have received such other documents, information, instruments, legal opinions and other materials in respect of any aspect or consequence of the transactions contemplated hereby, all in form and substance satisfactory to Administrative Agent and its counsel.

(j) Officers' Certificates. Administrative Agent shall have received certificates dated as of the Closing Date, signed by (i) the president and chief financial officer (or the equivalent) of each member of the Borrower Group, confirming compliance with the conditions set forth in clauses (a), (b) and (c) of Section 5.3, and (ii) signed by a duly authorized officer of QUALCOMM, confirming compliance with the condition set forth in clause (d) of Section 5.3 (each such certificate and all other certificates delivered under this Agreement to be in such Person's corporate, not individual, capacity).

(k) Fees, Costs and Expenses. Administrative Agent (for its own account or for the account of the other Syndicated Lenders or the Issuing Bank, as the case may be) shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Agreement (or arrangements satisfactory to Administrative Agent, in its sole discretion, have been made for the payment of such amounts from the proceeds of the initial Borrowing of Working Capital Loans on the Closing Date).

(l) Stamp Duties; Taxes; Etc. Administrative Agent and Lenders shall have received evidence satisfactory to them that all required stamp duties, registration fees, filing costs and other charges in connection with the execution, delivery, filing and/or perfection of any Loan Document required to be stamped, registered or filed have been paid in full or an appropriate exemption therefrom shall have been obtained, except to the extent that Borrower

has provided Administrative Agent and Lenders with assurances satisfactory to them that such duties, fees, costs and charges will be paid in full with the proceeds of the Loans.

Administrative Agent shall notify Borrower, QUALCOMM and the other Lenders of the Closing Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Syndicated Lenders to make Syndicated Working Capital Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 11.2) at or prior to 2:00 p.m., New York City time, on June 30, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

5.2 Conditions Precedent to the Initial Vendor Working Capital Loans, the Initial Capitalized Interest Loans, and the QUALCOMM Satisfaction of Conditions Precedent Letter. The obligations of the Vendor Working Capital Lenders to make the initial Vendor Working Capital Loans, of the Capitalized Interest Lenders to make the initial Capitalized Interest Loans, and of QUALCOMM to deliver the Satisfaction of QUALCOMM Conditions Precedent Letter are subject to the satisfaction (or waiver by QUALCOMM) of the following conditions:

(a) Conditions Precedent to Initial Syndicated Working Capital Facility Loans. Each of the conditions precedent set forth in Section 5.1 shall have been satisfied (or waived by Administrative Agent and the Syndicated Lenders).

(b) Amendment No. 1 to Common Agreement. There shall have been delivered to QUALCOMM an Amendment No. 1 to Common Agreement duly executed by each member of the Borrower Group, Citibank, N.A., as Intercreditor Agent, Citibank Mexico, S.A., Grupo Financiero Citibank, as Collateral Agent, Citibank International Plc, as Alcatel Administrative Agent, and ABN AMRO Bank N.V., as QUALCOMM Administrative Agent, in the form attached as Exhibit F hereto with such changes as shall be satisfactory to QUALCOMM.

(c) Amendment No. 1 to QUALCOMM Credit Agreement. There shall have been delivered to QUALCOMM an Amendment No. 1 to Amended and Restated Credit Agreement duly executed by Borrower, the lenders and ABN AMRO Bank N.V., as QUALCOMM Administrative Agent, in the form attached as Exhibit G hereto with such changes as shall be satisfactory to QUALCOMM.

(d) Budget and Cash Flow Forecast. QUALCOMM shall have received the Initial Budget and the Initial Cash Flow Forecast, each in form and substance satisfactory to QUALCOMM.

(e) Officers' Certificates. QUALCOMM shall have received certificates dated as of the Closing Date, signed by the president and chief financial officer (or the equivalent) of each member of the Borrower Group, confirming compliance with the conditions set forth in clauses (a), (b) and (c) of Section 5.3 (each such certificate and all other certificates delivered under this Agreement to be in such Person's corporate, not individual, capacity).

(f) Corporate Proceedings. All corporate, shareholder and legal proceedings (including the cancellation and reissuance of existing treasury shares and treasury shares relating to the Stock Options) and all instruments and agreements in connection with the transactions contemplated by this Agreement, the other Loan Documents and the Guaranty Trust Agreement shall be reasonably satisfactory in form and substance to QUALCOMM, and QUALCOMM shall have received all information and copies of all certificates, documents and papers, including records of corporate and shareholder proceedings and governmental approvals, if any, which QUALCOMM may have reasonably requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate officers or governmental authorities.

(g) Evidence of Insurance. QUALCOMM shall have received certificates or other evidence of the existence of the insurance required by the Common Agreement.

(h) QUALCOMM Fee Letter. QUALCOMM shall have received the QUALCOMM Fee Letter, duly executed and delivered by each member of the Borrower Group and accepted by QUALCOMM, and Borrower shall have paid to QUALCOMM the Underwriting Fee as required by the QUALCOMM Fee Letter, or arrangements satisfactory to QUALCOMM, the Administrative Agent and the Required Lenders shall have been made for the payment of the Underwriting Fee on the Closing Date from the proceeds of the initial Capitalized Interest Loans.

(i) Vendor Post-Closing Agreement. QUALCOMM shall have received a certificate from an Authorized Officer of QUALCOMM certifying that all of the items to be completed and delivered under the Vendor Post-Closing Agreement

shall have been completed or delivered in accordance therewith, including (i) the resolution of the amount of the loans outstanding under the QUALCOMM Credit Agreement and the issuance of the Pagares in connection therewith and (ii) the execution and delivery of certain amendments to the QUALCOMM Procurement Agreements, in form and substance satisfactory to QUALCOMM.

(j) Business Plan. QUALCOMM shall have received a copy of the Business Plan, certified by an Authorized Officer of the Company as having been approved by the Board of Directors of Holdings.

(k) Additional Matters, Documents or Information. QUALCOMM shall have received each additional document, instrument, legal opinion or item of information reasonably requested by QUALCOMM, including a copy of any debt instrument, security agreement or other material contract to which Borrower or any other member of the Borrower Group may be a party, and all corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be reasonably satisfactory in form and substance to QUALCOMM, and QUALCOMM shall have received such other documents, legal opinions and other opinions in respect of any aspect or consequence of the transactions contemplated hereby.

(l) System Compliance. The System shall be in compliance in all respects with all Applicable Laws as in effect upon the Closing Date and Administrative Agent and

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QUALCOMM shall have received a certificate to such effect from an Authorized Officer of Borrower.

(m) Financial Statements. QUALCOMM shall have received the most recent financial statements of the Borrower Group (on a consolidated basis), together with a certificate from the Chief Financial Officer of Holdings, stating that no material adverse change in the consolidated assets, liabilities, operations or financial condition of the Borrower Group has occurred from those set forth in the financial statements provided pursuant to this clause (m), except as otherwise provided (which exceptions shall also be in form and substance satisfactory to Administrative Agent) in any such certificate with respect to such financial statements.

(n) Authorization to Independent Accountant. The Chief Financial Officer of Holdings shall have authorized the Independent Accountant in writing to communicate directly with Administrative Agent and QUALCOMM (provided that such authorization shall provide that no such communications shall occur with the Independent Accountant unless and until Administrative Agent or QUALCOMM has, prior thereto, notified such Chief Financial Officer of Holdings that it intends to so communicate with the Independent Accountant, and requests that such officer so notify such Independent Accountant) and shall have furnished Administrative Agent and QUALCOMM with a copy of such authorization, which authorization shall be irrevocable until all Obligations have been fully and finally paid.

(o) Licenses and License Fee. The Licenses shall be in full force and effect; such Licenses shall provide all of the Permits required to operate the System in accordance with the Business Plan, and in those geographical areas referred to in the Business Plan; and all fees, costs and expenses payable in connection with the granting or maintaining of such Licenses shall have been paid in full.

(p) Fees, Costs and Expenses. QUALCOMM shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under this Agreement or the other Loan Documents (or arrangements satisfactory to QUALCOMM, in its sole discretion, have been made for the payment of such amounts from the proceeds of the initial Borrowing of Capitalized Interest Loans on the Closing Date).

(q) Stamp Duties; Taxes; Etc. QUALCOMM shall have received evidence satisfactory to it that all required stamp duties, registration fees, filing costs and other charges in connection with the execution, delivery, filing and/or perfection of any Loan Document required to be stamped, registered or filed have been paid in full or an appropriate exemption therefrom shall have been obtained, except to the extent that Borrower has provided QUALCOMM with assurances satisfactory to it that such duties, fees, costs and charges will be paid in full with the proceeds of the Loans.

(r) Consent to Ericsson Assignments. QUALCOMM shall have received the written consent of each member of the Borrower Group to the assignment by QUALCOMM to Telefonaktiebolaget Im Ericsson (publ) and its affiliates of certain rights and obligations under

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various agreements by and among the members of the Borrower Group and QUALCOMM, in form and substance satisfactory to QUALCOMM.

Notwithstanding the foregoing, the obligations of the Vendor Working Capital Lenders to make Vendor Working Capital Loans and of the Capitalized Interest Lenders to make Capitalized Interest Loans shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 11.2) at or prior to 2:00 p.m., New York City time, on June 30, 1999 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time)

5.3 Further Conditions Precedent to Certain Loans and Letters of Credit.

Subject to Section 5.5, the obligations of each Lender to make a Loan (other than a Capitalized Interest Loan or a Term Loan subject to Section 5.4) on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, are subject to the satisfaction of the following conditions:

(a) Representations and Warranties. The representations and warranties of Borrower and each other member of the Borrower Group set forth in this Agreement shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, or as of any earlier date as to which such representation and warranty is expressly limited.

(b) No Default or Event of Default. At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default or Event of Default shall have occurred and be continuing.

(c) Material Adverse Effect. Since the date of the audited financial statements pursuant to Section 5.2(m), no event, circumstance or condition shall have occurred which constitutes a Material Adverse Effect.

(d) No QUALCOMM Event. No QUALCOMM Event shall have occurred and be continuing; provided that the condition set forth in this clause (d) shall not be a condition to any Borrowing for which QUALCOMM is the sole Lender.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute (i) a representation and warranty on the date thereof by Borrower and each other member of the Borrower Group as to the matters specified in paragraphs (a), (b) and (c) of this Section and by QUALCOMM as to the matters specified in paragraph (d) of this Section and (ii) a confirmation by QUALCOMM of the QUALCOMM Guaranty.

5.4 Conditions Precedent to Capitalized Interest Loans and to Certain Term Loans. The obligation of each Capitalized Interest Lender to make a Capitalized Interest Loan on the occasion of any Borrowing of Capitalized Interest Loans and the obligation of each Syndicated Lender to make a Term Loan on the occasion of any Borrowing of Term Loans for the purposes described in Section 2.1(d) (i) are subject to the satisfaction of the following conditions:

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(a) No Bankruptcy or Insolvency Proceedings. No Event of Default under Section 9.1(e), (f) or (g) shall have occurred.

(b) No Acceleration of the Loans. Lenders shall not have accelerated the Loans pursuant to Section 9.2.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty on the date thereof by Borrower and each member of the Borrower Group as to the matters specified in paragraphs (a) and (b) of this Section.

5.5 Further Conditions Precedent to Syndicated Working Capital Loans and Letters of Credit. If, at any time on or before the Commitment Termination Date, (i) Borrower delivers a Borrowing Request for a Borrowing of Syndicated Working Capital Loans approved by QUALCOMM in accordance with Section 2.6(a), a Borrowing of Term Loans (other than Term Loans subject to Section 5.4), or a request for the issuance, amendment, renewal or extension of a Letter of Credit approved by QUALCOMM in accordance with Section 2.4(b), and (ii) QUALCOMM delivers to Administrative Agent a written acknowledgement that that the conditions set forth in clauses (a), (b) or (c) (or any combination thereof) of Section 5.3 have not been satisfied as of the date of such Borrowing or request, then the obligations of each Syndicated Lender to make a Syndicated Working Capital Loan or such Term Loan, as the case may be, on the occasion of any Borrowing under the Syndicated Working Capital Facility, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, are subject to the satisfaction of the following conditions in lieu of the conditions set forth in Section 5.3:

(a) No QUALCOMM Event. No QUALCOMM Event shall have occurred and be continuing.

(b) No Bankruptcy or Insolvency Proceedings. No Event of Default under Section 9.1(e), (f) or (g) shall have occurred.

(c) No Acceleration of the Loans. Lenders shall not have accelerated the Loans pursuant to Section 9.2.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute (i) a representation and warranty on the date thereof by Borrower and each other member of the Borrower Group as to the matters specified in paragraphs (b) and (c) of this Section and by QUALCOMM as to the matters specified in paragraph (a) of this Section and (ii) a confirmation by QUALCOMM of the QUALCOMM Guaranty.

SECTION 6. REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

The representations and warranties contained herein shall survive the execution and delivery of this Agreement. To the extent that any schedule referred to in this Section 6 shall need to be updated after the Closing Date in order to permit such representation to be true and correct when made or deemed made, Borrower or other member of the Borrower Group shall provide Administrative Agent with such updated schedule in writing prior to the date such

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representation is made or deemed made and shall request approval of such updated schedule from the Required Lenders. Unless any such schedule is updated and approved by the Required Lenders, no change to any existing schedule shall be deemed to have been made. Borrower and each other member of the Borrower Group signatory hereto, jointly and severally, represents and warrants to the Lenders as follows:

6.1 Senior Debt; Non-Vendor Financing. Except as to the collateral securing the Vendor Facilities, the Loans rank pari passu with the Indebtedness of Borrower under the Vendor Agreements. The Loans constitute Non-Vendor Financing under and as defined in the Common Agreement as in effect on the date hereof.

6.2 Approvals. No authorizations, consents, approvals, licenses, filings or registrations by or with any Governmental Authority, and no notarization or other formalities in Mexico, are required to be obtained or accomplished for the execution, delivery or performance by Borrower or any other member of the Borrower Group of this Agreement or any other Loan Document to which it is a party or for the validity and enforceability of this Agreement or the other Loan Documents in accordance with their respective terms.

6.3 Corporate Status. Each member of the Borrower Group (i) is a sociedad anonima de capital variable duly organized, validly existing and in good standing under the laws of Mexico, (ii) is duly authorized to do business in Mexico and in each other jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary (except for any authorization the absence of which does not constitute a Material Adverse Effect) and (iii) has the requisite power and authority to (a) own or possess all of its property and assets, (b) transact the business in which it is engaged or proposes to be engaged (including the Business), (c) incur and guarantee Indebtedness and create Liens, (d) execute, deliver and perform its obligations under the Loan Documents to which it is a party and (e) do all things to be done by it in respect of the construction, maintenance and operation of the System and to consummate the transactions contemplated by this Agreement and the other Loan Documents.

6.4 Corporate Power and Authority. The execution, delivery and performance by Borrower of this Agreement and the Pagares, the borrowing of Loans, the use of the proceeds thereof, and the issuance of Letters of Credit hereunder have been duly authorized by all necessary corporate and, if required, stockholder action. Each member of the Borrower Group has taken all corporate action necessary to authorize the execution, delivery and performance by it of each of such Loan Documents as have been executed and delivered by such member as of each date this representation and warranty is made or deemed made. Each member of the Borrower Group has, or in the case of the Loan Documents other than this Agreement by the Closing Date will have, duly executed and delivered each of the Loan Documents to which it is a party.

6.5 Valid and Binding Obligation. This Agreement, when executed and delivered by the members of the Borrower Group on or before the date this representation is made or deemed made, constitutes, or, in the case of each other Loan Document to which it is a party, when executed and delivered by it, will constitute, the legal, valid and binding obligation of such Person enforceable in accordance with its terms, except as the enforceability thereof may be

limited by (i) applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally and (ii) general equitable principles regardless of whether the issue of enforceability is considered in a proceeding in equity or at law.

6.6 No Violation. None of the execution and delivery by any member of the Borrower Group of this Agreement and the other Loan Documents to which it is party, the consummation of the transactions contemplated hereby and thereby or compliance with the terms and provisions hereof and thereof does or will (i) contravene or violate its Charter Documents or any Applicable Law, (ii) contravene or result in any breach or constitute any default under any order, writ, injunction, judgment or decree of any court or other tribunal or Governmental Authority or (iii) contravene or result in any breach or constitute any default under, or result in or require the creation of any Lien upon any of its revenues, properties or assets under any agreement or instrument to which it is a party or by which it or any of its revenues, properties or assets may be bound, except for Permitted Liens or (iv) require any permit, consent or approval of any Person other than any such permits, consents or approvals which have been obtained and are in full force and effect.

6.7 Permits. All authorizations, consents and permits necessary under Applicable Law in connection with (i) the due execution and delivery of, and performance by each member of the Borrower Group of its obligations under each Loan Document to which it is a party in effect or required to be in effect as of each date this representation is made or deemed made, and (ii) the care, custody, control, construction, development and operation of the System as contemplated by the Business Plan which are required to be obtained on or prior to the date this representation is made or deemed made (other than, in the case of this clause (ii), such consents, authorizations and permits the absence of which would not constitute a Material Adverse Effect), in each case have been obtained by such members (hereinafter, collectively the "Permits"). Each of the Permits has been duly obtained or made, is validly issued, is in full force and effect, and is held in the name of the Person identified in such Permit, and is free from any condition or requirement compliance with which would constitute a Material Adverse Effect or which the applicable member of the Borrower Group does not reasonably expect to be able to satisfy in a timely manner.

6.8 Financial Statements; Financial Condition; Undisclosed Liabilities; Etc.

(a) Each of the financial statements of the Borrower Group delivered pursuant to Sections 5.2(m) and 7.1(a) is true, complete and correct in all material respects as of the date of such statements and fairly presents the financial condition, results of operations and cash flows as of the date thereof. Such financial statements have been prepared in accordance with GAAP on a consistent basis except as may otherwise be noted therein.

(b) Except as fully reflected in (i) the financial statements referred to in Section 5.2(m), (ii) the contingent liabilities set forth on Schedule 6.34 and (iii) the obligations set forth in the Loan Documents, there is, as of the Closing Date, no liability or obligation with respect to any member of the Borrower Group of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which such respective financial statements relate which, either individually or in the aggregate, constitutes a Material

Adverse Effect. As of the Closing Date, no member of the Borrower Group knows of any reasonable basis for the assertion against any such member of any liability or obligation of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for such relevant period that is not (x) fully reflected in the financial statements referred to in Section 5.2(m), (y) set forth in Schedule 6.34 or (z) an obligation set forth in or contemplated by the Loan Documents, which either individually or in the aggregate, constitutes a Material Adverse Effect.

(c) Since the date of the last financial statements of the Borrower Group submitted in accordance with Section 7.1(a), there has been no material adverse change in the condition (financial or otherwise) or operations of the Borrower Group (taken as a whole), except for the operating losses contemplated by the most recent Business Plan submitted pursuant to Section 7.1(d).

6.9 Litigation; Labor Disputes.

(a) No member of the Borrower Group is in default with respect to any order of any court, arbitrator, administrative agency or other Governmental Authority, other than any order that is the subject of a Good Faith Contest or other order the default under which, or the non-compliance with which, would not result in a Material Adverse Effect. There is no injunction, writ, or

preliminary restraining order of any nature issued by an arbitrator, court or other Governmental Authority directing that any of the transactions provided for in any of the Loan Documents not be consummated as herein or therein provided. There is no action, suit, investigation or proceeding (including any appeal by any Person of a Permit) by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the best knowledge of each member of the Borrower Group, threatened against or affecting any member of the Borrower Group (or any of such party's properties, revenues or assets) which constitutes a Material Adverse Effect.

(b) There are no strikes, slowdowns or work stoppages by the employees of any member of the Borrower Group or any Vendor, on-going, or, to the best knowledge of each such member, currently threatened, which constitute a Material Adverse Effect.

6.10 Tax Returns and Payments.

(a) Each member of the Borrower Group has filed all income tax and other material tax returns required by Applicable Law to be filed by it and has paid all Taxes and assessments payable by it which have become due other than those subject to a Good Faith Contest. Each member of the Borrower Group has paid or has provided reserves adequate in the reasonable judgement of the management of Holdings and consistent with GAAP for the payment of all income or other Taxes imposed on it by the Government of Mexico for all prior Fiscal Years and accrued for the current Fiscal Year to the date on which this representation is made or deemed made.

(b) Except for those items set forth in Schedule 6.10, as of the date hereof no withholding Taxes are or will be payable by Borrower or any other member of the Borrower Group under Applicable Law to any Governmental Authority in connection with any amounts

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payable or to be payable by Borrower or any other such member under or in respect of this Agreement or the other Loan Documents.

6.11 Capitalization.

(a) Schedule 6.11 sets forth the capitalization of Holdings and each other member of the Borrower Group as of the date hereof, including (i) authorized capital, (ii) the number of shares issued and outstanding and (iii) the shareholders and number of shares and advances held by each such shareholder. All of the issued and outstanding shares of Holdings (other than treasury stock held by Holdings) and each other member of the Borrower Group are duly and validly issued and non-assessable and fully paid. On the Closing Date, neither Holdings nor any other member of the Borrower Group has outstanding (y) any securities convertible into or exchangeable for its share capital or (z) except as set forth in Section 6.11(b) below or the Stock Options, any rights to subscribe for or to purchase, or any option for the purchase of, or any agreement, arrangement or understanding providing for the issuance (contingent or otherwise) of, or any call, commitment or claims of any character relating to, or any rights or claims that restrict the transfer of, its share capital.

(b) The Existing Equity, as of March 31, 1999, was Ps.2,947,290,074. No Existing Shareholder or New Shareholder has any right (contingent or otherwise) for the repayment or reimbursement of any of the Existing Equity, nor any rights, contractual or otherwise, against Holdings (or any other member of the Borrower Group) in respect of such Existing Equity, other than rights to the shares of Capital Stock which have previously been issued to the providers of such Existing Equity. Each of the Existing Equity Commitments (other than any obligation of Alcatel) constitutes the valid and enforceable obligation of the Original Mexican Shareholders to subscribe for the Capital Stock of Holdings in the amounts and on the date or dates specified in such Existing Equity Commitments, and each such obligation is (i) absolute and irrevocable, and (ii) not subject (directly or indirectly) to any precondition or condition precedent except as set forth in the Joint Venture Agreement. As of the date this representation is made (i) there has been no amendment, supplement or modification of such Existing Equity Commitment, and (ii) there has been no waiver granted by Holdings under any such Existing Equity Commitment. Set forth in Schedule 6.11 is a true and complete listing of each Original Mexican Shareholder and the amount of each Existing Equity Commitment required to be contributed by each such Original Mexican Shareholder as of the Closing Date.

6.12 Subsidiaries.

(a) Holdings is the legal and beneficial owner of 100% of the Capital Stock of each of (i) Borrower, (ii) Pegaso PCS and (iii) Personnel Co. (the "Applicable Shares"). As of the Closing Date, Holdings does not own any Capital Stock in any Person other than as set forth in the preceding sentence. There are no Liens of any kind on any of the Applicable Shares other than Permitted Liens, nor are there any restrictions on transfers of such Applicable Shares, nor are there any agreements of any kind relating to the voting of, or disposition of, such Applicable Shares (except as described in the proviso to

Section 4.04(iv) of the Common Agreement as in effect on the date hereof). As of the Closing Date, each of Borrower, Pegaso PCS and Personnel Co. has no Subsidiaries and does not otherwise control any voting stock or any ownership

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interest in any other Person. Notwithstanding the other provisions of this Section 6.12(a), it is recognized that a single share of each of Pegaso PCS, Personnel Co. and Borrower is not owned by Holdings, but is owned by another member of the Borrower Group.

(b) As of the Closing Date, the Sponsors, collectively, own 100% of the Capital Stock of Holdings (the "Holdings Shares"). On the Closing Date, there are no liens of any kind on the Holdings Shares other than Permitted Liens, nor (except for such agreements or restrictions as are set forth in the Joint Venture Agreement, in the form in existence on the Closing Date, and in the Registration Rights Agreements, and as otherwise described in the proviso to Section 4.04 (iv) of the Common Agreement as in effect on the date hereof) are there any restrictions on transfer of the Holdings Shares, nor are there any agreements of any kind relating to the voting of, or disposition of, such Holdings Shares, other than as set forth in the Joint Venture Agreement, the Registration Rights Agreements and the Sponsors Negative Pledge Agreement.

6.13 Compliance with Applicable Law. Each member of the Borrower Group is in compliance in all respects with all Applicable Law (including Environmental Law), except to the extent that such failure to be in compliance would not constitute a Material Adverse Effect.

6.14 Property Rights. Each member of the Borrower Group owns, has a license to use or otherwise has the right to use, free and clear of any pending or threatened Liens (other than Permitted Liens), all property rights (real, personal, mixed, tangible or intangible) including all patents, patent applications, trademarks, permits, service marks, names, trade secrets, proprietary information and knowledge, technology, computer programs, databases, copyrights, licenses, franchises and formulas, or rights with respect thereto, and has obtained assignments of all leases and other rights of whatever nature, in each case, that are material to the care, custody, control, construction, development, operation and maintenance of the System or the conduct of the Business by the Borrower Group as contemplated by the Business Plan, without any conflict with the rights of others as of the date such property rights are necessary to operate and maintain the System and the Business.

6.15 Single-Purpose. The Borrower Group (taken as a whole) has not engaged in any business other than the care, custody, control, development, construction, operation, maintenance and financing of the System and the conduct of the Business; provided that it is recognized that Personnel Co. is authorized to provide human resource and similar services, and may provide such services, to unrelated third parties to the extent consistent with the Business Plan.

6.16 Fees and Enforcement.

(a) Except for the fees and Taxes set forth on Schedule 6.16 that have been paid in full or will have been paid in full by the date of any Borrowing requested hereunder or with the proceeds of any Loan made pursuant to such Borrowing, no fees or Taxes are required to be paid for the legality, validity or enforceability of the Loan Documents.

(b) This Agreement and each of such Loan Documents executed and delivered as of the date this representation is made or deemed made are each in proper legal form under

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(i) the Applicable Law of Mexico and (ii) the respective governing laws specified in such Loan Documents, for the enforcement thereof in such jurisdiction.

6.17 Foreign Exchange Approvals. All requisite foreign exchange control approvals and other similar authorizations, if any, required under Applicable Law to be issued by any Governmental Authority to assure (i) the ability of each member of the Borrower Group to receive, and the ability of any other party to make to the Borrower Group, any and all payments in the currency or currencies contemplated by the Loan Documents, (ii) the ability of each member of the Borrower Group to maintain Dollar accounts outside Mexico and to transfer amounts from and into Mexico as necessary to meet its obligations under the Loan Documents, in accordance with their respective terms, and (iii) the ability of each member of the Borrower Group to use Dollars as necessary to perform all of its obligations under the Loan Documents, in accordance with their respective terms, including the making of all payments required by or contemplated in the Loan Documents, have been duly and validly obtained and are in full force and effect. Other than those restrictions or requirements for which appropriate waivers, authorizations and/or approvals have been received, there are no further restrictions or requirements under Applicable Law that limit the

availability or transfer of foreign currency, or the conversion to a foreign currency, for the purpose of (a) the performance by each member of the Borrower Group of its obligations under this Agreement or any other Loan Document to which it is a party or (b) repatriating the proceeds of enforcement of the Obligations.

6.18 Liens. Except for Permitted Liens, there are no Liens securing any Indebtedness or other obligations of any Person covering any present or future revenues, properties or assets or share capital of any member of the Borrower Group other than on the Capital Stock of Holdings. No Liens securing any Indebtedness or other obligations of any Person cover the Capital Stock of Holdings held by any Sponsor except as permitted under the Sponsor Negative Pledge Agreement and as may exist under that Irrevocable Guaranty Trust Agreement dated as of May 27, 1999 by and among Alejandro Burillo Azcarraga, Leap, QUALCOMM, Banco Inxex, Institucion de Banca Multiple, Grupo Financiero Inxex, Trust Department and Holdings. No member of the Borrower Group has outstanding any Lien or obligation to create any Lien on or with respect to any of its properties, revenues or assets, other than Permitted Liens.

6.19 Title. Except for Permitted Liens, Borrower and its Subsidiaries own and have good and marketable title in fee simple absolute to, or valid leasehold interests in, all of their respective properties and assets, real and personal, including the properties and assets and leasehold interests reflected in the Financial Statements (other than any properties or assets disposed of in the ordinary course of business or otherwise in compliance with the Common Agreement) and all assets and properties acquired by Borrower and its Subsidiaries since the date of the Financial Statements referred to in Section 5.2(m) (except those disposed of in the ordinary course of business or otherwise in compliance with the Common Agreement).

6.20 Loan Documents. Administrative Agent and Lenders have received a true, complete and correct copy of each of the Loan Documents in effect as of the date this representation is made or deemed made. Each such Loan Document is in full force and effect and has not been amended, modified or terminated, except as previously disclosed in writing to Administrative Agent and in accordance with the terms hereof and thereof.

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6.21 Certain Ancillary Services. Except where the failure to obtain the services referred to below would not constitute a Material Adverse Effect, all utility services, facilities and other services that can reasonably be expected to be necessary for the care, custody, control, construction, operation and maintenance of the System, are, or will be when needed, available to the Borrower Group to the extent necessary or desirable.

6.22 Environmental Matters.

(a) Except as set forth on Schedule 6.22 (i) no member of the Borrower Group is now in violation of any Environmental Law which violation constitutes a Material Adverse Effect, (ii) no member of the Borrower Group, nor to the best knowledge of any member of the Borrower Group, any third party, has used, released, discharged, generated, manufactured, produced, stored, or disposed of in, on, under, or about the System or any real property owned or leased by a member of the Borrower Group or transported thereto or therefrom any Hazardous Material in a manner that could reasonably be expected to subject any member of the Borrower Group to any Environmental Claim that would constitute a Material Adverse Effect, or subject QUALCOMM, Administrative Agent or any Lender to any liability or regulation under any Environmental Law or to any Environmental Claim, and (iii) to the best knowledge of each member of the Borrower Group, there are no Hazardous Materials used, stored, or present at, on or near the System or any real property owned or leased by any member of the Borrower Group in violation of Applicable Law or which would constitute a Material Adverse Effect.

(b) Except as set forth in Schedule 6.22, there is no proceeding and, to the best knowledge of each member of the Borrower Group, no investigation or inquiry by any Governmental Authority or any other Person with respect to the presence or release of Hazardous Materials in, on, from or to the System or any real property owned or leased by any member of the Borrower Group which would constitute a Material Adverse Effect, nor, as of the Closing Date, has any member of the Borrower Group received notice of any pending or threatened Environmental Claim, and, as of the Closing Date, no member of the Borrower Group knows of any basis for any Environmental Claim.

6.23 Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940.

6.24 True and Complete Disclosure. (a) All factual information (taken as a whole), including the Business Plan, furnished by or on behalf of any member of the Borrower Group in writing to or for the benefit of any particular Lender (referred to herein as a "Relevant Lender," which term includes Administrative Agent) was true and accurate in all material respects (i) in the case of the

Business Plan, as of the Closing Date, and (ii) with respect to all other factual information (including updates of the Business Plan), on the dates as of which such information was furnished, and was not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was furnished; provided, however, that, except as otherwise expressly set forth in this Agreement, the sole representation of each member of the Borrower Group with respect to projections, estimates or other expressions of

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view as to future circumstances shall be that such projections, estimates or other expressions of view as to future circumstances (i) were prepared in good faith, (ii) fairly present in all material respects the Borrower Group's expectations as to the matters covered thereby as of their respective date(s) of delivery (it being understood that assumptions utilized therein were believed by the Borrower Group in good faith to be reasonable in light of conditions existing at the time of preparation thereof, but that actual results may vary from the projected results contained therein), (iii) were based on reasonable assumptions as to all factual and legal matters material to the estimates therein (including interest rates and costs) as of their respective date(s) of delivery, and (iv) were in all material respects consistent with the provisions of the Loan Documents as of their respective date(s) of delivery. There are no statements, assumptions or conclusions in the Business Plan, as of the date of delivery thereof, which are based upon or include information known as of such delivery date to any member of the Borrower Group to be misleading or which fail to take into account material information regarding the matters reported therein. As of the Closing Date there are in existence no documents, agreements or other information which have not been disclosed to the Relevant Lender in writing which are material in the context of the Loan Documents or which have the effect of varying any of the Loan Documents.

6.25 No Additional Fees. Other than as set forth in Schedule 6.25, as of the Closing Date, no member of the Borrower Group has paid nor become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of arranging the financing of the transactions contemplated by the Loan Documents.

6.26 Use of Proceeds. The proceeds of the Syndicated Working Capital Loans, the Term Loans, the Vendor Working Capital Loans and the Capitalized Interest Loans shall be used solely as described in Sections 2.1(b), 2.1(d), 2.2(b) and 2.3(b), respectively. No part of the proceeds of any Loan or Letter of Credit will be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" (as defined in Regulation U) or to extend credit to others for such purpose. No part of the proceeds of any Loan or Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose which entails a violation of, or which is inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System (12 C.F.R. Sections 220, 221 and 224, respectively).

6.27 Insurance. All insurance policies required to be maintained pursuant to the terms of the Common Agreement are in full force and effect, and all premiums due and payable have been paid.

6.28 Private Activities; Immunity. The transactions contemplated by the Loan Documents constitute private commercial activities (rather than governmental or public activities). To the extent that any member of the Borrower Group or any of its properties or assets has or hereafter may acquire any rights to immunity from setoff, legal proceedings, attachment prior to judgment, other attachment or execution of judgment on any grounds of sovereignty or otherwise (whether under the laws of Mexico or any other jurisdiction), to the extent permitted by Applicable Law such Person hereby irrevocably waives such right to immunity and its properties and assets in respect of its obligations arising under or relating to this Agreement or any other Loan Document.

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6.29 No Subordination. The obligations of each Guarantor under the Guaranties and Borrower under this Agreement or under any other contracts or instruments executed by Guarantors or Borrower in connection therewith and herewith (i) are not subordinated in right of payment to any other obligation of Borrower or such Guarantors and (ii) will at all times rank prior to or *pari passu* in right of payment with all present and future unsecured Indebtedness of any Guarantor or Borrower, as applicable, except in either case, to the extent provided by law or as may otherwise be expressly provided in the Loan Documents.

6.30 Licenses. The Licenses are in full force and effect and Borrower holds legal, valid, binding and enforceable title to the Licenses free and clear of any Liens other than Permitted Liens and free and clear of any conditions other than those set forth in the Licenses. The Licenses are sufficient

(together with other authorizations, consents and permits which have been received, or are reasonably anticipated to be received on a timely basis, by one or more members of the Borrower Group) to grant to Borrower the legal power and authority to operate and maintain the System and conduct the Business in accordance with the Business Plan. Other than as may be set forth in Schedule 6.30, there has been no notice given by any Governmental Authority that brings into question the validity or effectiveness of the Licenses, nor is there any litigation (or to the best knowledge of each member of the Borrower Group, threatened litigation) relating in any way to the Licenses which, in either case, if decided adversely, would have the effect of causing an Event of Default under Section 9.1(1).

6.31 Operator Agreements. Subject to Section 5.17 of the Common Agreement, the GTE Operator Agreement and the Operator Agreement are in full force and effect.

6.32 Employee Benefit Plans; Employment Matters.

(a) Employee Benefits.

(i) Each employee benefit plan of any member of the Borrower Group, if any, has been maintained, operated and administered in accordance with its terms and with Applicable Law, and all notices, filing and disclosures required by such terms or law have been timely made, except when the failure to maintain, operate, or administer, or to notify, file or disclose, would not have a Material Adverse Effect. No proceeding with respect to the administration or the investment of the assets of any employee benefit plan (other than routine claims for benefits) that would have a Material Adverse Effect or create Liens (other than Permitted Liens) is pending or threatened.

(ii) All obligations of the Borrower Group for payments with respect to any and all mandatory and additional employee benefit plans including all Instituto Mexicano del Seguro Social (Mexican Social Security Institute), Instituto del Fondo Nacional para la Vivienda de los Trabajadores (National Worker's Housing Fund Institute), and accrued payroll taxes payments for their respective employees have been timely paid and properly reported in the financial statements required to be delivered under Section 7.1(a) in accordance with GAAP except where the failure to make such payments would not have a Material Adverse Effect or result in any Lien (other than Permitted Liens).

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(iii) As of the Closing Date, no member of the Borrower Group has any liability for retiree benefits.

(b) Employment Practices. Each member of the Borrower Group has complied in all material respects with all Applicable Laws with respect to employment practices, including applicable health and safety regulations, and there is no investigation, charge or complaint alleging any material violation of such laws, rules or regulations against any member of the Borrower Group pending or threatened, or before any federal or local labor board, tribunal or Comision Nacional del Sistema de Ahorro para el Retiro (National Savings and Retirement System Commission).

(c) Labor Matters. There is no labor strike, request for representation, slowdown or stoppage actually pending or, to the knowledge of any member of the Borrower Group, threatened against or affecting it which would have a Material Adverse Effect.

(d) Filings. Each member of the Borrower Group has filed all forms, reports, statements, provider agreements benefit plan descriptions, payor agreements, beneficiary materials and other documents (including those related to employee benefit plans) required to be filed by it with any Governmental Authority, including state and federal insurance and health regulatory authorities except where the failure to file would have a Material Adverse Effect or result in a Lien.

6.33 Year 2000. Each member of the Borrower Group reasonably believes that all computer applications that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before, on and after January 1, 2000, except to the extent that a failure to do so is would not have Material Adverse Effect (that is, be "Year 2000 compliant").

6.34 Indebtedness. As of the date hereof and as of the Closing Date, Schedule 6.34 is a complete and correct list of all Indebtedness, credit agreements, indentures, purchase agreements, guaranties, capital leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing, but not including nondelinquent trade credit providing for payment within ninety (90) days of invoice) involving \$1,000,000 or more in respect of which any member of the Borrower Group is in any manner directly or contingently obligated. The maximum

principal or face amounts of the credits in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

6.35 Budget. As of the date hereof, the Initial Budget is consistent with the Business Plan.

SECTION 7. AFFIRMATIVE COVENANTS.

Each member of the Borrower Group covenants and agrees, jointly and severally, that until the Commitments have been terminated and all Obligations are paid in full:

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7.1 Information Covenants. Borrower shall furnish to Administrative Agent and QUALCOMM:

(a) Financial Statements.

(i) Annual Financial Statements Of The Borrower Group. As soon as available, but in any event within 120 days after the close of each Fiscal Year, a consolidated balance sheet of the Borrower Group as at the end of such Fiscal Year with the related audited statements of income and retained earnings and statements of cash flows for such Fiscal Year, in each case setting forth comparative combined figures for the prior Fiscal Year and certified by the Independent Accountant, which certification shall state that all such statements are in agreement with the Borrower Group's books of account and are prepared in accordance with GAAP on a consistent basis and reconciled to U.S. GAAP.

(ii) Quarterly Financial Statements. As soon as available and in any event within 45 days after the close of each of the first three quarterly accounting periods in each Fiscal Year, the combined balance sheet of the Borrower Group, as at the end of such quarterly period and the related unaudited combined statements of income and of cash flows for such quarterly period and for the portion of the Fiscal Year ended at the end of such quarterly period, and in each case setting forth comparative combined figures for the related quarterly period in the prior Fiscal Year and the figures for such portion of the Fiscal Year ended at the end of such quarterly period, all of which shall be certified by the chief financial officer or controller of Holdings as fairly presenting the financial condition and results of operations of the Borrower Group and as having been prepared in accordance with GAAP on a consistent basis and reconciled to U.S. GAAP, subject to changes resulting from audit and normal year-end audit adjustments.

(b) Independent Accountant's Report. At the time of delivery of the financial statements provided for in Section 7.1(a), a report of the Independent Accountant (x) stating that in the course of its regular audit conducted in accordance with GAAP of the financial statements of the Borrower Group as described under this Section 7.1, the Independent Accountant obtained no knowledge of a Default or Event of Default which has occurred, or if in the opinion of the Independent Accountant such Default or Event of Default has occurred, a statement as to the nature thereof and (y) certifying that, based on such financial statements and its review of the terms hereof, the Borrower Group was in compliance with Sections 5.02(a), 6.03, 6.04, 6.06, 6.09 and 6.10 of the Common Agreement as of the end of the relevant Fiscal Year or, as the case may be, detailing any non-compliance therewith.

(c) Management Letters. Promptly after receipt thereof, by any member of the Borrower Group, a copy of any management letter or other similar communication received by any such member from the Independent Accountant in relation to the financial, accounting and other systems, management or accounts of any such member.

(d) Business Plan. Not less frequently than annually, commencing not later than December 15, 1999, an updated Business Plan in the form approved by the Board of Directors of Holdings, which shall be based on (i) facts and circumstances existing as of the date

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of submission, and (ii) with respect to future events and performance, assumptions believed by the Borrower Group to be reasonable under the circumstances as of such date of submission. Each updated Business Plan shall contain, at a minimum, (i) a description of the Borrower Group's plans in connection with the roll-out of the System, (ii) the number of subscribers to the System as of the date of such updated Business Plan for each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (iii) a pro-forma income statement (including EBITDA) for the year in which the up-dated Business Plan is submitted and each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (iv) a projected debt

service coverage table for the then current year and each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (v) at least the same amount of information as was contained in the original Business Plan, and (vi) a description of all major assumptions which were used in connection with the preparation of such up-dated Business Plan. During the 30-day period following the submission of the updated Business Plan, the Borrower Group will make available the Chief Financial Officer of Holdings and any other officer of the Borrower Group reasonably requested by any Administrative Agent to report on, and answer questions with respect to, such updated Business Plan at such times as such Administrative Agent(s) may reasonably request.

(e) Cash Flow Forecast. On or prior to the first day of each fiscal quarter, an updated Cash Flow Forecast, certified by the Chief Financial Officer of Holdings that the same has been prepared in good faith and is based upon reasonable assumptions.

(f) Officers' Certificates. At the time of the delivery of the financial statements provided for in Section 7.1(a), a certificate of an Authorized Officer of each member of the Borrower Group to the effect that, based upon such Authorized Officer's review of the terms hereof and the other Loan Documents and the financial condition of each member of the Borrower Group during the relevant accounting period and, to the best of such officer's knowledge, (i) such member of the Borrower Group is in compliance with all of its obligations under the terms of the Loan Documents the non-performance of which would constitute a Material Adverse Effect, and (ii) no Default or Event of Default has occurred and is continuing, or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof and what action the Borrower Group is taking or proposes to take in response thereto.

(g) Notice of Certain Occurrences, Etc. (i) Promptly, but in all cases within five Business Days after any Responsible Officer of any member of the Borrower Group obtains knowledge thereof, written notice of any event which constitutes a Default or Event of Default, specifying the nature of such Default or Event of Default and any steps the Borrower Group is taking and proposes to take to remedy the same and (ii) promptly, and in any event within five Business Days, after any senior officer of any member of the Borrower Group obtains knowledge thereof, notice of:

(i) any litigation, arbitration or governmental proceeding pending or threatened in writing (1) against any member of the Borrower Group (x) involving a claim or claims in excess of \$1,000,000 individually or \$2,000,000 in the aggregate or (y) which, if

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decided adversely to such member or members, would constitute a Material Adverse Effect, or (2) with respect to any Loan Document;

(ii) any proceeding or legislation by any Governmental Authority to acquire compulsorily all or any portion of the business or assets of any member of the Borrower Group (whether or not constituting an "Event of Default" hereunder);

(iii) any change in the Authorized Officers of Borrower or other member of the Borrower Group, giving certified specimen signatures of any new officer so appointed and, if requested by an Administrative Agent, reasonably satisfactory evidence of the authority of such new officer;

(iv) any notice relating to a material dispute received or initiated by any member of the Borrower Group under any of the Licenses;

(v) any Lien (other than a Permitted Lien) being granted or established or becoming enforceable over any assets of the Borrower Group;

(vi) any one or more events, conditions or circumstances (including any event of force majeure or any on going or threatened strike, slowdown or work stoppage by the employees of any member of the Borrower Group or of any Vendor) known by a senior officer of any member of the Borrower Group to exist or to have occurred or in the reasonable judgment of such officer are expected or imminent that, in any case, constitute a Material Adverse Effect;

(vii) any notice received by any member of the Borrower Group purporting to cancel or materially alter in an adverse manner the terms of any insurance contract (including any notification of any premium increase in excess of 20% over the prior premium payable for such insurance contract);

(viii) any (i) fact, circumstance, condition or occurrence that results in noncompliance with any Environmental Law and constitutes a Material Adverse Effect and (ii) pending or, to the best knowledge of any member of the Borrower Group, threatened (in writing) Environmental Claim against any such member which would result in a Material Adverse Effect; and

(ix) any change in the capitalization of Holdings or any other member of the Borrower Group to the extent that, as a result of such change, any of the representations and warranties made in Section 6.11(a) as of the Closing Date would not be true if made as of any subsequent date.

(h) Governmental Reports. Within 30 days after the date on which any such report is submitted, a copy of any material report required to be filed by any member of the Borrower Group with any Governmental Authority with respect to an environmental aspect of the System.

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(i) Information with Respect to Amendment, Waiver or Consent. In connection with any proposed amendment, waiver or consent in respect of any of the provisions hereof or of any other Loan Document for which the consent or approval of Administrative Agent, QUALCOMM, the Issuing Bank or any Lender is required, sufficient information (including a narrative description of the effect thereof), sufficiently far in advance of the date a decision is required, to enable Administrative Agent, QUALCOMM, the Issuing Bank or Lenders to make an informed and considered decision with respect thereto; provided that such information shall be required to be delivered only to those parties (Administrative Agent, QUALCOMM, the Issuing Bank and Lenders, as applicable) the consent or approval of which is required.

(j) Notice of Default, Litigation or Environmental Claim. Promptly, and in any event within three Business Days after any Responsible Officer of any member of the Borrower Group obtains knowledge thereof, notice of (x) the termination of either of the Alcatel Procurement Agreement or the QUALCOMM Procurement Agreements and (y) any change in the ownership of Holdings of which it has knowledge and (z) any Environmental Claim against Borrower or any other member of the Borrower Group. Each notice pursuant to this subsection shall specify the nature thereof, the period of existence thereof and what action, if any, the Borrower Group proposes to take with respect thereto.

(k) Year 2000 Compliance. Promptly in the event the Borrower Group discovers or determines that any computer application (including those of its material suppliers and vendors) that is material to the Business will not be Year 2000 compliant (as defined in Section 6.33) on a timely basis.

(l) Other Information. Promptly upon transmission thereof, (i) copies of any filings and registrations with, and reports to, the United States Securities and Exchange Commission or any comparable Governmental Authority by Holdings, (ii) copies of all financial statements, proxy statements, notices and reports as Holdings shall send generally to public shareholders and (iii) with reasonable promptness, such other information or documents (financial or otherwise) as Administrative Agent or any Lender may reasonably request from time to time (provided that such information shall be required to be delivered only to Administrative Agent or the Lenders requesting such information).

(m) Books and Records. Each member of the Borrower Group shall keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities and shall permit (at such member's own expense, except for travel costs) any representatives designated by the Administrative Agent, QUALCOMM or any other Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

7.2 Permits; Enforcement of Transaction Documents. The Borrower Group will:

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(a) take, or cause to be taken, all actions necessary to obtain in a timely manner all authorizations, consents and permits which are the responsibility of the Borrower Group, and will promptly make, or cause to be made, all required filings with governmental or similar authorities in Mexico, in each case, to preserve, renew and keep in full force and effect its material rights, franchises, licenses, contracts, powers, privileges and patents necessary for the performance of its obligations under the Loan Documents;

(b) obtain and maintain, or cause to be obtained and maintained in full force and effect (or where appropriate, renew) all consents, authorizations and permits necessary for the conversion to Dollars of all Peso amounts which are required to be converted by the Loan Documents and for the remittance to the United States in Dollars of any amounts paid or payable in Dollars, as applicable, to Administrative Agent, the Issuing Bank or any Lender in connection with any other Loan Document or the transactions contemplated hereby or thereby;

7.3 Proper Legal Form. Each member of the Borrower Group shall take all such further action within its control required to ensure that each of the Loan

Documents is in proper legal form, under the laws of Mexico and under the respective governing laws specified in such Loan Documents, for the enforcement thereof in such jurisdictions without any further action on the part of Administrative Agent or any other Person.

7.4 Translations. If any Loan Document, notice, certificate, instrument, communication or other document required to be delivered to any Person pursuant to this Agreement is not originally executed, delivered or given in English (regardless of whether such requirement arises before or after the Closing Date), the Borrower Group shall, upon written request of Administrative Agent or QUALCOMM or any other Lender entitled to receive the same, concurrently with the delivery of such Loan Document, notice, certificate, instrument or other document, additionally and at Borrower's expense, provide to such Person a certified English translation thereof. Subject to Section 11.16, if any Loan Document, notice, certificate, instrument, communication or other document required to be delivered to any Person pursuant to this Agreement is not originally delivered in Spanish, and a Spanish translation thereof shall be necessary or appropriate, in the reasonable judgment of Administrative Agent or any Lender, under Mexican law or in connection with the administration or enforcement of any of the Loan Documents, then Administrative Agent or any Lender may, and upon the request of Administrative Agent or any Lender, Borrower shall, obtain a certified Spanish translation thereof at Borrower's expense for the benefit of Administrative Agent and Lenders.

7.5 New Subsidiaries. In the event that Holdings or any other member of the Borrower Group (or any New Subsidiary, as defined below) forms, purchases or acquires (whether for consideration or otherwise) any Subsidiary other than those Persons which are, as of the Closing Date, members of the Borrower Group (a "New Subsidiary"), then the member of the Borrower Group which has so formed, acquired or purchased such New Subsidiary shall (at its own expense), within 30 days of the date of such formation, acquisition or purchase, deliver to Administrative Agent and QUALCOMM the following documents (which shall be in form and substance reasonably acceptable to Administrative Agent): (A) a guaranty by the New Subsidiary of all of the Obligations, substantially in the form of the Pegaso Guaranty Agreement delivered by the Guarantors on the Closing Date, (B) an instrument in writing, executed and

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delivered by the New Subsidiary, pursuant to which such New Subsidiary becomes a member of the Borrower Group and subject to this Agreement and (to the extent appropriate) the other Loan Documents, and (C) opinions of counsel, reasonably acceptable to Administrative Agent, as to the validity and enforceability of such agreements.

7.6 Consents, Approvals. The Borrower Group shall, from time to time, obtain all material governmental and third party consents, approvals and Permits required to be obtained in accordance with the Loan Documents and such consents, approvals and Permits shall be kept in effect so long as required.

7.7 Usury Permit. Borrower shall obtain and deliver to QUALCOMM, no later than thirty (30) days after the Closing Date, evidence (the "Usury Permit") satisfactory to QUALCOMM that the transactions contemplated by this Agreement and the other Loan Documents comply with applicable usury law and that a qualification permit or exemption from the California Corporations Commissioner has been obtained.

SECTION 8. NEGATIVE COVENANTS.

Each member of the Borrower Group covenants and agrees, jointly and severally, that until the Commitments have been terminated and all Obligations are paid in full:

8.1 No Prepayments. The Borrower shall not (a) prepay any principal of High Yield Debt (as defined in the Common Agreement), (b) pay or prepay any principal or interest in respect of Subordinated Loans (as defined in the Common Agreement) or (c) prepay any other Indebtedness except (x) principal and interest in respect of Indebtedness under Section 6.04(c), (g), (j) and (m) of the Common Agreement in an amount not to exceed \$5,000,000, in the aggregate, (y) Senior Indebtedness as required under the Common Agreement or (z) Indebtedness under this Agreement and the Pagares in accordance with this Agreement.

8.2 Fundamental Changes. No member of the Borrower Group will merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing, (i) any Person may merge into such member of the Borrower Group in a transaction in which such member is the surviving entity, and (ii) any member may sell, transfer, lease or otherwise dispose of its assets to another member of the

Borrower Group. No member of the Borrower Group will establish, create or acquire any Subsidiary except wholly-owned Subsidiaries that are established, created or acquired in accordance with the terms and conditions of Section 7.5. The Borrower Group will not engage to any material extent in any business other than the Business as contemplated in the Business Plan and businesses reasonably incidental thereto.

8.3 Immunity. In any proceedings in Mexico or elsewhere in connection with any of the Loan Documents to which a member of the Borrower Group is a party, no such member shall

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claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

8.4 Asset Sales. No member of the Borrower Group shall sell, assign, pledge or otherwise transfer or dispose of any Licenses or any other portion of its assets if such sale, assignment, pledge or other transfer or disposal would result in any Event of Default under, or any required prepayment of Senior Indebtedness pursuant to, the Common Agreement.

8.5 Restricted Payments. No member of the Borrower Group will declare or pay any dividends (other than dividends payable solely in Capital Stock of such Person) or return any capital to, its stockholders or authorize or make any other distribution, payment or delivery of property or cash to its stockholders as such, or redeem, retire, purchase, or otherwise acquire, directly or indirectly, for consideration, any shares of any class of its Capital Stock now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the Capital Stock of any other member of the Borrower Group or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock) (all of the foregoing "Dividends"), except that (A) any Subsidiary of the Borrower, Pegaso PCS or Personnel Co. may pay Dividends to the Borrower, Pegaso PCS or Personnel Co., as applicable, (B) each of the Borrower, Pegaso PCS or Personnel Co. may pay cash Dividends to Holdings to the extent, but only to the extent, that Holdings needs all of such Dividends within five Business Days following the payment of such Dividend to pay normal, reasonable and customary administrative costs incurred in the ordinary course of its business.

SECTION 9. EVENTS OF DEFAULT.

9.1 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default:

(a) Payments. A failure by one or more members of the Borrower Group to pay (whether by scheduled maturity, required prepayment, by acceleration or otherwise) the following amounts:

(i) any principal of any Loan when due;

(ii) any interest on any Loan, any other amounts owing hereunder or under any other Loan Document or any other amounts constituting Obligations within three (3) Business Days after such interest or other amount first becomes due; or

(iii) any required deposits to the cash collateral account described in Section 2.4(j).

(b) Representations. Other than with respect to the Counter-Guaranties, any representation or warranty made by any Sponsor, Guarantor, or any member of the Borrower Group herein or in any other Loan Document or any representation, warranty or statement in any

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certificate, financial statement or other document furnished to any Administrative Agent or any Lender by or on behalf of the Borrower Group hereunder or under any other Loan Document shall prove to have been false or misleading in any material respect as of the time made, deemed made, confirmed or furnished.

(c) Covenants.

(i) A member of the Borrower Group shall default in the due performance or observance by it of any term, covenant or agreement contained in Section 7.5 or Section 8.

(ii) Any member of the Borrower Group shall default in the due performance or observance by it of any term, covenant or agreement contained

herein or in any other Loan Document (except as otherwise provided in Section 9.1(a) and clause (i) of this Section 9.1(c)), and such default shall continue unremedied for a period of 30 days after the date on which written notice thereof shall have been received by a member of the Borrower Group from Administrative Agent.

(d) Default Under Other Agreements.

(i) Any member of the Borrower Group defaults for a period beyond the applicable grace period in the payment of any principal, interest or other amount due under any agreement evidencing, securing or creating any Indebtedness of such member (including swap or similar derivative agreements) in excess (individually or in the aggregate) of \$15,000,000.

(ii) Any member of the Borrower Group shall default in the observance or performance of any agreement or condition relating to any Indebtedness the principal amount of which (individually or in the aggregate) exceeds \$25,000,000, or any other event or condition shall have occurred thereunder, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee acting on behalf of such holders) to cause any such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of any member of the Borrower Group shall be declared due and payable prior to the stated maturity thereof.

(e) Involuntary Bankruptcy, Etc. An involuntary proceeding shall have been commenced against any member of the Borrower Group or seeking that such Person be wound up or liquidated, adjudging such Person bankrupt or insolvent or seeking reorganization, arrangement, adjustment or composition of or in respect of such Person under any Applicable Law or seeking the appointment of a receiver, liquidator, sindaco, interventor, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial part of its property or other assets, or the winding up or liquidation of its affairs and such proceeding continues undismissed for 60 days.

(f) Voluntary Bankruptcy, Etc. The institution by any member of the Borrower Group of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it; or the filing by it of a petition

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or answer or consent seeking reorganization or debt relief under any Applicable Law or to the appointment of a receiver, liquidator, sindaco, interventor, assignee, trustee, sequestrator (or other similar official) of any such Person or of any substantial part of its property; or the making by it of an assignment for the benefit of creditors generally; or the admission by it in writing of its inability to pay its debts generally as they become due; or any other event shall have occurred which under any Applicable Law would have an effect analogous to any of those events listed above in this Section 9.1(f) with respect to any such Person; or any action is taken by any such Person for the purpose of effecting any of the foregoing.

(g) Analogous Proceedings. There occurs, in relation to any member of the Borrower Group, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which in that country or territory corresponds with, or has an effect equivalent or similar to, any of those mentioned in Section 9.1(e) or 9.1(f).

(h) Attachment of Assets. Any Person attaches or institutes proceedings to attach all or any part of the assets of the Borrower Group, and any attachment or any judgment Lien against any such assets (i) remains unlifted, unstayed or undischarged for a period of 30 days or (ii) is upheld in a final nonappealable judgment of a court of competent jurisdiction.

(i) Loan Documents. This Agreement or any of the Loan Documents or any material provision hereof or thereof is or becomes invalid, illegal or unenforceable or Borrower or any Guarantor shall have repudiated or disavowed or taken any action to challenge the validity or enforceability of such agreement.

(j) Expropriation. There shall have occurred any act or series of acts attributable to a Governmental Authority which (i) in the reasonable judgment of the Required Syndicated Lenders has the effect of depriving Lenders of their rights as creditors in respect of this Agreement or any other Loan Document, or (ii) confiscates, expropriates or nationalizes the ownership or control of all or any substantial part of the System or other assets of a member of the Borrower Group and such act or series of acts continues uncured for 120 days or more.

(k) Monetary Restrictions. Any law, order, decree or regulation shall impose any restriction on (i) the lawful transfer of Dollars by the Borrower Group from Mexico to Administrative Agent (and from Administrative Agent to any other Person or locale whether within or outside of Mexico), or (ii) the conversion of (a) Dollars to Pesos or (b) Pesos to Dollars and which

restriction constitutes a Material Adverse Effect.

(l) Judgments. One or more judgments or decrees shall be entered against one or more members of the Borrower Group and such judgments or decrees shall not be vacated, discharged or stayed or bonded (to the reasonable satisfaction of the Required Lenders) pending appeal for any period of 60 consecutive days, and the aggregate amount of all such judgments and decrees outstanding at any time (except to the extent any applicable insurer(s) shall have acknowledged liability therefor) exceeds \$5,000,000.

(m) Licenses and Permits. The Borrower Group shall fail to obtain, renew, maintain or comply in all material respects with the Licenses (or any portion thereof); or any

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License (or any portion thereof) shall be rescinded, terminated, suspended, modified or withheld or shall be determined to be invalid or shall cease to be in full force and effect; or any proceedings shall be commenced by or before any Governmental Authority for the purpose of rescinding, terminating, suspending, modifying or withholding any such License (or any portion thereof) and such proceeding is not dismissed within 60 days; and as a result of such failure, rescission, determination of invalidity, termination, suspension, modification, withholding, cessation or commencement the valid, enforceable and effective Licenses then owned by Borrower (a) fail to cover all of Region 9, and either all of Region 4 or all of Region 6 (as such Regions are defined in Exhibit A to the Joint Venture Agreement) or (b) result in Covered Pops being less than 40,000,000 Pops.

(n) Change of Control. A Change of Control shall have occurred and be continuing.

(o) Vendor Facilities and Senior Indebtedness. An "Event of Default" shall have occurred and be continuing under (and as defined in the documentation relating to) the Common Agreement or any other document or agreement relating to the Vendor Facilities or other Senior Indebtedness, including any Senior Indebtedness which is described in Section 2.04 of the Common Agreement as in effect on the date hereof.

9.2 Remedies. Upon the occurrence and during the continuation of an Event of Default, Administrative Agent may, and if directed by the Lenders in accordance with Section 9.3 shall, exercise any or all rights and remedies at law or in equity (in any combination or order that Administrative Agent may elect) and, without limitation or prejudice to the foregoing, at any time thereafter during the continuance of such event, Administrative Agent may, and if directed (except for any Event of Default with respect to Borrower as described in clause (e), (f) or (g) of Section 9.1) by the Lenders in accordance with Section 9.3 shall, by notice to Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower and each member of the Borrower Group; and in case of any event with respect to Borrower described in clause (e), (f) or (g) of Section 9.1, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower and each member of the Borrower Group.

9.3 Exercise of Remedies. In taking or omitting to take any action, or exercising any right or remedy under Section 9.2 upon an Event of Default, Administrative Agent may take such actions or exercise such rights or remedies as it deems prudent under the circumstances and, in any event, shall comply with the directions of (a) the Required Syndicated Lenders, in the case

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of any Event of Default under clause (a), (c) to the extent resulting from a breach of Sections 8.1 or 8.4, (h), (i), (j), (l) or (m) of Section 9.1, (irrespective of the occurrence of any other Event of Default other than under clause (e), (f) or (g) of Section 9.1), (b) the Required Lenders, in the case of any Event of Default under clause (e), (f) or (g) of Section 9.1, without limiting the terms of Section 9.2, and (c) QUALCOMM, in the case of any other Event of Default (unless an Event of Default of the type described in the immediately foregoing clause (a) or (b) shall have occurred). In no event shall any Vendor Working Capital Loans or any Capitalized Interest Loans be accelerated unless, either prior to or concurrently with such acceleration, all

Syndicated Working Capital Loans and all Term Loans shall have been accelerated.

SECTION 10. ADMINISTRATIVE AGENT.

10.1 Appointment of Administrative Agent. Each of the Lenders and the Issuing Bank hereby irrevocably appoints Administrative Agent as its agent and authorizes Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto

10.2 Rights and Powers as Lender. The bank serving as Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, Borrower or any member of the Borrower Group or any Subsidiary or other Affiliate of any such Person and any Person who may do business with or own securities of Borrower, any member of the Borrower Group, or any such Subsidiary or Affiliate, all as if such bank were not Administrative Agent and without any duty to account therefor to the Lenders or any other Person.

10.3 Delegation of Duties by Administrative Agent. Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by Administrative Agent. Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this Section 10 shall apply to any such sub-agent and to the Related Parties of Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

10.4 Liability of Administrative Agent. Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing (a) Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing, (b) Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that Administrative Agent is required to exercise in writing by the Required Lenders or the Required Syndicated Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.2), as the case may be, and (c) except as

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expressly set forth herein, Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Borrower or any member of the Borrower Group or any of its or their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or the Required Syndicated Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 11.2), as the case may be, or in the absence of its own gross negligence or willful misconduct. Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to Administrative Agent by Borrower or a Lender, and Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Section 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Administrative Agent.

10.5 Reliance by Administrative Agent. Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Administrative Agent may consult with legal counsel (who may be counsel for Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

10.6 Non-Reliance by Lenders. Each Lender acknowledges that it has,

independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

10.7 Indemnification. The Lenders agree to indemnify Administrative Agent (to the extent not reimbursed by or on behalf of Borrower), ratably according to the respective principal amounts of the Exposures then held by them (or if no Exposures are at the time outstanding, ratably according to the respective amounts of their Commitments), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Administrative Agent in any way relating to or arising out of this Agreement or any action taken or omitted by Administrative Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties,

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actions, judgments, suits, costs, expenses or disbursements resulting from Administrative Agent's gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that Administrative Agent is not reimbursed for such expenses by or on behalf of Borrower.

10.8 Successor Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrower and such successor. After Administrative Agent's resignation hereunder, the provisions of this Section 10 and Section 11.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

SECTION 11. MISCELLANEOUS.

11.1 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, (i) if to Borrower, any other member of the Borrower Group, Administrative Agent, QUALCOMM, or any other Lender, at the address specified for such Person on the signature pages to this Agreement (or in any Assignment Agreement pursuant to which a Person becomes party to this Agreement), or (ii) at such other address as shall be designated by any party or the Issuing Bank in a written notice to the other parties to this Agreement.

(b) All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

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11.2 Waivers; Amendments.

(a) No failure or delay by Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder shall operate as a

waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of Administrative Agent, the Issuing Bank and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default or Event of Default, regardless of whether Administrative Agent, QUALCOMM, any other Lender or the Issuing Bank may have had notice or knowledge of such Default or Event of Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Borrower and the Required Lenders or by Borrower and Administrative Agent with the consent of the Required Lenders; provided that the provisions of Section 6, Section 7, or Sections 8.2 or 8.3 may be waived, amended or modified, and clauses (b), (c), (d), (k), (n) or (o) of Section 9.1 may be waived, in each case pursuant to an agreement in writing entered into by Borrower and QUALCOMM, or by Borrower and Administrative Agent with the consent of QUALCOMM, so long as (i) such agreement (other than any such waiver) does not impose any additional burdens, duties, liabilities (contingent or otherwise) or obligations on, or limit, diminish or otherwise adversely affect the rights or remedies of, the Lenders (other than QUALCOMM in its capacity as a Vendor Working Capital Lender or a Capitalized Interest Lender) under or in connection with this Agreement, (ii) concurrently with such agreement, QUALCOMM shall deliver to Administrative Agent (for the benefit of the Guaranteed Parties under the QUALCOMM Guaranty) a confirmation of the QUALCOMM Guaranty and a certificate, signed by an Authorized Officer of QUALCOMM, confirming that no QUALCOMM Event shall have occurred and be continuing and (iii) no Event of Default shall have occurred and be continuing under clause (a), (e), (f), (g), (h), (i), (j), (l) or (m) of Section 9.1; provided, further, that no agreement waiving, amending or modifying this Agreement or any provision hereof shall (v) increase the Commitment of any Lender without the written consent of such Lender, (w) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (x) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (y) change Section 4.5(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (z) change any of the provisions of this Section or the definition of "Required Lenders" or "Required Syndicated Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any

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rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of Administrative Agent or the Issuing Bank without the prior written consent of Administrative Agent or the Issuing Bank, as the case may be.

11.3 Expenses, Indemnity, Damage Waiver.

(a) Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations (whether or not consummated) in respect of such Loans or Letters of Credit.

(b) Borrower shall indemnify Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each

Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated by the Loan Documents or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent permitted by applicable law, Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect,

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consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated by any Loan Document, any Loan or Letter of Credit or the use of the proceeds thereof.

(d) All amounts due under this Section shall be payable promptly after written demand therefor.

11.4 Successors and Assigns; Participations.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of QUALCOMM and each other Lender (and any attempted assignment or transfer by Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, its LC Exposure (if any) and the Loans at the time owing to it) and the Pagaras; provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of QUALCOMM (if QUALCOMM is not the assigning Lender) and Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of (A) an assignment to a Lender or an Affiliate of a Lender, (B) an assignment of the entire remaining amount of the assigning Lender's Commitment, or (C) an assignment that is one of a series of assignments between the same assignor and assignee aggregating not less than \$5,000,000, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment Agreement with respect to such assignment is delivered to Administrative Agent) shall not be less than \$5,000,000, unless each of Borrower, QUALCOMM and Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to Administrative Agent an Assignment Agreement, together with a processing and recordation fee of \$3,500, except that no assignment fee shall be payable for any assignment by or to QUALCOMM or in respect of any assignment in a series of assignments between the same assignor and assignee if the assignment fee was paid for the first assignment in such series, (v) the assignee, if it is not a Lender, shall deliver to Administrative Agent an Administrative Questionnaire, (vi) except as Borrower and QUALCOMM may otherwise agree, any assignment by QUALCOMM prior to the Commitment Termination Date applicable to Syndicated Working Capital Loans shall be to a Syndicated Lender or to an Additional Lender that, from the effective date of such assignment, shall have the full benefit of

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the QUALCOMM Guaranty, and any assignment by QUALCOMM after the Commitment Termination Date applicable to Syndicated Working Capital Loans but prior to the Scheduled Maturity Date shall be to an Additional Lender that, from the effective date of such assignment, shall have the full benefit of a guaranty from QUALCOMM substantially similar to the QUALCOMM Guaranty, (vii) in connection with each assignment by QUALCOMM, QUALCOMM shall use all commercially reasonable efforts to seek Eligible Assignees that are Registered Financial Institutions, (viii) in the case of an assignment of all or a portion of a Syndicated Working Capital Commitment or any Lender's obligations in respect of its LC Exposure, the Issuing Bank must give its prior written consent to such assignment in its sole and absolute discretion and (ix) all assignments to QUALCOMM shall be effected regardless of whether QUALCOMM shall (A) be registered as a "Foreign Financial Institution" with the Secretaria de Hacienda y Credito Publico (Ministry of Finance and Public Credit) of Mexico for purposes of Article 154--I of the Mexican Income Tax Laws or (B) be a resident of a jurisdiction that is a party to a treaty for the avoidance of double taxation with Mexico; provided, further, that any consent of Borrower otherwise required under this paragraph shall not be required if an Event of Default under paragraph (e), (f) or (g) of Section 9.1 has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment Agreement the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 4.1, 4.2, 4.4 and 11.3). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) Administrative Agent, acting for this purpose as an agent of Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Borrower, Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment Agreement executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, Administrative Agent shall accept such Assignment Agreement and record the information contained therein in the Register. No assignment shall be effective for

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purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of Borrower, Administrative Agent, the Issuing Bank or QUALCOMM, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement and the Pagares (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Borrower, Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.2(b) that affects such Participant. Subject to paragraph (f) of this Section, Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.2. and 4.4 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.3 as though it were a Lender, provided such Participant

agrees to be subject to Section 4.5(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 4.1 or 4.4 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with Borrower's and QUALCOMM's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 4.4 unless Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of Borrower, to comply with Section 4.4(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

11.5 Survival. All covenants, agreements, representations and warranties made by Borrower and each other member of the Borrower Group herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement and the other Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Administrative Agent, the Issuing Bank or any Lender may have

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had notice or knowledge of any Default, Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 4.1, 4.2, 4.4 and 11.3 and Section 10 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

11.6 Counterparts; Integration; Effectiveness.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

(b) Except as provided in Sections 5.1 and 5.2, this Agreement shall become effective when it shall have been executed by Administrative Agent and when Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

11.7 Right of Set-off. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of Borrower against any of and all the obligations of Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmaturing. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

11.8 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York, provided, however, that, if QUALCOMM shall be the sole Lender hereunder and all Obligations owing to any Syndicated Lender shall have been paid full, in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought by QUALCOMM in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement (other than Section 10) shall be deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any Pagare, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions (including Mexico) by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against Borrower or its properties in the courts of any jurisdiction.

(c) Without limiting clause (b) of this Section 11.9, if QUALCOMM shall be the sole Lender hereunder and all Obligations owing to any Syndicated Lender shall have been paid in full and all the Commitments of the Syndicated Lenders shall have been reduced to zero and terminated, QUALCOMM, Borrower and each other member of the Borrower Group hereby irrevocably and unconditionally submit, for itself and its property, to the nonexclusive jurisdiction of the competent courts of the Federal District of Mexico, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any Pagare, or for recognition or enforcement of any judgment, and QUALCOMM and each member of the Borrower Group hereby irrevocably and unconditionally agree that all claims in respect of any such action or proceeding may be heard and determined in any such courts. QUALCOMM, Borrower and each other member of the Borrower Group hereby waive any rights to a specific jurisdiction it may have by virtue of its present or any future domicile, or otherwise.

(d) Borrower and each other member of the Borrower Group hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) or (c) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(e) Borrower and each other member of the Borrower Group hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in

the State of New York may be made upon CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, U.S.A. (the "Process Agent"), and Borrower and each other member of the Borrower Group hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to Borrower or any member of the Borrower Group shall not impair or affect the validity of such service or of any judgment based thereon. Each party to this Agreement further irrevocably consents to service of process in the manner provided for written notices in Section 11.1. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

11.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PAGARES OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES

THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11.11 Headings. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.12 Confidentiality. Subject to Sections 2.9(f), 2.16 and 11.4, Lenders shall hold all nonpublic information obtained pursuant to the requirements of this Agreement which has been identified as such by Borrower in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its Affiliates, employees, auditors, advisors, or counsel or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Loans or participation therein (so long as such transferee or participant agrees to be bound by the provisions of this Section 11.12) or as required or requested by any governmental agency or representative thereof or pursuant to legal process, provided that, unless specifically prohibited by applicable law or court order, each Lender shall notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such nonpublic information prior to disclosure of such information, and provided further that in no event shall any Lender be obligated or required to return any materials furnished by any member of the Borrower Group.

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11.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

11.14 Currency of Payment. The obligation of Borrower and the other members of the Borrower Group to pay in Dollars those amounts of the sums specified to be due in Dollars, under this Agreement or the respective Loan Documents (the "Loan Document Currency") shall not be deemed to have been novated, discharged or satisfied by any tender of (or recovery under judgment expressed in) any currency other than the Loan Document Currency, except to the extent to which such tender (or recovery) shall result in the effective payment of such aggregate amount in the applicable Loan Document Currency at the place where such payment is due and, accordingly, the amount (if any) by which any such tender (or recovery) shall fall short of such amount shall be and remain due to Administrative Agent, Lenders or QUALCOMM, as the case may be, as a separate Obligation, unaffected by judgment having been obtained (if such is the case) for any other amounts due in respect of this Agreement or the Loan Documents.

11.15 Judgment Currency. Borrower agrees to indemnify each Lender against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under any Pagare which is expressed and paid in a currency (the "Judgment Currency") other than the currency in which such amount was payable under this Agreement (the "Obligation Currency") and as a result of any variation between (i) the rate of exchange at which the Obligation Currency amount is converted into the Judgment Currency for the purposes of satisfying such judgment or order, and (ii) the rate of exchange at which such Lender is able to purchase the Obligation Currency with the amount of Judgment Currency actually received by such Lender. The foregoing indemnity shall constitute a separate and independent obligation of Borrower and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversions into, the relevant currency.

11.16 English Language. This Agreement is made in the English language. One Spanish language translation of this Agreement prepared (if requested by Administrative Agent (at the direction of the Required Syndicated Lenders or QUALCOMM)) at Borrower's expense by an official public interpreter and approved by Mexican counsel to Borrower and Mexican counsel to Lenders under this Agreement shall be the agreed Spanish language translation hereof for all

purposes. Such translation and no other may be filed in one or more public registries in

Mexico or used in any proceeding in Mexico. For all purposes, the English language version hereof shall be the original instrument and in all cases of conflict between the English and the Spanish versions, the English version shall control.

11.17 Reinstatement. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the obligations of Borrower or the Borrower Group hereunder, or any part thereof, is, pursuant to Applicable Law, rescinded or reduced in amount, or must otherwise be restored or returned by Administrative Agent, any Lender or QUALCOMM. In the event that any payment or any part thereof is so rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, restored or returned.

11.18 QUALCOMM Right of Subrogation. It is understood and agreed that QUALCOMM has, on the date hereof, executed and delivered the QUALCOMM Guaranty in favor of Administrative Agent, acting for and on behalf of the Syndicated Lenders, and Borrower acknowledges receipt of an executed copy of such QUALCOMM Guaranty. Borrower agrees and acknowledges that, if and to the extent that QUALCOMM makes any payment under the QUALCOMM Guaranty (but subject to the terms, conditions, limitations and waivers provided in the QUALCOMM Guaranty), QUALCOMM will succeed to the rights (by means of subrogation) of the Syndicated Lenders in respect of any interest, principal or other amounts so paid by QUALCOMM. In no event shall (i) the obligation of QUALCOMM under the QUALCOMM Guaranty, or (ii) any payment made by QUALCOMM under the QUALCOMM Guaranty in either case relieve or absolve Borrower in any way from its Obligations under this Agreement or the other Loan Documents, and all Obligations (including principal and interest on the Loans) shall be deemed and considered for all purposes to remain outstanding under all of the Loan Documents until satisfied in full by Borrower. QUALCOMM and Administrative Agent, with the consent of each Syndicated Lender, may from time to time amend, supplement or otherwise modify or terminate the QUALCOMM Guaranty, and any such amendment, supplement, modification or termination may be effected without any consent of or notice to Borrower or any other member of the Borrower Group.

11.19 No Third-Party Beneficiaries. The covenants contained herein are made solely for the benefit of the parties hereto, and Related Parties, successors and permitted assigns of such parties as specified herein, and shall not be construed as having been intended to benefit any other Person not a party to this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER GROUP: PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

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PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

Notice Address for the Borrower Group:

Pegaso Comunicaciones y Sistemas, S.A. de C.V.
Paseo de los Tamarindos 400-A, 4th floor
Col. Bosques de las Lomas
Mexico, D.F. 05120
Facsimile No.: 011-525-261-6290
Telephone No.: 011-525-261-6243

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ADMINISTRATIVE AGENT:

CITIBANK, N. A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

Notice Address:

Citibank, N.A.
2 Penns Way
Suite 200
New Castle, DE 19720
Attention: Timothy Cassidy
Facsimile No.: 302-894-6120
Telephone No.: 302-894-6032

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DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

Notice Address:

ABN AMRO Bank N.V.
208 South LaSalle, Suite 1500
Chicago, IL 60604-1003
Attention: Credit Administration
Facsimile No.: 312-992-5111

Telephone No.: 312-992-5110

With a copy to:

ABN AMRO Bank N.V.
300 South Grand Avenue, Suite 2650
Los Angeles, CA 90071-7519
Attention: John A. Miller
Facsimile No.:213-687-2390
Telephone No.:213-687-2072

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SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____
Printed Name: _____
Title: _____

Notice Address:

Societe Generale
1221 Avenue of the Americas
New York, NY 10020
Attention: Tom Fuller
Facsimile No.: 212-278-6136
Telephone No.: 212-278-5703

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SYNDICATED LENDERS:

CITIBANK, N. A.

By: _____
Printed Name: _____
Title: _____

Notice Address:

Citibank, N.A.
399 Park Avenue, 8th Floor
New York, NY 10043
Attention: Terence Berry
Facsimile No.: 212-793-6873
Telephone No.: 212-559-3009

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ABN AMRO BANK N.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

Notice Address:

ABN AMRO Bank N.V.
208 South LaSalle, Suite 1500
Chicago, IL 60604-1003

Attention: Credit Administration
Facsimile No.: 312-992-5111
Telephone No.: 312-992-5110

With a copy to:

ABN AMRO Bank N.V.
300 South Grand Avenue, Suite 2650
Los Angeles, CA 90071-7519
Attention: John A. Miller
Facsimile No.: 213-687-2390
Telephone No.: 213-687-2072

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SOCIETE GENERALE

By: _____
Printed Name: _____
Title: _____

Notice Address:

Societe Generale

2029 Century Park East -- Suite 2900
Los Angeles, California 90067
Attention: Blaine Shaum, Managing Director
Facsimile No.: 310-551-1537
Telephone No.: 310-788-7102

Societe Generale

1221 Avenue of the Americas -- 11th Floor
New York, NY 10020
Attention: Bruce Spector, Vice President
Facsimile No.: 212-278-6136
Telephone No. :212-278-6149

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VENDOR WORKING
CAPITAL LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____

Notice Address:

QUALCOMM Incorporated
6455 Lusk Boulevard
San Diego, CA 92121
Attention: Vice President, Project Finance
Facsimile No.:619-658-4203
Telephone No.: 619-658-4846

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CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____

Notice Address:

QUALCOMM Incorporated
6455 Lusk Boulevard
San Diego, CA 92121
Attention: Vice President, Project Finance
Facsimile No.: 619-658-4203
Telephone No.: 619-658-4846

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FIRST AMENDMENT TO BRIDGE LOAN AGREEMENT

This FIRST AMENDMENT TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of February 8, 2000, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico, QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM") and the Syndicated Lenders referred to in the below referenced Bridge Loan Agreement (each Syndicated Lender, together with QUALCOMM, a "Lender" and, collectively, "Lenders"), CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), SOCIETE GENERALE, as Syndication Agent, ABN AMRO BANK N.V., as Documentation Agent and BANKBOSTON, N.A., as Co-Documentation Agent, under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this Amendment.

RECITALS:

A. Borrower has requested that the Bridge Loan Agreement be amended to (i) change the definitions of "Total Syndicated Working Capital Commitment" and "Total Working Capital Commitment" and (ii) increase the amount of the Syndicated Working Capital Commitment for each Syndicated Lender from Twenty-Five Million Dollars (\$25,000,000) to Forty-Three Million Seven Hundred Fifty Thousand Dollars (\$43,750,000).

B. QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent have agreed to amend the Bridge Loan Agreement upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 2, the Bridge Loan Agreement is hereby amended as follows:

(a) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Syndicated Working Capital Commitment", the following new definition of "Total Syndicated Working Capital Commitment":

"Total Syndicated Working Capital Commitment" shall mean One Hundred Seventy-Five Million Dollars (\$175,000,000), as such amount may be reduced pursuant to Section 2.9(g).

(b) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Working Capital Commitment", the following new definition of "Total Working Capital Commitment":

"Total Working Capital Commitment" shall mean the sum of the Total Syndicated Working Capital Commitment and the Total Vendor Working Capital Commitment, which shall be an aggregate amount equal to One Hundred Seventy-Five Million Dollars (\$175,000,000); provided that after the Commitment Termination Date applicable to Syndicated Working Capital Loans, if the Term-Out Option shall have become effective, the "Total Working Capital Commitment" shall mean the sum of the Total Term Loan Commitment and the Total Vendor Working Capital Commitment.

(c) Schedule 2.1 to the Bridge Loan Agreement is hereby replaced in its entirety by Amended Schedule 2.1 as set forth in Appendix 1 to this Amendment.

Section 2. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to

as the "Amendment Effective Date").

(a) On or before the Amendment Effective Date, each member of the Borrower Group shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) this Amendment, duly executed and delivered by the parties and

(ii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(b) On or before the Amendment Effective Date, QUALCOMM shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) a confirmation of the QUALCOMM Guaranty, duly executed and delivered by QUALCOMM, as guarantor under the QUALCOMM Guaranty, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lender and

(ii) such other documents instruments, approvals or opinions as the Administrative Agent may reasonably request;

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(c) Administrative Agent (for its own account or for the account of the other Syndicated Lenders, as the case may be) shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment;

(d) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents, opinions, certificates, and evidence as they may reasonably request;

(e) The representations and warranties set forth in Section 3 of this Amendment shall be true and correct as of the Amendment Effective Date; and

(f) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by any Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment, nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower's Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, Borrower represents and warrants to each Lender, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent as follows:

(a) Corporate Power and Authority. Borrower has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment, the borrowing of Loans pursuant to the increased Commitments as set forth in Amended Schedule 2.1 to the Bridge Loan Agreement, and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of Borrower, and this Amendment has been duly executed and delivered by Borrower.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in

accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of Borrower's obligations

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thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by Borrower of this Amendment and the performance by Borrower of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to Borrower or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon Borrower or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any property (other than Permitted Liens) of Borrower.

(e) Permits. The execution, delivery and performance by Borrower of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in connection with the execution, delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. Borrower confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that no Default or Event of Default has occurred.

Section 4. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent under, the Bridge Loan Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all costs, fees and expenses as described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the

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Documentation Agent and the Co-Documentation Agent, and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution in Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR

RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Appendix 1

Amended Schedule 2.1
to Bridge
Loan Agreement

SYNDICATED WORKING CAPITAL COMMITMENTS

<Table>
<Caption>

SYNDICATED LENDER -----	COMMITMENT -----
<S> Citibank, N.A.	<C> \$43,750,000
Societe Generale	\$43,750,000
ABN AMRO Bank N.V.	\$43,750,000
BankBoston, N.A.	\$43,750,000

</Table>

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: /s/ TERENCE BERRY

Printed Name: _____

Title: AVP

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____

Printed Name: _____

Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: /s/ J. BLAINE SHAUM

Printed Name: J. Blaine Shaum

Title: Managing Director

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____

Printed Name: _____

Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: /s/ JOHN A. MILLER

Printed Name: JOHN A. MILLER

Title: GROUP VICE PRESIDENT

By: /s/ PAUL K. STIMPFL

Printed Name: PAUL K. STIMFFL

Title: GROUP VICE PRESIDENT

CO-DOCUMENTATION AGENT:

BANKBOSTON, N.A.,
as Co-Documentation Agent

By: /s/ MICHAEL S. BARCLAY

Printed Name: Michael S. Barclay

Title: Vice President

SYNDICATED LENDERS:

CITIBANK, N.A.

By: -----

Printed Name: -----

Title: -----

ABN AMRO BANK N.V.

By: -----

Printed Name: -----

Title: -----

By: -----

Printed Name: -----

Title: -----

SOCIETE GENERALE

By: -----

Printed Name: -----

Title: -----

CO-DOCUMENTATION AGENT:

BANKBOSTON, N.A.,
as Co-Documentation Agent

By: -----

Printed Name: -----

Title: -----

SYNDICATED LENDERS:

CITIBANK, N.A.

By: /s/ [ILLEGIBLE]

Printed Name:

Title: [ILLEGIBLE]

ABN AMRO BANK N.V.

By:

Printed Name:

Title:

By:

Printed Name:

Title:

SOCIETE GENERALE

By:

Printed Name:

Title:

CO-DOCUMENTATION AGENT:

BANKBOSTON, N.A.,
as Co-Documentation Agent

By:

Printed Name:

Title:

SYNDICATED LENDERS:

CITIBANK, N.A.

By:

Printed Name:

Title:

ABN AMRO BANK N.V.

By: /s/ JOHN A. MILLER

Printed Name: John A. Miller

Title: Group Vice President

By: /s/ PAUL K. STIMPFL

Printed Name: Paul K. STIMPFL

Title: Group Vice President

SOCIETE GENERALE

By: -----

Printed Name: -----

Title: -----

CO-DOCUMENTATION AGENT:

BANKBOSTON, N.A.,
as Co-Documentation Agent

By: -----

Printed Name: -----

Title: -----

SYNDICATED LENDERS:

CITIBANK, N.A.

By: -----

Printed Name: -----

Title: -----

ABN AMRO BANK N.V.

By: -----

Printed Name: -----

Title: -----

By: -----

Printed Name: -----

Title: -----

SOCIETE GENERALE

By: /s/ J. BLAINE SHAUM

Printed Name: J. Blaine Shaum

Title: Managing Director

BANKBOSTON, N.A.

By: /s/ MICHAEL S. BARCLAY

Printed Name: Michael S. Barclay

Title: Vice President

CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: -----

Printed Name: -----

Title: -----

BANKBOSTON, N.A.

By: -----

Printed Name: -----

Title: -----

CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: -----

Title: -----

SECOND AMENDMENT TO BRIDGE LOAN AGREEMENT

This SECOND AMENDMENT TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of August 22, 2000, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso RH"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM") and the Syndicated Lenders referred to in the below referenced Bridge Loan Agreement (each Syndicated Lender, together with QUALCOMM, a "Lender" and, collectively, "Lenders"). CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), SOCIETE GENERALE, as Syndication Agent, ABN AMRO BANK N.V., as Documentation Agent and FLEET NATIONAL BANK, as Co-Documentation Agent, under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of

interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this Amendment.

RECITALS:

A. Borrower previously elected to exercise its Term-Out Option pursuant to Section 2.10(b) of the Bridge Loan Agreement and selected August 25, 2000 as the Scheduled Maturity Date.

B. Borrower has requested that the Bridge Loan Agreement be amended to extend the Scheduled Maturity Date until November 24, 2000.

C. QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent have agreed to amend the Bridge Loan Agreement upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 2, Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Scheduled Maturity Date", the following new definition of "Scheduled Maturity Date":

"Scheduled Maturity Date" shall mean November 24, 2000.

Section 2. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) On or before the Amendment Effective Date, each member of the Borrower Group shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) this Amendment, duly executed and delivered by the parties and

(ii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(b) On or before the Amendment Effective Date, QUALCOMM shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) a confirmation of the QUALCOMM Guaranty, duly executed and delivered by QUALCOMM, as guarantor under the QUALCOMM Guaranty, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders;

(ii) a confirmation of the Pegaso Guaranty Agreement, duly executed and delivered by each of Pegaso, Pegaso PCS and Pegaso RH, as guarantors under the Pegaso Guaranty Agreement, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders; and

(iii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(c) Administrative Agent (for its own account or for the account of the other Syndicated Lenders, as the case may be) shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment;

(d) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such

certificates, and evidence as they may reasonably request;

(e) The representations and warranties set forth in Section 3 of this Amendment shall be true and correct as of the Amendment Effective Date; and

(f) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by any Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower's Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, Borrower represents and warrants to each Lender, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent as follows:

(a) Corporate Power and Authority. Borrower has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of Borrower, and this Amendment has been duly executed and delivered by Borrower.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of Borrower's obligations thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by Borrower of this Amendment and the performance by Borrower of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to Borrower or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon Borrower or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any property (other than Permitted Liens) of Borrower.

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(e) Permits. The execution, delivery and performance by Borrower of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in connection with the execution, delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. Borrower confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that no Default or Event of Default has occurred.

Section 4. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent under, the Bridge Loan Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all costs, fees and expenses as described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent, and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

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(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW: JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____

Printed Name: _____

Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____

Printed Name: _____

Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____

Printed Name: _____

Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____

Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: /s/ SUNEET GUPTA

Printed Name: SUNEET GUPTA

Title: VICE PRESIDENT

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____

Printed Name: _____

Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: /s/ HILLARY GOYAL

Printed Name: Hillary Goyal

Title: VP

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____

Printed Name: _____

Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: /s/ PAUL K. STIMPFL

Printed Name: PAUL K. STIMPFL

Title: GROUP VICE PRESIDENT

By: /s/ [Signature Illegible]

Printed Name: [Illegible]

Title: ASSISTANT VICE PRESIDENT

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK
as Co-Documentation Agent

By: /s/ SUZANNE M. MACKAY

Printed Name: Suzanne M. MacKay

Title: Vice President

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK
as Co-Documentation Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: /s/ SUNEET GUPTA

Printed Name: Suneet Gupta

Title: Vice President

ABN AMRO BANK N.V.

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK
as Co-Documentation Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.

By: /s/ PAUL K. STIMPFL

Printed Name: Paul K. STIMPFL

Title: Group Vice President

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: [ILLEGIBLE]

Title: Assistant Vice President

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.

By: _____

Printed Name: -----

Title: -----

By: -----

Printed Name: -----

Title: -----

SOCIETE GENERALE

By: /s/ HILLARY GOYAL

Printed Name: Hillary Goyal

Title: VP

FLEET NATIONAL BANK

By: /s/ SUZANNE M. MacKAY

Printed Name: Suzanne M. MacKay

Title: Vice President

CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: -----

Printed Name: -----

Title: -----

FLEET NATIONAL BANK

By: -----

Printed Name: -----

Title: -----

CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATION

By: QUENTIN E. LYLE

Printed Name: Quentin E. Lyle

Title: Director, Finance

THIRD AMENDMENT TO BRIDGE LOAN AGREEMENT

This THIRD AMENDMENT TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of November 17, 2000, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A., DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso

RH"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware ("QUALCOMM"), and the Syndicated Lenders referred to in the below referenced Bridge Loan Agreement (each Syndicated Lender, together with QUALCOMM, a "Lender" and, collectively, "Lenders"), CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), SOCIETE GENERALE, as Syndication Agent, ABN AMRO BANK N.V., as Documentation Agent and FLEET NATIONAL BANK, as Co-Documentation Agent, under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this Amendment.

RECITALS:

A. Borrower has requested that the Bridge Loan Agreement be amended to (i) change the definitions of "Applicable Margin", "Availability Period", "Required Syndicated Lenders", "Scheduled Maturity Date", "Total Vendor Working Capital Commitment" and "Total Working Capital Commitment"; and (ii) increase the amount of the Vendor Working Capital Commitment.

B. QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent have agreed to amend the Bridge Loan Agreement upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 2, the Bridge Loan Agreement is amended as follows:

(a) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Applicable Margin", the following new definition of "Applicable Margin":

"Applicable Margin" shall mean (i) for Eurodollar Loans, six percent (6%); and (ii) for Base Rate Loans, five percent (5%); provided that in each case, the Applicable Margin shall increase by one-half of one percent (0.5%) on each Interest Adjustment Date; provided further that for Vendor Working Capital Loans which are Eurodollar Loans, the Applicable Margin shall remain at six percent (6%) without adjustment for an increase by one-half of one percent (0.5%) on each Interest Adjustment Date.

(b) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Availability Period", the following new definition of "Availability Period":

"Availability Period" shall mean, for any Lender, (i) with respect to such Lender's Syndicated Working Capital Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Syndicated Working Capital Facility, (ii) with respect to such Lender's Vendor Working Capital Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Vendor Working Capital Facility, (iii) with respect to such Lender's Term Loan Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Syndicated Working Capital Facility, and (iv) with respect to such Lender's Capitalized Interest Commitment, the period from the Closing Date until the Commitment Termination Date applicable to the Capitalized Interest Facility.

(c) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Required Syndicated Lenders", the following new definition of "Required Syndicated Lenders":

"Required Syndicated Lenders" shall mean, at any time, the Syndicated Lenders having Exposures under the Syndicated Working Capital Facility and unused Working Capital Commitments (or, following the Commitment Termination Date, Term Loans) representing at least 51% of the sum of the total Exposures under the Syndicated Working Capital Facility and unused Working Capital Commitments (or, following the Commitment Termination Date, Term Loans) of all Syndicated Lenders at such time; provided, however, that references to "Required Syndicated Lenders" shall be deemed to be references to "Required Lenders" (and clause (a) of the definition of "Required Lenders" shall be disregarded) if (i) the Exposures of all Syndicated Lenders shall have been reduced to zero, (ii) all Syndicated Working Capital Commitments, all Term Loan Commitments and all LC Exposures shall have been terminated, (iii) all Syndicated Working Capital Loans and all Term Loans shall have been repaid, (iv) no Letters of Credit shall be outstanding, and (v) all other Obligations

payable to any Syndicated Lender or to the Administrative Agent shall have been paid in full.

(d) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Scheduled Maturity Date", the following new definition of "Scheduled Maturity Date":

"Scheduled Maturity Date" shall mean June 15, 2001.

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(e) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Vendor Working Capital Commitment", the following new definition of "Total Vendor Working Capital Commitment":

"Total Vendor Working Capital Commitment" shall mean One Hundred Twenty-Five Million Dollars (\$125,000,000), as such amount may be reduced pursuant to Section 2.9(f).

(f) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Working Capital Commitment", the following new definition of "Total Working Capital Commitment":

"Total Working Capital Commitment" shall mean the sum of the Total Syndicated Working Capital Commitment and the total Vendor Working Capital Commitment, which shall be an aggregate amount equal to Three Hundred Million Dollars (\$300,000,000).

(g) Section 2.6(a) of the Bridge Loan Agreement is amended by replacing the words prior to the first "; provided" with the following:

To request a Syndicated Working Capital Loan Borrowing or a Term Loan Borrowing for the purposes described in Section 2.1(d)(ii), Borrower shall notify Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days before the date of the proposed Borrowing, or (b) in the case of a Base Rate Borrowing, not later than 11:00 a.m., New York City time, one (1) Business Day before the date of the proposed Borrowing.

(h) Section 2.6(a) of the Bridge Loan Agreement is amended by the addition of the following sentence after the first sentence thereof:

To request a Vendor Working Capital Loan Borrowing, Borrower shall, regardless of whether such Borrowing is to be a Eurodollar Borrowing of a Base Rate Borrowing, notify Administrative Agent of such request by telephone, (x) in the case of a Vendor Working Capital Loan Borrowing in an amount less than \$20,000,000, not later than 11:00 a.m., New York City time, five (5) Business Days before the date of the proposed Borrowing, or (y) in the case of a Vendor Working Capital Loan Borrowing in an amount equal to or greater than \$20,000,000, not later than 11:00 a.m. New York City time, ten (10) Business Days before the date of the proposed Borrowing, subject to Section 2.7; provided that Borrower may not request more than one Vendor Working Capital Loan Borrowing in any calendar month.

(i) Section 2.7 of the Bridge Loan Agreement is amended by inserting the words "; provided that with respect to any Vendor Working Capital Loan to be made by a Vendor Working Capital Lender in excess of \$40,000,000, such Vendor Working Capital Loan shall be made subject to the availability of such funds to such Vendor Working Capital Lender" at the end of the first sentence thereof.

(j) Schedule 2.2 of the Bridge Loan is hereby replaced in its entirety by Amended Schedule 2.2 as set forth in Appendix 1 to this Agreement.

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Section 2. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) On or before the Amendment Effective Date, each member of the Borrower Group shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) this Amendment, duly executed and delivered by the parties;

(ii) a confirmation of the Pegaso Guaranty Agreement, duly executed and delivered by each of Pegaso, Pegaso PCS and Pegaso RH, as guarantors under the Pegaso Guaranty Agreement, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders;

(iii) new Pegasos to reflect the new Scheduled Maturity Date; and

(iv) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(b) On or before the Amendment Effective Date, QUALCOMM shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) a confirmation of the QUALCOMM Guaranty, duly executed and delivered by QUALCOMM, as guarantor under the QUALCOMM Guaranty, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders; and

(ii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(c) Administrative Agent (for its own account or for the account of the other Syndicated Lenders, as the case may be) shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including: (i) to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment and (ii) the extension fees in the amount of \$54,687.50 payable to each Syndicated Lender;

(d) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such

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counterpart originals or certified copies of such documents, opinions, certificates, and evidence as they may reasonably request;

(e) The representations and warranties set forth in Section 3 of this Amendment shall be true and correct as of the Amendment Effective Date; and

(f) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by any Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment, nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower's Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, Borrower represents and warrants to each Lender, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent as follows:

(a) Corporate Power and Authority. Borrower has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of Borrower, and this Amendment has been duly executed and delivered by Borrower.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of Borrower's obligations thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by Borrower of this Amendment and the performance by Borrower of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to Borrower or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon Borrower or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any

property (other than Permitted Liens) of Borrower.

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(e) Permits. The execution, delivery and performance by Borrower of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in connection with the execution, delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. Borrower confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that no Default or Event of Default has occurred.

Section 4. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent under, the Bridge Loan Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all costs, fees and expenses described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent, and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution in Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

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(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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VENDOR WORKING CAPITAL COMMITMENTS

VENDOR LENDER COMMITMENT
QUALCOMM Incorporated \$125,000,000

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: /s/ SUZANNE M. MACKAY
Printed Name: Suzanne M. MacKay
Title: Vice President

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____
Printed Name: _____
Title: _____

ABN AMRO BANK N.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

SOCIETE GENERALE

By: _____
Printed Name: _____
Title: _____
FLEET NATIONAL BANK

By: /s/ SUZANNE M. MACKAY
Printed Name: Suzanne M. MacKay
Title: Vice President

VENDOR WORKING CAPITAL LENDER AND
CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____
FLEET NATIONAL BANK

By: _____
Printed Name: _____
Title: _____

VENDOR WORKING CAPITAL LENDER AND
CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: /s/ PAUL FISKNESS
Printed Name: Paul Fiskness
Title: Vice President, Project Finance

and Direct Investments
ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____
Printed Name: _____
Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: /s/ MITSOO IRAVANI

Printed Name: MITSOO IRAVANI

Title: ASSISTANT VICE PRESIDENT

By: /s/ ELLEN M. COLEMAN

Printed Name: ELLEN M. COLEMAN

Title: GROUP VICE PRESIDENT

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____
Printed Name: _____
Title: _____

ABN AMRO BANK N.V.

By: /s/ MITSOO IRAVANI

Printed Name: MITSOO IRAVANI

Title: ASSISTANT VICE PRESIDENT

By: /s/ ELLEN M. COLEMAN

Printed Name: ELLEN M. COLEMAN

Title: GROUP VICE PRESIDENT

SOCIETE GENERALE

By: _____
Printed Name: _____
Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____
Printed Name: _____
Title: _____

ABN AMRO BANK N.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

SOCIETE GENERALE

By: /s/ RICHARD KNOWLTON
Printed Name: Richard Knowlton
Title: Director

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: /s/ RICHARD KNOWLTON
Printed Name: Richard Knowlton, Director
Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,

as Documentation Agent

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: /s/ TERENCE P. BERRY
Printed Name: Terence Berry
Title: AVP

TERENCE BERRY
Relationship Manager
GCB Media & Communications
399P/8/5
(212) 559-3009

ABN AMRO BANK N.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

SOCIETE GENERALE

By: _____
Printed Name: _____
Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: /s/ TERENCE P. BERRY
Printed Name: Terence Berry
Title: AVP

TERENCE BERRY
Relationship Manager
GCB Media & Communications
399P/8/5
(212) 559-3009

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____
Printed Name: _____
Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

FOURTH AMENDMENT TO BRIDGE LOAN AGREEMENT

This FOURTH AMENDMENT TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of March 22, 2001, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A., DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A., DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso RH"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware ("QUALCOMM"), and the Syndicated Lenders referred to in the below referenced Bridge Loan Agreement (each Syndicated Lender, together with QUALCOMM, a "Lender" and, collectively, "Lenders"), CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), SOCIETE GENERALE, as Syndication Agent, ABN AMRO BANK N.V., as Documentation Agent and FLEET NATIONAL BANK, as Co-Documentation Agent, under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this amendment.

RECITALS:

A. The Bridge Loan Agreement has been amended pursuant to (i) the First Amendment to the Bridge Loan Agreement, dated as of February 8, 2000 (ii) the Second Amendment to the Bridge Loan Agreement, dated as of August 22, 2000, and (iii) the Third Amendment to the Bridge Loan Agreement, dated as of November 17, 2000.

B. Borrower has requested that the Bridge Loan Agreement be amended to (i) change the definitions of "Total Capitalized Interest Commitment", "Total Vendor Working Capital Commitment" and "Total Working Capital Commitment"; and (ii) increase the amount of the Capitalized Interest Commitment and the Vendor Working Capital Commitment.

C. QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent have agreed to amend the Bridge Loan Agreement upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing, the mutual covenants and agreement set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 2, the Bridge Loan Agreement is amended as follows:

(a) Section 1.1 of the Bridge Loan Agreement is amended by substituting

for the definition of "Total Capitalized Interest Commitment", the following new definition of "Total Capitalized Interest Commitment":

"Total Capitalized Interest Commitment" shall mean Forty-Nine Million Dollars (\$49,000,000), as such amount may be increased pursuant to Section 2.12(d).

(b) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Vendor Working Capital Commitment", the following new definition of "Total Vendor Working Capital Commitment":

"Total Vendor Working Capital Commitment" shall mean One Hundred Eighty-Five Million Dollars (\$185,000,000), as such amount may be reduced pursuant to Section 2.9(f).

(c) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Working Capital Commitment", the following new definition of "Total Working Capital Commitment":

"Total Working Capital Commitment" shall mean the sum of the Total Syndicated Working Capital Commitment and the Total Vendor Working Capital Commitment, which shall be an aggregate amount equal to Three Hundred Sixty Million Dollars (\$360,000,000).

(d) Schedule 2.2 of the Bridge Loan Agreement is hereby replaced in its entirety by Amended Schedule 2.2 as set forth in Appendix 1 to this Agreement.

(e) Schedule 2.3 of the Bridge Loan Agreement is hereby replaced in its entirety by Amended Schedule 2.3 as set forth in Appendix 2 to this Agreement.

Section 2. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date"):

(a) On or before the Amendment Effective Date, each member of the Borrower Group shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) this Amendment, duly executed and delivered by the parties;

(ii) a confirmation of the Pegaso Guaranty Agreement, duly executed and delivered by each of Pegaso, Pegaso PCS and Pegaso RH, as guarantors under the Pegaso Guaranty Agreement, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders; and

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(iii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(b) On or before the Amendment Effective Date, QUALCOMM shall deliver to the Administrative Agent, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to the Administrative Agent, acting on behalf of the Lenders, and its counsel):

(i) a confirmation of the QUALCOMM Guaranty, duly executed and delivered by QUALCOMM, as guarantor under the QUALCOMM Guaranty, in favor of Administrative Agent for the benefit of itself and the other Syndicated Lenders; and

(ii) such other documents, instruments, approvals or opinions as the Administrative Agent may reasonably request;

(c) Administrative Agent (for its own account or for the account of the other Syndicated Lenders, as the case may be) shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment;

(d) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents, opinions, certificates, and evidence as they may reasonably request;

(e) The representations and warranties set forth in Section 3 of this Amendment shall be true and correct as of the Amendment Effective Date; and

(f) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by an Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment, nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower Group Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, each member of the Borrower Group represents and

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warrants, as to itself, to each Lender, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent as follows:

(a) Corporate Power and Authority. Such member of the Borrower Group has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of the Borrower Group, and this Amendment has been duly executed and delivered by the Borrower Group.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of each member of the Borrower Group, enforceable against such member of the Borrower Group in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the Borrower Group's obligations thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by each member of the Borrower Group of this Amendment and the performance by such member of the Borrower Group of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to such member of the Borrower Group or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon such member of the Borrower Group or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any property (other than Permitted Liens) of the Borrower Group.

(e) Permits. The execution, delivery and performance by each member of the Borrower Group of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in connection with the execution, delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. Each member of the Borrower Group confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that no Default or Event of Default has occurred.

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Section 4. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the Other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall

not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent under, the Bridge Loan Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all costs, fees and expenses as described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM, the Lenders, the Administrative Agent, the Syndication Agent, the Documentation Agent and the Co-Documentation Agent, and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution in Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts; each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND

ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Appendix 1

Amended Schedule 2.2
to Bridge
Loan Agreement

VENDOR WORKING CAPITAL COMMITMENTS

<Table> <Caption> VENDOR LENDER	COMMITMENT
-----	-----
<S> QUALCOMM Incorporated	<C> \$185,000,000

</Table>

Appendix 2

Amended Schedule 2.3
to Bridge
Loan Agreement

CAPITALIZED INTEREST COMMITMENTS

<Table>	<Caption>
VENDOR LENDER	COMMITMENT
-----	-----
<S>	<C>
QUALCOMM Incorporated	\$49,000,000
</Table>	

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
 Printed Name: _____
 Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
 Printed Name: _____
 Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
 Printed Name: _____
 Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
 Printed Name: _____
 Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.
as Administrative Agent

By: /s/ MARJORIE FUTORNICK

 Printed Name: MARJORIE FUTORNICK

 Title: Vice President

SYNDICATION AGENT:

SOCIETE GENERALE,
As Syndication Agent

By: _____
Printed Name: _____
Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: /s/ RICHARD KNOWLTON

Printed Name: Richard Knowlton
Title: Director

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N.A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATION AGENT:

SOCIETE GENERALE,
as Syndication Agent

By: _____

Printed Name: _____
Title: _____

DOCUMENTATION AGENT:

ABN AMRO BANK N.V.,
as Documentation Agent

By: /s/ DAVID CARRINGTON

Printed Name: David C. Carrington
Title: Group Vice President

By: /s/ SHILPA PARANDEKAR

Printed Name: Shilpa Parandekar
Title: AVP

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: /s/ SUZANNE M. MACKAY

Printed Name: Suzanne M. MacKay
Title: Vice President

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: [SIGNATURE ILLEGIBLE]

Printed Name: [ILLEGIBLE]

Title: Vice President

ABN AMRO BANK N.V.

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____

Printed Name: _____

Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.

By: /s/ DAVID C. CARRINGTON

Printed Name: DAVID C. CARRINGTON

Title: GROUP VICE PRESIDENT

By: /s/ SHILPA PARANDEKAR

Printed Name: SHILPA PARANDEKAR

Title: AVP

SOCIETE GENERALE

By: _____

Printed Name: _____

Title: _____

CO-DOCUMENTATION AGENT:

FLEET NATIONAL BANK,
as Co-Documentation Agent

By: _____
Printed Name: _____
Title: _____

SYNDICATED LENDERS:

CITIBANK, N.A.

By: _____
Printed Name: _____
Title: _____

ABN AMRO BANK N.V.

By: _____
Printed Name: _____
Title: _____

By: _____
Printed Name: _____
Title: _____

SOCIETE GENERALE

By: /s/ RICHARD KNOWLTON
Printed Name: Richard Knowlton
Title: Director

FLEET NATIONAL BANK

By: /s/ SUZANNE M. MACKAY
Printed Name: Suzanne M. MacKay
Title: Vice President

VENDOR WORKING CAPITAL LENDER AND
CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____

FLEET NATIONAL BANK

By: _____
Printed Name: _____
Title: _____

VENDOR WORKING CAPITAL LENDER AND
CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: -----

Title: -----

FIFTH AMENDMENT AND WAIVER TO BRIDGE LOAN AGREEMENT

This FIFTH AMENDMENT AND WAIVER TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of June 29, 2001, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso RH"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware ("QUALCOMM" and also the "Lender"), and CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Unless otherwise indicated, capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this Amendment.

RECITALS:

A. The Bridge Loan Agreement has been amended pursuant to (i) the First Amendment to the Bridge Loan Agreement, dated as of February 8, 2000, (ii) the Second Amendment to the Bridge Loan Agreement, dated as of August 22, 2000, (iii) the Third Amendment to the Bridge Loan Agreement, dated as of November 17, 2000, and (iv) the Fourth Amendment to the Bridge Loan Agreement, dated as of March 22, 2001.

B. Each Syndicated Lender assigned to QUALCOMM its respective rights and obligations under the Bridge Loan Agreement pursuant to an Assignment and Assumption Agreement, each dated as of May 25, 2001.

C. Pursuant to the terms and conditions set forth in the letter agreements, dated June 15, 2001 and June 22, 2001, respectively, among Borrower, QUALCOMM and Administrative Agent, QUALCOMM waived Borrower's obligations to pay the Obligations in full through the date hereof.

D. The shareholders of Pegaso (the "Shareholders"), QUALCOMM, Telefonica S.A. and Telefonica Moviles S.A. entered into a letter of intent, dated June 21, 2001 (the "LOI"), in which Telefonica S.A. or an affiliate thereof ("Telefonica") proposed to purchase certain of the Shareholders' and QUALCOMM's interests in Pegaso pursuant to the terms and conditions set forth in the LOI (the "Telefonica Transaction").

E. Borrower has requested that (i) the Bridge Loan Agreement be amended to change the definition of "Scheduled Maturity Date" and "Total Capitalized Interest Commitment", (ii) QUALCOMM waive the mandatory prepayment requirement under Section 2.15 of the Bridge Loan Agreement with respect to the up to \$150,000,000 or more in cash equity (or subordinated convertible debt) (the "Equity Contributions") to be contributed by the Shareholders pursuant to a letter agreement, dated June 26, 2001 (as amended as of the date hereof, the "Funding Agreement"), by and among Pegaso, the Shareholders, Sprint Corporation and Leap Wireless International, Inc., and (iii) if necessary, QUALCOMM conditionally waive Borrower's obligation to pay the Obligations in full on the date hereof until the conditions precedent set forth in Section 2 of this Amendment are satisfied to amend the Bridge Loan Agreement, each subject to the conditions set forth in this Amendment.

F. QUALCOMM and the Administrative Agent have agreed to amend the Bridge Loan Agreement and QUALCOMM has agreed to grant the waivers requested herein, each upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable

consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment and Waiver.

(a) Amendments. Subject to the satisfaction of the conditions precedent set forth in Section 2 of this Amendment, the Bridge Loan Agreement is amended as follows:

(i) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Scheduled Maturity Date", the following new definition of "Scheduled Maturity Date":

"Scheduled Maturity Date" shall mean the earlier of (1) September 19, 2001 or (2) if the LOI is terminated prior to September 19, 2001, the date that is five (5) Business Days after the date the LOI is terminated; provided that if definitive agreements relating to the Telefonica Transaction on terms and conditions reasonably acceptable to QUALCOMM are entered into prior to September 19, 2001, "Scheduled Maturity Date" shall mean December 31, 2001, and provided further if the conditions precedent set forth in Section 6(b) of the LOI have been satisfied (other than the conditions in subsection 6(b)(iv) and (vi) which are to be satisfied on the financial closing of the Telefonica Transaction), "Scheduled Maturity Date" shall mean the earlier of (w) the date sixty (60) days after the financial closing of the Telefonica Transaction, (x) if the definitive agreements relating to the Telefonica Transaction are terminated prior to financial closing, the date five (5) Business Days after such termination, (y) the date sixty (60) days after the date of the annual shareholders meeting of Telefonica in 2002 or (z) August 29, 2001.

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(ii) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Total Capitalized Interest Commitment", the following new definition of "Total Capitalized Interest Commitment":

"Total Capitalized Interest Commitment" shall mean Seventy Three Million Dollars (\$73,000,000), as such amount may be increased pursuant to Section 2.12(d).

(iii) Schedule 2.2 of the Bridge Loan Agreement is hereby replaced in its entirety by the new Schedule 2.2 as set forth in Appendix 1 to this Agreement.

(iv) Schedule 2.3 of the Bridge Loan Agreement is hereby replaced in its entirety by the new Schedule 2.3 as set forth in Appendix 2 to this Agreement.

(b) Waiver. Subject to the satisfaction of the conditions precedent set forth in Section 2 of this Amendment, QUALCOMM:

(i) waives the requirement of Borrower under Section 2.15 of the Bridge Loan Agreement to prepay the Obligations with the net proceeds from the Equity Contributions; and

(ii) waives Section 9.1(n) of the Bridge Loan Agreement in connection with the Telefonica Transaction:

(A) until December 31, 2001, if definitive agreements relating to the Telefonica Transaction, on terms and conditions reasonably acceptable to QUALCOMM, are entered into prior to the Scheduled Maturity Date; and

(B) until the earlier of (1) the date sixty (60) days after the financial closing of the Telefonica Transaction, (2) if the definitive agreements relating to the Telefonica Transaction are terminated prior to financial closing, the date five (5) Business Days after such termination, (3) the date sixty (60) days after the date of the annual shareholders meeting of Telefonica in 2002 or (4) August 29, 2001, if the conditions precedent set forth in Section 6(b) of the LOI are satisfied (other than the conditions in subsections 6(b)(iv) and (vi) which are to be satisfied at the financial closing of the Telefonica Transaction).

(c) Conditional Waiver. In the event that the Amendment Effective Date (as defined below) is not the date hereof, QUALCOMM waives, and Borrower agrees to the following conditions for QUALCOMM's grant of the waiver, Borrower's obligation to pay QUALCOMM in full the Obligations on the date hereof, provided that:

(i) The waiver granted by QUALCOMM under this Section 1(c) shall expire unless Borrower (x) shall have satisfied the conditions precedent set forth in

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Section 2 of this Amendment by July 6, 2001 and (y) shall have delivered the executed Waiver Letter by August 15, 2001;

(ii) The interest applicable to all Loans outstanding from June 29, 2001, until the Amendment Effective Date, shall be a fixed rate of twenty-two and one-half percent (22.5%) per annum; and

(iii) Borrower (x) shall have delivered the documents described in Section 2(a)(iii) through 2(a)(v) and Section 2(c) of this Amendment (each of which shall be dated as of the date hereof and shall be reasonably satisfactory in form and substance to QUALCOMM and its counsel) and (y) as necessary, shall continue to deliver such documents (each of which shall be reasonably satisfactory in form and substance to QUALCOMM and its counsel) on or prior to the dates requested by QUALCOMM.

Section 2. Conditions to Effectiveness. The amendments set forth in Section 1(a) of this Amendment and the waiver granted by QUALCOMM under Section 1(b) of this Amendment shall become effective upon the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Amendment Effective Date") and such amendments and waiver shall continue to be effective provided that the Shareholders make the Equity Contributions to Pegaso in the amounts, and on the dates, set forth in Section 1(a) of the Funding Agreement:

(a) On or before the Amendment Effective Date, each member of the Borrower Group, as applicable, shall deliver to QUALCOMM, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to QUALCOMM and its counsel):

(i) this Amendment, duly executed and delivered by the parties;

(ii) a confirmation of the Leap Counter-Guaranty Agreement, duly executed and delivered by Leap Wireless Inc., as guarantor under the Leap Counter-Guaranty Agreement, in favor of QUALCOMM;

(iii) a confirmation of the Pegaso Guaranty Agreement (in Spanish and English), dated as of the Amendment Effective Date, duly executed and delivered by each of Pegaso, Pegaso PCS and Pegaso RH, as guarantors under the Pegaso Guaranty Agreement, in favor of Administrative Agent for the benefit of the Lenders;

(iv) a confirmation of the Burillo Counter-Guaranty Agreement (in Spanish and English), dated as of the Amendment Effective Date, duly executed and delivered by Alejandro Burillo Azcarraga, as guarantor under the Burillo Counter-Guaranty Agreement, in favor of QUALCOMM;

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(v) the Pagares, dated as of the Amendment Effective Date, that evidence the outstanding Obligations owed by Borrower to QUALCOMM as of the Amendment Effective Date;

(vi) evidence that the Shareholders have contributed at least \$50,000,000 to Borrower in cash equity (or in subordinated convertible debt on the terms set forth in the Funding Agreement or on terms reasonably satisfactory to QUALCOMM);

(vii) the Shareholders' firm commitments to contribute an additional \$50,000,000 to Borrower in cash equity (or in subordinated convertible debt on the terms set forth in the Funding Agreement or on terms reasonably satisfactory to QUALCOMM), remain in full force and effect;

(viii) an executed (x) waiver letter in the form of Exhibit A (the "Waiver Letter"), from the QUALCOMM Administrative Agent (as defined in the Common Agreement) and the Borrower Group with respect to (A) the waiver of any financial covenant default during the period from the date hereof through the Scheduled Maturity Date and (B) the waiver of any other default (if any) as reasonably requested by Borrower and (y) letter signed by Alcatel,

addressed to the Alcatel Lenders (as defined in the Common Agreement) instructing such Alcatel Lenders to agree to the Waiver Letter and to forward correspondence to the Alcatel Administrative Agent (as defined in the Common Agreement) instructing same to execute the Waiver Letter; and

(ix) such other documents, instruments, approvals or opinions as QUALCOMM may reasonably request;

(b) Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Amendment Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment;

(c) On or before the Amendment Effective Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents, opinions, certificates, and evidence as they may reasonably request;

(d) The representations and warranties set forth in Section 3 of this Amendment shall be true and correct as of the Amendment Effective Date; and

(e) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or

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obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by any Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment, nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower Group Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, each member of the Borrower Group represents and warrants, as to itself, to each Lender and the Administrative Agent as follows:

(a) Corporate Power and Authority. Such member of the Borrower Group has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of the Borrower Group, and this Amendment has been duly executed and delivered by the Borrower Group.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of each member of the Borrower Group, enforceable against such member of the Borrower Group in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the Borrower Group's obligations thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by each member of the Borrower Group of this Amendment and the performance by such member of the Borrower Group of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to such member of the Borrower Group or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon such member of the Borrower Group or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any property (other than Permitted Liens) of the Borrower Group.

(e) Permits. The execution, delivery and performance by each member of the Borrower Group of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in

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connection with the execution, delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. Each member of the Borrower Group confirms that as of the Amendment Effective Date the representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that no Default or Event of Default has occurred.

Section 4. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM and the Administrative Agent under, the Bridge Loan Agreement or any of the other Loan Documents. Furthermore, Borrower acknowledges that QUALCOMM's conditional waiver set forth in Section 1(c) of this Amendment is subject to Section 11.2(a) of the Bridge Loan Agreement.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all reasonable costs, fees and expenses as described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM and the Administrative Agent and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution in Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

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(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE

COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

VENDOR WORKING CAPITAL LENDER AND CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N. A.,
as Administrative Agent

By: _____

Printed Name: _____
Title: _____

Appendix 1

Schedule 2.2
to Bridge
Loan Agreement

VENDOR WORKING CAPITAL COMMITMENTS

VENDOR WORKING CAPITAL LENDER	COMMITMENT
QUALCOMM Incorporated	\$360,000,000

Appendix 2

Schedule 2.3
to Bridge
Loan Agreement

CAPITALIZED INTEREST COMMITMENTS

CAPITALIZED INTEREST LENDER	COMMITMENT
QUALCOMM Incorporated	\$73,000,000

EXHIBIT A

Form of Waiver Letter
(see attached)

EXECUTION COPY

SIXTH AMENDMENT AND WAIVER TO BRIDGE LOAN AGREEMENT

This SIXTH AMENDMENT AND WAIVER TO BRIDGE LOAN AGREEMENT (this "Amendment"), dated as of October 10, 2001, is entered into by PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso RH"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware ("QUALCOMM" and also the "Lender"), and CITIBANK, N.A., a national banking association, in its capacity as administrative agent for Lenders ("Administrative Agent"), under the Bridge Loan Agreement dated as of May 27, 1999 (as modified, amended, supplemented or restated from time to time, the "Bridge Loan Agreement"). Unless otherwise indicated, capitalized terms used and not otherwise defined in this Amendment shall have the same meanings in this Amendment as set forth in the Bridge Loan Agreement, and the rules of interpretation set forth in Section 1.2 of the Bridge Loan Agreement shall be applicable to this Amendment, mutatis mutandis, as if set forth in this Amendment.

RECITALS:

A. The Bridge Loan Agreement has been amended pursuant to (i) the First Amendment to the Bridge Loan Agreement, dated as of February 8, 2000, (ii) the Second Amendment to the Bridge Loan Agreement, dated as of August 22, 2000, (iii) the Third Amendment to the Bridge Loan Agreement, dated as of November 17, 2000, (iv) the Fourth Amendment to the Bridge Loan Agreement, dated as of March 22, 2001 and (v) the Fifth Amendment and Waiver to Bridge Loan Agreement, dated as of June 29, 2001.

B. QUALCOMM and the members of the Borrower Group entered into that certain letter agreement, dated June 22, 2001 (the "June 22, 2001 Letter Agreement"), pursuant to which the parties agreed, inter alia, to set the interest rate applicable to all Loans then outstanding at twenty percent (20%) and to capitalize the outstanding interest on all Loans on the last Business Day of each month.

C. The shareholders of Pegaso (the "Shareholders"), Telefonica S.A. and Telefonica Moviles S.A. have entered negotiations regarding the possible acquisition by Telefonica S.A. or an affiliate thereof ("Telefonica") of a majority of the outstanding capital stock of Pegaso or substantially all of

the assets of Pegaso, a possible business combination involving Telefonica and Pegaso or a possible strategic investment by Telefonica in Pegaso (any of the foregoing, the "Telefonica Transaction").

D. The Shareholders of Pegaso, Pegaso, Sprint Corporation and Leap Wireless International, Inc. have entered into a Funding Agreement, dated as of June 26, 2001 (as

amended or modified from time to time, the "Funding Agreement"), pursuant to which certain of the Shareholders are obligated to subscribe to and purchase notes from Pegaso in a minimum amount of \$100,000,000 and up to \$150,00,000 in the form of subordinated convertible debt (the "Shareholder Contributions") pursuant to the terms and conditions of the Funding Agreement.

E. Borrower has requested that (i) the Bridge Loan Agreement be amended to change the definition of "Scheduled Maturity Date", (ii) QUALCOMM lower the interest rate applicable on all Loans outstanding, (iii) QUALCOMM waive Section 9.1(n) of the Bridge Loan Agreement in connection with the Telefonica Transaction and (iv) QUALCOMM waive the mandatory prepayment requirement under Section 2.15 of the Bridge Loan Agreement with respect to the Shareholder Contributions.

F. QUALCOMM and the Administrative Agent have agreed to amend the Bridge Loan Agreement and QUALCOMM has agreed to (i) lower the interest rate applicable on all Loans and (ii) grant the waivers requested herein, each upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and agreements set forth below and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Amendment, Agreement, Waiver and Acknowledgement.

(a) Amendment. Subject to the satisfaction of the conditions precedent set forth in Section 2 of this Amendment, Section 1.1 of the Bridge Loan Agreement is amended as follows:

(i) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Capitalized Interest Commitment", the following new definition of "Capitalized Interest Commitment";

"Capitalized Interest Commitment" shall mean, with respect to each Capitalized Interest Lender, the amount set forth on Schedule 2.3 as such Lender's "Capitalized Interest Commitment," as such amount shall be increased, as necessary, by the amount, and without any action on the part of any party, required to fund a Deemed Capitalized Interest Loan Request.

(ii) Section 1.1 of the Bridge Loan Agreement is amended by substituting for the definition of "Scheduled Maturity Date", the following new definition of "Scheduled Maturity Date";

"Scheduled Maturity Date" shall mean the earlier of (1) August 29, 2002 or (2) if definitive agreements relating to the Telefonica Transaction are terminated prior to financial closing of the Telefonica Transaction, the date five (5) Business Days after such termination.

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(b) Agreement. The interest rate applicable to all Loans outstanding as of, and after, September 18, 2001 shall be nineteen percent (19%). Interest outstanding on all Loans shall continue to be capitalized on the last Business Day of each month pursuant to the June 22, 2001 Letter Agreement.

(c) Waiver and Acknowledgement. Subject to the satisfaction of the conditions precedent set forth in Section 2 of this Amendment, QUALCOMM:

(i) waives the requirement of Borrower under Section 2.15 of the Bridge Loan Agreement to prepay the Obligations with the net proceeds from the Shareholder Contributions;

(ii) if definitive agreements relating to the Telefonica Transaction, on terms and conditions reasonably acceptable to QUALCOMM, are entered into on or prior to October 31, 2001, waives Section 9.1(n) of the Bridge Loan Agreement in connection with the Telefonica Transaction until the earlier of (1) the date sixty (60) days after the financial closing of the Telefonica Transaction, (2) if the definitive agreements relating to the Telefonica Transaction are terminated prior to financial closing, the date five (5) Business Days after such termination, (3) the date sixty (60) days after the date of the annual shareholders meeting of Telefonica in 2002 or (4) August 29, 2002; and

(iii) acknowledges that from and after the Closing Date, as a result of the amendment to the definition of Scheduled Maturity Date pursuant to this Amendment, the Event of Default under Section 9.1(a) of the Bridge Loan Agreement that existed prior to the Closing Date shall no longer exist.

Section 2. Conditions to Effectiveness. Subject to the satisfaction of all of the following conditions precedent (the date of satisfaction of all such conditions being referred to as the "Closing Date"), the amendment set forth in Section 1(a) of this Amendment, the agreement set forth in Section 1(b) of this Amendment and the waivers and acknowledgement granted by QUALCOMM under Section 1(c) of this Amendment shall be effective as of the Closing Date:

(a) Each member of the Borrower Group, as applicable, shall deliver or shall cause to be delivered to QUALCOMM, by facsimile, copies of (with sufficient originally executed copies for each Lender to be delivered by overnight courier service) the following described documents (each of which shall be reasonably satisfactory in form and substance to QUALCOMM and its counsel):

(i) this Amendment, duly executed and delivered by the parties;

(ii) a confirmation of the Counter-Guaranty, dated as of the date hereof, duly executed and delivered by Leap Wireless Inc., as Counter-Guarantor under such Counter-Guaranty, in favor of QUALCOMM;

(iii) a confirmation of the Pegaso Guaranty Agreement (in Spanish and English), dated as of the date hereof, duly executed and delivered by each of Pegaso, Pegaso PCS

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and Pegaso RH, as guarantors under the Pegaso Guaranty Agreement, in favor of Administrative Agent for the benefit of the Lenders;

(iv) a Guaranty Agreement (in Spanish and English), dated as of the date hereof, duly executed and delivered by each of Pegaso Finanzas, S.A. de C.V. and Pegaso Finco I, S.A. de C.V., as guarantors, in favor of Administrative Agent for the benefit of the Lenders, in form and substance satisfactory to QUALCOMM and the Administrative Agent.

(v) a confirmation of the Counter-Guaranty (in Spanish and English), dated as of the date hereof, duly executed and delivered by Alejandro Burillo Azcarraga, as Counter-Guarantor under such Counter-Guaranty, in favor of QUALCOMM;

(vi) the Pagare, dated as of the date hereof, that evidences the outstanding Obligations owed by Borrower to QUALCOMM as of the date hereof;

(vii) an executed letter in the form of Exhibit A (the "Notice Letter"), among the Agents (as defined in the Common Agreement) and the Borrower Group with respect to (A) the amendments contemplated in the Common Agreement, (B) the waiver of any financial covenant default during the period from the date hereof through the Scheduled Maturity Date and (C) the waiver of any other default (if any) as reasonably requested by Borrower;

(viii) security documents as set forth in Exhibit B, evidencing Liens in certain of the Collateral (as defined in the Common Agreement);

(ix) a legal opinion from each of (a) Borrower's Mexican corporate counsel, and (b) Borrower's Mexican litigation counsel, in form and substance satisfactory to QUALCOMM.

(x) such other documents, instruments, approvals or opinions as QUALCOMM may reasonably request;

(b) Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Closing Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by Borrower under or in connection with this Amendment;

(c) On or before the Closing Date, all corporate, partnership and other proceedings taken by each member of the Borrower Group or to be taken in connection with the transactions contemplated by this Amendment, and all documents incidental to such transactions, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel, and the Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents, opinions, certificates, and evidence as they may reasonably request;

(d) The representations and warranties set forth in Section 3 of

this Amendment shall be true and correct as of the Closing Date; and

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(e) All approvals, authorizations, filings or Permits necessary for the execution, delivery and performance of this Amendment shall have been made, taken or obtained from or with any Governmental Authority, and no order, statutory rule, regulation, executive order, decree, judgment or injunction shall have been enacted, entered, issued, promulgated or enforced by any Governmental Authority which prohibits or restricts the transactions contemplated by this Amendment, nor shall any action have been commenced or threatened seeking any injunction or any restraining or other order to prohibit, restrain, invalidate or set aside the transactions contemplated by this Amendment.

Section 3. Borrower Group Representations and Warranties. In order to induce the Lenders to enter into this Amendment and to amend the Bridge Loan Agreement in the manner provided in this Amendment, each member of the Borrower Group represents and warrants, as to itself, as applicable, to each Lender and the Administrative Agent as follows:

(a) Corporate Power and Authority. Such member of the Borrower Group has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Bridge Loan Agreement as amended by this Amendment (the "Amended Agreement").

(b) Authorization of Agreements. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate and, if required, stockholder action of the Borrower Group, and this Amendment has been duly executed and delivered by the Borrower Group.

(c) Enforceability. The Amended Agreement constitutes the legal, valid and binding obligation of each member of the Borrower Group, enforceable against such member of the Borrower Group in accordance with its terms, except as may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights in general. The enforceability of the Borrower Group's obligations thereunder is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) No Conflict. The execution and delivery by each member of the Borrower Group of this Amendment and the performance by such member of the Borrower Group of the Amended Agreement do not and will not (i) contravene, in any material respect, any provision of any law, regulation, decree, ruling, judgment or order that is (A) applicable to such member of the Borrower Group or any of its properties or other assets and (B) in effect when this representation and warranty is made, (ii) result in a breach of or constitute a default under its charter documents or any other material agreement, indenture, lease or instrument binding upon such member of the Borrower Group or any of its properties or other assets and (iii) result in the creation or imposition of any Liens on any property (other than Permitted Liens) of the Borrower Group.

(e) Permits. The execution, delivery and performance by each member of the Borrower Group of this Amendment do not and will not require any Permit and do not result in the loss or impairment of any Permit previously obtained in connection with the execution,

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delivery and performance of the Loan Documents or the acquisition, construction, ownership, maintenance or operation of the System.

(f) Representations and Warranties in the Bridge Loan Agreement; Defaults. The representations and warranties contained in Section 6 of the Bridge Loan Agreement are (before and after giving effect to this Amendment) true and correct and that, after giving effect to this Amendment no Default or Event of Default has occurred and is continuing.

(g) Shareholder Contributions. Shareholder Contributions have been made pursuant to the Funding Agreement in an amount equal to or greater than \$100,000,000 and such amount has been contributed by Pegaso to Borrower as equity capital contributions.

Section 4. Conditions Subsequent and Events of Default. The failure of any of the following conditions subsequent to occur by the date applicable to such condition subsequent, shall constitute an Event of Default under the Bridge Loan Agreement and upon the occurrence of such Event of Default the Lenders shall be entitled to exercise the remedies as set forth in Section 9.2 of the Bridge Loan Agreement and the security documents set forth in Exhibit B:

(a) Execution and Delivery of Definitive Agreements. On or before October 31, 2001, definitive agreements relating to the Telefonica Transaction (the "Definitive Agreements") shall have been delivered in form and substance reasonably satisfactory to QUALCOMM.

(b) Satisfaction of All Conditions Relating to the Telefonica Transaction. On or before the earlier to occur of (i) January 31, 2002 and (ii) the date ninety (90) days after the execution of the Definitive Agreements, all of the conditions required for the financial closing under the Definitive Agreements shall have been satisfied.

Section 5. Miscellaneous.

(a) Reference to and Effect on the Bridge Loan Agreement and the other Loan Documents.

(i) The Bridge Loan Agreement and the other Loan Documents as specifically amended by this Amendment shall remain in full force and effect and are hereby ratified and confirmed.

(ii) The execution, delivery and performance of this Amendment shall not, except as expressly provided in this Amendment, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of QUALCOMM and the Administrative Agent under, the Bridge Loan Agreement or any of the other Loan Documents.

(iii) Upon the conditions precedent set forth in this Amendment being satisfied, this Amendment shall be construed as one with the Bridge Loan Agreement, and the

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Bridge Loan Agreement shall, where the context requires, be read and construed throughout so as to incorporate this Amendment.

(b) Fees and Expenses. Borrower acknowledges that all reasonable costs, fees and expenses as described in Section 11.3(a) of the Bridge Loan Agreement incurred by QUALCOMM and the Administrative Agent and in each case its counsel, with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

(c) Execution in Counterparts; Effectiveness. This Amendment may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(d) Headings. Section and subsection headings in this Amendment are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

(e) Severability. If any provision contained in or obligation under this Amendment shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

(f) GOVERNING LAW; JURISDICTION. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, FOR THE PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS (INCLUDING MEXICO) BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY

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LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

THE BORROWER GROUP:

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

VENDOR WORKING CAPITAL LENDER AND CAPITALIZED INTEREST LENDER:

QUALCOMM INCORPORATED

By: _____
Printed Name: _____
Title: _____

ADMINISTRATIVE AGENT:

CITIBANK, N. A.,
as Administrative Agent

By: _____
Printed Name: _____
Title: _____

EXHIBIT A

Form of Notice Letter
(see attached)

EXHIBIT B

Security Documents

1. Second Priority Voluntary Mortgage granted by Borrower in favor of QUALCOMM.
2. Second Priority Pledge Agreement upon the Fideicomitente rights of Borrower pursuant to the Vendor Guaranty Trust Agreement (as defined in the Common Agreement).
3. Second Priority Pledge upon the PCS/Recursos Pledge Agreement (as defined in the Common Agreement).
4. Second Priority Pledge upon the Sistemas Pledge Agreement (as defined in the Common Agreement).
5. Second Priority Pledge upon the shares of Pegaso Finanzas, S.A. de C.V.
6. Second Priority Pledge upon the shares of Pegaso Finco I, S.A. de C.V.

COMMON AGREEMENT

AMONG

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

PEGASO PCS, S.A. DE C.V.

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

PEGASO RECURSOS HUMANOS. S.A. DE C.V.

AND

CITIBANK MEXICO, S.A., GRUPO FINANCIERO CITIBANK

AS COLLATERAL AGENT AND

CITIBANK, N.A.

AS INTERCREDITOR AGENT

AND

CITIBANK INTERNATIONAL PLC,

AS ALCATEL ADMINISTRATIVE AGENT

AND

ABN AMRO BANK N.V.,

AS QUALCOMM ADMINISTRATIVE AGENT

DATED AS OF DECEMBER 15, 1998

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THIS COMMON AGREEMENT, dated as of December 15, 1998 (this "Agreement"), among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico (the "Company" or the "Borrower"), PEGASO TELECOMUNICACIONES, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Holdings"), PEGASO PCS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Pegaso PCS"), PEGASO RECURSOS HUMANOS, S.A. DE C.V., a sociedad anonima de capital variable organized under the laws of Mexico ("Personnel Co."), CITIBANK, NA., a national banking organization under the laws of the United States of America, acting through its branch located in New York, New York, in its capacity as Intercreditor Agent (the "Intercreditor Agent"), on behalf of the Senior Lenders, CITIBANK MEXICO, S.A., GRUPO FINANCIERO CITIBANK, a national banking organization under the laws of the United Mexican States, in its capacity as Collateral Agent (the "Collateral Agent"), CITIBANK INTERNATIONAL PLC, a corporation organized under the laws of England, in its capacity as Alcatel Administrative Agent (the "Alcatel Administrative Agent"), on behalf of the Alcatel Lenders, and ABN AMRO BANK N.V., a Netherlands banking organization in its capacity as QUALCOMM ADMINISTRATIVE AGENT (the "Qualcomm Administrative Agent") on behalf of the Qualcomm Lenders, and the other Senior Lenders executing this Agreement from time to time as contemplated by Article 2 hereof.

WITNESSETH:

WHEREAS, the Company was awarded the Licenses; and

WHEREAS, the Company by itself (and, in some cases, through other members of the Borrower Group) will engage in the Business; and

WHEREAS, the Company is a Wholly-owned subsidiary of Holdings the shares of which are, on the date hereof, owned by the Sponsors in accordance with the terms of the Joint Venture Agreement; and

WHEREAS, the Company has entered into the Alcatel Procurement Agreement with Alcatel Indetel pursuant to which the Company has agreed to acquire from Alcatel Indetel, and Alcatel Indetel has agreed to supply to the Company, certain equipment and services required for the System and the Business; and

WHEREAS, the Company has entered into the Qualcomm Procurement Agreements for the purpose of acquiring from the respective vendors thereunder certain equipment and services required for the System and the Business; and

WHEREAS, to finance the cost of constructing, developing and equipping

the System and starting-up the Business, the Company is entering into various senior indebtedness agreements, including the Alcatel Credit Agreement and the Qualcomm Credit Agreement, and shall be entering into various other senior indebtedness agreements, in each case setting out the terms upon which financing is to be provided for such development; and

WHEREAS, the execution of this Agreement, which provides for, among other things, (i) certain common representations, warranties and covenants of the Company, (ii) certain uniform conditions to the making of Senior Loans and (iii) certain common events of default, is a condition precedent to the obligation of the Senior Lenders to extend credit to the Company; and

WHEREAS, the Intercreditor Agent, the Collateral Agent and the Administrative Agents are simultaneously with the execution hereof entering into the Collateral Agency Agreement and the Intercreditor Agreement; and

WHEREAS, the Company may incur Additional Senior Indebtedness and other Indebtedness from time to time subject to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the covenants and agreements contained herein and in the other Financing Agreements, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF CONSTRUCTION

1.01 DEFINITIONS. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, capitalized terms used in this Agreement, its appendices, schedules and exhibits have the meanings given to such terms in Appendix A.

1.02 PRINCIPLES OF CONSTRUCTION. In this Agreement and the other Financing Agreements and the appendices, exhibits and schedules hereto or thereto (unless otherwise provided therein):

(a) The meanings set forth for defined terms in Appendix A or in any Financing Agreement shall be equally applicable to both the singular and plural forms of the terms defined and the masculine, feminine or neuter gender shall include all genders.

(b) All references in any Financing Agreement to clauses, sections, appendices, schedules and exhibits are to clauses, sections, appendices, schedules and exhibits in or to such Financing Agreement unless otherwise specified therein.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in a Financing Agreement shall refer to such Financing Agreement as a whole and not to any particular provision of such Financing Agreement.

(d) References in any Financing Agreement to any statute, decree, regulation or other Applicable Law shall be construed as a reference to such statute, law, decree, regulation or other Applicable Law as re-enacted, redesignated, amended or extended from time to time, except as otherwise provided in such Financing Agreement.

(e) References in any Financing Agreement to any Transaction Document or any other document or agreement shall be deemed to include references to such

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Transaction Document or such other document or agreement as amended, varied, supplemented or replaced from time to time in accordance with the terms of such Transaction Document, document or agreement and this Agreement and to include any appendices, schedules, exhibits, clarification letters, side letters and disclosure letters executed in connection therewith.

(f) References to any Person or Persons shall be construed as a reference to any successors or assigns of such Person or Persons to the extent permitted under the Financing Agreements and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities.

(g) The table of contents and the headings of the several sections and subsections of this Agreement or any Financing Agreement are intended for convenience only and shall not in any way affect the meaning or construction of any provision therein.

(h) References to the words "include" or "including" shall be deemed to be followed by "without limitation" or "but not limited to," whether or not they are followed by such phrases or words of similar import.

(i) References to a number of days shall refer to calendar days

unless Business Days are otherwise specified.

(j) References to "the Borrower Group," to a "member of the Borrower Group" or to "members of the Borrower Group" shall mean each member of the Borrower Group agreeing, representing or otherwise acting on a joint and several basis.

1.03 CONFLICTS. In the case of any conflict between the terms of this Agreement and the terms of any Credit Agreement, the terms of such Credit Agreement, as between the Company and the Senior Lenders party thereto, shall control.

ARTICLE 2

CREDIT FACILITIES

2.01 INDEBTEDNESS SUBJECT TO THIS AGREEMENT. All Senior Indebtedness shall be entitled to the benefits of and subject to the obligations set forth in this Agreement and shall be entitled to the liens, charges, collateral assignments and security interests granted by or pursuant to the Security Documents.

2.02 SENIOR INDEBTEDNESS PARI PASSU. All Senior Indebtedness shall rank pari passu without any preference among Senior Indebtedness by reason of date of incurrence or otherwise.

2.03 PRO RATA PAYMENT OF OBLIGATIONS. Except as specifically set forth in Section 2.05, (a) each prepayment to a Senior Lender in respect of the Senior Indebtedness, and (b) on and after the occurrence of an Event of Default and the delivery of a Remedies Instruction as described in the Intercreditor Agreement, each payment to a Senior Lender in respect of the Senior Indebtedness, shall be on a Pro Rata Payment basis in accordance with the respective

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interest, fees, commissions, indemnities, principal and other amounts due to all of the Senior Lenders on the date of such payment or prepayment.

2.04 ADDITIONAL SENIOR INDEBTEDNESS. From time to time the Company may, subject to the terms hereof, designate additional indebtedness of and commitments to lend to the Company as Senior Indebtedness, and upon satisfaction of each of the following conditions precedent such designated indebtedness and commitments, for all purposes of this Agreement, shall be Senior Indebtedness secured by the collateral subject to the Security Documents and entitled to the benefits of this Agreement ("Additional Senior Indebtedness"):

(a) Subject to the terms and conditions of this Section 2.04, the lenders of such Additional Senior Indebtedness (or an agent or fiduciary representing such lenders) (the "Additional Senior Indebtedness Lender") shall have executed and delivered to the Collateral Agent an agreement in which each such lender agrees to be bound as a Senior Lender by all of the terms and conditions of this Agreement, the Collateral Agency Agreement and the Intercreditor Agreement as if it were a party hereto and thereto.

(b) The Company shall have furnished to the Collateral Agent and to each of the Alcatel Administrative Agent and the Qualcomm Administrative Agent a term sheet describing the terms and conditions of the proposed Additional Senior Indebtedness, a summary describing any and all representations, warranties, affirmative covenants, negative covenants, events of default and other non-financial terms which are to be imposed in connection with the making of such Additional Senior Indebtedness and which are potentially more restrictive on the Borrower Group than the provisions of this Agreement (the "Further Provisions"), and as soon as practicable, drafts of the proposed Credit Agreement and each of the other documents related thereto. Within 10 Business Days after the receipt of such term sheet and drafts of the Further Provisions, the Alcatel Administrative Agent and the Qualcomm Administrative Agent shall notify the Company, the Additional Senior Indebtedness Lender, the Collateral Agent and each other such Administrative Agent whether they (acting on behalf of, and at the instructions of, the Senior Lenders under their respective Credit Agreements) agree to amend or supplement the provisions of this Agreement to allow such Further Provisions to be incorporated herein; and, if either of them (on behalf of the Senior Lenders under their respective Credit Agreements) so agree, pursuant to the sole and absolute discretion of such Senior Lenders, this Agreement shall be amended to include such Further Provisions and each party hereto shall execute and deliver an amendment implementing such Further Provisions, which amendment shall be in form reasonably satisfactory to each such party; provided, that in no event shall any Administrative Agent or the Collateral Agent be obligated to waive or modify any provision of the Financing Agreements relating to the Collateral. If neither of such Administrative Agents agrees to include such Further Provisions in this Agreement, such Further Provisions may be included in the Credit Agreement under which such Additional Senior Indebtedness is to be incurred and an "event of default" thereunder shall constitute an Event of Default hereunder as set forth in Section 7.15. Any and all Further Provisions related to any Additional Senior Indebtedness, which Further Provisions were included in this Agreement pursuant to this Section

2.04(b), shall terminate, and this Agreement shall be amended to delete such Further Provisions, upon the full refinancing of all of the obligations under such related Additional Senior Indebtedness; provided, that if at the time of any such refinancing, the Senior Indebtedness under either of the Alcatel Credit Agreement or the Qualcomm Credit Agreement have been syndicated or participated such

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that any of the commitments or outstanding obligations thereunder have been sold without credit support from Alcatel or its Affiliates or QUALCOMM or its Affiliates, as applicable, such Further Provisions shall remain in this Agreement for the term hereof; provided further, that no Further Provisions shall terminate as described above to the extent such Further Provisions are included within the instruments or agreements pursuant to which such related Additional Senior Indebtedness is refinanced. Each of QUALCOMM and Alcatel shall be permitted to exercise their rights under this Section 2.04(b) any number of times of so long as QUALCOMM or Alcatel, as the case may be, shall be a Senior Lender or shall be providing credit support to any Senior Lender with respect to the Senior Indebtedness of such Senior Lender.

(c) Any and all liens, collateral assignments, security interests and charges which are to be given by the Borrower Group or their shareholders in connection with such Additional Senior Indebtedness ("Additional Collateral") shall be granted to the Collateral Agent (and the Security Documents shall be amended or supplemented accordingly, or further security documents shall be executed and delivered by the Borrower Group to grant such Additional Collateral to the Collateral Agent), so that, following the issuance of such Additional Senior Indebtedness, all of the Senior Indebtedness will be secured on a pari passu basis.

(d) Each member of the Borrower Group shall execute and deliver a Guaranty Agreement in favor of the Additional Senior Indebtedness Lender in such a manner that the Additional Senior Indebtedness is guaranteed thereunder to the same extent as the other Senior Indebtedness at the time outstanding is guaranteed; provided, however, that, the Company may arrange for a guaranty or guarantees of such Additional Senior Indebtedness from a third party or parties, other than other members of the Borrower Group (a "Third Party Guarantor") without providing for a similar guaranty or guarantees of other Senior Indebtedness, so long as (i) any representations, warranties, covenants or defaults included in any reimbursement or similar agreement between any member of the Borrower Group and the Third Party Guarantor shall constitute Further Provisions for purposes of clause (b) of this Section 2.04, and (ii) no collateral or other security may be given to such Third Party Guarantor by any member of the Borrower Group other than in respect of subrogation rights, if any, which such Third Party Guarantor may have in the Collateral and the Security Documents, if and to the extent that it makes payments under such guaranty.

(e) At least five days prior to the issuance of the Additional Senior Indebtedness, the Borrower Group shall have delivered to each Administrative Agent a certificate (i) describing such Additional Senior Indebtedness, (ii) stating that no Default or Event of Default has occurred and is then continuing hereunder after giving full effect to the incurrence of such Additional Senior Indebtedness, and (iii) stating that, following such issuance, the Borrower Group will be in compliance with the provisions of this Section 2.04 and with the provisions of Section 6.04(d).

(f) All of the conditions precedent to the Initial Disbursement under the applicable Credit Agreement for such proposed Additional Senior Indebtedness shall have been satisfied or waived pursuant to the terms of such Credit Agreement.

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2.05 PREPAYMENTS.

(a) Prepayments of Senior Indebtedness shall be permitted to the extent provided in the applicable Credit Agreement and to the extent provided below.

(b) Any prepayment of the principal amounts of any Senior Indebtedness (other than (i) a prepayment of Non-Vendor Financing, (ii) a prepayment of vendor financing from financing provided or supported by an export credit agency or (iii) a prepayment made under a revolving credit or similar facility, including a voluntary prepayment of a Loan the proceeds of which were used for the payment of VAT, provided that the lender's commitment thereunder is not permanently reduced at the time of such prepayment) shall be accompanied by a prepayment, on a Pro Rata Payment basis, of the principal amounts of all other Senior Indebtedness then outstanding, (which prepayments shall be made simultaneously unless any such Senior Indebtedness does not permit such prepayment at such time or would otherwise require a prepayment or break-funding penalty, in which case such prepayment amounts, at the option of the Company, may be deposited with the applicable Administrative Agent, invested in Permitted Investments, and applied to the prepayment of such Senior Indebtedness on the

first date permitted or as to which no prepayment or break-funding penalty would be imposed) which prepayment (unless the option described in the foregoing parenthetical shall be exercised) shall be accompanied by the full payment of any prepayment premium, break-funding amounts or other amounts due and payable under the applicable Credit Agreement in connection with such prepayment; provided, that (x) no such prepayment of any other Senior Indebtedness shall be required if the Senior Lenders holding such Senior Indebtedness agree to waive such prepayment or if the Credit Agreement governing such Senior Indebtedness does not permit such prepayment and (y) the amount of the Senior Indebtedness which would be so prepaid (but for the foregoing clause (x)) shall not be applied to the other Senior Indebtedness then outstanding.

(c) Any prepayment of principal on any Senior Indebtedness as described in Section 2.05(b) shall be accompanied in each case with the full payment of all accrued and unpaid interest on such Senior Indebtedness to the extent required under the applicable Credit Agreement.

(d) Subject to SECTION 2.05(b), any prepayment of any Senior Indebtedness which is made from the proceeds of other Indebtedness ("Refinancing Indebtedness") may be made on a non-Pro Rata Payment basis between or among Senior Indebtedness; provided, however, that the documentation under which such Refinancing Indebtedness (other than Refinancing Indebtedness provided or supported by an export credit agency) is issued shall provide that Senior Indebtedness may be prepaid by the Company on a non-Pro-Rata Payment basis to the same extent as is set forth in this Section 2.05.

2.06 PAYMENTS.

(a) On each Payment Date, the Company shall make the scheduled principal repayments of Senior Indebtedness due on such Payment Date except to the extent that such repayments have been prepaid. Principal of the Senior Indebtedness shall be payable in accordance with the applicable Credit Agreement on the terms and conditions set forth therein. If two or more Credit Agreements set forth the same Payment Date at any one time, and the

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Company shall not have sufficient funds on such date to make full payment of the Senior Indebtedness amounts due on such date under the applicable Credit Agreements, then the Company shall make payments to the Senior Lenders under such Credit Agreements on a Pro Rata Payment basis (determined without regard to clause (z) of the proviso of the definition of "Pro Rata Payment") in respect of the amounts due on such date.

(b) On each Payment Date, the Company shall pay accrued and unpaid interest on the unpaid principal amount of the Senior Indebtedness outstanding under each Credit Agreement in accordance with the terms of the applicable Credit Agreement.

(c) All payments due under any Credit Agreement shall be made by the Company pursuant to the terms of the applicable Credit Agreement, in Dollars, as required under the applicable Credit Agreement, and in immediately available funds. Subject to the provisions of the Collateral Agency Agreement and Intercreditor Agreement, the relevant Administrative Agent shall apply each payment with respect thereto received by it in accordance with such Credit Agreement.

(d) If at any time at which any Obligations are payable to a Senior Lender such Senior Lender receives insufficient funds pursuant to the applicable Credit Agreement to pay in full all Obligations payable to such Senior Lender at such time, the funds so received by such Senior Lender at such time shall be deemed to be applied as follows:

(i) FIRST, to interest (including post-default interest) on the Senior Indebtedness held by such Senior Lender;

(ii) SECOND, to principal of the Senior Indebtedness held by such Senior Lender; and

(iii) THIRD, to fees, commissions, indemnities, expenses and all amounts (other than principal of and interest on the Senior Indebtedness) payable to such Senior Lender.

2.07 SWAP AGREEMENTS AS SENIOR INDEBTEDNESS. Subject to any other restrictions otherwise contained in this Common Agreement, the Company may enter into interest rate and Peso-Dollar currency swap agreements (including collars, caps and similar derivative arrangements) through the execution of an agreement, (a "Swap Agreement") with an Eligible Swap Counterparty; provided, however, that all interest rate swap agreements shall be bona fide hedges of floating rate exposure for a fixed rate obligation, shall have at any time a notional amount not greater than the Company's floating rate Indebtedness outstanding at such time, and cover a period not exceeding four years from any date of determination; provided, further, that all currency swap agreements shall be forward contracts, for a term not exceeding one year, for the purchase of Dollars or Pesos with notional amounts in aggregate not exceeding the Company's

projected operating expenses coming due over the three month period following the date upon which such currency swap agreement is entered. The Company may incur obligations under the Swap Agreement without regard to any limitations imposed under Section 2.04 or Section 6.04. The obligations of the Company under any such Swap Agreement may, upon notice by the Company to the Collateral Agent, be secured by the Collateral on a pro-

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rata basis to the same extent as would be the case if such obligations of the Company under such Swap Agreement were deemed to be Additional Senior Indebtedness hereunder, in which event the Security Documents shall be amended to the extent necessary to provide for such pro-rata treatment of the swap counterparty in respect of such Collateral; provided, however, that in such event (i) no member of the Borrower Group shall, if the swap counterparty is secured as aforesaid, grant to such swap counterparty any other Lien upon the property or assets of the Borrower Group, (ii) the amount secured by the Collateral, as described in the preceding sentence, shall be the amount owed from time to time by the Company under the Swap Agreement, and (iii) the swap counterparty, in its capacity as such, shall not otherwise be, or be deemed to be, a Senior Lender hereunder and shall have no voting rights with respect to any matter described herein or in the other Financing Agreements. Upon delivery of the notice to the Collateral Agent as aforesaid, accompanied by a certificate of the Chief Financial Officer of the Company stating that no Default or Event of Default has occurred and is then continuing, the Collateral Agent shall amend or supplement the Security Documents to implement the provisions of this Section 2.07.

ARTICLE 3

CONDITIONS PRECEDENT

3.01 CONDITIONS PRECEDENT TO INITIAL DISBURSEMENT. Subject to Section 3.05, the obligation of a group of Senior Lenders under a particular Credit Agreement to make an Initial Disbursement shall be subject to the satisfaction or waiver by each such Senior Lender of the conditions set forth below:

(a) SYSTEM AGREEMENTS. The Administrative Agents and the Relevant Parties shall have received a true and complete copy of each System Agreement (other than the Vendor Agreements) and all supplements, clarifications or amendments thereto, all of which shall be in form and substance satisfactory to such Administrative Agents (acting on behalf of, and at the instructions of, the Senior Lenders under their respective Credit Agreements) and Relevant Parties and certified as of the Initial Disbursement Date by an Authorized Officer of the Company (or, in the case of the Joint Venture Agreement, by an Authorized Officer of Holdings) with respect to the following matters: (A) such System Agreement is a true, complete and correct copy of such System Agreement, (B) such System Agreement is in full force and effect, (C) since the date of execution thereof, such System Agreement has not been amended, modified, clarified or supplemented, nor has any waiver been granted thereunder, except for those amendments, modifications, clarifications, supplements or waivers, certified copies of which have been delivered to the Administrative Agents pursuant to (A) above, and (D) no party to any System Agreement is or, but for the passage of time, giving of notice, fulfillment of any condition or any combination thereof would be, in breach of any obligation thereunder (provided that the certification of the Company's Authorized Officer as to the matters set forth in this clause (D) may be made to the best knowledge of such Authorized Officer with respect to Persons that are not members of the Borrower Group).

(b) FINANCING AGREEMENTS. Each Financing Agreement required to be executed and delivered on or prior to the Initial Disbursement Date (i) shall have been executed and delivered, and (ii) shall be in full force and effect.

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(c) SECURITY INTERESTS. (i) All security interests intended to be created pursuant to the Security Documents shall have been created and, where appropriate, registered or other action taken to create a security interest and Lien over the relevant asset or property in favor of the Collateral Agent, for the benefit of the Senior Lenders, (ii) all fees and duties shall have been paid in connection with such registration and (iii) all such security interests shall (except as otherwise provided in any opinion of counsel accepted pursuant to paragraph (f) below) be valid and enforceable and constitute first priority perfected security interests, and be enforceable against the members of the Borrower Group and any subsequent lien or (including a judgment lien or), holder of a fixed or floating charge, or transferee for or not for value, in bulk, by operation of law, for the benefit of creditors, or otherwise, subject in any such case only to Permitted Liens described in Section 6.01. In addition to the above, the Collateral Agent shall have received (w) evidence issued by the Public Registry of Commerce of the Federal District of Mexico that the Original Mortgage has been recorded in its books and records, (x) if then available, evidence issued by the Telecommunications Registry of Mexico that the Original Mortgage has been recorded in its books and records, (y) a copy of the second testimony of the public deed evidencing the execution and delivery of Amendment No. 1 to the Mortgage, together with a certificate of the relevant Public Notary

that the first testimony of such public deed has been presented for, and accepted for, registration at the Public Registry of Commerce of the Federal District of Mexico and the Telecommunications Registry of Mexico, and (z) if then available, evidence issued by each such Registry that Amendment No. 1 to the Mortgage has been recorded in its books and records.

(d) PROCESS AGENTS. The Administrative Agents and the Relevant Parties shall have received evidence that (i) each of the Company, Holdings and each other Guarantor shall have duly and irrevocably appointed an agent for service of process in New York, (ii) such agent shall have accepted such appointment and (iii) all fees scheduled to accrue to each such agent for service of process through and including the date following seven years after the Initial Disbursement Date shall have been paid in full.

(e) INSURANCE.

(i) The Borrower Group shall have obtained the insurance described in Schedule 5.03 on the terms and conditions set forth therein and from financially sound and reputable insurers and reinsurers and meeting the criteria set forth in Schedule 5.03, and shall have provided to the Administrative Agents and the Relevant Parties a certificate of an Authorized Officer of the Company to that effect. The evidence required to be delivered by the Company pursuant to this clause (i) or clause (ii) below shall confirm that all premiums due and payable as of the Initial Disbursement Date have been paid and no insurance premiums are overdue. The Administrative Agents and the Relevant Parties shall have received evidence that each insurance policy referred to in Schedule 5.03 has named the Collateral Agent; for the benefit of the Secured Parties, as a co-beneficiary or co-payee under such policy together with the Company (or other member of the Borrower Group), as their respective interests may appear.

(ii) The Insurance Consultant shall have provided the Administrative Agents and the Relevant Parties with a report in form and substance acceptable to the Administrative Agents and the Relevant Parties which shall confirm the matters set forth in clause (i) above, indicate that such insurance and reinsurance is effective and provides adequate

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coverage for the System and the Business and cover such other matters as any Administrative Agent may have reasonably requested.

(f) OPINIONS OF COUNSEL. The Administrative Agents and the Relevant Parties shall have received the following legal opinions in the English language addressed to each Senior Lender, each Agent and each Relevant Party:

(i) the opinion of White & Case LLP, special New York counsel to the Borrower Group, substantially to the effect set forth in Appendix B-1;

(ii) the opinion of White & Case, S.C., Mexican counsel to the Borrower Group, substantially to the effect set forth in Appendix B-2.

(g) CORPORATE DOCUMENTS. The Administrative Agents and the Relevant Parties shall have received for each member of the Borrower Group, Charter Documents, good standing certificates (to the extent applicable to such Person and available in such Person's jurisdiction of formation), incumbency certificates and resolutions in each case certified by the appropriate officers of such Person. Such resolutions shall, in each case, approve such Person's participation in the transactions contemplated by this Agreement and the applicable Credit Agreement, and the granting of Liens in connection therewith, and shall authorize the execution, delivery and performance by such Person of the Financing Agreements to which such Person is a party.

(h) PLEDGES OF STOCK.

(A) (i) The Pledge Agreement executed on October 31, 1998 by and among Holdings, the Company, Pegaso PCS and Qualcomm in order to create a pledge on the shares issued by Pegaso PCS and Personnel Co. (the "PCS/Recursos Pledge Agreement") shall have been amended in form satisfactory to the Administrative Agents and the Relevant Parties to include the Collateral Agent, acting on behalf of and for the benefit of the Secured Parties, as beneficiary of such agreement and (ii) the Pledge Agreement executed on October 31, 1998 by and among Holdings, Pegaso PCS and Qualcomm in order to create a pledge on the shares issued by the Company (the "Sistemas Pledge Agreement") shall have been amended in form satisfactory to the Administrative Agents and the Relevant Parties to include the Collateral Agent, acting on behalf of and for the benefit of the Secured Parties, as beneficiary of such agreement.

(B) Each of the Sponsors shall have executed and delivered the Sponsors Negative Pledge Agreement which shall effectively prohibit the granting of any Lien over any such Capital Stock by any such Sponsor.

(i) BUSINESS PLAN. The Administrative Agents and the Relevant

Parties shall have received (1) a copy of the Original Business Plan; and (2) a copy of the Final Business Plan, certified by an Authorized Officer of the Company as having been approved by the Board of Directors of Holdings.

(j) STAMP DUTIES; TAXES; ETC. The Administrative Agents and the Relevant Parties shall have received evidence satisfactory to them that all required stamp duties,

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registration fees, filing costs and other charges in connection with the execution, delivery, filing and/or perfection of any Transaction Document required to be stamped, registered or filed have been paid in full or an appropriate exemption therefrom shall have been obtained, except to the extent that the Company has provided the Administrative Agents and the Relevant Parties with assurances satisfactory to them that such duties, fees, costs and charges will be paid in full with the proceeds of the Initial Disbursement.

(k) CONSENTS, AMENDMENTS, ASSIGNMENTS AND ACKNOWLEDGMENTS. All consents, amendments, assignments, acknowledgments, documents or other evidence or information (including the Consents) necessary or desirable in connection with the System, the Collateral and the assignment as security of the System Agreements to the Collateral Agent (including all approvals of any Governmental Authority or any third party) shall have been duly: obtained, executed and delivered, including, without limitation, consents relating to the Vendor Agreements, the Operator Agreement, the GTE Operator Agreement and the Interconnection Agreements.

(l) SYSTEM COMPLIANCE. The System shall be in compliance in all respect with all Applicable Laws as in effect upon the Closing Date and the Administrative Agents and the Relevant Parties shall have received a certificate to such effect from an Authorized Officer of the Company.

(m) FINANCIAL STATEMENTS. The Administrative Agents and the Relevant Parties shall have received the most recent financial statements of the Borrower Group (on consolidated basis), together with a certificate from the Chief Financial Officer of Holdings stating that no material adverse change in the consolidated assets, liabilities, operations or financial condition of the Borrower Group has occurred from those set forth in the financial statements provided pursuant to this clause (m), except as otherwise provided (which exceptions shall also be in form and substance satisfactory to each Administrative Agent) in any such certificate with respect to such financial statements.

(n) AUTHORIZATION TO INDEPENDENT ACCOUNTANT. The Chief Financial Office of Holdings shall have authorized the Independent Accountant in writing to communicate directly with the Relevant Parties, the Alcatel Administrative Agent and the Qualcomm Administrative Agent (provided that such authorization shall provide that no such communications shall occur with the Independent Accountant unless and until such Relevant Party or such Agent has, prior thereto, notified such Chief Financial Officer of Holdings that it intends to so communicate with the Independent Accountant, and requests that such officer so notify such Independent Accountant) and shall have furnished such Administrative Agents and the Relevant Parties with a copy of such authorization, which authorization shall be irrevocable until all Obligations have been fully and finally paid.

(o) FEES AND EXPENSES. The Company (or other members of the Borrower Group) shall have paid all fees and expenses due to any Secured Party (including all reasonable fees and expenses of legal counsel for any of the foregoing to the extent the Company (or another member of the Borrower Group) is obligated to pay such expenses), on or before the Closing Date, or arrangements satisfactory to such Secured Party, shall have been made for the payment of such fees and expenses from the proceeds of the Initial Disbursement.

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(p) INITIAL CREDIT FACILITY CONDITIONS PRECEDENT. All of the conditions set forth in each of Article 6 of the Alcatel Credit Agreement and Section 4 of the Qualcomm Credit Agreement, shall have been satisfied or waived in accordance with the terms of each such agreement.

(q) EXISTING EQUITY. The Administrative Agents shall have received evidence that not later than the Closing Date that (i) the paid-in equity (in the form of equity cash contributions made by the Existing Shareholders and the New Shareholders of Holdings in consideration for Capital Stock issued by Holdings to such shareholders) was not less than the aggregate amount of \$300,000,000 as of the date or dates contributed, (ii) not less than 99% of such cash has been contributed by Holdings to the Company as equity, and (iii) the remainder of such cash, if any, has been contributed by Holdings to either or both of Pegaso PCS and/or Personnel Co. as equity.

(r) EQUITY COMMITMENTS. The Administrative Agents and the Relevant Parties shall have received evidence of irrevocable cash Equity Commitments by the Original Mexican Shareholders in the aggregate amount of (i) \$50,000,000 to be contributed, delivered and paid not later than July 31, 1999 and (ii) \$50,000,000 to be contributed, delivered and paid not later than August 30, 2000; there shall have been no default under any such Equity Commitments; there shall have been no bankruptcy, insolvency or similar proceedings commenced or initiated by or against any Original Mexican Shareholder making such Equity Commitment; and each Sponsor, Holdings and the Company shall have executed an Assignment Agreement with respect to such Equity Commitments in form and substance satisfactory to the Required Voting Parties.

(s) LICENSES AND LICENSE FEE. The Licenses shall be in full force and effect; such Licenses shall provide all of the Permits required to operate the System in accordance with the Original Business Plan, and in those geographical areas referred to in the Original Business Plan; and all fees, costs and expenses payable in connection with the granting or maintaining of such Licenses (including any VAT taxes or charges relating thereto) shall have been paid in full from Existing Equity.

(t) MINIMUM ASSETS; MORTGAGED PROPERTY. The Administrative Agents and the Relevant Parties shall have received (i) a certificate of an Authorized Officer of the Company to the effect that (A) the Company owns, both legally and beneficially, title to the Minimum Assets, and (B) all such Minimum Assets are subject to the Lien created by the Security Documents, and (ii) an undertaking by Holdings, and Holdings hereby undertakes, that Holdings holds and will continue to hold as its only assets the Capital Stock of the Company, Pegaso PCS and Personnel Co, the rights to receive equity as provided in the Equity Commitments (and with all debt or other obligations owing from any such entity to Holdings having been contributed to such entity as additional capital) and the assets referred to in the parenthetical in Section 6.04(h) (C).

(u) VARIOUS CONSENTS AND APPROVALS. The Administrative Agents and the Relevant Parties shall have received all Permits, material consents, approvals and releases of all appropriate Governmental Authorities and all other third parties in connection with the transactions contemplated by the Transaction Documents, including (without limitation)

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all required consents, authorizations, approvals or releases from contractual counterparties of members of the Borrower Group required to be obtained to permit the Lien of the Collateral Agent, acting for the benefit of the Secured Parties, in the Collateral.

(v) SUPPLEMENT TO ALCATEL COMMITMENT LETTER. The Company shall have received a supplemental letter updating and confirming the terms of the Alcatel Commitment Letter and the conditions of for effectiveness. Such supplemental letter shall be dated no earlier than five Business Days prior to the date hereof and accurately reflect the terms and conditions of the commitment under the Alcatel Commitment Letter as of such date, and the Administrative Agents shall have received a fully-executed copy thereof, the substance of which shall be reasonably satisfactory to the Qualcomm Administrative Agent.

(w) GUARANTY TRUST AGREEMENT AND RELATED DOCUMENTS AND APPROVALS. Holdings shall deliver to the Administrative Agents and the Relevant Parties the Guaranty Trust Agreement duly executed and delivered by each of the parties thereto, together with evidence in writing that the Secretaria de Comunicaciones y Transportes have approved the Guaranty Trust Agreement and all appropriate documentation and instruments, which documentation and instruments shall have been duly executed, in order to effectively transfer title to the trustee thereunder, for the benefit of the Collateral Agent, to all of the Capital Stock in the Company, Pegaso PCS and Personnel Co. as held by Holdings on the Closing Date, which Capital Stock shall (except to the extent described in the last sentence of this Section 3.01(w)) constitute 100% of the issued and outstanding Capital Stock of each of the Company, Pegaso PCS and Personnel Co. The transfer by Holdings of its title to the Capital Stock of the Company, Pegaso PCS and Personnel Co., as applicable, to the trustee under such Guaranty Trust Agreement shall have been registered in the shareholders' registry book of the Company, Pegaso PCS and Personnel Co., respectively. Concurrently therewith, the parties to the PCS/Recursos Pledge Agreement and the Sistemas Pledge Agreement will amend said agreements to provide that said agreements only create a pledge on the single share of each of Pegaso PCS, Personnel Co. and the Company not owned by Holdings but which is owned by another member of the Borrower Group.

(x) CONSENTS FROM TELMEX AND TELNOR. The Company will deliver to the Administrative Agents and the Relevant Parties a Consent duly executed and delivered by each of TelMex and TelNor with respect to their respective Interconnection Agreements.

(y) CLARIFICATION WRIT. The Company shall have filed or have caused to be filed with the Ministry of Telecommunications of Mexico a clarification

writ with respect to the writ filed on November 30, 1998, and the said Ministry shall have issued an order, to the effect that (i) Pegaso PCS is authorized to act on behalf of the Company under the Pegaso PCS Services Agreement as a "comisionista," not as a "comercializadora" and (ii) all accounts receivable derived from the exploitation and use of the Licenses are the property of the Company, not Pegaso PCS.

(z) POST-CLOSING AGREEMENT. The Company and each other member of the Borrower Group shall have executed and delivered a post-closing agreement (the "Post-Closing Agreement") dated as of the date hereof in form and substance satisfactory to the Administrative Agents and the Relevant Parties with respect to the satisfaction of certain of the

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closing conditions contained herein or in the Credit Agreements within a specified period of time after the Closing Date.

3.02 CONDITIONS PRECEDENT TO ALL DISBURSEMENTS. Subject to Section 3.05 the obligation of any Senior Lender to make any Disbursement (including the Initial Disbursement) shall be subject to the satisfaction or waiver in accordance with the terms of the relevant Credit Agreement, prior to and concurrently with each such Disbursement, of each of the conditions set forth below:

(a) NOTICE OF BORROWING. The Company shall have delivered to the applicable Administrative Agent and the Relevant Parties a notice of borrowing from an Authorized Officer of the Company if and to the extent required as a precondition to the Disbursement of a Loan in the applicable Credit Agreement.

(b) NO DEFAULT; REPRESENTATIONS AND WARRANTIES. Immediately before and after giving effect to such Disbursement:

(i) no Default or Event of Default shall have occurred and be continuing; and

(ii) all representations and warranties made by each member of the Borrower Group, each Guarantor and each Sponsor in each of the Financing Agreements to which such Person is a party (except, as to any Agent or Senior Lender, any Credit Agreement other than the Credit Agreement by and among such Person, such Agent and such Senior Lender), shall be true, complete and correct in all material respects with the same force and effect as though such representations and warranties had been made on and as of the date of such Disbursement, except for any representations and warranties herein or in any Financing Agreement which expressly relate only to an earlier date.

(c) CREDIT AGREEMENT CONDITIONS PRECEDENT. In the case of a Disbursement under any Credit Agreement, the additional conditions precedent (if any) to such Disbursement set forth in such Credit Agreement shall have been satisfied or waived by the applicable Senior Lenders on or before the date of such Disbursement.

(d) FEES AND EXPENSES. The Borrower Group shall have paid or made arrangements for payment (including, to the extent permitted, arrangement for payment out of Disbursements) of all fees, expenses and other charges then payable by it hereunder or under any other Financing Agreement in a manner satisfactory to the relevant payee.

3.03 NO WAIVER.

(a) Subject to Section 3.05, no course of dealing or waiver by any Senior Lender or any Agent in connection with any condition of Disbursement under this Agreement or any Credit Agreement shall impair any right, power or remedy of any such Senior Lender or Agent with respect to any other condition of Disbursement, or be construed to be a waiver of any such other condition; nor shall the action of any Senior Lender or any Agent in respect of any Disbursement affect or impair any right, power or remedy of any Senior Lender or the Collateral Agent in respect of any other Disbursement.

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(b) Subject to Section 3.05, unless otherwise notified to the Company by a Senior Lender or the Collateral Agent and without prejudice to the generality of Section 3.03(a), the right of any Senior Lender or any Agent to require compliance with any condition under this Agreement or relevant Credit Agreement which may be waived in accordance with the provisions of such applicable Credit Agreement is expressly preserved for the purpose of any subsequent Disbursement.

3.04 DELIVERY OF CERTIFICATES, ETC. All of the certificates, legal opinions, communications, notices and other documents and papers referred to in

Sections 3.01 or 3.02 to be delivered thereunder, unless otherwise specified, shall be delivered in sufficient counterparts for distribution to each of the Senior Lenders and, unless otherwise specified, shall be in form and substance reasonably satisfactory to the Agent receiving the same. Notwithstanding the foregoing, all of the certificates, legal opinions, communications, notices and other documents and papers referred to in Sections 3.01 and 3.02 shall be addressed to each Senior Lender.

3.05 BENEFICIARIES OF CONDITIONS TO DISBURSEMENTS. Notwithstanding any other provision of this Article 3, any waiver of the conditions precedent (i) to the Initial Disbursement or any subsequent Disbursement under the Alcatel Credit Agreement must be waived by each Senior Lender under the Alcatel Credit Agreement, but no Senior Lender under any other Credit Agreement shall have any right or benefits thereto or any such waiver rights thereunder, (ii) to the Initial Disbursement or any subsequent Disbursement under the Qualcomm Credit Agreement must be waived by each Senior Lender under the Qualcomm Credit Agreement, but no Senior Lender under any other Credit Agreement shall have any right or benefit thereto or any such waiver rights thereunder, and (iii) to the Initial Disbursement and any subsequent Disbursement under any Credit Facility relating to Additional Senior Indebtedness must be waived by the Senior Lender (or all or such percentage of the Senior Lenders) as provided in such Credit Agreement, but no Senior Lender under the Alcatel Credit Facility, no Senior Lender under the Qualcomm Credit Agreement and no Senior Lender under any other Additional Senior Indebtedness then outstanding shall have any right or benefits thereto or any such waiver rights thereunder.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

Each member of the Borrower Group, jointly and severally, makes the representations and warranties contained in this Article 4 for the benefit of each Senior Lender, each Agent and each Relevant Party. Each such representation and warranty shall be deemed made for the benefit of any Senior Lender at the times (and only the times) and to the extent (and only to the extent) specified in the Credit Agreement to which such Senior Lender is party. The representations and warranties contained herein shall survive the execution and delivery of this Agreement. To the extent that any schedule referred to in this Article 4 shall need to be updated in order to permit such representation to be true and correct when made or deemed made, the Company or other member of the Borrower Group shall provide the Agents with such updated schedule in writing prior to the date such representation is made or deemed made and shall request approval of such updated schedule in accordance with the provisions of the Intercreditor Agreement. Unless any such schedule is updated and approved in accordance with the

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provisions of the Intercreditor Agreement, no change to any existing schedule shall be deemed to have been made.

4.01 CORPORATE STATUS. Each member of the Borrower Group (i) is a sociedad anonima de capital variable duly organized, validly existing and in good standing under the laws of Mexico, (ii) is duly authorized to do business in Mexico and in each other jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary (except for any authorization the absence of which does not constitute a Material Adverse Effect) and (iii) has the requisite power and authority to (a) own or possess all of its property and assets, (b) transact the business in which it is engaged or proposes to be engaged (including the Business), (c) incur and guarantee Indebtedness and create Liens, (d) execute, deliver and perform its obligations under the Transaction Documents to which it is a party and (e) do all things to be done by it in respect of the construction, maintenance and operation of the System and to consummate the transactions contemplated by this Agreement and the other Transaction Documents.

4.02 CORPORATE POWER AND AUTHORITY. Each member of the Borrower Group has taken all corporate action necessary to authorize the execution, delivery and performance by it of each of such Transaction Documents as have been executed and delivered by such member as of each date this representation and warranty is made or deemed made. Each member of the Borrower Group has, or in the case of the Transaction Documents other than this Agreement and future Credit Agreements by the Initial Disbursement Date will have, duly executed and delivered each of the Transaction Documents to which it is a party.

4.03 VALID AND BINDING OBLIGATION. This Agreement, when executed and delivered by the members of the Borrower Group on or before the date this representation is made or deemed made constitutes or, in the case of each other Transaction Document to which it is a party, when executed and delivered by it, will constitute, the legal, valid and binding obligation of such member enforceable in accordance with its terms, except as the enforceability thereof may be limited by (i) applicable bankruptcy, insolvency and other similar laws

affecting creditors' rights generally and (ii) general equitable principles regardless of whether the issue of enforceability is considered in a proceeding in equity or at law.

4.04 NO VIOLATION. None of the execution and delivery by any member of the Borrower Group of this Agreement and the other Transaction Documents to which it is party, the consummation of the transactions contemplated hereby and thereby or compliance with the terms and provisions hereof and thereof does or will (i) contravene or violate its Charter Documents or any Applicable Law, (ii) contravene or result in any breach or constitute any default under any order, writ, injunction, judgment or decree of any court or other tribunal or Governmental Authority or (iii) contravene or result in any breach or constitute any default under, or result in or require the creation of any Lien upon any of its revenues, properties or assets under any agreement or instrument to which it is a party or by which it or any of its revenues, properties or assets may be bound, except for Permitted Liens or (iv) require any permit, consent or approval of any Person other than any such permits, consents or approvals which have been obtained and are in full force and effect; provided, however, that (a) with respect to the System Agreements, the above representation shall apply only to the extent that any such contravention, violation or breach would result in a Material Adverse Effect, and (b) it is understood that any remedial

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action taken under the Security Documents, (y) to the extent that it results or would result, directly or indirectly, in a transfer of the Licenses to a party other than the Company, may require certain authorizations, consents or approvals by Governmental Authorities under the Mexican Telecommunications Law, and (z) to the extent that it results in Capital Stock of the Company being transferred to a non-Mexican entity, may violate Applicable Law and/or require Permits relating to restrictions on foreign ownership of Mexican companies. Solely for purposes of this Section 4.04, the term "Applicable Law" shall be deemed to be limited to those Applicable Laws in effect on the date such representation is made.

4.05 PERMITS. All authorizations, consents and permits necessary under Applicable Law in connection with (i) the execution and delivery of, and performance by each member of the Borrower Group of its obligations under each Transaction Document to which it is a party in effect or required to be in effect as of each date this representation is made or deemed made, (ii) the grant by the members of the Borrower Group of the Liens pursuant to the Security Documents and the validity, enforceability and perfection thereof and the exercise by the Collateral Agent of rights and remedies thereunder, and (iii) the care, custody, control, construction, development and operation of the System as contemplated by the Business Plan which are required to be obtained on or prior to the date this representation is made or deemed made (other than, in the case of this clause (iv), such consents, authorizations and permits the absence of which would not constitute a Material Adverse Effect), in each case have been obtained by such members (hereinafter, collectively the "Permits"). Each of such Permits has been duly obtained or made, is validly issued, is in full force and effect, and is held in the name of the Person identified in such Permit and is free from any condition or requirement compliance with which would constitute a Material Adverse Effect or which the applicable member of the Borrower Group does not reasonably expect to be able to satisfy.

4.06 FINANCIAL STATEMENTS; FINANCIAL CONDITION; UNDISCLOSED LIABILITIES; ETC.

(a) Each of the financial statements of the Borrower Group delivered pursuant to Sections 3.01 (m) and 5.01(a) is true, complete and correct in all material respects as of the date of such statements and fairly presents the financial condition, results of operations and cash flows as of the date thereof. Such financial statements have been prepared in accordance with GAAP on a consistent basis except as may otherwise be noted therein.

(b) Except as fully reflected in (i) the financial statements referred to in Section 3.01(m), (ii) the contingent liabilities set forth on Schedule 4.06 and (iii) the obligations set forth in the Transaction Documents, there was, as of the Closing Date, no liability or obligation with respect to any member of the Borrower Group of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for the period to which such respective financial statements relate which, either individually or in the aggregate, constitutes a Material Adverse Effect. As of the Closing Date, no member of the Borrower Group knows of any reasonable basis for the assertion against any such member of any liability or obligation of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) for such relevant period that is not (x) fully reflected in the financial statements referred to in Section 3.01(m), (y) set forth in Schedule 4.06 or (z) an obligation set

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forth in or contemplated by the Transaction Documents, which either individually or in the aggregate, constitutes a Material Adverse Effect.

(c) Since the date of the last financial statements of the Borrower Group submitted in accordance with Section 5.01(a), there has been no material adverse change in the condition (financial or otherwise) or operations of the Borrower Group (taken as a whole), except for the operating losses contemplated by the most recent Business Plan submitted pursuant to Section 5.01 (d).

4.07 LITIGATION; LABOR DISPUTES.

(a) No member of the Borrower Group is in default with respect to any order of any court, arbitrator, administrative agency or other Governmental Authority, other than any order that is the subject of a Good Faith Contest or other order the default under which, or the non-compliance with which, would not result in a Material Adverse Effect. There is no injunction, writ, or preliminary restraining order of any nature issued by an arbitrator, court or other Governmental Authority directing that any of the transactions provided for in any of the Financing Agreements not be consummated as herein or therein provided. There is no action, suit, investigation or proceeding (including any appeal by any Person of a Permit) by or before any court, arbitrator, administrative agency or other Governmental Authority pending or, to the best knowledge of each member of the Borrower Group, threatened against or affecting any member of the Borrower Group (or any of such party's properties, revenues or assets) which constitutes a Material Adverse Effect.

(b) There are no strikes, slowdowns or work stoppages by the employees of any member of the Borrower Group or any Vendor, on-going, or, to the best knowledge of each such member, currently threatened, which constitute a Material Adverse Effect.

4.08 TAX RETURNS AND PAYMENTS.

(a) Each member of the Borrower Group has filed all income tax and other material tax returns required by Applicable Law to be filed by it and has paid all Taxes and assessments payable by it which have become due other than those subject to a Good Faith Contest. Each member of the Borrower Group has paid or has provided reserves adequate in the reasonable judgement of the management of Holdings and consistent with GAAP for the payment of all income or other Taxes imposed on it by the Government of Mexico for all prior Fiscal Years and accrued for the current Fiscal Year to the date hereof.

(b) Except for those items set forth in Schedule 4.08, no withholding Taxes are payable by the Company or any other member of the Borrower Group, (under Applicable Law in existence as of the Closing Date), to any Mexican Governmental Authority in connection with any amounts payable by the Company or any other such member under or in respect of the Financing Agreements as in effect on the Closing Date.

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4.09 CAPITALIZATION.

(a) Schedule 4.09 sets forth the capitalization of Holdings and each other member of the Borrower Group as of the date hereof, including (i) authorized capital, (ii) the number of shares issued and outstanding and (iii) the shareholders and number of shares and advances held by each such shareholder. All of the issued and outstanding shares of Holdings (other than treasury stock held by Holdings) and each other member of the Borrower Group are duly and validly issued and non-assessable and fully paid. Neither Holdings nor any other member of the Borrower Group has outstanding (a) any securities convertible into or exchangeable for its share capital or (b) except as set forth in Section 4.09(b) below, any rights to subscribe for or to purchase, or any option for the purchase of, or any agreement, arrangement or understanding providing for the issuance (contingent or otherwise) of, or any call, commitment or claims of any character relating to, or any rights or claims that restrict the transfer of, its share capital.

(b) The Existing Equity, as of September 29, 1998, was \$300,000,000 (or the Peso Equivalent thereof, determined as of the date or dates of contribution). No Existing Shareholder or New Shareholder has any right (contingent or otherwise) for the repayment or reimbursement of any of the Existing Equity, nor any rights, contractual or otherwise, against Holdings (or any other member of the Borrower Group) in respect of such Existing Equity, other than rights to the shares of Capital Stock which have previously been issued to the providers of such Existing Equity. Each of the Equity Commitments constitutes the valid and enforceable obligation of the Original Mexican Shareholders to subscribe for the Capital Stock of Holdings in the amounts and on the date or dates specified in such Equity Commitments, and each such obligation is (i) absolute and irrevocable, and (ii) not subject (directly or indirectly) to any precondition or condition precedent except as set forth in the Joint Venture Agreement. As of the date this representation is made (i)

there has been no amendment, supplement or modification of such Equity Commitment, and (ii) there has been no waiver granted by Holdings under any such Equity Commitment. Set forth in Schedule 4.09 is a true and complete listing of each Original Mexican Shareholder and the amount of each Equity Commitment required to be contributed by each such Original Mexican Shareholder as of the Closing Date. The collateral assignments of the rights in respect of the Equity Commitments by Holdings, the Company and the Sponsors to the Collateral Agent, acting for the benefit of the Secured Parties, pursuant to the Assignment Agreements are effective to allow the Collateral Agent to make demands thereunder and to allow the Collateral Agent the right to enforce the obligations of the Original Mexican Shareholders and Holdings, as applicable, thereunder without any further action other than notice to the Original Mexican Shareholders and Holdings, as applicable, and to commence appropriate legal action on behalf of the Secured Parties against the Original Mexican Shareholders and Holdings, as applicable.

4.10 SUBSIDIARIES, MORTGAGE AND MINIMUM ASSETS.

(a) Holdings is the legal and beneficial owner of 100% of the Capital Stock of each of (i) the Company, (ii) Pegaso PCS and (iii) Personnel Co. (the "Applicable Shares"). As of the Closing Date, Holdings does not own any Capital Stock in any Person other than as set forth in the preceding sentence. There are no Liens of any kind on any of the Applicable Shares other than Permitted Liens, nor are there any restrictions on transfers of such

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Applicable Shares, nor are there any agreements of any kind relating to the voting of, or disposition of, such Applicable Shares (except as described in the proviso to Section 4.04(iv)). As of the Closing Date, each of the Company, Pegaso PCS and Personnel Co. has no Subsidiaries and does not otherwise control any voting stock or any ownership interest in any other Person. All of the Capital Stock of each Subsidiary of Holdings or of any other member of the Borrower Group acquired after the date of this Agreement has been pledged by the relevant party to the Collateral Agent for the benefit of the Secured Parties as required by Section 5.14. Notwithstanding the other provisions of this Section 4.10(a), it is recognized that a single share of each of Pegaso PCS, Personnel Co. and the Company is not owned by Holdings, but is owned by another member of the Borrower Group.

(b) As of the Closing Date, the Sponsors, collectively, own 100% of the Capital Stock of Holdings (the "Holdings Shares"). There are no liens of any kind on the Holdings Shares other than Permitted Liens, nor (except for such agreements or restrictions as are set forth in the Joint Venture Agreement, in the form in existence on the Closing Date, and in the Registration Rights Agreement referred to therein, and as otherwise described in the proviso to Section 4.04 (iv)) are there any restrictions on transfer of the Holdings Shares, nor are there any agreements of any kind relating to the voting of, or disposition of, such Holdings Shares, other than as set forth in the Joint Venture Agreement and the Registration Rights Agreement.

(c) The Company is the legal and beneficial owner of all of the properties, assets and contract rights which are specifically described in the Mortgage as being the subject of the Lien created by the Mortgage. The Mortgage has the effect of creating, in favor of the Collateral Agent, for the benefit of the Senior Lenders, a perfected and first priority Lien on all property, assets and contract rights owned from time to time by the Company (including property acquired by the Company after the date of execution, delivery and recording of the Mortgage). Such properties, assets and contract rights, at the time this representation is made or deemed made, constitute Minimum Assets.

4.11 COMPLIANCE WITH APPLICABLE LAW. Each member of the Borrower Group is in compliance in all respects with all Applicable Law (including Environmental Law), except to the extent that such failure to be in compliance would not constitute a Material Adverse Effect.

4.12 PROPERTY RIGHTS. Each member of the Borrower Group owns, has a license to use or otherwise has the right to use, free and clear of any pending or threatened Liens (other than Permitted Liens), all property rights (real, personal and mixed, tangible and intangible) including all patents, patent applications, trademarks, permits, service marks, names, trade secrets, proprietary information and knowledge, technology, computer programs, databases, copyrights, licenses, franchises and formulas, or rights with respect thereto, and has obtained assignments of all leases and other rights of whatever nature, in each case, that are material to the care, custody, control, construction, development, operation and maintenance of the System or the conduct of the Business by the Borrower Group as contemplated by the Business Plan, without any conflict with the rights of others as of the date such property rights are necessary to operate and maintain the System and the Business.

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4.13 SINGLE-PURPOSE. The Borrower Group (taken as a whole) has not engaged in any business other than the care, custody, control, development, construction, operation, maintenance and financing of the System and the conduct of the Business; provided, that it is recognized that Personnel Co. is authorized to provide human resource and similar services, and may provide such services, to unrelated third parties to the extent consistent with the Original Business Plan.

4.14 FEES AND ENFORCEMENT.

(a) Except for the fees and Taxes set forth on Schedule 4.14 that have been paid in full or will have been paid in full by the date of any Disbursement requested hereunder or with the proceeds of such Disbursement, no fees or Taxes are required to be paid for the legality, validity or enforceability of the Financing Agreements.

(b) This Agreement and each of such Financing Agreements executed and delivered as of the date this representation is made or deemed made are each in proper legal form under (i) the Applicable Law of Mexico and (ii) the respective governing laws selected in such Transaction Documents, for the enforcement thereof in such jurisdiction.

4.15 FOREIGN EXCHANGE APPROVALS. All requisite foreign exchange control approvals and other similar authorizations, if any, required under Applicable Law to be issued by any Mexican Governmental Authority to assure (i) the ability of the Borrower Group to receive, and the ability of any other party to make to the Borrower Group, any and all payments in the currency or currencies contemplated by the Financing Agreements, (ii) the ability of the Borrower Group to maintain Dollar accounts outside Mexico and to transfer amounts from and into Mexico as necessary to meet its obligations under the Financing Agreements, in accordance with their respective terms, and (iii) the ability of the Borrower Group to use Dollars as necessary to perform all of its obligations under the Financing Agreements, in accordance with their respective terms, including the making of all payments contemplated in the Financing Agreements, have been duly and validly obtained and are in full force and effect. Other than those restrictions or requirements for which appropriate waivers, authorizations and/or approvals have been received, there are no further restrictions or requirements under Applicable Law which limit the availability or transfer of foreign exchange, or the conversion to a foreign exchange, for the purpose of (a) the performance by the Borrower Group of their obligations under this Agreement or any other Financing Agreement or (b) repatriating the proceeds of enforcement of the Obligations or the Collateral to the Collateral Agent.

4.16 LIENS. Except for Permitted Liens, there are no Liens securing any Indebtedness or other obligations of any Person covering any present or future revenues, properties or assets or share capital of any member of the Borrower Group. No member of the Borrower Group has outstanding any Lien or obligation to create any Lien on or with respect to any of its properties, revenues or assets, other than Permitted Liens.

4.17 TITLE; SECURITY DOCUMENTS.

(a) Each member of the Borrower Group holds good and legal title to all property, assets and revenues on which it purports to grant Liens pursuant to the Security

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Documents (including, with respect to the Mortgage, any and all property, assets and revenues specifically identified therein), in all cases free and clear of all Liens other than Permitted Liens.

(b) The provisions of the Security Documents are effective to create in favor of the Secured Parties a legal, valid and enforceable first priority Lien on all of the property, assets and revenues described therein (including, with respect to the Mortgage, any and all property, assets and revenues specifically identified therein) to the extent a security interest may be created therein under Applicable Law and all necessary and appropriate recordings, registrations and filings have been made in all appropriate public offices, and all other necessary and appropriate action has been taken so that each such Security Document creates an effective Lien with respect to the property, assets, contract rights and revenues covered thereby to the extent a security interest may be created therein under Applicable Law, prior and superior to all other Liens except for Permitted Liens, and consents to the creation, effectiveness, priority and enforcement of such Liens have been obtained from each of the parties to the Transaction Documents and the relevant Governmental Authorities, other than as described in the proviso to Section 4.04(iv).

4.18 TRANSACTION DOCUMENTS. The Collateral Agent and each Administrative Agent have received a true, complete and correct copy of each of the Transaction Documents in effect as of the date this representation is made or deemed made. Each such Transaction Document is in full force and effect and has not been

amended, modified or terminated, except as previously disclosed in writing to the Collateral Agent and each Administrative Agent and in accordance with the terms hereof.

4.19 CERTAIN ANCILLARY SERVICES. Except where the failure to obtain the services referred to below would not constitute a Material Adverse Effect, all utility services, facilities and other services that can reasonably be expected to be necessary for the care, custody, control, construction, operation and maintenance of the System, are, or will be when needed, available to the Borrower Group to the extent necessary or desirable, and arrangements in respect thereof have been made.

4.20 ENVIRONMENTAL MATTERS.

(a) Except as set forth on Schedule 4.20 (i) no member of the Borrower Group is now in violation of any Environmental Law which violation constitutes a Material Adverse Effect, (ii) no member of the Borrower Group, nor to the best knowledge of any member of the Borrower Group, any third party, has used, released, discharged, generated, manufactured, produced, stored, or disposed of in, on, under, or about the System or any real property owned or leased by a member of the Borrower Group or transported thereto or therefrom, any Hazardous Material in a manner that could reasonably be expected to subject any member of the Borrower Group to any material liability which would constitute a Material Adverse Effect, or subject any Senior Lender or any Agent to any liability, under any Environmental Law, and (iii) to the best knowledge of each member of the Borrower Group, there are no Hazardous Materials used, stored, or present at, on or near the System or any real property owned or leased by any member of the Borrower Group in violation of Applicable Law which would constitute a Material Adverse Effect.

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(b) Except as set forth in Schedule 4.07, there is no proceeding, and to the best knowledge of each member of the Borrower Group, no investigation or inquiry, by any Governmental Authority or any non-governmental third party with respect to the presence or release of Hazardous Materials in, on, from or to the System or any real property owned or leased by any member of the Borrower Group which would constitute a Material Adverse Effect.

4.21 INVESTMENT COMPANY ACT. The Company is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940.

4.22 TRUE AND COMPLETE DISCLOSURE. (a) All factual information (taken as a whole), including the Business Plan, furnished by or on behalf of any member of the Borrower Group in writing to or for the benefit of any particular Senior Lender (referred to herein as a "Relevant Lender," which term includes the Collateral Agent or the applicable Administrative Agent under the Credit Agreement to which such Relevant Lender is a party) was true and accurate in all material respects (i) in the case of the Original Business Plan, as of the Closing Date, and (ii) with respect to all other factual information (including updates of the Business Plan), on the dates as of which such information was furnished, and was not incomplete by omitting to state any material fact necessary to make such information (taken as a whole) not misleading in any material respect at such time in light of the circumstances under which such information was furnished; provided, however, that, except as otherwise expressly set forth in this Agreement, the sole representation of each member of the Borrower Group with respect to projections, estimates or other expressions of view as to future circumstances shall be that such projections, estimates or other expressions of view as to future circumstances (i) were prepared in good faith, (ii) fairly present in all material respects the Borrower Group's expectations as to the matters covered thereby as of their respective date(s) of delivery (or, in the case of the Original Business Plan, as of the Closing Date) (it being understood that assumptions utilized therein were believed by the Borrower Group in good faith to be reasonable in light of conditions existing at the time of preparation thereof, but that actual results may vary from the projected results contained therein), (iii) were based on reasonable assumptions as to all factual and legal matters material to the estimates therein (including interest rates and costs) as of their respective date(s) of delivery (or, in the case of the Original Business Plan, as of the Closing Date), and (iv) were in all material respects consistent with the provisions of the Transaction Documents as of their respective date(s) of delivery (or, in the case of the Original Business Plan, as of the Closing Date). There are no statements, assumptions or conclusions in the Business Plan, as of the date of delivery thereof, which are based upon or include information known as such delivery date to any member of the Borrower Group to be misleading or which fail to take into account material information regarding the matters reported therein. As of the Closing Date there are in existence no documents, agreements or other information which have not been disclosed to the Relevant Lender in writing which are material in the context of the Transaction Documents or which have the effect of varying any of the Transaction Documents.

4.23 NO ADDITIONAL FEES. Other than as set forth in Schedule 4.23, as of

the Closing Date, no member of the Borrower Group has paid nor become obligated to pay any fee or commission to any broker, finder or intermediary for or on account of arranging the financing of the transactions contemplated by the Transaction Documents.

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4.24 USE OF PROCEEDS. No part of the proceeds of any Senior Indebtedness will be used for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" (as defined in Regulation U) or to extend credit to others for such purpose. No part of the proceeds of any Senior Indebtedness will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for any purpose which entails a violation of, of which is inconsistent with Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve System (12 C.F.R. Sections 220, 221 and 224, respectively). The Company has used and shall continue to use the proceeds of all Disbursements in accordance with the term and conditions of all applicable Financing Agreements.

4.25 INSURANCE. All insurance policies required to be maintained pursuant to the terms of this Agreement are in full force and effect, and all premiums due and payable have been paid.

4.26 PRIVATE ACTIVITIES; IMMUNITY. The transactions contemplated by the Transaction Documents constitute private commercial activities (rather than governmental or public activities). To the extent that any member of the Borrower Group or any of its properties or assets has or hereafter may acquire any rights to immunity from setoff, legal proceedings, attachment prior to judgment, other attachment or execution of judgment on any grounds of sovereignty or otherwise (whether under the laws of Mexico or any other jurisdiction), to the extent permitted by Applicable Law such member hereby irrevocably waives such right to immunity and its properties and assets in respect of its obligations arising under or relating to this Agreement or any other Financing Agreement.

4.27 NO SUBORDINATION. The obligations of each Guarantor under the Guaranty and the Company under the Credit Agreements or under any other contracts or instruments executed by Guarantors or the Company in connection therewith and herewith (i) are not subordinated in right of payment to any other obligation of the Company or such Guarantors and (ii) will at all times rank prior to or pari passu in right of payment with all present and future unsecured Indebtedness of any Guarantor or the Company, as applicable, except in either case, to the extent provided by law.

4.28 LICENSES. The Licenses are in full force and effect; and the Company holds legal, valid, binding and enforceable title to the Licenses free of any Liens other than Permitted Liens and free of any conditions other than those set forth in the Licenses. The Licenses are sufficient (together with other authorizations, consents and permits which have been received, or are reasonably anticipated to be received on a timely basis, by one or more members of the Borrower Group) to grant to the Company the legal power and authority to operate and maintain the System and conduct the Business in accordance with the Business Plan. Other than as may be set forth in Schedule 4.28, on the Closing Date there has been no notice given by any Governmental Authority that brings into question the validity or effectiveness of the Licenses, nor is there any litigation (or to the best knowledge of each member of the Borrower Group, threatened litigation) relating in any way to the Licenses which, in either case, if decided adversely, would have the effect of causing an Event of Default under Section 7.13.

4.29 OPERATOR AGREEMENTS. Subject to Section 5.17 and after January 29, 1999, the GTE Operator Agreement and the Operator Agreement are in full force and effect.

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4.30 EMPLOYEE BENEFIT PLANS; EMPLOYMENT MATTERS.

(a) EMPLOYEE BENEFITS.

(i) Each employee benefit plan of any member of the Borrower Group, if any, has been maintained, operated and administered in accordance with its terms and with Applicable Law, and all notices, filing and disclosures required by such terms or law have been timely made, except when the failure to maintain, operate, or administer, or to notify, file or disclose, would not have a Material Adverse Effect. No proceeding with respect to the administration or the investment of the assets of any employee benefit plan (other than routine claims for benefits) that would have a Material Adverse Effect or create Liens (other than Permitted Liens) is pending or threatened.

(ii) All obligations of the Borrower Group for payments with respect to any and all mandatory and additional employee benefit plans including, but not limited to, all Instituto Mexicano del Seguro Social (Mexican Social Security Institute), Instituto del Fondo Nacional Para la Vivienda de los Trabajadores (National Worker's Housing Fund Institute), and accrued payroll taxes payments for their respective employees have been timely paid and properly reported in the financial statements required to be delivered under Section 5.01 (a) in accordance with GAAP except where the failure to make such payments would not have a Material Adverse Effect or create any Lien (other than Permitted Liens).

(iii) The Borrower Group has no liability for retiree benefits.

(b) EMPLOYMENT PRACTICES. The Borrower Group has complied in all material respects with all Applicable Laws, rules and regulations with respect to employment practices including, but not limited to, applicable health and safety regulations and there is no charge or complaint alleging any material violation of such laws, rules or regulations against any member of the" Borrow Group pending or threatened, or before any federal or local labor board, tribunal or Comision Nacional del Sistema de Ahorro Para el Retiro (National Savings and Retirement System Commission).

(c) LABOR MATTERS. There is no labor strike, request for representation, slowdown or stoppage actually pending or, to the knowledge of any member of the Borrower Group, threatened against or affecting it which would have a Material Adverse Effect.

(d) FILINGS. Each member of the Borrower Group has filed all forms, reports, statements, provider agreements benefit plan descriptions, payor agreements, beneficiary materials and other documents (including, without limitation, those related to employee benefit plans) required to be filed by it with any Governmental Authority, including without limitation state and federal insurance and health regulatory authorities except where the failure to file would have a Material Adverse Effect or create a Lien.

4.31 YEAR 2000. Each member of the Borrower Group reasonably believes that all computer applications that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before, on and after January 1,

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2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so is would not have Material Adverse Effect.

4.32 INDEBTEDNESS. As of the date hereof, Schedule 4.32 is a complete and correct list of all Indebtedness, credit agreements, indentures, purchase agreements, guaranties, capital leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing, but not including nondelinquent trade credit providing for payment within ninety (90) days of invoice) involving \$1,000,000 or more in respect of which each member of the Borrower Group is in any manner directly or contingently obligated. The maximum principal or face amounts of the credits in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

ARTICLE 5

AFFIRMATIVE COVENANTS

Each member of the Borrower Group covenants and agrees, jointly and severally, that until the Commitments have been terminated and all Obligations in connection with the Senior Indebtedness are paid in full (unless waived in writing in accordance with the Intercreditor Agreement):

5.01 INFORMATION COVENANTS. The Company shall furnish to each Administrative Agent and to each Relevant Party:

(a) FINANCIAL STATEMENTS.

(i) ANNUAL FINANCIAL STATEMENTS OF THE BORROWER GROUP. As soon as available, taut in any event within 120 days after the close of each Fiscal Year, a consolidated balance sheet of the Borrower Group as at the end of such Fiscal Year with the related audited statements of income and retained earnings and statements of cash flows for such Fiscal Year, in each case setting forth comparative combined figures for the prior Fiscal Year and certified by the Independent Accountant, which certification shall state that all such statements are in agreement with the Borrower Group's books of account and are prepared in accordance with GAAP on a consistent basis and reconciled to U.S. GAAP.

(ii) QUARTERLY FINANCIAL STATEMENTS. As soon as available and

in any event within 45 days after the close of each of the first three quarterly accounting periods in each Fiscal Year, the combined balance sheet of the Borrower Group, as at the end of such quarterly period and the related unaudited combined statements of income and of cash flows for such quarterly period and for the portion of the Fiscal Year ended at the end of such quarterly period, and in each case setting forth comparative combined figures for the related quarterly period in the prior Fiscal Year and the figures for such portion of the Fiscal Year ended at the end of such quarterly period, all of which shall be certified by the chief financial officer or controller of Holdings as fairly presenting the financial condition and results of operations of the Borrower Group and as having been prepared in accordance with GAAP on a consistent basis

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and reconciled to U.S. GAAP, subject to changes resulting from audit and normal year-end audit adjustments.

(b) INDEPENDENT ACCOUNTANT'S REPORT. At the time of delivery of the financial statements provided for in Section 5.01(x), a report of the Independent Accountant (x) stating that in the course of its regular audit conducted in accordance with GAAP of the financial statements of the Borrower Group as described under this Section 5.01, the Independent Accountant obtained no knowledge of a Default or Event of Default which has occurred, or if in the opinion of the Independent Accountant such Default or Event of Default has occurred, a statement as to the nature thereof and (y) certifying that, based on such financial statements and its review of the terms hereof, the Borrower Group was in compliance with Sections 5.02(a), 6.03, 6.04, 6.06, 6.09 and 6.10 as of the end of the relevant Fiscal Year or, as the case may be, detailing any non-compliance therewith.

(c) MANAGEMENT LETTERS. Promptly after receipt thereof, by any member of the Borrower Group, a copy of any management letter or other similar communication received by any such member from the Independent Accountant in relation to the financial, accounting and other systems, management or accounts of any such member.

(d) BUSINESS PLAN. Not less frequently than annually, commencing not later than December 15, 1999, an updated Business Plan in the form approved by the Board of Directors of Holdings, which shall be based on (i) facts and circumstances existing as of the date of submission, and (ii) with respect to future events and performance, assumptions believed by the Borrower Group to be reasonable under the circumstances as of such date of submission. Each updated Business Plan shall contain, at a minimum, (i) a description of the Borrower Group's plans in connection with the roll-out of the System, (ii) the number of subscribers to the System as of the date of such updated Business Plan for each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (iii) a pro-forma income statement (including EBITDA) for the year in which the up-dated Business Plan is submitted and each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (iv) a debt service coverage table for the then current year and each year thereafter through the final maturity date of any Senior Indebtedness then outstanding, (v) at least the same amount of information as was contained in the Original Business Plan, and (vi) a description of all major assumptions which were used in connection with the preparation of such up-dated Business Plan. During the 30-day period following the submission of the updated Business Plan, the Borrower Group will make available the Chief Financial Officer of Holdings and any other officer of the Borrower Group reasonably requested by any Administrative Agent to report on, and answer questions with respect to, such updated Business Plan at such times as such Agent(s) may reasonably request.

(e) OFFICERS' CERTIFICATES. At the time of the delivery of the financial statements provided for in Section 5.01(a), a certificate of an Authorized Officer of each member of the Borrower Group to the effect that, based upon such Authorized Officer's review of the terms hereof and the other Financing Agreements and the financial condition of each member of the Borrower Group during the relevant accounting period and, to the best of such officer's knowledge, (i) such member of the Borrower Group is in compliance with all of its obligations under the terms of the Financing Agreements the non-performance of which would constitute a

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Material Adverse Effect (such certificate to set forth in reasonable detail the calculations necessary to demonstrate compliance with the financial covenants contained in Section 6.09 and 6.10 (as applicable)), and (ii) no Default or Event of Default has occurred and is continuing, or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof and what action the Borrower Group is taking or proposes to take in response thereto.

(f) NOTICE OF CERTAIN OCCURRENCES, ETC. (i) Promptly, but in all cases within five Business Days after any Responsible Officer of any member of

the Borrower Group obtains knowledge thereof, written notice of any event which constitutes a Default or Event of Default, specifying the nature of such Default or Event of Default and any steps the Borrower Group is taking and proposes to take to remedy the same and (ii) promptly, and in any event within five Business Days, after any senior officer of any member of the Borrower Group obtains knowledge thereof, notice of:

(A) any litigation, arbitration or governmental proceeding pending or threatened in writing (1) against any member of the Borrower Group (x) involving a claim or claims in excess of \$1,000,000 individually or \$2,000,000 in the aggregate or (y) which, if decided adversely to such member or members, would constitute a Material Adverse Effect, or (2) with respect to any Financing Agreement;

(B) any proceeding or legislation by any Governmental Authority to acquire compulsorily all or any portion of the Collateral or all or any portion of the business or assets of any member of the Borrower Group (whether or not constituting an "Event of Default" hereunder);

(C) any change in the Authorized Officers of the Company or other member of the Borrower Group, giving certified specimen signatures of any new officer so appointed and, if requested by an Administrative Agent, reasonably satisfactory evidence of the authority of such new officer;

(D) any notice relating to a material dispute received or initiated by any member of the Borrower Group under any of the Licenses;

(E) any Lien (other than a Permitted Lien) being granted or established or becoming enforceable over any portion of the Collateral;

(F) any one or more events, conditions or circumstances (including any event of force majeure or any on going or threatened strike, slowdown or work stoppage by the employees of any member of the Borrower Group or of any Vendor) known by a senior officer of any member of the Borrower Group to exist or to have occurred or in the reasonable judgment of such officer are expected or imminent that, in any case, constitute a Material Adverse Effect;

(G) any notice received by any member of the Borrower Group purporting to cancel or materially alter in an adverse manner the terms of any insurance contract (including any notification of any premium increase in excess of 20% over the prior premium payable for such insurance contract); and

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(H) any (i) fact, circumstance, condition or occurrence that results in noncompliance with any Environmental Law and constitutes a Material Adverse Effect and (ii) pending or, to the best knowledge of any member of the Borrower Group, threatened (in writing) Environmental Claim against any such member.

(g) GOVERNMENTAL REPORTS. Within 30 days after the date on which any such report is submitted, a copy of any material report required to be filed by any member of the Borrower Group with any Governmental Authority with respect to an environmental aspect of the System.

(h) INFORMATION WITH RESPECT TO AMENDMENT, WAIVER OR CONSENT. In connection with any proposed amendment, waiver or consent in respect of any of the provisions hereof or of any other Transaction Document for which the approval of any Agent or any Senior Lender is required, sufficient information (including a narrative description of the effect thereof), sufficiently far in advance of the date a decision is required, to enable such Agent or the Senior Lenders to make an informed and considered decision with respect thereto (provided that such information shall be required to be delivered only to those Agents and Senior Lenders the consent of which is required).

(i) NOTICE OF DEFAULT, LITIGATION OR ENVIRONMENTAL CLAIM. Promptly, and in any event within three Business Days after any Responsible Officer of the Company obtains knowledge thereof, notice of (y) the termination of either of the Alcatel Procurement Agreement or the QUALCOMM Procurement Agreements and (z) any change in the ownership of Holdings of which it has knowledge. Each notice pursuant to this subsection shall specify the nature thereof, the period of existence thereof and what action, if any, the Borrower Group proposes to take with respect thereto.

(j) YEAR 2000 COMPLIANCE. Promptly in the event the Borrower Group discovers or determines that any computer application (including those of its material suppliers and vendors) that is material to its or any of the Business will not be Year 2000 compliant on a timely basis, except to the extent that such failure would not have a Material Adverse Effect.

(k) OTHER INFORMATION. Promptly upon transmission thereof, (i) copies of any filings and registrations with, and reports to, the United States Securities and Exchange Commission or any comparable Mexican Governmental

Authority by Holdings, (ii) copies of all financial statements, proxy statements, notices and reports as Holdings shall send generally to public shareholders and (iii) with reasonable promptness, such other information or documents (financial or otherwise) as any Secured Party may reasonably request from time to time (provided that such information shall be required to be delivered only to the Secured Party or Parties requesting such information).

5.02 BOOKS, RECORDS AND INSPECTIONS; ACCOUNTING AND AUDIT MATTERS.

(a) Each member of the Borrower Group will maintain adequate management information and cost control systems and will keep proper books of record and account adequate to reflect fairly the financial condition and results of operations of the

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Borrower Group (taken as a whole) and all dealings and transactions related to its business in which full, true and correct entries shall be made in conformity with GAAP, consistently applied.

(b) Each member of the Borrower Group will permit, upon reasonable notice from any Secured Party or a Relevant Party and during normal business hours, such Administrative Agent or Relevant Party, as the case may be, and the officers and designated representatives of such Person to visit and inspect any of the properties of such member, and to examine and make copies of the books of record and account and documents of such member and discuss the affairs and accounts of the Borrower Group with, and be advised as to the same by, their officers, all at such reasonable times and intervals and to such reasonable extent as such Administrative Agent or Relevant Party may request.

(c) The Chief Financial Officer of Holdings shall authorize the Independent Accountant (whose fees and expenses shall be for the account of the Borrower Group) to communicate directly with the Relevant Parties, the Alcatel Administrative Agent and the Qualcomm Administrative Agent, at reasonable times regarding the accounts and operations of the Borrower Group, subject to the same precondition as is described in Section 3.01(n).

(d) In the event that the Borrower Group wishes to replace the existing Independent Accountant for any reason, the Borrower Group shall (i) provide the Collateral Agent with written notice of its rationale therefor and (ii) propose an alternative firm of independent public accountants to serve as the Independent Accountant, which firm shall be internationally recognized.

5.03 MAINTENANCE OF PROPERTY AND INSURANCE.

(a) Each member of the Borrower Group will keep all property necessary to its business in good working order and condition in accordance with generally accepted practices, standards and requirements; and shall, from time to time, in respect of its properties and equipment, make all necessary and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses.

(b) Each member of the Borrower Group will keep its present and future properties and Business insured as required by and in accordance with the terms and provision described in Schedule 5.03.

5.04 CORPORATE FRANCHISES AND SYSTEM PERMITS; ENFORCEMENT OF TRANSACTION DOCUMENTS. The Borrower Group will:

(a) take, or cause to be taken, all actions necessary to obtain in a timely manner all authorizations, consents and permits which are the responsibility of the Borrower Group, and will promptly make, or cause to be made, all required filings with governmental or similar authorities in Mexico, in each case, to preserve, renew and keep in full force and effect (i) the existence as a sociedad anonima de capital variable in good standing under the laws of Mexico of each such member, (ii) its qualification to do business in Mexico and (iii) (except to the extent the absence of which would not constitute a Material Adverse Effect) its material rights, franchises, licenses, contracts, powers, privileges and patents

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necessary for the construction, development, operation and maintenance of the System, the conduct of the Business, and the performance of its obligations under the Transaction Documents;

(b) obtain and maintain, or cause to be obtained and maintained in full force and effect (or where appropriate, renew), (i) all consents, authorizations and permits which are the responsibility of the Borrower Group, licenses and patents, trademarks (and other intellectual property) necessary or

desirable for the care, custody, control, construction, development operation and maintenance of the System as contemplated by the Business Plan (other than such consents, authorizations and permits the absence of which would not constitute a Material Adverse Effect), and (ii) all consents, authorizations and permits necessary for the conversion to Dollars of all Peso amounts which are required to be converted by the Financing Agreements and for the remittance to the United States in Dollars of any amounts paid or payable in Dollars, as applicable, to the Senior Lenders in connection with any Financing Agreement or Security Document or the transactions contemplated thereby; and

(c) preserve and maintain good and marketable title to its properties and assets subject to no liens other than Permitted Liens.

5.05 COMPLIANCE WITH APPLICABLE LAW. Each member of the Borrower Group will comply in all respects with all Applicable Law applicable to it or to the System except to the extent that the failure to so comply would not constitute a Material Adverse Effect.

5.06 USE OF PROCEEDS. The Company shall use the proceeds of all Disbursements only for the purposes set forth in the applicable Credit Agreement.

5.07 TAXES; PROPER LEGAL FORM. Each member of the Borrower Group shall pay or arrange for payment on or prior to the date when due of all present and future (i) Taxes imposed on it and (ii) claims, levies or liabilities (including claims for labor, services, materials and supplies) for sums which have become due and payable and which have become or, if unpaid, would become a Lien (other than a Permitted Lien) upon, or otherwise would constitute a Material Adverse Effect on, the property of the Borrower Group (or any part thereof); provided, however, that no member of the Borrower Group shall be required to pay any amount otherwise payable pursuant to either clause (i) or (ii), if such amount is the subject of a Good Faith Contest. Each member of the Borrower Group will promptly pay or cause to be paid any valid, final judgment enforcing any such Taxes or other claims, levies or liabilities of any member of the Borrower Group, and shall cause the same to be satisfied of record. Each member of the Borrower Group shall take all such further action within its control required to ensure that each of the Transaction Documents is in proper legal form under the laws of Mexico or under the respective governing laws selected in such Transaction Documents, for the enforcement thereof in such jurisdictions without any further action on the part of any Agent or any other Person.

5.08 CREDIT AGREEMENTS. Each member of the Borrower Group will diligently perform each of its obligations under each of the Credit Agreements.

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5.09 ADDITIONAL DOCUMENTS; FILINGS AND RECORDINGS.

(a) Each member of the Borrower Group shall, at its own expense, .take all actions that have been or shall be reasonably requested by the Collateral Agent, or that such member knows are, necessary to establish, maintain, protect, perfect and continue the perfection of the first priority security interests of the Collateral Agent for the benefit of the Secured Parties created by the Security Documents and shall furnish timely notice of the necessity of any such action, together with such instruments, in execution form, and such other information as may be required to enable the Collateral Agent to effect any such action. Without limiting the generality of the foregoing, each member of the Borrower Group shall, at its own expense, (i) execute or cause to be executed and shall file or cause to be filed or register or cause to be registered such financing statements, continuation statements, fixture filings and mortgages or deeds of trust in all places necessary or advisable (in the opinion of counsel for the Collateral Agent), to establish, maintain and perfect such security interests, (ii) discharge all other Liens (other than Permitted Liens) or other legal and valid claims adversely affecting the rights of the Collateral Agent and/or the other Secured Parties in the Collateral, (iii) deliver or publish all notices to third parties that may be required to establish or maintain the validity, perfection or priority of any Lien created pursuant to the Security Documents, and (iv) file or cause to be filed or register or cause to be registered the Mortgage at the Public Registry of Commerce and/or the Public Registry of Property in each locality where the Borrower owns any real property in Mexico, including any real property acquired by the Borrower after the Closing Date.

(b) Each member of the Borrower Group will do everything necessary in the judgment of the Collateral Agent, (including filing, registering and recording all necessary documents and paying all fees, taxes, levies, imposts and expenses in connection therewith) to (A) create security arrangements, including, if applicable, the establishment of a pledge or the perfection of any Lien or, as applicable, the enforceability of a Lien as against any member of the Borrower Group and any subsequent Lien or (including a judgment lien or), holder of a fixed or floating charge, or transferee for or not for value, in bulk, by operation of law, or otherwise, in each case granted, with respect to future assets in accordance with the requirements of Mexican law and New York

law, (B) maintain the security and pledges created by the Security Documents in full force and effect at all times (including, as applicable, the priority thereof) and (C) preserve and protect the Collateral and protect and enforce its rights and title, and the rights and title of the Collateral Agent, for the benefit of the Secured Parties, to the security created by the Security Documents. Furthermore, any member of the Borrower Group shall cause to be delivered to the Intercreditor Agent such opinions of counsel and other related documents as may be reasonably requested by the Collateral Agent, to assure compliance with this Section 5.09.

5.10 CONDEMNATION EVENT; CASUALTY EVENT. If any Casualty Event or Condemnation Event shall occur with respect to the System or any material part thereof, the Borrower Group shall (i) promptly upon discovery or receipt of notice of any occurrence thereof provide written notice thereof to the Agents and the Relevant Parties, (ii) diligently pursue all its rights to compensation against all relevant insurers, reinsurers and/or Governmental Authorities, as applicable, in respect of such event, (iii) not, without the written consent of the Collateral Agent compromise or settle any claim with respect thereto if the amount of any such claim (either individually or in the aggregate) exceeds \$25,000,000, and (iv) if the amount of Loss Proceeds exceeds \$50,000,000 immediately pay or apply all such Loss Proceeds stemming from

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such event to the Collateral Agent for deposit into a separate escrow account to be maintained by the Collateral Agent for the benefit of the Secured Parties (the "Loss Proceeds Escrow Account") and to the extent that any Loss Proceeds are less than the minimum required for deposit into the Loss Proceeds Escrow Account, the Borrower Group shall not be obligated to make such deposit, but shall be required to apply such Loss Proceeds, as soon as may be practicable, to either (a) the prepayment of all Senior Indebtedness then outstanding on a Pro Rata Payment basis, or (b) the repairing, rebuilding, reconstructing or re-equipment of the System. Amounts on deposit in the Loss Proceeds Escrow Account shall be disbursed to or for the credit of the Company for the purpose of repairing, reconstruction or re-equipment of the System which has been damaged or destroyed or condemned, upon satisfaction of conditions to such disbursement which shall be set forth in an agreement (the "Loss Escrow Agreement") which shall be executed and delivered by the Collateral Agent and each member of the Borrower Group as soon as may be practicable following the deposit to the Loss Proceeds Escrow Account, which Loss Escrow Agreement shall be in form and substance reasonably satisfactory to the Required Voting Parties as set forth in the Intercreditor Agreement. If the conditions set forth in the Loss Escrow Agreement cannot be satisfied or if the Company otherwise elects, then all of the Loss Proceeds shall be disbursed from the Loss Proceeds Escrow Account and applied to the prepayment of Senior Indebtedness then outstanding on a Pro Rata Payment basis. Each member of the Borrower Group consents to the participation of the Collateral Agent in any proceedings regarding a Casualty Event or Condemnation Event, and each such member shall from time to time deliver to the Collateral Agent all documents and instruments requested by it in connection with such participation. If and to the extent that any Senior Indebtedness then outstanding does not permit the prepayment thereof at such time or under such circumstances as are described in this Section 5.10, or any Senior Lender notifies the Company and each Administrative Agent that it does not desire any such prepayment from such amounts, then any prepayment referred to in this Section 5.10 shall be applied on a Pro Rata Payment basis as if such Senior Indebtedness was not then outstanding. Any prepayment of Senior Indebtedness made in accordance with this Section 5.10 shall be made simultaneously with the prepayment of other Senior Indebtedness (other than as set forth in the preceding sentence), provided that if such prepayment of any such Senior Indebtedness would require a prepayment or break-funding penalty, such prepayment amounts may, at the option of the Company, be deposited with the applicable Administrative Agent, invested in Permitted Investments, and applied to the prepayment of such Senior Indebtedness on the first date as to which no prepayment or break-funding penalty would be imposed.

5.11 APPLICATION OF EQUITY CONTRIBUTIONS. Holdings shall, immediately upon receipt of cash or other funds or assets (i) representing the subscription price paid in connection with the Equity Commitments or any other cash contributions made by the shareholders of Holdings in consideration for Capital Stock issued by Holdings, including any proceeds received by Holdings pursuant to a Qualified Public Offering, or (ii) received as the proceeds of any Indebtedness issued by Holdings (other than the proceeds of Indebtedness which, is required by the Person furnishing or underwriting such Indebtedness, to be held in a reserve or similar account by Holdings for payment of principal or interest on such Indebtedness), or (iii) representing any other cash, liquid investments or other assets (other than stock held by Holdings in its subsidiaries), contribute no less than 99% of such cash or other funds or assets to the Company (and the remainder, if any, to Pegaso PCS and/or Personnel Co.) as an equity contribution and without any right, directly or indirectly, to receive repayment. Other than with respect to a Qualified Public Offering, Holdings shall ensure that each new shareholder of

Holdings, as a precondition to its contribution of equity, execute and deliver the Sponsor Negative Pledge Agreement and in take all actions required by such agreement with respect to the shares of such shareholder.

5.12 TRANSLATIONS. If any Transaction Document, notice, certificate, instrument, communication or other document required to be delivered to any Person pursuant to this Agreement is not originally executed, delivered or given in English (regardless of whether such requirement arises before or after the Initial Disbursement Date), the Borrower Group shall, upon written request of any Agent or Relevant Party entitled to receive the same, concurrently with the delivery of such Transaction Document, notice, certificate, instrument or other document, additionally and at the Company's expense, provide to such Person a certified English translation thereof. Subject to Section 8.13, if any Transaction Document, notice, certificate, instrument, communication or other document required to be delivered to any Person pursuant to this Agreement is not originally delivered in Spanish, and a Spanish translation thereof shall be necessary or appropriate, in the reasonable judgment of any Secured Party, under Mexican law of in connection with the administration or enforcement of any of the Financing Agreements, then any Secured Party may, or upon the request of any Secured Party the Company shall, obtain a certified Spanish translation thereof at the Company's expense for the benefit of the Secured Parties.

5.13 NEW SUBSIDIARIES. In the event that Holdings or any other member of the Borrower Group (or any New Subsidiary, as defined below) forms, purchases or acquires (whether for consideration or otherwise) any Subsidiary other than those Persons which are, as of the Closing Date, members of the Borrower Group (a "New Subsidiary"), then the member of the Borrower Group which has so formed, acquired or purchased such New Subsidiary shall (at its own expense), within 30 days of the date of such formation, acquisition or purchase, deliver to the Agents and the Relevant Parties the following documents (which shall be in form and substance reasonably acceptable to the Agents): (A) a guaranty by the New Subsidiary of all of the Obligations, substantially in the form of the Pegaso Guaranty Agreement delivered by the Guarantors on the Closing Date, (B) a trust agreement (substantially in the form of the Guaranty Trust Agreement) entered into by the member of the Borrower Group which is the parent company of such New Subsidiary, as settlor, which has the effect of transferring title to 100% of the Capital Stock of such New Subsidiary to the trustee under such trust agreement, (C) an instrument in writing, executed and delivered by the New Subsidiary, pursuant to which such New Subsidiary becomes a member of the Borrower Group and subject to this Agreement and (to the extent appropriate) the other Financing Agreements, (D) such security documents as shall (in the opinion of the Administrative Agents) be necessary to grant to the Collateral Agent a first priority and perfected Lien on all of the assets, contract rights, intangibles and revenues of the New Subsidiary, and (E) opinions of counsel, reasonably acceptable to the Administrative Agents, as to the validity and enforceability of such foregoing agreements.

5.14 OTHER PROPERTIES SUBJECT TO LIENS; AFTER-ACQUIRED PROPERTY.

(a) Within 30 days of the purchase or acquisition by the Company of any property (including, without limitation, Capital Stock of any other Person), asset, contract or other right, or intangible which is not then subject to a Lien granted by the Security Documents (collectively, "After-Acquired Property"), the Company shall so notify the Administrative

Agents, the Relevant Parties and the Collateral Agent in Writing and shall deliver to the Collateral Agent (at the expense of such member) such agreements, instruments and other documents (including amendments to the Mortgage or other Security Documents) as shall be deemed necessary or appropriate, in the reasonable opinion of the Collateral Agent, to grant a first priority and perfected Lien on such After-Acquired Property to the Collateral Agent, subject to no Liens other than Permitted Liens.

(b) Without limiting the generality of the foregoing and except as expressly provided in the Post-Closing Agreement, the Company shall, within 30 days of entering into any Material Agreement, (i) execute an Assignment Agreement in favor of the Collateral Agent, for the benefit of the Senior Lenders, collaterally assigning all of the Company's rights under such material agreement and (ii) obtain the consent of any contractual counterparties necessary of desirable, in form and substance, reasonably satisfactory to the Administrative Agents, to permit such collateral assignment.

(c) As provided in Section 2.04, any and all property, assets, contract or other rights or intangibles which are granted to any Senior Lender in connection with the issuance of Additional Senior Indebtedness shall be granted to the Collateral Agent and held for the benefit of all of the Senior Lenders as security for all of the Obligations as provided in the Intercreditor Agreement.

5.15 EQUITY COMMITMENTS. Holdings shall take all actions necessary or required to assure that all of the Equity Commitments remain in full force and effect. Subject to any restrictions contained in the Joint Venture Agreement relating to the timing of the obligation of the Original Mexican Shareholders to make Equity Contributions, Holdings shall draw on such Equity Commitments, to the extent permitted under such Equity Commitments, at the earlier to occur of the following: (i) the last date on which any particular contribution is to be made under such Equity Commitment, or (ii) at least five Business Days prior to any date on which any member of the Borrower Group has an obligation to pay any Obligation (or has any other obligation for the payment of money, the non-payment of which would constitute a Material Adverse Effect) and has insufficient funds on hand to make such payment. Any such drawing on the Equity Commitments shall (subject to the limitations contained in such Equity Commitments) be in an amount sufficient to satisfy the requirement set forth in the preceding sentence. Holdings shall not permit the Joint Venture Agreement to be amended or supplemented in any manner which would relieve the Original Mexican Shareholders from fulfilling the Equity Commitments contained therein. The obligations of Holdings under this Section 5.15 to draw upon the Equity Commitments shall be reduced to the extent of (i) any cash equity investment received by Holdings after the date hereof or (ii) the principal amount of any Subordinated Loans extended to Holdings after the date hereof; provided, that all obligations of Holdings pursuant to this Section 5.15 shall terminate upon the investment of additional equity and/or incurrence of Subordinated Loans in the aggregate amount of \$100,000,000 after the date hereof.

5.16 YEAR 2000 COMPLIANCE. Each member of the Borrower Group shall take such actions as are necessary or prudent to assure that any computer application (including those operated by the Vendors) that is material to the Business of the Borrower Group will be Year

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2000 compliant on a timely basis, except to the extent that such failure will not result in a Material Adverse Effect.

5.17 OPERATOR AGREEMENTS. The Borrower Group agrees to maintain in full force and effect the Operator Agreement and to cause Leap Wireless Mexico to maintain in full force and effect the GTE Operator Agreement, in each case, through the date (the "Applicable Date") which is the earlier of (i) the expiration date stated therein, and (ii) December 31, 2003; provided, however, that (i) Leap Wireless Mexico may terminate the GTE Operator Agreement prior to the Applicable Date so long as (a) Leap Wireless Mexico enters into a new operator agreement substantially similar to the GTE Operator Agreement, replacing GTE with another company of international standing and experience in respect of operating systems (either as principal or agent) in the telecommunications industry, and (b) the replacement operator executes a consent in substantially the form of Appendix E-5 within 30 days of the execution of the replacement operator agreement, and (ii) the Company may terminate the Operator Agreement or Leap Wireless Mexico may terminate the GTE Operator Agreement so long as (a) the Company enters into a new operator agreement substantially similar to the GTE Operator Agreement, operating systems (either as principal or agent) in the telecommunications industry and (b) the replacement operator executes a Consent in substantially the form of Appendix E-5 within 30 days of the execution of the replacement operator agreement.

5.18 PAYMENT OF CERTAIN FEES. The Borrower Group shall pay all of the reasonable and customary fees and expenses (including up-front and on-going fees and expenses) of (i) the Collateral Agent, (ii) the Intercreditor Agent, (iii) the trustee under the Guaranty Trust Agreement, in each case upon receipt of invoices from such parties, and (iv) the notary in connection with any amendments to the Mortgage.

5.19 CONSENTS, APPROVALS. The Borrower Group shall, from time to time, obtain all material governmental and third party consents, approvals, Permits and licenses required to be obtained by such time in connection with the transactions contemplated by the Alcatel Procurement Agreement, the QUALCOMM Procurement Agreements and the Financing Agreements and such consents, approvals and licenses shall be kept in effect so long as required, including, without limitation, (i) any required consent of any Governmental Authority required to be obtained to permit the assignment for security purposes of the Licenses and all additional licenses granted to any member of the Borrower Group and (ii) all required consents from contractual counterparties of the Borrower Group required to be obtained to permit the due and proper assignment to the Collateral Agent of the Collateral.

5.20 MAINTENANCE OF LICENSES.

(i) The Company shall take any and all action necessary to maintain the Licenses in compliance with Applicable Law, except to the extent that the failure to do so would not constitute an Event of Default under Section 7.13.

(ii) The Company shall not sell, assign, transfer or partition the Licenses other than as permitted by Section 6.02 (e).

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(iii) The Company shall not take any action which would violate any federal, state, national, provincial or local statute, rule regulation or order relating to the Licenses if such violation would constitute a Material Adverse Effect.

(iv) The Company shall not materially modify or amend the Licenses if such modification or amendment would result in the Licenses not covering at least Region 9, and either Region 4 or Region 6 (as such Regions are defined in Exhibit A to the Joint Venture Agreement) or the number of Covered Pops covered by the Licenses, as so modified or amended, would not exceed 40,000,000 Pops.

(v) The Company shall enter into all interconnection agreements required under or by the Licenses, if any.

(vi) The Company shall not take any action which would violate any License or any agreement relating to the Licenses if such action would result in an Event of Default under Section 7.13.

(vii) The Company shall not (other than as contemplated by the Security Documents) pledge as collateral the Licenses, nor subject the Licenses to any claim, Lien, security interest or other encumbrance.

Provided; however, that nothing in this Section 5.20 shall limit the ability of the Company to sell or dispose of assets, including a portion of the Licenses to the extent expressly permitted in Section 6.02(e).

5.21 SITE ACQUISITION.

(a) In connection with site acquisition for the placement or installation of Intelligent Base Station Controllers ("BSCs"), Base Station Transceivers ("BTSSs"), Mobile Switching Centers ("MSCs") or other infrastructure equipment, the Company shall enter into a Site Lease with minor modifications as shall be reasonably necessary to negotiate with particular landlords; and

(b) concurrently with entering into any lease of real property in connection with the placement or installation of BSCs, BTSSs, MSCs or other infrastructure equipment, whether or not in the form of a Site Lease, the Company shall deliver to the Collateral Agent (i) a copy of such lease and (ii) if the lessor of such real property is party to a lending arrangement with respect to such real property, a nondisturbance agreement, duly executed by the lessor's lender in form suitable for recordation, or, in the case of each item (a) or (b) of this Section 5.21, other documentation reasonably satisfactory to the Collateral Agent.

5.22 MINIMUM ASSETS. The Company shall at all times own, legally and beneficially, title to the Minimum Assets.

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ARTICLE 6

NEGATIVE COVENANTS

Each member of the Borrower Group covenants and agrees, jointly and severally, that, until the Commitments have been terminated and all Obligations in connection with the Senior Indebtedness are paid in full (unless waived in writing in accordance with the Intercreditor Agreement):

6.01 LIENS. Each member of the Borrower Group will not, and will not agree to, create, incur, assume or suffer to exist any Lien upon or with respect to any of its property, revenues or assets (real, personal or mixed, tangible or intangible) whether now owned or hereafter acquired or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to such Person) or assign any right to receive income; provided that the provisions of this Section 6.01 shall not prevent the creation, incurrence, assumption or existence of the following Liens, rights or trusts (each, a "Permitted Lien"):

(i) Liens created by any of the Security Documents or the other Financing Agreements, or otherwise in favor of the Collateral Agent for the benefit of the Senior Lenders in connection with the transactions contemplated by this Agreement;

(ii) Liens in respect of property, revenues or assets of a member of the Borrower Group imposed by Applicable Law, which were incurred in the ordinary course of business, do not secure Indebtedness and do not arise as a consequence of any default by a member of the Borrower Group in connection with any Transaction Document or any obligation owed to any Person, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the Business of the Borrower Group or (y) which are the subject of a Good Faith Contest by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(iii) Liens for taxes, assessments and other governmental charges of requirements which are not then due or which are subject to a Good Faith Contest;

(iv) Liens in respect of judgments or awards against a member of the Borrower Group which are subject to a Good Faith Contest but only to the extent, for an amount and for a period not resulting in an Event of Default under Section 7.12;

(v) Liens created pursuant to Capital Leases permitted by Section 6.04(c);

(vi) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money);

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(vii) leases, subleases or licenses granted to others not interfering in any material respect with the Business;

(viii) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the Business;

(ix) any interest or title of a lessor under any lease permitted by this Agreement and Liens arising from financing statements regarding leases permitted by this Agreement;

(x) purchase money Liens securing payables arising from the purchase by any member of the Borrower Group of any equipment or goods in the normal course of business, provided that such payables do not constitute Indebtedness;

(xi) Liens arising pursuant to purchase money mortgages or security interest securing Indebtedness not constituting Senior Indebtedness or High Yield Debt representing the purchase price of assets acquired by any member of the Borrower Group after the Closing Date; provided that any such Liens attach only to the asset so acquired and that all Indebtedness secured by Liens created pursuant to this clause (xi) is permitted by this Article 6;

(xii) Liens on property (other than Capital Stock) of any Person that becomes a member of the Borrower Group after the date hereof, provided that such Liens are in existence at the time such Person becomes a member of the Borrower Group, were not created in anticipation thereof and do not attach to any property of any other member of the Borrower Group;

(xiii) Liens on wireless telecommunication handsets granted in favor of a holder of Indebtedness, provided that (a) such Indebtedness was incurred for the purpose of, and the proceeds thereof were expended for, the payment for such handsets, and (b) such Indebtedness does not constitute Additional Senior Indebtedness;

(xiv) with respect to the incurrence of High Yield Debt, the Lien described in the parenthetical in Section 6.04(h) (C); and

(xv) Liens (other than Liens elsewhere described in this Section 6.01), provided that (A) the aggregate amount of the Indebtedness secured by such Liens does not at any time exceed the greater of (a) \$10,000,000, or (b) one percent (1 %) of the aggregate of the Consolidated Debt and the Consolidated Paid-In Equity at the time of the incurrence of such Indebtedness, and (B) such Liens do not encumber any of the following assets or properties: (a) the Licenses, (b) any assets or equipment furnished under the Vendor Agreements, (c) any intellectual property rights, (d) any accounts receivable or proceeds thereof related to the Business, or (e) any real estate; provided further, that this clause (xv) shall not apply to permit any Liens by New Subsidiaries.

6.02 CONSOLIDATION; MERGER; SALE OF ASSETS. No member of the Borrower Group will wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, sell or otherwise dispose of all or any part of its property or assets (other than

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sales and other dispositions (including asset swaps and similar transactions) when no Event of Default exists to the extent such sale or disposition is in the ordinary course of business) or purchase, lease or otherwise acquire all or any part of the property or assets of any Person (other than purchases or acquisitions of inventory, leases, materials and equipment in the ordinary course of business) or agree to do any of the foregoing at any future time, except that the following shall be permitted:

(a) any Subsidiary of a member of the Borrower Group (other than the Company) may be merged or consolidated with or into, or be liquidated into, another member of the Borrower Group (so long as a member of the Borrower Group is the surviving corporation), or all or any part of its business, properties and assets may be conveyed, leased, sold or transferred to a member of the Borrower Group, in each case to the extent that (i) no detriment results in the operation of the Business, (ii) there is no detriment to the security interests and Liens created pursuant to the Security Documents, and (iii) the Company continues to own, both legally and beneficially, the Minimum Assets;

(b) Capital Expenditures; provided that such Capital Expenditures do not exceed \$750,000,000 from January 1, 1998 through December 31, 2000, and do not exceed \$200,000,000 for each calendar year thereafter; provided that if any portion of such permitted Capital Expenditure is not made within the designated period, such unused amount shall be available (and permitted) to be made as Capital Expenditures in ensuing periods;

(c) each member of the Borrower Group may lease (as lessee) real or personal property in the ordinary course of business (so long as such lease does not create a Capitalized Lease Obligation not otherwise permitted by Section 6.04(c));

(d) licenses or sublicenses by members of the Borrower Group of intellectual property in the ordinary course of business of such members, provided, that such licenses or sublicenses shall not interfere with the Business;

(e) sales of Licenses (or portions thereof), provided that (i) following such sale or sales, the Company continues to own the Licenses covering at least Region 9 and either Region 4 or Region 6 (as defined in Exhibit A to the Joint Venture Agreement), (ii) following such sale or sales, the total Covered Pops in the Regions covered by the Licenses (or portions thereof) owned by the Company following such sale or sales are not less than 40,000,000, and (iii) to the extent the amount of the net proceeds of such sale or sales exceeds the aggregate amount of (A) Capital Expenditures of the Company (whether or not financed) plus (B) all amounts paid in connection with acquisitions permitted under clause (g) below, in each case, during the period from the date of receipt of such net proceeds by the Company through and including the date that is 180 days thereafter, such excess shall be applied to the prepayment of outstanding Senior Indebtedness on a Pro Rata Payment basis as soon as may be practicable following the end of such 180-day period;

(f) sales or dispositions of assets (other than the Licenses or portions thereof) provided, that to the extent the amount of the net proceeds of such sale or sales exceeds the aggregate amount of (A) Capital Expenditures of the Company (whether or not financed) plus (B) all amounts paid in connection with acquisitions permitted under clause (g) below, in

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each case, during the period from the date of receipt of such net proceeds by the Company through and including the date that is 180 days thereafter, such excess shall be applied to the prepayment of outstanding Senior Indebtedness on a Pro Rata Payment basis as soon as may be practicable following the end of such 180-day period; and

(g) other than with respect to New Subsidiaries, the acquisitions of additional telecommunications businesses and assets in Mexico, provided that the aggregate acquisition price of all such businesses and assets does not exceed \$50,000,000.

In connection with the sale or disposition of any License (or portion thereof) or any other asset or property of a member of the Borrower Group which is permitted under this Section 6.02 and which is then subject to a Lien created by the Security Documents, the Collateral Agent shall execute such documents of release as shall be reasonably requested by the Borrower Group in order to

release such Licenses (or portions thereof) or such other asset or property from the Lien created by the Security Documents. If and to the extent that any Senior Indebtedness then outstanding does not permit the prepayment thereof at such time or under such circumstances as are described in clause (e) or clause (f) of this Section 6.02, or any Senior Lender notifies the Company and each Administrative Agent that it does not desire any such prepayment from such sources, then any prepayment referred to in such clauses shall be applied on a Pro Rata Payment basis as if such Senior Indebtedness was not then outstanding. Any prepayment of Senior Indebtedness made in accordance with this Section 6.02 shall be made simultaneously with the prepayment of other Senior Indebtedness (other than as set forth in the preceding sentence), provided that if such prepayment of any such Senior Indebtedness would require a prepayment or break-funding penalty, such prepayment amounts may, at the option of the Company, be deposited with the applicable Administrative Agent, invested in Permitted Investments, and applied to the prepayment of such Senior Indebtedness on the first date as to which no prepayment or break-funding penalty would be imposed.

6.03 RESTRICTED PAYMENTS. No member of the Borrower Group will declare or pay any dividends (other than dividends payable solely in Capital Stock of such Person) or return any capital to, its stockholders or authorize or make any other distribution, payment or delivery of property or cash to its stockholders as such, or redeem, retire, purchase, or otherwise acquire, directly or indirectly, for consideration, any shares of any class of its Capital Stock now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the Capital Stock of any other member of the Borrower Group or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock) (all of the foregoing "Dividends"), except that (A) any Subsidiary of the Company, Pegaso PCS or Personnel Co. may pay Dividends to the Company, Pegaso PCS or Personnel Co., as applicable, (B) each of the Company, Pegaso PCS or Personnel Co. may pay cash Dividends to Holdings to the extent, but only to the extent, that Holdings needs all of such Dividends within five Business Days following the payment of such Dividend to pay (i) normal, reasonable and customary administrative costs incurred in the ordinary course of its business, (ii) Taxes paid in cash related to the Business on behalf of the Borrower Group, (iii) to the extent that no Default or Event of Default exists at the time such Dividend is paid and the Company reasonably believes that it has, or will have on each of the

next following Payment Dates applicable to each tranche of Senior Indebtedness, cash or Permitted Investments equal to the debt service coming due on such Payment Dates, interest on, and (subject to Section 6.04(h)(B)) regularly scheduled principal coming due on, High Yield Debt (issued by Holdings) within such five Business Day-period (and any Dividends not so utilized within such five Business Day-period shall be returned to the appropriate Subsidiary of Holdings) and (iv) to the extent no Default or Event of Default exists at the time of such payment, dividends by Holdings which are permitted to be paid pursuant to clause (C) below, and (C) at any time during any fiscal year, Holdings may pay Dividends to its shareholders provided that, (1) the Cash Flow Test shall be satisfied as of the date of such Dividend payment, (2) the EBITDA Test shall be less than or equal to 5.0 as of the date of such Dividend payment; provided, that for purposes of this Section 6.03 the components of the EBITDA Test shall be calculated as follows: (x) Consolidated Debt, cash and Permitted Investments shall be measured as of the date of such Dividend payment and (y) EBITDA shall be measured based on the two preceding fiscal quarters most recently ended, and (3) simultaneously with any such Dividend payment, there shall be paid to the holders of Senior Indebtedness, as a prepayment of the principal amount of such Senior Indebtedness then outstanding and on a Pro Rata Payment basis, an amount equal to such Dividend multiplied by the ratio (expressed as a percentage of not less than 100%) which (i) the total principal amount of Senior Indebtedness outstanding on the date of such prepayment bears to (ii) the total Consolidated Paid In Equity as of such date, both calculated in a manner consistent with the provisions of Section 6.10. If and to the extent that any Senior Indebtedness then outstanding does not permit the prepayment thereof at such time or under such circumstances as are described in this Section 6.03, or any Senior Lender notifies the Company and each Administrative Agent that it does not desire any such prepayment from such sources, then any prepayment referred to in this Section 6.03 shall be applied on a Pro Rata Payment basis as if such Senior Indebtedness was not then outstanding. Any prepayment of Senior Indebtedness made in accordance with this Section 6.03 shall be made simultaneously with the prepayment of other Senior Indebtedness (other than as set forth in the preceding sentence), provided that if such prepayment of any such Senior Indebtedness would require a prepayment or break-funding penalty, such prepayment amounts may, at the option of the Company, be deposited with the applicable Administrative Agent, invested in Permitted Investments, and applied to the prepayment of such Senior Indebtedness on the first date as to which no prepayment or break-funding penalty would be imposed.

6.04 INDEBTEDNESS. No member of the Borrower Group will contract, create, incur, assume or suffer to exist any Indebtedness, except the following ("Permitted Indebtedness"):

(a) subject to Section 6.09 or Section 6.10 (whichever is then applicable), Indebtedness incurred pursuant to the Alcatel Credit Agreement and the Qualcomm Credit Agreement and Indebtedness incurred as a result of the Alcatel Commitment Letter;

(b) Indebtedness owing by any member of the Borrower Group to another member of the Borrower Group so long as (i) not otherwise restricted by this Agreement, and (ii) any payment of such debt (whether principal, interest or otherwise) is specifically subordinated to the Senior Indebtedness and is not secured in any form; provided, however, that no loan or advance may be made by the Company to any other member of the Borrower Group if (A) an Event of Default has occurred and is then continuing or (B) the total amount so loaned or

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advanced by the Company and then outstanding exceeds an amount equal to 1% of the Consolidated Paid-In Equity;

(c) Capitalized Lease Obligations of a member of the Borrower Group not constituting Senior Indebtedness and Indebtedness incurred pursuant to purchase money mortgages or security interests permitted by Section 6.01(xi), provided that the aggregate of such Capitalized Lease Obligations under all Capitalized Leases entered into after the Closing Date plus the principal amount of all Indebtedness secured by such purchase money mortgages or security interests shall not exceed at any time outstanding the greater of (i) \$15,000,000 or (ii) two percent (2%) of the sum of Consolidated Debt and Consolidated Paid-In Equity at the time of incurrence thereof;

(d) Additional Senior Indebtedness as provided in Section 2.04, provided that (i) after the incurrence thereof the Leverage Ratio set forth in Section 6.10 or the EBITDA Test set forth in Section 6.09 (whichever is then applicable) shall be satisfied as of the last day of the last fiscal quarter last ended for which financial statements have been delivered in accordance with Section 5.01(a), on a pro forma basis as if such Additional Senior Indebtedness and any other Indebtedness which was incurred after such last day was incurred and outstanding on such last day and any Indebtedness which was repaid after such last day was not outstanding on such last day, and (ii) the weighted average life of such Additional Senior Indebtedness is not shorter than the shorter of (A) 4.3 years or (B) the remaining weighted average life of the Indebtedness under the Alcatel Credit Agreement and the Qualcomm Credit Agreement outstanding immediately prior to the issuance of such Additional Senior Indebtedness;

(e) other Indebtedness outstanding prior to, and to remain outstanding after, the Closing Date to the extent specified in Schedule 6.04;

(f) Contingent Obligations of any of the Borrower Group arising with respect to customary indemnification obligations incurred in connection with permitted asset dispositions;

(g) unsecured Indebtedness of the Company taking the form of a working capital revolving credit facility, provided that (A) the principal amount of such Indebtedness does not at any time exceed \$50,000,000, and (B) after the incurrence thereof the EBITDA Test set forth in Section 6.09 or the Leverage Ratio set forth in Section 6.10 (whichever is then applicable) shall be satisfied on the last day of the last fiscal quarter last ended for which financial statements have been delivered in accordance with Section 5.01(a), on a pro forma basis as if such unsecured Indebtedness and any other Indebtedness which was incurred since such last day was incurred and outstanding on such last day and any Indebtedness which was paid after such last day was not outstanding on such last day;

(h) Indebtedness incurred by any member of Borrower Group, other than the New Subsidiaries, not otherwise described in this Section 6.04 ("High Yield Debt"), provided that (A) the proceeds of such High Yield Debt are intended to be applied (and are applied) to System Costs, to operating expenses of the Business, or to cover required debt service payments on Senior Indebtedness, (B) no principal installments of such High Yield Debt are scheduled to be due and payable (or are otherwise required to be paid by Holdings) prior to

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January 15, 2008, (C) such High Yield Debt is not subject to any Lien on any property or assets of any member of the Borrower Group (other than any reserve or similar fund established in connection therewith which is funded from the

proceeds thereof and which is to be used to pay interest or principal on such High Yield Debt), (D) following the issuance of such High Yield Debt, the EBITDA Test set forth in Section 6.09 or the Leverage Ratio set forth in Section 6.10 (whichever is then applicable) shall be satisfied as of the last day of the last fiscal quarter last ended for which financial statements have been delivered in accordance with Section 5.01(a), on a pro-forma basis as if such High Yield Debt and any other Indebtedness which was incurred since such last day were issued and outstanding on such last day and any Indebtedness which was paid after such last day was not outstanding on such last day, and (E) such High Yield Debt is issued by Holdings and is not guaranteed by any other member of the Borrower Group;

(i) Indebtedness incurred in connection with the financing of wireless telecommunication handsets, subject to the restrictions contained in Section 6.01 (xiii);

(j) Contingent Obligations not otherwise permitted under this Section 6.04 to the extent not exceeding in the aggregate at any time outstanding \$5,000,000;

(k) Subordinated Loans;

(l) Obligations in respect of Swap Agreements as described in Section 2.07; and

(m) with respect to all New Subsidiaries, Indebtedness not exceeding the aggregate principal amount of \$5,000,000 outstanding at any one time; provided, that no category of Permitted Indebtedness under this Section 6.04, other than this clause (m), shall apply to permit the incurrence of Indebtedness by New Subsidiaries; provided, further, in any event, any guaranty by any New Subsidiary pursuant to Section 5.13 hereof shall be permitted and shall not apply to reduce the maximum allowable amount under this clause (m).

6.05 SUBSIDIARIES. No member of the Borrower Group will establish, create or acquire any Subsidiary except Wholly-owned Subsidiaries which are established, formed or purchased in accordance with the restrictions and limitations set forth in Section 5.13. The assets owned by any such Subsidiary shall not cause the Borrower Group to breach its representation made in Section 4.10(c) hereof (e.g. Minimum Assets).

6.06 ADVANCES, INVESTMENTS AND LOANS. No member of the Borrower Group will lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to any Person, except:

(a) any member of the Borrower Group may invest in Permitted Investments;

(b) any member of the Borrower Group may acquire and hold receivables owing to them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

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(c) any member of the Borrower Group may incur intercompany Indebtedness to the extent permitted pursuant to Section 6.04(b);

(d) any member of the Borrower Group may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(e) any member of the Borrower Group may make investments in any other member of the Borrower Group provided that such investment does not cause a breach of any representation or covenant hereunder;

(f) any member of the Borrower Group may make loans and advances to officers and employees of the Borrower Group (but not to any shareholders or non-employee directors of a member of the Borrower Group), provided that any such loan or advance is made in the ordinary course of business and in an aggregate principal amount not to exceed \$5,000,000 (or the Peso Equivalent thereof) at any time outstanding; and

(g) any member of the Borrower Group may make acquisitions permitted by Section 6.02 (g).

6.07 AFFILIATE TRANSACTIONS. Each member of the Borrower Group will not, and will not permit any Subsidiary to, enter into any transactions or series of transactions whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable to such member of the Borrower Group or such Subsidiary as would be obtainable by such member of the Borrower Group or such Subsidiary at the time in a comparable

arm's-length transactions with a Person other than an Affiliate; provided that the foregoing restrictions shall not apply to (i) transactions solely among the members of the Borrower Group, (ii) employment arrangements entered into in the ordinary course of business with officers of such member, (iii) customary fees paid to members of the Board of Directors of Holdings, and (iv) any transaction permitted by the Joint Venture Agreement as in effect on the Closing Date.

6.08 NO OTHER BUSINESS. No member of the Borrower Group will undertake and business other than the Business and activities reasonably incidental thereto.

6.09 EBITDA TEST. From and after the Trigger Date, the Borrower Group will no permit the EBITDA Test to be more than the following ratios for the following dates (when calculating Consolidated Debt less cash and Permitted Investments) and quarterly and annual periods (when calculating EBITDA) ending on such dates:

<TABLE> <CAPTION> PERIOD -----	PERIOD ENDING ON -----	EBITDA RATIO -----
<S> Annual	<C> December 31, 2003	<C> 8:1
Quarterly	March 31, June 30 and September 30, 2004	8:1

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<TABLE> <S>	<C>	<C>
Annual	December 31, 2004 and each December 31 thereafter	6:1
Quarterly	March 31, June 30 and September 30 of each year, commencing March 31, 2005 and thereafter	6:1

All calculations made for purposes of determining compliance with this financial covenant shall be based on financial statements reconciled to U.S. GAAP; provided, that for purposes of this Section 6.09, Consolidated Debt and Permitted Investments shall be calculated in Dollars on the date of any determination.

6.10 LEVERAGE RATIO. At all times prior to the Trigger Date, the Borrower Group will not permit the Leverage Ratio to exceed 1.5 to 1.0. All calculations made for purposes of determining compliance with this financial covenant shall be based on financial statement reconciled to U.S. GAAP; provided, that for purposes of this Section 6.10, Consolidated Paid-In Equity shall be calculated in Dollars on the date of contribution or dates of contribution of such Consolidated Paid-In Equity, and Consolidated Debt and Permitted Investments shall be calculated in Dollars on the date of any determination.

6.11 LIMITATION ON ISSUANCE OF STOCK. No member of the Borrower Group (other than Holdings) will, nor will it permit, any of its Subsidiaries, directly or indirectly, to, issue an. shares of its capital stock or other securities (or warrants, rights or options to acquire shares or other equity securities), except (i) in favor of Holdings or another member of the Borrower Group that is the parent company, (ii) for replacements of then outstanding shares of Capital Stock, (iii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of the Borrower Group in any class of the Capital Stock of such other members or such Subsidiary, and (iv) for issuances by newly created or acquired Subsidiaries in accordance with Section 5.13.

6.12 PREPAYMENTS. So long as the Company shall have any Senior Indebtedness outstanding, the Company shall not prepay any principal of High Yield Debt or pay or prepay any principal or interest in respect of Subordinated Loans.

6.13 MODIFICATIONS OF CERTAIN DOCUMENTS AND AGREEMENTS. No member of the Borrower Group shall amend or modify any of its Charter Documents or change its Fiscal Year without the prior written consent of the Required Voting Parties, except for any modifications to its Charter Documents (including the Joint Venture Agreement) that are not materially adverse to any Secured Party. For purposes of this Section 6.13, any amendment or modification to the Equity Commitments set forth in the Joint Venture Agreement prior to the date on which the sum of additional equity contributions made to Holdings after the Closing Date and the Subordinated Loans made to Holdings after the Closing Date which have not been repaid equal or exceeds \$100,000,000 shall be deemed materially

6.14 ABANDONMENT OF THE SYSTEM. No member of the Borrower Group shall (i) abandon the System, (ii) agree to abandon the System or (iii) make any public declaration or statement regarding its intention to abandon the System.

6.15 HAZARDOUS SUBSTANCES. No member of the Borrower Group shall release, emit or discharge into the environment any Hazardous Materials in violation of any Environmental Law to the extent that any such release, emission or discharge would constitute a Material Adverse Effect. No member of the Borrower Group will exercise care, custody or control over the System or any real property owned or leased by any member of the Borrower Group in any manner that would pose a major or unreasonable hazard to the environment, health or safety.

6.16 IMMUNITY. In any proceedings in Mexico or elsewhere in connection with any of the Financing Agreements to which a member of the Borrower Group is a party, no such member shall claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

6.17 REGULATIONS. No member of the Borrower Group shall directly or indirectly apply any part of the proceeds of any Loan or other revenues to the purchasing or carrying of margin stock within the meaning of Regulation T, U or X of the Federal Reserve Board, or any regulations, interpretations or rulings thereunder.

6.18 INVESTMENT COMPANY ACT. No member of the Borrower Group shall take (or permit any other Person to take) any action which could reasonably result in such member falling within the definition of an "investment company" or a company "controlled" by an "investment company," under the Investment Company Act of 1940.

6.19 DISPUTES. No member of the Borrower Group will agree, authorize or otherwise consent to any proposed settlement, resolution or compromise of any litigation, arbitration or other dispute with any Person which is an Affiliate, unless such settlement, resolution or compromise is made on terms similar to those which would apply if such Person were not an Affiliate.

ARTICLE 7

EVENTS OF DEFAULT

Each of the specified events set forth in Sections 7.01 through 7.16 shall constitute an "Event of Default":

7.01 PAYMENTS. A failure by one or more members of the Borrower Group to pay (whether by scheduled maturity, required prepayment, by acceleration or otherwise) any principal of any Senior Indebtedness, any interest on any Senior Indebtedness, any other amounts owing hereunder or under any other Financing Agreement or any other amounts constituting Obligations within three Business Days after such principal, interest or other amount first becomes due.

7.02 REPRESENTATIONS. Any representation or warranty made by any Sponsor, Guarantor, or any member of the Borrower Group herein or in any other Financing Agreement or any representation, warranty or statement in any certificate, financial statement or other document furnished to any Secured Party by or on behalf of the Borrower Group hereunder or under any other Financing Agreement shall prove to have been false or misleading in any material respect as of the time made, deemed made, confirmed or furnished; provided, however, that no Event of Default shall occur pursuant to this Section 7.02 if the false or misleading representation, warranty or statement can be eliminated or otherwise cured within 30 days after any responsible officer of the Borrower Group receives notice or has knowledge thereof such that the applicable representation, warranty or statement is no longer false or misleading in any material respect.

7.03 COVENANTS.

(a) A member of the Borrower Group shall default in the due performance or observance by it of any term, covenant or agreement contained in Sections 5.13, 5.15, 5.16, 5.17 or Article 6.

(b) Any member of the Borrower Group shall default in the due performance or observance by it of any term, covenant or agreement contained herein or in any other Financing Agreement (except as otherwise provided in Section 7.01 and paragraph (a) of this Section 7.03), and such default shall continue unremedied for a period of 30 days after the date on which written

notice thereof shall have been received by a member of the Borrower Group from the Collateral Agent; provided, that if (A) any such default under this Section 7.03(b) does not involve the payment of money and cannot be cured within such 30-day period, (B) such failure is in fact susceptible of cure, (C) no other independent Default or Event of Default has occurred and is continuing, (D) the Borrower Group is proceeding with diligence and in good faith to cure such failure, (E) the existence of such failure does not constitute a Material Adverse Effect and (F) the Collateral Agent shall have received an officer's certificate signed by an Authorized Officer of the Company to the effect of clauses (A), (B), (C), (D) and (E) above and describing all action the Borrower Group is taking to cure such failure, such 30-day cure period shall be extended by up to an additional 60 days as shall be necessary for the Borrower Group to diligently cure such failure.

7.04 DEFAULT UNDER OTHER AGREEMENTS.

(a) Any member of the Borrower Group defaults for a period beyond the applicable grace period in the payment of any principal, interest or other amount due under any agreement evidencing, securing or creating any Indebtedness of such member (including swap or similar derivative agreements) in excess (individually or in the aggregate) of \$15,000,000.

(b) Any member of the Borrower Group shall default in the observance or performance of any agreement or condition relating to any Indebtedness the principal amount of which (individually or in the aggregate) exceeds \$25,000,000, or any other event or condition shall have occurred thereunder, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee acting

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on behalf of such holders) to cause any such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of any member of the Borrower Group shall be declared due and payable prior to the stated maturity thereof.

7.05 INVOLUNTARY BANKRUPTCY, ETC. An involuntary proceeding shall have been commenced against any member of the Borrower Group or seeking that such Person be wound up or liquidated, adjudging such Person bankrupt or insolvent or seeking reorganization, arrangement, adjustment or composition of or in respect of such Person under any Applicable Law or seeking the appointment of a receiver, liquidator, sindico, interventor, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial part of its property or other assets, or the winding up or liquidation of its affairs and such proceeding continues undismissed for 60 days.

7.06 VOLUNTARY BANKRUPTCY, ETC. The institution by any member of the Borrower Group of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it; or the filing by it of a petition or answer or consent seeking reorganization or debt relief under any Applicable Law or to the appointment of a receiver, liquidator, sindico, interventor, assignee, trustee, sequestrator (or other similar official) of any such Person or of any substantial part of its property; or the making by it of an assignment for the benefit of creditors generally; or the admission by it in writing of its inability to pay its debts generally as they become due; or any other event shall have occurred which under any Applicable Law would have an effect analogous to any of those events listed above in this Section 7.06 with respect to any such Person; or any action is taken by any such Person for the purpose of effecting any of the foregoing.

7.07 ANALOGOUS PROCEEDINGS. There occurs, in relation to any member of the Borrower Group, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which in that country or territory corresponds with, or has an effect equivalent or similar to, any of those mentioned in Section 7.05 or 7.06.

7.08 ATTACHMENT OF COLLATERAL. Any Person other than the Collateral Agent for the benefit of the Secured Parties or a Senior Lender attaches or institutes proceedings to attach all e any part of the Collateral, and any attachment or any judgment Lien against any such Collateral (i) remains unlifted, unstayed or undischarged for a period of 30 days or (ii) is upheld in a final nonappealable judgment of a court of competent jurisdiction.

7.09 FINANCING AGREEMENTS.

(a) This Agreement or any of the Financing Agreements or any material provision hereof or thereof is or becomes invalid, illegal or unenforceable or the Company or any Guarantor shall have repudiated or disavowed or taken any action to challenge the validity or enforceability of such agreement.

(b) Any of the Security Documents, once executed and delivered, shall fail to provide the Liens, security interests, rights, titles, interests, remedies, powers or privilege intended to be created thereby (including the priority intended to be created thereby), or such

Lien shall fail to have the priority contemplated therefor in such Security Documents, or any such Security Document shall cease to be in full force and effect, or the validity thereof or the applicability thereof to any obligations purported to be secured or guaranteed thereby or any part thereof, shall be disaffirmed in writing by or on behalf of a member of the Borrower Group or any other party thereto.

7.10 EXPROPRIATION. There shall have occurred any act or series of acts attributable to a Mexican Governmental Authority which (i) in the reasonable judgment of the Required Voting Parties has the effect of depriving the Senior Lenders of their fundamental rights as creditors in respect of this Agreement (including rights under the security interests granted under the Security Documents), or (ii) confiscates, expropriates or nationalizes the ownership or control of all or any substantial part of the System or other assets of a member of the Borrower Group and such act or series of acts continues uncured for 120 days or more.

7.11 MONETARY RESTRICTIONS. Any law, order, decree or regulation shall impose and restriction on (i) the lawful transfer of Dollars by the Borrower Group from Mexico to the Collateral Agent (and from the Collateral Agent to any other Person or locale whether within or outside of Mexico), or (ii) the conversion of (a) Dollars to Pesos or (b) Pesos to Dollars and which restriction constitutes a Material Adverse Effect.

7.12 JUDGMENTS. One or more judgments or decrees shall be entered against one or more members of the Borrower Group and such judgments or decrees shall not be vacated discharged or stayed or bonded pending appeal for any period of 60 consecutive days, and the aggregate amount of all such judgments and decrees outstanding at any time (except to the extent any applicable insurer(s) shall have acknowledged liability therefor) exceeds \$5,000,000.

7.13 LICENSES AND PERMITS. The Borrower Group shall fail to obtain, renew, maintain or comply in all material respects with the Licenses (or any portion thereof); or any License (or any portion thereof) shall be rescinded, terminated, suspended, modified or withheld or shall be determined to be invalid or shall cease to be in full force and effect; or any proceedings shall be commenced by or before any Governmental Authority for the purpose of rescinding, terminating, suspending, modifying or withholding any such License (or any portion thereof) and such proceeding is not dismissed within 60 days; and as a result of such failure, rescission, determination of invalidity, termination, suspension, modification, withholding, cessation or commencement the valid, enforceable and effective Licenses then owned by the Company (a) fail to cover all of Region 9, and either all of Region 4 or all of Region 6 (as such Regions are defined in Exhibit A to the Joint Venture Agreement) or (b) result in Covered Pops being less than 40,000,000 Pops.

7.14 CHANGE OF CONTROL. A Change of Control shall have occurred and be continuing.

7.15 OTHER SENIOR INDEBTEDNESS. An "event of default" shall have occurred and be continuing under (and as defined in the documentation relating to) any Credit Agreement relating to Senior Indebtedness, including any Senior Indebtedness which is described in Section 2.04.

7.16 MORTGAGE. The Company shall fail to deliver to the Collateral Agent within forty five (45) days after the filing of Amendment No. 1 to the Mortgage, the first testimony of the public deed evidencing the execution and delivery of Amendment No. 1 to the Mortgage, duly recorded at the Public Registry of Commerce of the Federal District of Mexico; or the Company shall fail to deliver to the Collateral Agent (i) within ninety (90) days after filing of the Mortgage, the first testimony of the public deed evidencing the execution and delivery of the Mortgage, duly recorded at the Telecommunications Registry of Mexico and (ii) within ninety (90) days after filing of Amendment No. 1 to the Mortgage, the first testimony of the public deed evidencing the execution and delivery of Amendment No. 1 to the Mortgage, duly recorded at the Telecommunications Registry of Mexico.

7.17 REMEDIES. Subject to the provisions of the Intercreditor Agreement and the Collateral Agency Agreement, upon the occurrence and during the continuation of an Event of Default, the Secured Parties may, without further notice of default, presentment or demand for payment, protest or notice of non-payment or dishonor, or other motion or demands of any kind, all such notices and demands being waived (to the extent permitted by Applicable Law), exercise any or all rights and remedies at law or in equity (in any combination or order that the Secured Parties may elect) and, without limitation or prejudice to the foregoing, the Secured Parties may:

(a) unless otherwise provided in the applicable Credit Agreement, refuse, and they shall not be obligated, to make any Disbursements and/or may

suspend or terminate their Commitments;

(b) declare and make all sums of accrued and outstanding principal and accrued but unpaid interest remaining under the Credit Agreements and Credit Facilities, and any other Senior Indebtedness, including unpaid fees, costs and charges, immediately due and payable, provided that in the event of an Event of Default occurring under Section 7.05, 7.06 or 7.07 (in each case in respect of a member of the Borrower Group), all such amounts shall become immediately due and payable without reference to the Credit Agreements or any other Financing Agreement and without further notice, demand or act of any Secured Party;

(c) set off and apply all monies on deposit with any Secured Party to the satisfaction of the Obligations under all of the Financing Agreements and otherwise in accordance with the terms of any such applicable document; and

(d) exercise any and all rights and remedies available to them under any of the Security Documents or any of the other Financing Agreements or as otherwise permitted by Applicable Law.

ARTICLE 8

MISCELLANEOUS

8.01 PAYMENT OF EXPENSES, ETC.

(a) Without limiting any amounts agreed to be paid by the Borrower Group under the applicable Credit Agreements, each member of the Borrower Group shall, jointly and severally, whether or not the transactions herein contemplated are consummated, pay:

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(i) all reasonable out-of-pocket costs and expenses of each of the Collateral Agent and the Intercreditor Agent (including all commissions, charges, costs and expenses for the conversion of currencies and all other reasonable costs, charges and expenses (including all reasonable fees and expenses of the legal counsel, consultants and advisors for any of the foregoing)) made, paid, suffered or incurred in connection with (A) any amendment or modification to, or the protection or preservation of any right or claim under, or consent or waiver in connection with, this Agreement or any other Transaction Document, any such other document or instrument related hereto or thereto, or any Collateral, (B) the authentication, registration, translation and recordation (where appropriate) and the delivery of the evidences of indebtedness relating to the Loans and the Disbursements thereof and (C) the administration and enforcement (including with respect to a work out) of this Agreement, the other Transaction Documents and any other documents and instruments referred to herein or therein (including the reasonable fees and disbursements of one common Mexican counsel and one common United States counsel for the Collateral Agent and the Intercreditor Agent upon the occurrence and during the continuation of an Event of Default, (ii) the fees of the Insurance Consultant retained pursuant to the Financing Agreements, and (iii) the expenses set forth in Section 3.06 and Section 6.03 (a) (iv) of the Intercreditor Agreement.

(b) Each member of the Borrower Group shall, whether or not the transactions herein contemplated are consummated, jointly or severally, indemnify each of the Secured Parties and their respective officers, directors, employees, representatives, attorneys and agents (each an "Indemnified Party" and, collectively, the "Indemnified Parties") from and hold each of them harmless against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceeding or inquiry (whether or not such Indemnified Party is a party thereto) related to the entering into and/or performance of any Transaction Document or the disbursement of, or use of the proceeds of, any Senior Indebtedness or the consummation of any transactions contemplated herein or in any Transaction Document, including the reasonable fees and disbursements of counsel selected by such Indemnified Party incurred in connection with any such investigation, litigation or other proceeding or in connection with enforcing the provisions of this Section 8.01(b) (but excluding any such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements to the extent incurred by reason of the gross negligence or willful misconduct of the Person to be indemnified or its officers, directors, employees, representatives, attorneys or agents, as the case may be, as determined pursuant to a final, non-appealable judgment by a court of competent jurisdiction).

(c) Without limitation to the provisions of Section 8.01(b) above, each member of the Borrower Group agrees to defend, protect, indemnify and hold harmless each Indemnified Party from and hold each of them harmless against any and all liabilities (including removal and remedial actions), obligations, losses; damages, penalties, claims, actions, judgments, suits, costs, expenses

and disbursements (including reasonable attorneys' and consultants' fees and disbursements) imposed on or asserted against any such Persons directly or indirectly based on, or arising or resulting from (i) the actual or alleged presence of Hazardous Materials on, under or at the System or any real property owned or leased by any member of the Borrower Group, (ii) any Environmental Claim relating to any member of the Borrower Group or the System or any real property owned or leased by any member of the Borrower Group, or

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(iii) the exercise of any Indemnified Party's rights under any of the provisions of this Section 8.01, but excluding any matter based solely on the gross negligence or willful misconduct of any such Indemnified Party, as the case may be, as determined pursuant to a final, non-appealable judgment by a court of competent jurisdiction.

(d) To the extent that the undertaking in the preceding paragraphs of this Section 8.01 may be unenforceable because it is violative of any law or public policy, the Borrower Group will contribute the maximum portion that it is permitted to pay and satisfy under Applicable Law to the payment and satisfaction of such undertakings.

(e) All sums paid and costs incurred by any Indemnified Party with respect to any matter indemnified hereunder shall bear interest at the default rate applicable to their respective Credit Facility from the date any member of the Borrower Group receives notice thereof from such Indemnified Party, until reimbursed by the Borrower Group, and all such sums and costs shall be added to the debt and be secured by the Security Documents and shall be immediately due and payable on demand. Each such Indemnified Party shall promptly notify the Company in a timely manner of any such amounts payable by the Borrower Group hereunder, provided that any failure to provide such notice shall not affect the Borrower Group's obligations under this Section 8.01.

(f) Each Indemnified Party pursuant to Section 8.01(b) and (c) above, within 10 days after the receipt by it of notice of the commencement of any action for which indemnity may be sought by it, or by any Person controlling it, from the Borrower Group on account of the agreements contained in this Section 8.01, shall notify the Company in writing of the commencement thereof, but the failure of such Indemnified Party to so notify the Company of any such action shall not release the Borrower Group from any liability which it may have to such Indemnified Party.

8.02 RIGHT OF SETOFF. Subject to the terms of the Intercreditor Agreement, upon the occurrence and during the continuance of any Event of Default, each Senior Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Senior Lender to or for the credit or the account of any member of the Borrower Group against any and all of the obligations of the Borrower Group now or hereafter existing under the applicable Credit Agreement and, if applicable, the corresponding Note held by such Senior Lender, irrespective of whether or not such Senior Lender shall have made any demand under the applicable Credit Agreement or Note, and without presentment, protest or other notice of any kind to any member of the Borrower Group, all of which are hereby expressly waived and although such obligations may be unmatured.

8.03 NOTICES.

(a) Except as otherwise expressly provided herein or in any Financing Agreement, all notices and other communications provided for hereunder or thereunder shall be (i) in writing (including telex or telecopier) and (ii) telexed, telecopied or sent by overnight courier (if for inland delivery) or international courier (if for overseas delivery) to a party hereto

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(with a copy to the Relevant Party) or to a Relevant Party at its address and contact number specified in Schedule 8.03, or at such other address and contact number as is designated by such party in a written notice to the other parties hereto.

(b) All such notices and communications shall be effective (i) if sent by telex, when sent (with the correct answer back), (ii) if sent by telecopier, when sent (on receipt of confirmation) and (iii) if sent by courier, (x) one day after deposit with an overnight courier if for inland delivery and (y) three days after deposit with an international courier if for overseas delivery.

8.04 BENEFIT OF AGREEMENT. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, no member of the Borrower

Group may assign or transfer any of its rights or obligations hereunder without the prior written consent of each of the Senior Lenders. Any Senior Lender may transfer, assign or grant its rights hereunder in connection with an assignment or transfer of all or any part of its interest in its Senior Indebtedness in accordance with the provisions of the applicable Credit Agreement; provided that any such assignee has agreed to be bound by the terms of the Financing Agreements, including the Intercreditor Agreement. Notwithstanding anything to the contrary contained in any Financing Agreement (including this Agreement), the Senior Lenders under each respective Credit Agreement shall be entitled to appoint a successor administrative agent in accordance with the terms of such Credit Agreement upon the resignation or removal of their Administrative Agent without any consent of or notice to any other Secured Party, and upon such appointment becoming effective in accordance with such terms, such successor shall be deemed to be the "Administrative Agent" of such Senior Lenders for all purposes of this Agreement and the other Financing Agreements. Each of the Relevant Parties shall be deemed a third party beneficiary to this Agreement to the extent that it is to receive any document, instrument, notification or other paper as provided herein.

8.05 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of the Collateral Agent, any other Agent, or any Senior Lender in exercising any right, power or privilege hereunder or under any other Financing Agreement and no course of dealing between any member of the Borrower Group, or any of its Affiliates, on the one hand, and the Collateral Agent, any other Agent and the Senior Lenders, on the other hand, shall impair any such right, power or privilege or operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Financing Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Financing Agreement expressly provided are cumulative and not exclusive of any rights, powers or remedies which any party thereto would otherwise have. No notice to or demand on a member of the Borrower Group in any case shall entitle such member (or any other member) to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Collateral Agent, any other Agent, or any Senior Lender to any other or further action in any circumstances without notice or demand.

8.06 SEVERABILITY. Any provision of any Financing Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the

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extent of prohibition or unenforceability, but that shall not invalidate the remaining provisions of such Financing Agreement or affect such provision in any other jurisdiction.

8.07 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when executed and delivered, shall be effective for purposes of binding the parties hereto, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with each of the parties hereto.

8.08 EFFECTIVENESS. This Agreement shall become effective on the date hereof. Any Credit Agreement shall become effective pursuant to its terms (except for this Agreement having become effective, if that is a condition of effectiveness of any of such agreement).

8.09 SURVIVAL. All indemnities set forth herein, including in Section 8.01, shall survive the execution and delivery of this Agreement and the making and repayment of the Senior Indebtedness.

8.10 CURRENCY OF PAYMENT. The obligation of the Company and the Borrower Group to pay in Dollars those amounts of the sums specified to be due in Dollars, under this Agreement or the respective Financing Agreements (the "Financing Agreement Currency") shall not be deemed to have been novated, discharged or satisfied by any tender of (or recovery under judgment expressed in) any currency other than the Financing Agreement Currency, except to the extent to which such tender (or recovery) shall result in the effective payment of such aggregate amount in the applicable Financing Agreement Currency at the place where such payment is to be made and, accordingly, the amount (if any) by which any such tender (or recovery) shall fall short of such amount shall be and remain due to the Senior Lenders as a separate Obligation, unaffected by judgment having been obtained (if such is the case) for any other amounts due in respect of this Agreement or the Financing Agreements.

8.11 JUDGMENT CURRENCY.

(a) The obligations of the Borrower Group hereunder and under the other Financing Agreements to make payments in Dollars (the "Obligation Currency"), shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than

the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the respective Secured Party of the full amount of the Obligation Currency expressed to be payable to such Secured Party under this Agreement or the other Transaction Documents. If for the purpose of obtaining or enforcing judgment against the Company in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made at the Peso Equivalent, in the case of Pesos, and in the case of other currencies, the rate of exchange (as quoted by the Intercreditor Agent or if the Intercreditor Agent fails to quote a rate of exchange on such currency, by a known dealer in such currency designated by the Intercreditor Agent) determined, in each case, as of the day on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date").

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(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrower Group covenants to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining the Peso Equivalent or rate of exchange under this Section 8.11, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

8.12 EVIDENCE OF DEBT.

(a) Each Senior Lender shall maintain, or cause to be maintained, in accordance with its usual practice, internal records evidencing the amounts from time to time lent by and owing to it under its respective Financing Agreement and each of the payments from time to time made in respect thereof.

(b) Except as otherwise provided in any Financing Agreement, in any legal action or proceeding arising out of or in connection with any Financing Agreement or any other Transaction Document, the entries made in the internal records maintained by each of the Senior Lenders pursuant to clause (a) above shall be prima facie evidence of the existence and amount of obligations of the Borrower Group as therein recorded.

8.13 ENGLISH LANGUAGE This Agreement is made in the English language. One Spanish language translation of this Agreement prepared at the Company's expense by an official public interpreter and approved by Mexican counsel to the Company and Mexican counsel to the Senior Lenders under the Alcatel Credit Agreement and the Qualcomm Credit Agreement shall be the agreed Spanish language translation hereof for all purposes. Such translation and no other may be filed in one or more public registries in Mexico or used in any proceeding in Mexico. For all purposes, the English language version hereof shall be the original instrument and in all cases of conflict between the English and the Spanish versions, the English version shall control.

8.14 ENTIRE AGREEMENT. This Agreement (including the exhibits, schedules and appendices attached hereto), including the documents referred to herein, embodies the entire agreement and understanding of the parties hereto and supersedes all prior agreements and understandings of the parties hereto relating to the subject matter herein contained.

8.15 WAIVER OF SOVEREIGN IMMUNITY. Each member of the Borrower Group acknowledges and agrees that the activities contemplated by the provisions of the Financing Agreements are commercial in nature rather than governmental or public, and therefore acknowledges and agrees that it is not entitled to any right of immunity on the grounds of sovereignty or otherwise with respect to such activities or in any legal action or proceeding arising out of or relating to the Financing Agreements. Each member of the Borrower Group, in

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respect of itself, its process agents, and its properties and revenues, expressly and irrevocably waives any such right of immunity which may now or hereafter exist (including any immunity from any legal process, from the jurisdiction of any court or from any execution or attachment in aid of execution prior to judgment or otherwise) or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any such action or proceeding, whether in the United States or otherwise.

8.16 REINSTATEMENT. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the obligations of the Company or the Borrower Group hereunder, or any part thereof, is, pursuant to Applicable Law, rescinded or reduced in amount, or must otherwise be restored or returned by the Collateral Agent or any Secured Party. In the event that any payment or any part thereof is so rescinded, reduced, restored or returned, such obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, restored or returned.

8.17 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL.

(a) This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the General Obligations Laws of the State of New York); provided, however, that, in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement shall be deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

(b) Each party hereto hereby agrees that any suit, action or proceeding with respect to this Agreement or any judgment entered by any court in respect thereof may be brought in the United States of America District Court for the Southern District of New York, in the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), or in any other appellate court in the State of New York or the competent courts of the Federal District of Mexico, as the party commencing such suit, action or proceeding may elect in its sole discretion; and each party hereto hereby irrevocably submits to the jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment. Each party hereto further submits, for the purpose of any such suit, action, proceeding or judgment brought or rendered against it, to the appropriate courts of the jurisdiction of its domicile. Each member of the Borrower Group hereby waives any rights to a specific jurisdiction it may have by virtue of its present or any future domicile, or otherwise.

(c) Each member of the Borrower Group hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be made upon CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, U.S.A. (the "Process Agent"), and each member of the Borrower Group hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the

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Process Agent to give any notice of any such service of process to such member of the Borrower Group shall not impair or affect the validity of such service or of any judgment based thereon. Each member of the Borrower Group hereby further irrevocably consents to the service of process in any suit, action or proceeding in said courts by the mailing thereof by any Secured Party by registered or certified mail, postage prepaid, at its address set forth beneath its signature hereto.

(d) Nothing herein shall in any way be deemed to limit the ability of the Secured Parties to serve any such writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over any member of the Borrower Group in such other jurisdictions, and in such manner, as may be permitted by applicable law.

(e) Each member of the Borrower Group hereby irrevocably waives any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Financing Agreement brought in the Supreme Court of the State of New York, County of New York, or in the United States of America District Court for the Southern District of New York or the competent courts of the Federal District of Mexico, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(f) The Borrower Group hereby agrees to cause the Process Agent to execute and deliver to each Agent a letter from the Process Agent to each such Agent confirming Process Agent's acceptance of the appointment by the members of Borrower Group.

(g) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY OF THE FINANCING AGREEMENTS OR THE TRANSACTIONS CONTEMPLATED

THEREBY.

8.18 CALCULATIONS; COMPUTATIONS. The financial statements to be furnished to the Agents, to the Relevant Parties and/or the Senior Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto); provided that (x) except as otherwise specifically provided herein, all computations of determining compliance with Sections 6.09 and 6.10, including definitions used therein, except to the extent otherwise set forth therein, shall utilize accounting principles and policies in effect at the Closing Date, (y) in the event GAAP shall be modified from that in effect on the Closing Date, the Borrower Group shall be entitled to utilize GAAP, as so modified, for purposes of such computations to the extent that (i) the Company gives each Administrative Agent 30 days' prior written notice of such proposed modification and (ii) prior thereto the Company and such Administrative Agents shall have agreed upon adjustments, if any, to such definitions and/or such Sections the sole purpose of which shall be to give effect to such proposed change (it being understood and agreed that to the extent that the Company and such Administrative Agent cannot agree on appropriate adjustments to such definition and/or Sections (or that no adjustments are necessary), the proposed change will not be utilized for the purposes of computations under such definition and/or Sections) and (z) if at any time such computations utilize accounting principles different from those utilized in the financial

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statements furnished pursuant to Section 5.01(a), such financial statements shall be accompanied by reconciliation worksheets.

8.19 NO THIRD-PARTY BENEFICIARIES. The covenants contained herein are made solely for the benefit of the parties hereto (and the Senior Lenders), and successors and assigns of such parties as specified herein, and shall not be construed as having been intended to benefit any third party not a party to this Agreement, except as expressly set forth in Section 8.04 or otherwise herein.

8.20 AMENDMENTS.

(a) Any provision of this Agreement may be amended, modified, supplemented or waived only by an instrument in writing signed by each member of the Borrower Group, the Administrative Agents, the Collateral Agent and the Intercreditor Agent (with the Administrative Agents, Collateral Agent and Intercreditor Agent acting pursuant to the provisions of the Intercreditor Agreement).

(b) Notwithstanding anything in the Intercreditor Agreement to the contrary and only with respect to the following terms set forth therein, any amendment or modification thereof which would extend the time periods or decrease any Voting Party Percentage set forth in the definition of "Initiating Voting Parties" or which would increase the Voting Party Percentage applicable to clauses (iii) and (iv) of the definition of "Required Voting Parties," shall be signed by each member of the Borrower Group; provided however, that neither the foregoing nor any provision of the Intercreditor Agreement shall in any way restrict the ability of the parties to the Intercreditor Agreement or the Senior Lenders from entering into additional agreements among themselves as to how such Persons will vote in connection with any issue arising under the Financing Agreements notwithstanding the fact that such additional agreements would have the practical effect of making such amendment or modification.

8.21 CONFIDENTIALITY. Subject to the right of each Senior Lender to assign or sell a participation in any Loans held by it or in its commitment and to furnish information in connection therewith, the Senior Lenders shall hold all nonpublic information obtained pursuant to the requirements of this Agreement which has been identified as such by any member of the Borrower Group in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its Affiliates, employees, auditors, advisors, or counsel or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Loans or participation therein (so long as such transferee or participant agrees to be bound by the provisions of this Section 8.21) or as required or requested by any governmental agency or representative thereof or pursuant to legal process; provided that, unless specifically prohibited by Applicable Law or court order, each Senior Lender shall notify the Company of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Senior Lender by such governmental agency) for disclosure of any such nonpublic information prior to disclosure of such information; and provided further, that in no event shall any Senior Lender be obligated or required to return any materials furnished by any member of the Borrower Group.

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IN WITNESS WHEREOF, the parties hereto have caused this Common Agreement to be executed and acknowledged by their respective officers or representatives hereunto duly authorized, as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

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CITIBANK, N.A., as Intercreditor Agent

By: _____
Name: _____
Title: _____

CITIBANK MEXICO, S.A., GRUPO FINANCIERO CITIBANK, as Collateral Agent

By: _____
Name: _____
Title: _____

CITIBANK INTERNATIONAL PLC, as Alcatel Administrative Agent

By: _____
Name: _____
Title: _____

ABN AMRO BANK N.V., as Qualcomm Administrative Agent

By:

Name: -----

Title: -----

By: -----

Name: -----

Title: -----

APPENDIX A TO COMMON AGREEMENT

DEFINED TERMS.

As used in any Financing Agreement (as defined below), including the Common Agreement, the following terms shall have the following meanings, except to the extent otherwise defined in such Financing Agreement:

"Acceptable Financial Institution" shall mean a bank or trust company with a combined capital plus surplus of at least \$500,000,000 and whose long-term senior unsecured debt is rated "A" or higher by S&P or "A2" or higher by Moody's.

"Additional Senior Indebtedness" shall have the meaning set forth in Section 2.04. Any Alcatel Loans made under or pursuant to the Alcatel Commitment Letter (or any credit or similar agreement in connection therewith) constitute Additional Senior Indebtedness, but shall be permitted as provided in Section 6.04 (a) without compliance with the provisions of Section 6.04(d).

"Additional Senior Indebtedness Lenders" shall have the meaning set forth in Section 2.04.

"Additional Senior Indebtedness Loans" shall mean, collectively, all of the loans and notes made pursuant to the documentation relating to or evidencing the Additional Senior Indebtedness.

"Administrative Agent" shall mean (i) with respect to the Alcatel Credit Agreement, the Alcatel Administrative Agent, or any successor Administrative Agent appointed pursuant to Section 10.08 of the Alcatel Credit Agreement, (ii) with respect to the Qualcomm Credit Agreement, the Qualcomm Administrative Agent, or any successor Administrative Agent appointed pursuant to Section 10.8 of the Qualcomm Credit Agreement, and (iii) with respect to any Additional Senior Indebtedness, the administrative agent (or, in the case of notes, bonds or other debt securities, the trustee, fiscal agent or comparable fiduciary) appointed pursuant to the documentation evidencing such Additional Senior Indebtedness, or any successor administrative agent appointed pursuant to the applicable section of such documentation.

"Affiliate" shall mean, with respect to a specified Person, any other Person which directly or indirectly controls, or is under common control with, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise), provided that, in any event, any Person which owns directly or indirectly 10% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 10% or more of the partnership or other ownership interests of any other Person will be deemed to control such corporation or other Person. Notwithstanding the foregoing, (i) no individual shall be deemed to be an Affiliate of a Person solely by reason of his or her being a director, committee member, officer or

employee of such person and (ii) each member of the Borrower Group and each of their respective Affiliates shall be deemed to be an Affiliate of each other member of the Borrower Group.

"Agents" shall mean, collectively, the Intercreditor Agent, the Collateral Agent and the Administrative Agents.

"Alcatel" shall mean Alcatel, a corporation duly incorporated under the laws of France.

"Alcatel Administrative Agent" shall mean Citibank International plc, in its capacity as Administrative Agent under the Alcatel Credit Agreement.

"Alcatel Commitment Letter" shall mean the commitment letter dated as of October 28, 1998, from Electro Banque to, and accepted by, the Company relating to Facility 2 (as therein defined and described), as supplemented, updated and confirmed pursuant to SECTION 3.01(v).

"Alcatel Costs" shall mean all of the amounts (other than value-added taxes) due and payable by the Company or other members of the Borrower Group to or for the account of Alcatel Intedel under the provisions of the Alcatel Procurement Agreement, and including the repayment of any bridge or similar loan (and interest thereon) made by Citibank, N.A., London Branch to the Company and guaranteed by Alcatel, the proceeds of which were used to pay the foregoing costs.

"Alcatel Credit Agreement" shall mean the Credit Agreement, dated as of the date hereof, between the Company, the Alcatel Lenders referred to therein and the Alcatel Administrative Agent.

"Alcatel Guaranty" shall mean the Guaranty Agreement, dated as of the date hereof, between Alcatel and the Alcatel Administrative Agent pursuant to which Alcatel has guaranteed the payment obligations of the Company under the Alcatel Credit Agreement as therein provided.

"Alcatel Intedel" shall mean Alcatel Intedel Industria de Telecomunicacion S.A. de C.V., a sociedad anonima de capital variable under the laws of Mexico.

"Alcatel Lenders" shall mean the Persons from time to time making or carrying Loans and Commitments to the Company under the Alcatel Credit Agreement or under the credit agreement executed as a result of the Alcatel Commitment Letter.

"Alcatel Loans" shall mean, collectively, all of the loans made under the Alcatel Credit Agreement and all of the loans made under the credit agreement referred to in the Alcatel Commitment Letter.

"Alcatel Procurement Agreement" shall mean the Agreement for Services, Procurement, and Construction, with an effective date of October 21, 1998, between the Company and Alcatel Indetel.

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"Alcatel Qualified Costs" shall mean (a) all of the Alcatel Costs other than (i) the cost of the towers to be delivered by Alcatel Indetel under the Alcatel Procurement Agreement and (ii) the cost of the shelters to be delivered by Alcatel Indetel under the Alcatel Procurement Agreement. For the avoidance of doubt, the term "Alcatel Qualified Costs" shall not include interest on any Indebtedness, whether capitalized or otherwise (other than the interest referred to in the definition of Alcatel Costs) nor any VAT costs paid in connection with services rendered, or equipment or other property furnished, under the Alcatel Procurement Agreement.

"Applicable Currency Exchange Rate" shall mean, as of any date of determination, the rate of exchange (net of all fees and commissions) then applicable to (i) the conversion of Dollars to Pesos or, (ii) the conversion of Pesos to Dollars, as the context may require. The applicable rate of exchange shall be the most favorable rate quoted by the Intercreditor Agent at 11:00 a.m. (Mexico City time) on the applicable date of determination (or, if no such quotations shall be available on such date, on the date closest to such date of determination).

"Applicable Law" shall mean any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, Permit, or any published directive, guideline, requirement or other governmental restriction which has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, binding on a given Person whether in effect as of the date hereof or as of any date thereafter, including all applicable Environmental Laws.

"Applicable Shares" shall have the meaning set forth in Section 4.10.

"Assignment Agreements" shall mean the Assignment Agreements as referred to in the Post-Closing Agreement (appropriately completed) pursuant to which (i) the Sponsors and Holdings have collaterally assigned to the Collateral Agent all of the rights they have or may have as against the Original Mexican Shareholders regarding the Equity Commitments, (ii) the Company has collaterally assigned to the Collateral Agent all of the rights it has or may have as against Holdings regarding the subscription of additional shares of the Company by Holdings with

the proceeds of the Equity Commitments, (iii) the Company has collaterally assigned to the Collateral Agent all of its rights under the Pegaso PCS Services Agreement, the Vendor Agreements, the Operator Agreement, and the Interconnection Agreements, (iv) Pegaso PCS has collaterally assigned to the Collateral Agent all of its rights under the Personnel Co. Services Agreement and the Site Leases.

"Authorized Officer" shall mean, with respect to any Person, the Managing Director, the President, the Vice President, the Assistant Vice President, the Treasurer, the Assistant Treasurer or equivalent officers of such Person and, with respect to the Company, shall include any officer or representative holding any of the foregoing positions (or their equivalent) whose name appears on a certificate of incumbency delivered concurrently with the execution of this Agreement, as such certificate of incumbency may be amended from time to time to identify names of the individuals then holding such offices or the names of such representatives and the capacity in which they are acting.

"Borrower" or "Company" shall mean Pegaso Comunicaciones y Sistemas, S.A. de C.V., a sociedad anonima de capital variable under the laws of Mexico.

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"Borrower Group" shall mean (i) the Company, (ii) Holdings, (iii) Pegaso PCS, (iv) Personnel Co. (v) the respective Subsidiaries of each of the foregoing in existence as of the Closing Date, and (vi) any Subsidiary of any of the foregoing which is formed, established, purchased or acquired after the Closing Date as described in Section 5.13. Any reference to a "member" or to a "member of the Borrower Group" shall mean one or more of the Persons described in clause (i) through (vi) of this definition.

"Business" shall mean the business of development, operation and use of the Licenses (and, subject to Articles 4, 5 and 6, other new licenses and/or concessions issued to any member of the Borrower Group) and pursuant thereto the installation and operation of terrestrial-based wireless telecommunications systems in Mexico and, to the extent integral to such wireless terrestrial-based telecommunications systems, long-distance telecommunications systems in Mexico.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York, in the Federal District of Mexico or in the City of London a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to any determination of the Eurodollar Rate, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in U. S. Dollar deposits in the interbank Eurodollar market.

"Business Plan" shall mean the Final Business Plan, as updated from time to time as provided in Section 5.01(d).

"Capital Expenditures" shall mean, with respect to any Person for any period, expenditures that are capitalized in accordance with U.S. GAAP and, for purposes of this definition, expenditures made during such period for equipment and services financed under sale/leaseback arrangements or under an operating lease.

"Capital Lease" as applied to any Person, shall mean any lease of any property (whether real personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of such Person.

"Capital Stock" of any Person shall mean any and all shares, interest, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) the common or preferred equity or equity or preference share capital of such Person, including, without limitation, partnership interests.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of any Person in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Flow Test" shall mean, for any date or any particular calculation period, that (A) EBITDA for the two consecutive fiscal quarters ending on the date of the last financial statements delivered in accordance with Section 5.01(a) multiplied by a factor of two (2), is at least equal to (B) the total regularly scheduled principal and interest on Indebtedness outstanding on the date of such calculation (other than Indebtedness described in clauses (g), (k) and (l) of

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Section 6.04) to become due during the twelve-month period commencing on the

date of such financial statements; provided, that for purposes of the calculation in clause (B), the pro forma interest shall be based on the amount of principal Indebtedness outstanding and the interest rates existing on the date of determination and it shall be assumed that principal amounts will be repaid as scheduled.

"Casualty Event" shall mean an event which causes all or a portion of the System to be damaged, destroyed or rendered unfit for normal use for any reason whatsoever.

"Change of Control" shall mean (i) the failure at any time prior to the consummation of a Qualified Public Offering of (a) the Original Mexican Shareholders to own at least 51 % of the voting Capital Stock of Holdings, or (b) Leap to own, directly or indirectly through a wholly-owned Subsidiary, at least 20% of the Capital Stock of Holdings, or (ii) at any time after the consummation of a Qualified Public Offering, any transaction or series of transactions whereby (A) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of voting Capital Stock of Holdings representing 35% or more of the combined voting power of all voting stock of Holdings, or (B) during any period of 18 consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such 18 month period were directors of Holdings, together with such directors who are approved by directors who were directors at the beginning of such period, shall cease for any reason to constitute a majority of board of directors of Holdings; or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Holdings, or (iv) the failure of Holdings to own all of the Capital Stock of each of the Company, Pegaso, PCS and Personnel Co. (other than one share of such Capital Stock which is owned, and shall continue to be owned, by another member of the Borrower Group). Notwithstanding the foregoing, any such transaction or series of transactions described in clause (ii) above shall not constitute a Change of Control if the Original Mexican Shareholders or their wholly-owned Subsidiaries and Leap continue to own, directly or indirectly, in the aggregate a greater percentage of the voting Capital Stock of Holdings than any other Person or two or more Persons acting in concert.

"Charter Documents" shall mean, with respect to any Person, the articles of incorporation, by-laws, partnership agreements or such other documents or instruments which are required to be registered or lodged in the place of incorporation or organization of such Person and which establish the legal existence of such Person. With respect to Holdings, the term "Charter Documents" shall also include the Joint Venture Agreement.

"Closing Date" shall mean the later to occur of (i) the execution and delivery of the Alcatel Credit Agreement, or (ii) the execution and delivery of the Qualcomm Credit Agreement.

"COFETEL" shall mean Comision Federal de Telecomunicaciones de Mexico.

"Collateral" shall mean the security for the Senior Indebtedness, including: (i) all property, assets (including cash, investments and accounts receivable held from time to time by

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the Company) and contract rights (including rights to intellectual property), whether now owned or hereafter acquired, of the Company which are described (either specifically or generally) in the Mortgage, (ii) all property, assets and rights of any member of the Borrower Group which is made subject to a Lien as required by Section 5.14, (iii) the rights of the Sponsors and Holdings and the other members of the Borrower Group which are collaterally assigned pursuant to the Assignment Agreements, (iv) the Capital Stock of the Company, Pegaso PCS and Personnel Co., which will be pledged to the Secured Parties pursuant to the PCS/Recursos Pledge Agreement and Sistemas Pledge Agreements or transferred to the trustee under the Guaranty Trust Agreement, (v) the Capital Stock of any New Subsidiary, which will be pledged to the Secured Parties pursuant to a pledge agreement substantially similar to the above-referenced pledge agreements or transferred to the trustee under the Guaranty Trust Agreement (vi) any and all security provided by any member of the Borrower Group in connection with any Additional Senior Indebtedness as provided in Section 2.04(c), and (vii) all proceeds and revenues of the foregoing.

"Collateral Agent" shall mean Citibank Mexico, S.A., Grupo Financiero Citibank, or any successor designated as collateral agent pursuant to Article 2 of the Collateral Agency Agreement.

"Collateral Agency Agreement" shall mean the Collateral Agency Agreement, dated as of the date hereof, among the Collateral Agent, the Intercreditor Agent, the Administrative Agents and the Company.

"Commitments" shall mean, collectively, (i) the commitment of the Senior Lenders to make Loans under the Alcatel Credit Agreement, (ii) the commitment of the Senior Lenders to make Loans under the Qualcomm Credit Agreement, (iii) the commitment of Alcatel to make Loans under the Alcatel Commitment Letter and (iv) the commitment of the Senior Lenders to make Loans under any credit or similar agreement evidencing Additional Senior Indebtedness.

"Commitment Fees" shall mean (i) in the case of the Alcatel Credit Agreement, the fees payable by the Company under Section 2.03 thereof, (ii) in the case of the Qualcomm Credit Agreement, the fees payable by the Company under Section 2.1 thereof, (iii) in the case of the Alcatel Commitment Letter, the fees payable by the Company in consideration thereof, and (iv) in the case of any Additional Senior Indebtedness, those fees specified therein which are payable to the Senior Lenders thereunder in consideration for the Commitments made by such Senior Lenders thereunder.

"Condemnation Event" shall mean any compulsory transfer or taking, or transfer under threat of compulsory transfer or taking, of all or any part of the System by any Governmental Authority.

"Consents" shall mean, collectively, each consent and agreement, as referred to in the Post-Closing Agreement, from (i) each Vendor, (ii) Personnel Co., with respect to the assignment of the Personnel Co. Services Agreement, and Pegaso PCS, with respect to the assignment of the Pegaso PCS Services Agreement, (iii) Leap Wireless Mexico, with respect to the assignment of the Operator Agreement, and GTE, with respect to the assignment of the GTE Operator Agreement, (iv) TelMex and TelNor, with respect to the assignment of their respective

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Interconnection Agreements, and (v) each additional consent and agreement required to be delivered pursuant to Section 5.04(b) (ii).

"Consolidated Debt" shall mean, as of any date of determination, the aggregate amount of all Indebtedness of each member of the Borrower Group on a combined basis, as shown on the balance sheet, or as would be shown on the balance sheet, as of the date of determination, determined in accordance with GAAP, plus (without duplication) any Indebtedness for borrowed money of any other Person which has been (directly or indirectly) guaranteed by a member of the Borrower Group or any other Contingent Obligation of a member of the Borrower Group.

"Consolidated Paid-In Equity" shall mean, as of any date of determination, and without duplication, the sum of (a) the aggregate amount of equity capital which has been contributed in cash, as of such date of determination, to Holdings by the Existing Shareholders and the New Shareholders less any Dividends paid to the shareholders of Holdings in accordance with Section 6.03 prior to such date of calculation, and (b) the aggregate principal amount of Subordinated Loans then outstanding. The term "Consolidated Paid-In Equity" shall not include the Equity Commitments until such time as such Equity Commitments have been honored and converted into cash by Holdings.

"Contingent Obligations" shall mean as to any Person any obligation of such Person Guaranteeing or intending to Guarantee any Indebtedness ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure, indemnify or hold harmless the owner of such primary obligation against loss in respect thereof (other than indemnity obligations arising in the ordinary course of business), provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined in good faith.

"Covered Pops" shall mean, as of any date of determination, Pops for those geographical areas as to which (a) the Company has the right under valid, enforceable and effective Licenses owned by the Company to provide PCS and WLL services, and (b) the Company has, as of such date of determination, constructed or intends to construct facilities to provide such services.

"Credit Agreements" shall mean, collectively, (i) the Alcatel Credit Agreement, (ii) the Qualcomm Credit Agreement, and (iii) any and all credit or

similar agreements evidencing any Additional Senior Indebtedness.

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"Credit Facilities" shall mean the credit facilities made available to the Company under the Credit Agreements.

"Default" shall mean any event, act or condition which, with the giving of notice, lapse of time, fulfillment of any condition or any combination thereof, would become an Event of Default.

"Disbursement" shall mean any disbursement to or for the benefit of the Company by any Senior Lender of the proceeds of Senior Indebtedness.

"Dividends" shall have the meaning provided in Section 6.03.

"Dollars" or "\$" shall mean the lawful currency of the United States.

"EBITDA" shall mean, for any period of calculation, the total earnings of the Borrower Group before interest, Taxes, depreciation and amortization during such period of calculation, calculated in accordance with GAAP eliminating (i) any net income or gain (or net loss), net of any tax effect, during such period from any extraordinary items as defined according to GAAP, (ii) any interest income, (iii) gains or losses on the sale of assets (other than the sale of inventory in the ordinary course of business), (iv) any extraordinary non-cash items deducted from or included in the calculation of pre-tax net income (other than items which will require cash payments and for which an accrual or reserve is, or is required by GAAP to be, made) and (v) the EBITDA of any Subsidiaries or other assets disposed of or discontinued during such period.

"EBITDA Test" shall mean, for any annual or quarterly period of calculation ending on a specified date, the ratio (i) of the Consolidated Debt of the Borrower Group outstanding on such date (other than Subordinated Loans) less cash and Permitted Investments in excess of \$5,000,000 held by the Borrower Group on such date to (ii) (x) the EBITDA for the two consecutive fiscal quarters last ended on or prior to such date for which financial statements have been delivered in accordance with Section 5.01(a) multiplied by (y) 2.

"Eligible Swap Counterparty" shall mean a swap counterparty that (i) has a long-term Dollar denominated debt rating of at least "A," as determined by both Standard & Poors, a division of the McGraw-Hill Companies, Inc. and Moody's Investors Service, Inc., (ii) shall, at the time of execution of the Swap Agreement, already be a Senior Lender hereunder, (iii) shall be Banamex, Bancomer, S.A., Citibank Mexico or Banco Santander, or (iv) shall otherwise be acceptable to Required Voting Parties.

"Environmental Claims" shall mean, with respect to any Person, any notice, claim, administrative, regulatory or judicial action, suit, judgment, demand or other communication (whether written or oral) by any other Person alleging or asserting such Person's liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources or other property of such Person, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, use, or release into the environment of any Hazardous Material at any location, whether or not owned by such Person or (ii) any fact, circumstance, condition or occurrence forming the basis of any violation, or alleged violation, of any Environmental Law. The term "Environmental Claim" shall include, (a) any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages

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pursuant to any applicable Environmental Law and (b) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to health, safety or the environment.

"Environmental Law" shall mean any statute, law, rule, regulation, ordinance, code or policy having the force of law, in each case, applicable to any member of the Borrower Group or the System now or hereafter in effect and in each case as amended, and any applicable judicial or administrative interpretation thereof, including any judicial or administrative order, decree or judgment, relating to any Environmental Matter.

"Environmental Matter" shall mean any:

(a) release emission, entry or introduction of any Hazardous Materials into the air, including the ambient air;

(b) discharge, release or entry of any Hazardous Materials into water,

including into any river, watercourse, lake, or pond (whether natural or artificial or above ground or which joins or flows into any such water outlet above ground), or reservoir, or the surface of the river bed or of other land supporting such waters, ground waters, sewer or the sea;

(c) deposit, disposal, keeping, treatment, importation, exportation, production, transportation, handling, processing, carrying, manufacture, collection, sorting or presence of any Hazardous Materials;

(d) nuisance, noise, defective premises, health and safety and work, industrial illness, industrial injury due to environmental factors, environmental health problems (including without limitation, asbestosis or other illness or injury caused by exposure to asbestos) which is regulated by Applicable Law;

(e) conservation, preservation or protection of the natural resources environment which is regulated by Applicable Law; or

(f) other matter whatsoever directly affecting the environment or any part of it which is regulated by Applicable Law.

"Equity Commitments" shall mean the commitments of the Original Mexican Shareholders as set forth in Article III of the Joint Venture Agreement and in resolutions adopted at various shareholder meetings pursuant to which such Persons have become obligated to contribute specified amounts of equity capital to Holdings on or prior to the dates specified therein in consideration for Capital Stock to be issued by Holdings.

"Event of Default" shall have the meaning set forth in Article 7.

"Existing Equity" shall mean the equity capital contributed to Holdings by the Existing Shareholders and the New Shareholders (in consideration for Capital Stock of Holdings issued to such shareholders) prior to the Closing Date, in the aggregate amount of \$300,000,000.

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"Existing Shareholders" shall have the meaning set forth in the Joint Venture Agreement.

"Final Business Plan" shall mean the Business Plan approved by the Board of Directors of Holdings and delivered to the Administrative Agents and the Relevant Parties.

"Financing Agreements" shall mean, collectively, the following agreements and instruments: (i) the Common Agreement, (ii) the Alcatel Credit Agreement, (iii) the Qualcomm Credit Agreement, (vi) the Alcatel Commitment Letter and any credit or similar agreements executed as contemplated therein, (v) the Notes, (vi) any and all credit or similar agreements evidencing Additional Senior Indebtedness, (vii) each of the Guaranty Agreements, (viii) the Security Documents, (ix) the Intercreditor Agreement, and (x) the Collateral Agency Agreement.

"Fiscal Year" shall mean the accounting year of the Company or the Borrower Group, as the case may be, commencing each year on January 1 and ending on December 31 or such other period agreed between the Company or the Borrower Group, as the case may be, and the Intercreditor Agent.

"Frequency Band Concessions" shall mean the Concessions for the Use, Development and Operation of Radio-electric Spectrum Frequency Bands to Provide Fixed or Mobile Wireless Access Services issued by the Secretariat of Communications of Transport in favor of, and held by, the Company by means of its decision dated May 8, 1998 for the bands of frequencies of the radioelectric spectrum in order to render wireless access services and more fully described in the Joint Venture Agreement, including Exhibit A thereto.

"Further Provisions" shall have the meaning set forth in Section 2.04(b).

"GAAP" shall mean generally accepted accounting principles in Mexico as in effect on the date of this Agreement, it being understood and agreed that determinations in accordance with GAAP (i) for purposes of Articles 5 and 6 of the Common Agreement, including defined terms as used therein, are subject (to the extent provided therein) to Section 8.18 and shall include U.S. GAAP reconciliations, and (ii) for the purposes of any other Section, to the extent that GAAP is limited, qualified or modified in any such particular Section of this Agreement, such determinations are subject to such limitations, qualifications or modifications as are set forth in such Section (but only as applied to such Section).

"Good Faith Contest" shall mean, with respect to the payment of Taxes or any other claims or liabilities by any Person, the satisfaction of each of the following conditions: (i) the validity or amount thereof is being diligently contested in good faith by such Person by appropriate proceedings timely

instituted, (ii) during the period of such contest, the enforcement of any contested item is effectively stayed, and (iii) such contest and any resultant failure to pay or discharge the claimed or assessed amount is not reasonably likely to have a Material Adverse Effect.

"Government of Mexico" shall mean the Government of Mexico, including any instrumentality, subdivision, authority, agency, ministry or statutory or legal entity or person (whether autonomous or not) thereof, including any successors thereof, whether lawful or not.

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"Governmental Authority" shall mean any national, state, county, city, town, village, municipal or other local government department, commission, board, bureau, agency, authority or instrumentality of the United States, Mexico or any other national authority or any political subdivision of any thereof, and any Person exercising executive, legislative, judicial, regulatory administrative functions of or pertaining to any of the foregoing entities, having jurisdiction over the Person or matters in question.

"GTE" shall mean GTE Data Services Mexico, S.A. de C.V., a sociedad anonima de capital variable under the laws of Mexico.

"GTE Operator Agreement" shall mean the "GTE Operator Agreement," as referred to in the Post-Closing Agreement, between Leap Wireless Mexico and GTE.

"Guarantors" shall mean (i) Pegaso PCS, (ii) Personnel Co. (iii) Holdings, and (iv) any other Subsidiary of a member of the Borrower Group executing a Guaranty Agreement as required by Section 5.13.

"Guaranty" by any Person shall mean any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing in any manner any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "Guaranty" shall not include (x) endorsements for collection or deposit in the ordinary course of business, or (y) indemnity or hold harmless provisions included in contracts entered into in the ordinary course of business. The term "Guaranty" or "Guaranteed" used as a verb has a correlative meaning.

"Guaranty Agreements" shall mean any agreement by which a Guarantor Guarantees the obligations of the Company under any of the Credit Agreements, including, without limitation the Pegaso Guaranty Agreement.

"Guaranty Trust Agreement" shall mean the Irrevocable Administration and Guaranty Trust Agreement pursuant to which Holdings will (except to the extent described in the last sentence of Section 5.23) transfer title to 100% of the Capital Stock of the Company, Pegaso PCS, and Personnel Co. to the trustee thereunder for the benefit of the Secured Parties represented by the Collateral Agent.

"Hacienda" shall mean the Secretaria de Hacienda y Credito Publico (Ministry of Finance and Public Credit) of Mexico.

"Hazardous Materials" shall mean (i) any chemicals, materials or substances defined as or included in the definition "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any

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applicable Environmental Law and (ii) any other chemical, material or substance, in each case to the extent exposure to the same is prohibited, limited or regulated by any Environmental Law by reason of its hazardous nature.

"High Yield Debt" shall have the meaning set forth in Section 6.04(h).

"Holdings" shall mean Pegaso Telecomunicaciones, S.A. de C.V., a sociedad anonima de capital variable under the laws of Mexico.

"Holdings Shares" shall have the meaning set forth in Section 4.10.

"Indebtedness" shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money, (ii) all obligations of such Person for the deferred

purchase price of property or services, other than trade accounts payable arising, and accrued expenses incurred, in the ordinary course of business so long as such trade accounts payable are payable (and have been paid) within 90 days of the date the respective goods are delivered or the respective services are rendered, (iii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iv) the currently available amount of all letters of credit issued for the account of such Person and all outstanding reimbursement obligations with respect to such letters of credit, (v) all liabilities secured by any Lien on any property owned by such Person, (vi) any Guaranty of Indebtedness by such Person, (vii) all obligations under trade or bankers' acceptances, (viii) Capitalized Lease Obligations, (ix) without duplication, any amounts due to trade creditors and accrued expenses, (x) all net obligations under agreements providing for swaps, ceiling rates, ceiling and floor rates, contingent participation or other hedging mechanisms with respect to the payment of interest or the convertibility of currency, (xi) all obligations under any conditional sale agreement or other title retention agreement and (xii) all Contingent Obligations of such Person; provided that Indebtedness shall not include trade credit and accrued expenses, in each case arising in the ordinary course of business.

"Indemnified Parties" shall have the meaning set forth in Section 8.01(b).

"Independent Accountant" shall mean Price Waterhouse Coopers or any replacement therefor of international recognized standing appointed by the Borrower Group.

"Initial Disbursement" shall mean, with respect to any tranche of Senior Indebtedness, the first Disbursement to occur on or after the Closing Date to or for the benefit of the Company by one or more of the Senior Lenders of the proceeds of such tranche of Senior Indebtedness under a Credit Agreement to which it is a party.

"Initial Disbursement Date" shall mean the date on which the Initial Disbursement is made.

"Insurance Consultant" shall mean AON Risk Services, or any replacement therefor of international recognized standing appointed by the Intercreditor Agent after consultation with the Company.

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"Insurance Contracts" shall mean the insurance policies required to be obtained by the Company or any other member of the Borrower Group pursuant to any Financing Agreement.

"Interconnection Agreements" shall mean, collectively, (i) that certain Interconnection Agreement dated as of November 26, 1998 between the Company and TelMex, and (ii) that certain Interconnection Agreement dated as of November 26, 1998 between the Company and TelNor.

"Intercreditor Agent" shall mean Citibank, N.A., or any successor intercreditor agent designated pursuant to the Intercreditor Agreement.

"Intercreditor Agreement" shall mean the Intercreditor Agreement, dated as of the date hereof, among the Intercreditor Agent, the Collateral Agent and the Administrative Agents.

"Interest Expense" shall mean, for any period, determined on a consolidated basis for the Borrower Group, the sum (without duplication) of (a) interest expense on Indebtedness, including (i) fees, (ii) payments under any interest rate protection agreements or other hedging agreements, (iii) the interest portion of any deferred payment obligations, (iv) all fees and charges owed with respect to letters of credit or performance or other bonds, (v) all accrued or capitalized interest, (vi) any amortization of debt discount and (vii) all but the principal component of Capital Lease payments and (b) dividends declared or paid pursuant to this Agreement.

"Investment Company Act of 1940" shall mean the U.S. Investment Company Act of 1940, as amended and the rules and regulations promulgated thereunder.

"Joint Venture Agreement" shall mean the Joint Venture Agreement entered into as of July 16, 1998 by and among the Existing Shareholders, Leap Mexico, Holdings and the New Shareholders, in the form delivered to the Collateral Agent prior to the Closing Date.

"Judgment Currency" shall have the meaning set forth in Section 8.11.

"Judgment Currency Conversion Date" shall have the meaning set forth in Section 8.11.

"Leap" shall mean Leap Wireless International, Inc., a corporation under the laws of Delaware.

"Leap Mexico" shall mean Leap PCS Mexico, Inc., a corporation under the laws of California, formerly called Qualcomm PCS Mexico, Inc.

"Leap Wireless Mexico" shall mean Leap Wireless Mexico, a corporation under the laws of Mexico.

"Leases" shall mean all leases of real property in which Pegaso PCS is the lessee, including any and all leases entered into for the purpose of placing components of the System.

"Leverage Ratio" shall mean, as of any date of determination, the ratio of (i) Consolidated Debt as of such date, less cash and Permitted Investments in excess of

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\$5,000,000 held by the Borrower Group on such date, to (ii) Consolidated Paid-In Equity as of such date.

"Licenses" shall mean the Frequency Band Concessions and the Telecommunication Networks Concession and any other licenses acquired by the Company in connection with the Business.

"Lien" shall mean any security interest, mortgage, pledge, assignment by way of security, charge, lease, easement, servitude, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever including, without limitation, (i) any conditional sale or other title retention agreement, any financing or similar statement or notice filed under any recording or notice statute, and any lease having substantially the same effect as any of the foregoing, and (ii) any designation (except as contemplated by this Agreement, or any Credit Agreement) of loss payees or beneficiaries or any similar arrangement under any Insurance Contract.

"Loans" shall mean, as the context shall indicate, either one or all of (i) the Alcatel Loans, (ii) the Qualcomm Loans, or (iii) the Additional Senior Indebtedness Loans.

"Loss Proceeds" any and all amounts received by any member of the Borrower Group (i) under insurance policies maintained by or for the benefit of such member, or (ii) from any Governmental Authority as a result of a Condemnation Event.

"Material Adverse Effect" shall mean an event, circumstance, occurrence or condition which has caused or could reasonably be expected to cause, as of any date of determination, a material and adverse effect on (i) the business, assets, liabilities, operations or financial condition of the Borrower Group (taken as a whole), (ii) the ability of the Borrower Group (taken as a whole) to perform its (or their) material obligations under the Financing Agreements (including its (or their) ability to pay its (or their) Obligations under the Financing Agreements as such obligations become due, (iii) the validity or enforceability of any of the Financing Agreements (including the ability of any Secured Party to enforce any of its remedies under any Financing Agreement), or (iv) the validity, priority or enforceability of the Secured Parties in the Collateral.

"Material Agreement" shall mean (i) any operator agreement or replacement operator agreement, (ii) any equipment or services procurement agreement (other than the Qualcomm Procurement Agreement or the Alcatel Procurement Agreement) pursuant to which the aggregate payments are expected to exceed \$5,000,000, and (iii) any interconnection agreement, the absence of which would be reasonably likely to reduce the Company's gross revenues by more than ten percent (10%) of gross revenues projected over the twelve months following the date upon which the agreement was entered.

"Mexico" shall mean the United Mexican States.

"Minimum Assets" shall mean those assets of the Borrower Group which (a) constitute not less than 95% of the value of all assets of the Borrower Group (valued on the same basis as such assets are carried on the books of each member of the Borrower Group on a consolidated basis), and (b) are necessary to carry on the Business of the Borrower Group in substantially the same manner as is then being carried out by the Borrower Group, and (c) the legal and beneficial

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ownership of which is required to be maintained in the name of the Company as required by Section 4.10 and is required to be subject to the Mortgage as provided in Section 4.10. For the avoidance of doubt, the term Minimum Assets shall include all Licenses, all accounts receivable, and all real estate, fixtures and personal and intellectual property (including customer lists,

billing and other records of the Borrower Group and computer software.

"Moody's" shall mean Moody's Investors Service, Inc. or any successor thereto.

"Mortgage" shall mean the mortgage, dated as of October 30, 1998 (the "Original Mortgage"), as amended by Amendment No. 1 dated as of December [___], 1998 ("Amendment No. 1 to the Mortgage"), established under the Telecommunications Law, pursuant to which the Company has granted a Lien in favor of the Collateral Agent over all of its properties and assets, including, without limitation, (i) all components of the System, (ii) the Licenses, (iii) all accounts receivable of the Company (including all amounts owed from time to time by subscribers of the System), (iv) all cash and securities owned by the Company, and (v) the Company's rights in, to and under the Vendor Agreements, the Operator Agreement, the Pegaso PCS Services Agreement and any other contract to which the Company is a party.

"New Shareholders" shall have the meaning set forth in the Joint Venture Agreement.

"Non-Vendor Financing" shall mean the financing other than (i) the financing provided under the Qualcomm Credit Agreement and the Alcatel Credit Agreement or the Alcatel Commitment Letter, and (ii) other financing provided by Persons to directly finance the purchase of equipment and services, which when taken together with similar financing provided by such Person and its Affiliates exceeds \$5,000,000 in amount outstanding.

"Note" shall mean any promissory note issued by the Company pursuant to a Credit Agreement.

"Obligation Currency" shall have the meaning ascribed thereto in Section 8.11.

"Obligations" shall mean all obligations of members of the Borrower Group now existing or hereinafter arising, direct or indirect, absolute or contingent, due or to become due, under any of the Financing Agreements, including (and without duplication) (i) the principal of and interest on the Loans and other Senior Indebtedness and all other obligations, advances, debts and liabilities of members of the Borrower Group, including indemnities, Commitment Fees and other fees and interest incurred under, arising out of or in connection with the Credit Agreements or any other Financing Agreement (whether or not evidenced by any note, bond or other instrument and whether or not for the payment of money), (ii) any and all sums advanced by the Collateral Agent, in order to preserve the Collateral or preserve its security interest in the Collateral and (iii) in the event of any proceeding for the collection or enforcement of the Obligations, after an Event of Default shall have occurred and be continuing and unwaived, the expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Collateral, or of any exercise by the Collateral Agent of its rights under the Security Documents, together with reasonable attorneys' fees and court costs.

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"Operator Agreement" shall mean the "Operator Agreement," as referred to in the Post-Closing Agreement, between the Company and Leap Wireless Mexico, which agreement shall provide for operation of the System.

"Original Business Plan" shall mean the business plan, upon which the management, officers and directors of the Borrower Group are relying to operate the Business as of the Closing Date, and which shall be delivered to the Administrative Agents and the Relevant Parties prior to the Closing Date.

"Original Mexican Shareholders" shall mean Pegaso Comunicaciones y Servicios, S.A. de C.V., Corporativo del Valle de Mexico, S. A. de C. V. and Alejandro Burillo Azcarraga.

"Overnight Eurodollar Rate" shall mean the Eurodollar Rate determined daily for an Interest Period of one day (or if longer the shortest period for which an interest rate is quoted).

"Payment Date" shall mean the date on which any interest or principal payments are to be made on any Senior Indebtedness pursuant to any Credit Agreement.

"PCS/Recursos Pledge Agreement" shall have the meaning set forth in Section 3.01(h).

"Pegaso Guaranty Agreement" shall mean the Guaranty Agreement dated as of December 15, 1998 as executed by each of the Guarantors in favor of the Collateral Agent for the benefit and on behalf of the Senior Lenders.

"Pegaso PCS" shall mean Pegaso PCS, S.A. de C.V., a sociedad anonima de

capital variable under the laws of Mexico.

"Pegaso PCS Services Agreement" shall mean the Services Agreement, dated as of December 15, 1998 between Pegaso PCS and the Company.

"Permit" shall have the meaning set forth in Section 4.05.

"Permitted Indebtedness" shall have the meaning set forth in Section 6.04.

"Permitted Investments" of any Person shall mean (A) (i) obligations issued or Guaranteed as to principal and interest by the United States or any agency thereof whose obligations are backed by the full faith and credit of the United States, as applicable, and in either case, which mature no later than one year after the date of acquisition, (ii) certificates of deposit or other interest-bearing obligations, maturing no later than six months after the date of acquisition, of any Acceptable Financial Institution, (iii) commercial paper and other corporate debt securities rated, on the date of purchase, "A-1" or "P-1" (as applicable) by S&P or Moody's, respectively, or higher for securities with original maturities of less than one year and "A" or "A2" by S&P and Moody's, respectively, or higher, for securities with original maturities of one year or greater (or the equivalent rating) and maturing no later than one year after the date of acquisition, (iv) repurchase agreements with respect to any of the foregoing obligations or securities, maturing no later than one year after the date of acquisition, with any bank of the type referred to in clause (ii) above, (v) participations in 28-day auction-rate tax-exempt funds rated, on the date of purchase, "AA" or "Aa2" by S&P or Moody's (as applicable) or higher, (vi) any

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mutual funds comprising investments referred to in clauses (i) through (v) above, and (vii) any other investments approved by the Collateral Agent; provided, however, in order for any investment described above, which has been rated both by S&P and Moody's, to qualify as a Permitted Investment, such investment must have received at least the minimum rating specified above from each such rating institution, and (B) investments in any of the following denominated in Pesos: (i) obligations with a maturity of six months or less which are direct obligations of Mexico or of entities representing the full faith and credit of Mexico, or obligations which are unconditionally guaranteed by Mexico; (ii) obligations with a maturity of six months or less of Mexican commercial banks of recognized stature, supervised by the Mexican National Banking and Securities Commission, with a capital and surplus of at least \$250,000,000; provided, that the aggregate investments of the Borrower Group in Mexican commercial banks other than Banamex or Bancomer, S.A., Citibank Mexico or Banco Santander will not exceed \$5,000,000 at any time; (iii) commercial paper of Mexican corporations with a maturity of six months or less and rated at least "A3" by Calificadora de Valores S.A. de C.V.; provided, that the aggregate amount invested under this clause (iii) shall not exceed \$2,500,000 at any time, and (iv) repurchase agreements with maturities of not more than 90 days related to any of the obligations described in clause (i), (ii) or (iii) above, and that are collateralized by such obligations with any Mexican commercial bank which meets the criteria outlined in clause (ii) above; provided, that the aggregate amount invested under this clause (iv) shall not exceed \$2,500,000 at any time; provided further that the aggregate amount invested in all investments in this clause (B) shall not exceed the amount equal to the Company's average monthly operating expenses for the preceding six months.

"Permitted Lien" shall have the meaning set forth in Section 6.01.

"Person" shall mean any individual, corporation, partnership (including, without limitation, association), limited liability company, joint stock company, trust, unincorporated organization or government or political subdivision thereof.

"Pesos" or "Ps." shall mean the lawful currency of Mexico.

"Peso Equivalent" shall mean, with respect to any monetary amount in Pesos, at any time for the determination thereof, the amount of Dollars obtained or obtainable by converting the amount of Pesos involved in such computation into Dollars at the Applicable Currency Exchange Rate against delivery of Pesos at approximately 11:00 A.M. (Mexico City time) on the date of determination thereof.

"Personnel Co." shall mean Pegaso Recursos Humanos, S.A. de C.V., a sociedad anonima de capital variable under the laws of Mexico.

"Personnel Co. Services Agreement" shall mean the Services Agreement, dated as of December 15, 1998, between Pegaso PCS and Personnel Co., pursuant to which Personnel Co. will provide certain services to Pegaso PCS.

"Pops" shall mean population, as based on specific population estimates of geographic areas as determined in accordance with those population estimates

provided by COFETEL in connection with the bidding for and award of the Licenses.

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"Post-Closing Agreement" shall have the meaning set forth in Section 3.01(y).

"Pro Rata Payment" shall mean a payment to a Senior Lender on any Payment Date in which (a) interest paid to such Senior Lender on such Payment Date bears the same proportion to the total interest payments made to all Senior Lenders on such Payment Date as (i) the total Obligations for interest due to such Senior Lender on such Payment Date bears to (ii) the total Obligations for interest due to all Senior Lenders on such Payment Date, (b) principal paid or prepaid to such Senior Lender on such Payment Date bears the same proportion to the total principal payments or prepayments made to all Senior Lenders on such Payment Date as (i) the total Obligations for principal due to such Senior Lender on such Payment Date bears to (ii) the total Obligations for principal due to all Senior Lenders on such Payment Date and (c) fees, commissions, indemnities and all amounts other than interest and principal paid to such Senior Lender on such Payment Date bears the same proportion to the total fees, commissions, indemnities and such other amounts paid to all Senior Lenders on such Payment Date as (i) the total Obligations for fees, commissions, indemnities and such other amounts due to such Senior Lender on such Payment Date bears to (ii) the total Obligations for fees, commission, indemnities and such other amounts due to all Senior Lenders on such Payment Date; provided, that, unless otherwise provided in this Agreement, (x) all Commitment Fees shall be paid in full when due; no such fees shall be paid on a Pro Rata Payment basis or included in any Pro Rata Payment calculation, (y) any prepayment premiums or break-funding amounts shall be paid in full at the time of prepayment; no such amounts shall be paid on a Pro Rata Payment basis or included in any Pro Rata Payment calculation, and (z) any prepayment of a Loan the proceeds of which were used for the payment of VAT shall not be paid on a Pro Rata Payment basis and any such Loans shall not be included in any Pro Rata Payment calculation.

"Qualcomm" shall mean QUALCOMM, Incorporated, a corporation under the laws of Delaware.

"Qualcomm Administrative Agent" shall mean ABN AMRO Bank N.V., in its capacity as Administrative Agent under the Qualcomm Credit Agreement.

"Qualcomm Costs" shall mean the cost of all equipment and services delivered to the Company under the Qualcomm Procurement Agreements, plus brokers fees, export credit insurance premiums, transportation costs and import duties payable in connection therewith but in no event including any Subscriber Units (as defined in the Qualcomm Equipment Agreement).

"Qualcomm Credit Agreement" shall mean the Amended and Restated Credit Agreement dated as of December 15, 1998, between the Company, the Qualcomm Lenders referred to therein and the Qualcomm Administrative Agent.

"Qualcomm Lenders" shall mean the financial institutions and other entities making Loans and Commitments under the Qualcomm Credit Agreement; provided, that such term shall refer to such Persons only in their capacities as lenders under the Qualcomm Credit Agreement and not in their capacities as equipment suppliers or otherwise.

"Qualcomm Loans" shall mean all of the loans made under the Qualcomm Credit Agreement

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"Qualcomm Procurement Agreements" shall mean collectively, (i) the Equipment Purchase Agreement dated as of June 10, 1998 between the Company (by assignment or otherwise) and Qualcomm, including the Software Maintenance Agreement dated as of June 10, 1998 between the Company and Qualcomm, which agreement was attached as Exhibit D to the Equipment Purchase Agreement and separately executed, and (ii) the Services Agreement dated as of June 10, 1998 between Qualcomm Wireless Services (Mexico) S.A. de C.V. (by assignment or otherwise) and the Company (by assignment or otherwise).

"Qualified Public Offering" shall mean a public offering of common stock of Holdings, (i) in which the offering is made by Holdings and the proceeds are to be used by Holdings in its Business, (ii) the amount received by Holdings (net of commissions, discounts and expenses) is not less than \$75,000,000, and (iii) such offering results in the common stock (or depository receipts with respect thereto) of Holdings being listed on a national securities market in the United States or in the European Economic Union.

"Rating Agencies" shall mean, collectively, S&P, Moody's and any other internationally recognized statistical ratings organization approved by the

Collateral Agent.

"Relevant Lender" shall have the meaning given to that term in Section 4.22.

"Relevant Parties" shall mean (i) so long as the Alcatel Guaranty shall remain in effect, Alcatel, (ii) with respect to loans made in accordance with the Alcatel Commitment Letter that are subject to credit support from a third party, such third party, and (iii) if and to the extent that Qualcomm (or any Subsidiary of Qualcomm) shall guarantee the obligations of the Company under the Qualcomm Credit Agreement, and for so long as such guaranty shall remain in effect, Qualcomm or such Subsidiary of Qualcomm.

"Required Pops" shall mean Covered Pops (a) covering the entire population of Regions 9, 4 and 6 (as such regions are defined in Exhibit A to the Joint Venture Agreement), and (b) covering at least 40 million Pops.

"Required Voting Parties" shall have the meaning given to that term in the Intercreditor Agreement.

"Responsible Officer" shall mean, with respect to any member of the Borrower Group, the President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or General Counsel of such member, or any Person having a similar function.

"S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., or any successor thereto.

"Secured Parties" shall mean, collectively, (i) the Senior Lenders and (ii) the Agents.

"Security Documents" shall mean, collectively, the Mortgage, the PCS/Recursos Pledge Agreement, the Sistemas Pledge Agreement, the Guaranty Trust Agreement, the Sponsors Negative Pledge Agreement, the Assignment Agreements, the Guaranty Agreements, the Consents, any documents or instruments executed in accordance with Section 2.04(c), Section 5.13(A), Section 5.13(B), Section 5.13(D) and Section 5.14(a) and (b), and any filings

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registrations, recordings or similar instruments or documents necessary or required by the Collateral Agent or any other Secured Party to record, perfect or otherwise evidence a security interest in the Collateral.

"Senior Indebtedness" shall mean, collectively, the Obligations under the Alcatel Loans, the Obligations under the Qualcomm Loans and the Obligations under any Additional Senior Indebtedness.

"Senior Lenders" shall mean, collectively, the Alcatel Lenders, the Qualcomm Lenders and the lenders providing funds under any Additional Senior Indebtedness; provided, however, that with respect to, and to the extent of, any Obligations paid by Alcatel under the Alcatel Guaranty, Alcatel shall be deemed the Senior Lender as described in the Alcatel Guaranty.

"Services Agreements" shall mean, collectively, the Personnel Co. Services Agreement and Pegaso PCS Services Agreement.

"Sistemas Pledge Agreement" shall have the meaning set forth in Section 3.01(h).

"Site Lease" shall mean a Site Lease Agreement, substantially in the form of Exhibit A to the Common Agreement; provided, however, that with respect to any Site Lease Agreement which has not yet been forwarded to a potential lessor on or before the Amendment Effective Date, such Site Lease Agreement shall reflect appropriate changes to reflect the ownership of the Company in assets located at the leased sites.

"Sponsors" shall mean collectively all of the shareholders of Holdings, which as of the date hereof are Leap Mexico, the Original Mexican Shareholders and the New Shareholders.

"Sponsors Negative Pledge Agreement" shall mean the Negative Pledge Agreement, dated as of the date hereof, pursuant to which each of the Sponsors has agreed not to grant a Lien to any third party on the Capital Stock of Holdings held by such Sponsor.

"Subordinated Loans" shall mean unsecured loans or other advances made to Holdings by shareholders of Holdings or any Affiliate of any such shareholder, or which are made by third parties and are guaranteed directly or indirectly by such shareholder or Affiliate, which (i) are subordinated in right of payment to all other Indebtedness of the Borrower Group, (ii) do not require that any payment of principal or interest be made (whether at scheduled maturity, by acceleration or otherwise) until the date which is one year following the latest final maturity date for any Senior Indebtedness then

outstanding, (iii) are not guaranteed by any other member of the Borrower Group and (iv) are the subject of an instrument executed by such shareholder or Affiliate or third party and deposited with the Intercreditor Agent pursuant to which such Person acknowledges that it shall receive no payment or amount or other consideration (other than as permitted by Section 6.12) in respect of such Subordinated Loan until all Senior Indebtedness has been paid in full.

"Subsidiary" shall mean, for any Person, any other Person (whether now existing or hereafter organized) for which at least a majority of the securities or other ownership interests having ordinary voting power for the election of directors or other managers are at the time

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owned or controlled by such first Person or one or more Subsidiaries of such first Person or any combination thereof.

"System" shall mean the wireless broadband PCS system to be constructed and rolled out by the Borrower Group pursuant to the Business Plan.

"System Agreements" shall mean, collectively, the Vendor Agreements, the Joint Venture Agreement, the Operator Agreement, the GTE Operator Agreement, or, subject to Section 5.17, any replacement operator agreement, the Services Agreements, the Site Leases, the Interconnection Agreements and the Licenses.

"System Costs" shall mean all costs incurred by the Company or other members of the Borrower Group in connection with the care, custody, control, construction, development and financing of the System, in all cases as and to the extent set forth in the Business Plan, including (without duplication or limitation):

(i) amounts payable under the Vendor Agreements (other than indemnities, if any);

(ii) interest, fees, expenses and withholding taxes payable under the Credit Facilities, in each case prior to the date on which the System is completed in accordance with the Business Plan;

(iii) costs and expenses of legal, engineering, accounting, construction management and other advisors or consultants incurred in connection with the System and the Business prior to the date on which the System is completed in accordance with the Business Plan;

(iv) fees, commissions and expenses payable to the Secured Parties at the Initial Disbursement Date for each Facility;

(v) construction insurance premiums for coverage obtained prior to the date on which the System is completed in accordance with the Business Plan;

(vii) the Company's labor costs; and

(viii) value-added taxes and import duties payable by the Company in Mexico with respect to equipment and material imported by or on behalf of the Company;

"Taxes" shall mean all taxes of every kind (including without limitation, gross and net income, gross and net receipts, capital gains, excess profits and minimum taxes, taxes on tax preferences, capital, net worth, franchise, sales, use value-added, stamp, documentary, excise, property and other similar taxes), charges and withholdings, levies, imposts, duties, fees and deductions imposed by any government or political subdivision thereof, quasi-governmental authority or taxing jurisdiction or authority, together with all interest, additions to tax, penalties and similar add-ons payable with respect thereto.

"Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes or any amendment thereto, and including any schedule or attachment thereto.

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"Telecommunication Law" shall mean the Mexican General Means of Communications Law.

"Telecommunication Networks Concession" shall mean the license granted on June 23, 1998 by the Secretariat of Communications of Transport in favor of, and held by, the Company to install, operate and exploit a public telecommunications network.

"TelMex" shall mean Telefonos de Mexico, S.A. de C.V.

"TelNor" shall mean Telefonos del Noroeste, S.A. de C.V.

"Transaction Documents" shall mean, collectively, the System Agreements and the Financing Agreements.

"Transfer" shall mean any sale, assignment or other transfer, regardless of whether carried out directly or indirectly.

"Trigger Date" shall mean the date on which the Company delivers to the Administrative Agents and the Relevant Parties financial statements for the Borrower Group for the fiscal quarter ended December 31, 2003 in accordance with Section 5.01(a).

"United States" or "U.S." shall mean the United States of America.

"U.S. GAAP" means generally accepted accounting principles in the United States.

"VAT" shall mean Mexican impuesto al valor agregado (value-added taxes).

"Vendor" shall mean each Person (other than the Company) which is a party to a Vendor Agreement.

"Vendor Agreements" shall mean collectively (i) the Alcatel Procurement Agreement; and (ii) the Qualcomm Procurement Agreements.

"Voting Party" shall have the meaning set forth in the Intercreditor Agreement.

"Wholly-owned" when used in respect of any Subsidiary, shall mean that the parent company of such Subsidiary owns all of the Capital Stock of such Subsidiary, other than any minimal shares which are required by Mexican (or other) Applicable Law to be owned by another Person.

"Wireless Services" shall mean PCS (Personal Communications Services) and/or WLL (wireless local loop) services.

"Written" or "in writing" shall mean any form of written communication or a communication by means of telex, facsimile transmission, telegraph or cable.

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

 CREDIT AGREEMENT

DATED AS OF SEPTEMBER 25, 1998

QUALCOMM INCORPORATED
 AS LENDER AND ADMINISTRATIVE AGENT

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CREDIT AGREEMENT, dated as of September 25, 1998, among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a corporation organized under the laws of Mexico (the "Borrower"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM"), the lenders from time to time party hereto (each, a "Lender" and, collectively, the "Lenders"), and QUALCOMM as agent for the Lenders ("Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein and defined in SECTION 9 are used herein as so defined.

WITNESSETH

WHEREAS, Borrower Group intends to construct and operate a nationwide wireless broadband PCS system (the "System") in Mexico and QUALCOMM has entered into the Equipment Agreement and QUALCOMM Wireless Services (Mexico), S.A. de C.V., a wholly-owned subsidiary of QUALCOMM, (QUALCOMM and QUALCOMM Wireless Services, (Mexico), S.A. de C.V. each being a "Vendor" and collectively "Vendors") has entered into the Services Agreement pursuant to which Vendors have agreed to supply to Borrower certain of the equipment and services needed to complete and operate such system;

WHEREAS, QUALCOMM has agreed to make available to Borrower credit facilities, the proceeds of which shall be used to finance certain of such equipment and services;

WHEREAS, Borrower and QUALCOMM wish to enter into this Agreement to establish the credit facilities described above;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. AMOUNT AND TERMS OF CREDIT.

1.1 COMMITMENT. Subject to and upon the terms and conditions, and subject to the limitations, herein set forth, each Lender severally agrees to make Loans to Borrower, which Loans shall be drawn, to the extent such Lender has a commitment under such Facility, under Facility-1, Facility-2 and the VAT Facility, as set forth below:

(a) Loans under Facility-1 (each, together with Facility-1 Loans deemed made pursuant to SECTION 1.5(b), a "Facility-1 Loan" and, collectively, the "Facility-1 Loans") shall (i) be made from time to time on a Business Day during the Facility-1 Availability Period, (ii) constitute Tranche A Loans if such Loans are EXIM Qualified and are made prior to the Facility-1 Refinancing Date, (iii) constitute Tranche C Loans if such Loan are not EXIM Qualified and do not exceed \$55,000,000 in aggregate original principal amount, (iv) constitute Tranche B Loans if such Loans are not Loans or Tranche C Loans, (v) not exceed in aggregate principal amount for any Lender with respect to any incurrence thereof the Facility-1 Commitment of such Lender as in effect on the date of such incurrence and (vi) to the extent made in any calendar year, not exceed in the aggregate the sum of the Base Financing Percentage plus the Contingent Financing Percentage, if any, for such calendar year of QUALCOMM Costs required to be paid in such calendar year; provided that, with respect to all of the foregoing, no Loans that are EXIM

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Qualified will be made under Facility-1 after the Facility-1 EXIM Loans Closing Date. Once repaid, Facility-1 Loans may not be reborrowed.

(b) Loans under Facility-2 (each a "Facility-2 Loan" and, collectively, the "Facility-2 Loans") shall (i) be made from time to time on a Business Day during the Facility-2 Availability Period, (ii) constitute (x) Tranche A Loans if such Loans are EXIM Qualified and are made prior to the Facility-2 Refinancing Date or (y) Tranche B if such Loans are not EXIM Qualified or are made on and after the Facility-2 Refinancing Date, (iii) not exceed in aggregate principal amount with respect to any incurrence thereof the Facility-2 Commitment of such Lender as in effect on the date of such incurrence and (iv) to the extent made in any calendar year, not exceed in the aggregate the sum of the Base Financing Percentage plus the Contingent Financing Percentage, if any, for such calendar year of QUALCOMM Costs required to be paid in such calendar year; provided that, with respect to all of the foregoing, no Loans that are EXIM Qualified will be made under Facility-2 after the Facility-2 EXIM Loans Closing Date. Once repaid, Facility-2 Loans may not be reborrowed.

(c) Loans under the VAT Facility (each, a "VAT Loan" and, collectively, the "VAT Loans") (i) shall, except for the Existing VAT Loans, be made at any time and from time to time on a Business Day during the VAT Facility Availability Period, (ii) may be repaid and reborrowed in accordance with the provisions hereof and (iii) shall not exceed (inclusive of the Existing VAT Loans and giving effect to any incurrence) for any Lender in aggregate principal amount at the time of the incurrence thereof the VAT Loan Commitment of such Lender at such time.

(d) Notwithstanding anything in this Agreement to the contrary, no Lender shall be obliged to make any Loan, to the extent that the initial

aggregate principal amount of all Loans (other than Loans representing the capitalization of interest pursuant to SECTION 1.8) made hereunder shall exceed the Total Commitment.

(e) Long-Term Loans which are incurred on or after the Effective Date shall be allocated among Tranche A, Tranche B and Tranche C Loans in the following priority:

First, to Tranche A Loans to the extent of 85% of each Invoice for QUALCOMM Costs allocable to the sale of equipment and to the provision of services in the U.S.;

Second, to Tranche C Loans to the extent of the availability thereof; and

Third, to Tranche B Loans to the extent of the availability thereof;

provided, however, that upon receiving confirmation satisfactory to QUALCOMM from the Export Import Bank of the U.S. that costs reflected in any Invoice are, or are not, EXIM Qualified, QUALCOMM may, but shall not be obligated to, redesignate Tranche A Loans, in whole or part, in order of priority according to availability, to be Tranche C Loans or Tranche B Loans and, upon written notice to Administrative Agent, with a copy thereof to Borrower, the interest accrued pursuant to each such redesignated Loan shall be retroactively adjusted and paid, or credited, as applicable, on the next succeeding Interest Payment Date; provided further, that with respect to Loans made under Facility-

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2, the foregoing references to Tranche C Loans, and designation and redesignation of Loans as Tranche C Loans shall be ignored.

1.2 TYPES OF LONG-TERM LOANS. Each Long-Term Loan shall, in accordance with the terms of this Agreement, be in the form of either a Base Rate Loan or a Eurodollar Loan; provided, however, that, notwithstanding anything to the contrary herein, each initial borrowing of Long-Term Loans pursuant to SECTION 1.5(b) hereof shall be comprised solely of Base Rate Loans until the first Business Day of the calendar month next succeeding the effective date of such initial borrowing of such Loans but may as of such Business Day be converted into Eurodollar Loans and continued as provided in SECTION 1.3 hereof. At no time may Borrower maintain Eurodollar Loans in more than six (6) separate Interest Periods in respect of Facility-1 Loans and six (6) separate Interest Periods in respect of Facility-2 Loans.

1.3 CONVERSION AND CONTINUATION ELECTIONS. Borrower may, upon irrevocable written notice to Administrative Agent, with reference to the Long-Term Loans:

(a) elect to convert on any Business Day, Base Rate Loans in an amount equal to Two Million Five Hundred Thousand (\$2,500,000) (or any integral multiple of One Hundred Thousand Dollars (\$100,000) in excess thereof) into Eurodollar Loans; or

(b) elect to convert any Eurodollar Loans into Base Rate Loans on the last day of the Interest Period applicable to such Eurodollar Loans; or

(c) elect to continue any Eurodollar Loans (or any part thereof in an amount equal to Two Million Five Hundred Thousand Dollars (\$2,500,000) or any integral multiple of One Hundred Thousand Dollars (\$100,000) in excess thereof) as Eurodollar Loans on the last day of the Interest Period applicable to such Eurodollar Loans.

1.4 DURATION OF INTEREST PERIODS.

(a) Subject to the provisions of the definition of Interest Period and SECTION 1.2 and SECTION 1.3 above, the duration of each Interest Period applicable to a Eurodollar Loan shall be as specified in the applicable Notice of Conversion/Continuation.

(b) If Administrative Agent does not receive a notice of election of duration of an Interest Period with respect to a borrowing of Eurodollar Loans pursuant to SUBSECTION (a) above within the applicable time limits specified herein, Borrower shall be deemed to have elected to make or convert such Loans in whole into Eurodollar Loans with an Interest Period of one month on the last day of the then current Interest Period with respect thereto. Notwithstanding anything to the contrary herein, any and all Eurodollar Loans shall be converted in whole into Base Rate Loans on the last day of the then existing Interest Period with respect thereto if Administrative Agent shall have received notice from Borrower or a Lender that an Event of Default exists and Administrative Agent, at the direction of Required Lenders shall have delivered to Borrower notice that such conversion is required.

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1.5 EXISTING LOANS AND NOTICE AND MANNER OF MAKING ADDITIONAL LOANS OR CONVERTING/CONTINUING LONG-TERM LOANS.

(a) EXISTING LOANS. Set forth on SCHEDULE 1.5 hereto is a schedule of all amounts currently due or to become due under the QUALCOMM Procurement Agreements which the parties have agreed, on the Effective Date, are to be financed under Facility-1. Each such amount shall be deemed to be Tranche A Loans, Tranche B Loans or Tranche C Loans thereunder, outstanding under the Notes, if applicable, on and after the Effective Date. SCHEDULE 1.5 also sets forth a schedule of all Pagares outstanding on the Effective Date which the parties have agreed will be financed under the VAT Facility and shall continue to be outstanding on the terms set forth therein and shall be treated as VAT Loans hereunder on and after the Effective Date.

(b) NOTICE AND MANNER OF MAKING ADDITIONAL LOANS.

(i) Not fewer than five (5) Business Days prior to the date Borrower desires to borrow hereunder, Borrower shall deliver by electronic facsimile transmission: (A) to each of Administrative Agent and QUALCOMM, written notice specifying (1) whether the requested Loan shall be made in cash (a "Cash Advance") or by means of a credit (a "Credit Advance") against amounts due to the applicable Vendor under the QUALCOMM Procurement Agreements, (2) the amount of such Borrowing which, in the case of a Cash Advance under either Long-Term Facility shall not be less than the Minimum Borrowing Amount, (3) with respect to requests of Cash Advances not made to Borrower, the Person to which such Cash Advance is requested to be made on behalf of Borrower and (4) the effective date for such Borrowing of Loans (which for Credit Advances shall be no earlier than the date on which payment is due under the QUALCOMM Procurement Agreements), which notice shall be in the form of EXHIBIT C to this Agreement (an "Loan Request"); and (B) to QUALCOMM, all invoices and any other supporting documentary information necessary to evidence the QUALCOMM Costs and VAT, if applicable, giving rise to such Loan Request (the "Invoices"). After the date on which QUALCOMM receives each Loan Request and the accompanying Invoices, QUALCOMM shall have four (4) Business Days (the "Loan Request Review Period") during which to acknowledge receipt of the same and transmit such to Administrative Agent. Provided that QUALCOMM has acknowledged receipt of such Loan Request and such Invoices to Administrative Agent in writing or, if QUALCOMM has not so acknowledged within the Loan Request Review Period, the effective date for such borrowing of such Loans under Credit Advances shall be the first (1(st)) Business Day after the final day of such Loan Request Review Period and the applicable Invoice shall be deemed paid to the extent of such Loan.

(ii) On each date prior to the end of the Facility-1 Availability Period or the Facility-2 Availability Period, as applicable, on which payment under the QUALCOMM Procurement Agreements is due to QUALCOMM for which Borrower has delivered an Invoice, and such payment has not been made or a borrowing of Long-Term Loans has not been requested by Borrower pursuant to SECTION 1.5(b)(i) hereof, QUALCOMM shall deliver to Administrative Agent by electronic facsimile transmission written notice of such due date and the amount of such payment due under the QUALCOMM Procurement Agreements (less any amounts as to which QUALCOMM and the Administrative Agent have received written notice from Borrower of any dispute with respect to such amount being due and payable), which notice

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shall be in the form of EXHIBIT D to this Agreement (a "Notice of Deemed Loan"), and a borrowing of Base Rate Loans (which Loans shall be Tranche A Loans, Tranche B Loans or Tranche C Loans as shall be determined pursuant to SECTION 1.1(e)) shall be deemed to have been made as of the date on which such payment was due pursuant to the QUALCOMM Procurement Agreements and the amount of Long-Term Loans owing to each Lender shall automatically be increased as of such date to add to the principal amount thereof the amount of such required payment according to the Commitment of each Lender making such Long-Term Loan; provided, however, that Borrower may thereafter, elect to convert such Long-Term Loans in whole or in part to Eurodollar Loans in accordance with SECTION 1.5(c) below.

(iii) With regard to Long-Term Loans which are Credit Advances: (A) to the extent that, with respect to any Lender, the amount equal to such Lender's Percentage under the applicable Facility multiplied by the aggregate amount required to be paid by Borrower at such time under the QUALCOMM Procurement Agreements exceeds amounts owing to such Lender under the QUALCOMM Procurement Agreements on such date, such Lender shall, by 12:00 noon New York time on such date, remit by wire transfer such excess to Administrative Agent; and (B) to the extent that, with respect to any Lender, the amount equal to such Lender's Percentage under the applicable Facility multiplied by the aggregate amount required to be paid by Borrower at such time under the QUALCOMM Procurement Agreements is less than the amount reported by QUALCOMM to Administrative Agent as amounts owing to such Lender under the QUALCOMM Procurement Agreements on such date, Administrative Agent shall promptly remit (from amounts received by Administrative Agent pursuant to (A) above) by wire transfer such shortfall to such Lender.

(iv) With regard to Loan Requests for Cash Advances, Administrative Agent shall promptly notify each Lender having a Commitment with respect thereto as to the content of each Loan Request for Cash Advances and whether or not QUALCOMM has advised Administrative Agent that the conditions set forth in the second sentence of SECTION 1.5(b)(i) have been satisfied. Provided that QUALCOMM has acknowledged Borrower's Loan Request to Administrative Agent in writing, such Lenders shall disburse to Administrative Agent in immediately available funds by 12:00 noon New York time on the requested funding date an amount equal to their respective Percentages multiplied by the amount of the borrowing requested in such Loan Request, and Administrative Agent shall promptly disburse the aggregate of such amounts in immediately available funds to Borrower or such other Person designated by Borrower in the Loan Request.

(c) CONVERSIONS/CONTINUATIONS OF LOANS. On each date on which Borrower desires, with respect to Long-Term Loans to (A) continue any such Long-Term Loans that are Eurodollar Loans for another Interest Period, or (B) convert any such outstanding Long-Term Loans into Long-Term Loans of another type provided for in this Agreement, Borrower shall notify Administrative Agent (which notice shall be irrevocable) in writing by electronic facsimile transmission received no later than 1:00 p.m. New York time on the date one (1) Business Day before the day on which such requested Long-Term Loans are to be converted into Base Rate Loans, and received no later than 1:00 p.m. New York time on the date three (3) Business Days before the date on which such requested Long-Term Loans are to be continued for another Interest Period as or converted into Eurodollar Loans. Such notice shall specify (i) the effective date and amount of such Long-Term Loans or portion thereof to be continued or converted,

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subject to the limitations set forth in SECTION 1.3 hereof, (ii) the interest rate option to be applicable thereto, and (iii) the duration of the applicable Interest Period, if any (subject to the provisions of the definition of Interest Period and SECTION 1.4) hereof. Each such notification (a "Notice of Conversion/Continuation") shall be in the form of EXHIBIT E to this Agreement.

(d) Administrative Agent shall promptly notify each Lender as to the content of each Loan Request, Notice of Deemed Loan, and Notice of Conversion/Continuation.

(e) Unless Administrative Agent shall have been notified by any Lender no later than the Business Day prior to the respective funding date of any borrowing of Loans that such Lender does not intend to make available to Administrative Agent immediately available funds equal to such Lender's Percentage under the relevant Facility of the total principal amount of such borrowing, Administrative Agent may (in its sole and absolute discretion) assume that such Lender has advanced funds in the amount of such Lender's relevant Percentage of such borrowing to Administrative Agent on the applicable funding date and Administrative Agent may, in reliance upon such assumption, make available to Borrower corresponding funds. Administrative Agent agrees to give prompt notice to Borrower in the event it advances funds on behalf of a Lender under this SECTION 1.5(e); provided that failure to give such notice shall in no way limit, restrict or otherwise affect Borrower's obligations or Administrative Agent's or any Lender's rights or remedies under this Agreement and the other Credit Documents. If Administrative Agent has made funds available to Borrower based on such assumption and such Loan is not in fact made available to Administrative Agent by such Lender, Administrative Agent shall be entitled to recover the corresponding amount of such Long-Term Loan on demand from such Lender. If such Lender does not promptly pay such corresponding amount upon Administrative Agent's demand, Administrative Agent shall notify Borrower and Borrower shall repay such Long-Term Loan to Administrative Agent, together with accrued interest thereon. Administrative Agent also shall be entitled to recover from such Lender interest on such Long-Term Loan in respect of each day from the date such Long-Term Loan was made by Administrative Agent to Borrower to the date such corresponding amount is recovered by Administrative Agent at the Federal Funds Effective Rate.

(f) Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which Borrower may have against any Lender as a result of any default by such Lender hereunder.

1.6 EVIDENCE OF DEBT.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) Administrative Agent shall maintain the Lender Register pursuant to SECTION 11.16, and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from Borrower to each Lender hereunder

(including the amount of any capitalized interest under

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SECTION 1.8(e)) and (iii) both the amount of any sum received by Administrative Agent hereunder from Borrower and each Lender's share thereof.

(c) The entries made in the Lender Register and the accounts of each Lender maintained pursuant to SECTION 1.6(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of Borrower therein recorded; provided, that the failure of Administrative Agent or any Lender to maintain the Lender Register or any such account, or any error therein, shall not in any manner affect the obligation of Borrower to repay (with applicable interest) the Loans of each Lender in accordance with the terms of this Agreement.

(d) Borrower agrees that, upon the request to Administrative Agent by any Lender under any Facility other than the VAT Facility, Borrower will execute and deliver to such Lender a promissory note of Borrower, which shall be jointly and severally guaranteed "avalados" by the Guarantors, dated the first day of the Availability Period for such Facility evidencing the Loans under such Facility of such Lender, substantially in the form of EXHIBIT A with appropriate insertions as to date and principal amount (each, a "Note"). Thereafter, the Loans evidenced by any such Note and interest thereon shall at all times (including after assignment pursuant to SECTION 11.4) be represented by one or more promissory notes in such form payable to the order of the payee named therein.

(e) Borrower agrees that Borrower will execute and deliver to each Lender making a VAT Loan a Pagare, which shall be jointly and severally guaranteed "avalados" by the Guarantors, dated the date of issuance of such Pagare evidencing the VAT Loan made on that date. Thereafter, the VAT Loan evidenced by such Pagare and interest thereon shall at all times (including after assignment pursuant to SECTION 11.4) be represented by such Pagare in such form payable to the order of the payee named therein.

1.7 PRO RATA BORROWINGS. All Loans under this Agreement shall be made by the Lenders pro rata on the basis of Commitments of the Lenders with a Commitment under the Facility under which such Loan is being made. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

1.8 INTEREST.

(a) Except as provided in the next sentence with respect to VAT Loans and as contemplated in SECTION 1.1(e), the unpaid principal amount of each Loan shall bear interest from the date of the incurrence thereof until payment maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times (i) in the case of Eurodollar Loans, and during each Interest Period applicable thereto, be the Eurodollar Rate for such Interest Period plus the relevant Applicable Margin and (ii) in the case of Base Rate Loans, be the Base Rate plus the relevant Applicable Margin. The unpaid principal amount of each VAT Loan shall bear interest from the date of the incurrence thereof until payment maturity (whether by acceleration or otherwise) at a fixed rate per annum which shall at all times be the Applicable VAT Margin

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plus the Eurodollar Rate in effect on the date of issuance of the Pagare associated with such VAT Loan (assuming an Interest Period of six months commencing on such date).

(b) All overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and any other overdue amount payable hereunder shall bear interest at a rate per annum equal to the rate otherwise applicable thereto plus two percent (2%) per annum.

(c) Except as provided in the next sentence with respect to VAT Loans, interest shall accrue from and including the date of the incurrence of Loans to but excluding the date of any repayment thereof and shall be payable (i) in the case of Base Rate Loans, on the last Business Day of each calendar quarter, and (ii) in the case of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (iii) in the case of all Loans, on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand. Interest shall accrue from and including the date of the incurrence of each VAT Loan to but excluding the date of any repayment thereof and shall be payable on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(d) All computations of interest hereunder shall be made in accordance with SECTION 11.7(b).

(e) Anything in this Agreement to the contrary notwithstanding, and unless Borrower shall notify Administrative Agent that this SECTION 1.8(e) shall not be applicable to any of the interest payments on the Tranche A Loans or the Tranche C Loans otherwise covered hereby, (i) the interest that accrues on Tranche A Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to the Facility-1 Refinancing Date and (ii) the interest that accrues on Tranche C Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to the first anniversary of the Effective Date, but, in each case, on each such Interest Payment Date such accrued interest will be capitalized and added to the principal of the Tranche A Loans or Tranche C Loans of each Lender as to which such interest accrued.

(f) Administrative Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period shall promptly notify Borrower and the Lenders thereof.

1.9 INCREASED COSTS, ILLEGALITY, ETC.

(a) In the event that (x) in the case of clause (i) below, Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Eurodollar Rate for any Interest Period that, by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

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(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loans (other than taxes covered by SECTION 3.4 and any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges) because of (x) any change since the Effective Date in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements) and/or (y) other circumstances affecting the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation or guideline introduced or changed after the Effective Date;

then, and in any such event, such Lender (or Administrative Agent in the case of clause (i) above) shall (x) on such date and (y) within ten Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to Borrower and to Administrative Agent of such determination (which notice Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, until such time as Administrative Agent notifies Borrower and the Lenders that the circumstances giving rise to such notice by Administrative Agent no longer exist, all new Loans, and all outstanding Loans as to which existing Interest Periods expire, shall bear interest at a rate per annum equal to (A) the Base Rate plus (B) the Applicable Margin, (y) in the case of clause (ii) above, Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine after consultation with Borrower) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, describing the basis for such increased costs and showing the calculation thereof, submitted to Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the obligations of such Lender to make and maintain Loans hereunder under the respective Facilities shall terminate and all of the outstanding Loans made by it shall be repaid.

(b) If any Lender shall have determined that the adoption or effectiveness after the Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein after the Effective Date, or any change after the Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or its parent corporation with any request or directive made after the Effective

Date regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or its parent corporation's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender or its parent corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent corporation's policies with respect to capital adequacy),

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then from time to time, within 15 days after demand by such Lender (with a copy to Administrative Agent), Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent corporation for such reduction. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this SECTION 1.9(b), will give prompt written notice thereof to Borrower, which notice shall describe the basis for such claim and set forth the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of Borrower's obligations to pay additional amounts pursuant to this SECTION 1.9(b) upon the subsequent receipt of such notice;

(c) Notwithstanding the foregoing, a Lender shall not be entitled to receive reimbursement for claimed costs pursuant to this SECTION 1.9 incurred more than 15 months prior to the date Lender provides notice of a claim for reimbursement.

1.10 COMPENSATION. Borrower shall compensate each Lender, upon its written request (which request shall set forth the basis for requesting such compensation), for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans but excluding in any event the loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or Administrative Agent) Eurodollar Loans are not incurred on a date specified therefor in a Borrowing Notice (whether or not withdrawn by Borrower); (ii) if any prepayment or repayment of any of its Eurodollar Loans (other than VAT Loans) occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Loans (other than VAT Loans) is not made on any date specified in a notice of prepayment given by Borrower; or (iv) as a consequence of any other default by Borrower to repay its Eurodollar Loans when required by the terms of this Agreement.

1.11 CHANGE OF LENDING OFFICE. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of SECTION 1.9(a) (ii) or (iii), 1.9(b) or 3.4 with respect to such Lender, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no material economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this SECTION 1.11 shall affect or postpone any of the obligations of Borrower or the right of any Lender provided in SECTION 1.9, 1.10 or 3.

1.12 EXIM FINANCING, ETC. QUALCOMM shall have the right to (i) attempt to arrange and arrange at any time one or more EXIM Financings for each or both Long-Term Facilities, with the entering into of such EXIM Financings to reduce the respective Facility-1 Commitments and Facility-2 Commitments, as the case may be, as provided for in SECTION 2.3; and/or (ii) attempt to arrange and arrange for the Loans to be refinanced by other means, including a subparticipation of the Commitments or a debt issue in the public markets (each refinancing described in clause (i) or (ii), a "Refinancing") provided, however, that Borrower shall not be obliged to agree to any Refinancing if the structure, costs, and other terms and conditions and other relevant factors concerning the financing provided under any such Refinancing are not in the best commercial interests of Borrower as compared to the structure,

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costs, and other terms and conditions and other relevant factors concerning the financing provided under this Agreement as they relate to the Loans and/or Commitments to be refinanced, provided, further, that if Borrower and QUALCOMM disagree as to whether the terms of any proposed Refinancing are in the best commercial interests of Borrower, the parties shall submit the matter to an independent, third party and internationally recognized investment banking firm mutually agreeable to the parties for its determination, which determination shall be binding on the parties hereto; and/or (iii) attempt to arrange and arrange for a syndication that complies with the requirements of SECTION 11.4 of the Commitments and Loans (a "Syndication"), it being agreed that Borrower and each Credit Party will cooperate with QUALCOMM to negotiate in good faith any such Refinancing and facilitate any such Syndication, provided, however, that

QUALCOMM shall not within the 18 month period following the Effective Date, (x) the Borrower shall not be obligated to, and QUALCOMM shall not attempt to arrange, any refinancing of the type referred to in clause (ii) above and (y) QUALCOMM shall not solicit any potential Lender in connection with such Syndication which potential Lender is actively participating in the market for transactions similar to the Senior Bank Financing or the High Yield Debt financing; provided, further, that Borrower shall not be obligated to cooperate in any such attempted Syndication by QUALCOMM more than three (3) times. In connection with any such Refinancing or Syndication, Borrower may request that proposed participants therein shall enter into a Common Terms Agreement and if so requested, it shall also be a condition of such Refinancing or Syndication that such proposed participants enter the Common Terms Agreement.

1.13 COMMON TERMS AGREEMENT; CONFORMANCE TO PARI PASSU DEBT.

(a) A Borrower expects that it will desire to enter into an agreement (the "Common Terms Agreement") with all holders from time to time of Pari Passu Debt setting forth the intercreditor arrangements among all such holders and creating certain common terms. Each Lender hereto hereby agrees that they will become party to the Common Terms Agreement to the extent reasonably satisfactory to QUALCOMM and such Lender. Notwithstanding anything in this Agreement to the contrary, neither Administrative Agent, Collateral Agent nor any Lender shall be obligated to enter into any agreement whereby it is required to waive or modify the conditions precedent set forth in SECTION 4, or any obligation relating to the Collateral or Borrower's obligation to satisfy such conditions as required under SECTION 6.17.

(b) SENIOR BANK FINANCING COMMON TERMS. Borrower and each Lender hereby agree that in connection with Borrower's negotiation of the Senior Bank Financing they shall negotiate with each other in good faith to promptly amend and restate this Agreement, and enter into a Common Terms Agreement with the holders of Pari Passu Debt, as necessary and appropriate to conform covenants and events of defaults in this Agreement with those applicable to the Senior Bank Financing to the extent such terms of the Alcatel Credit Agreement are conformed to such terms governing the Pari Passu Debt.

(c) ALCATEL COMMON TERMS. Borrower and each Lender hereby agree that upon completion of the Alcatel Credit Agreement they shall negotiate with each other in good faith to promptly amend and restate this Agreement, and enter into a Common Terms Agreement with Alcatel Lender, as necessary and appropriate to make any inconsistencies between the terms of this Agreement which relate to interest rate, amortization, fees, representations and warranties,

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covenants, conforming changes, and events of default and the comparable terms in the Alcatel Credit Agreement conform to the Alcatel Credit Agreement; provided, however, that no such amendment shall have the effect of changing the terms of this Agreement retroactively to apply to any period prior to the date of the Alcatel Credit Agreement.

(d) ADDITIONAL CREDIT SUPPORT. To the extent that Alcatel Lender or any other provider of vendor financing to the Borrower Group shall, during any period from the date hereof through that date eighteen (18) months following the Effective Date, enjoy any credit support or security therefor from any shareholder of Holdings or their Affiliates, then such credit support and any security therefor, shall be immediately provided to Administrative Agent and Lenders hereunder on a pari passu basis.

1.14 NO NET PAYMENTS. Borrower's obligation to make payments and perform all other obligations hereunder, and the rights of Administrative Agent and Lenders in and to such payments and performance, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment for any reason whatsoever, including, without limitation, abatements or reductions due to any present or future claims of any Credit Party or their respective Affiliates against Administrative Agent, Collateral Agent or any Lender under this Agreement, the QUALCOMM Procurement Agreements or otherwise, against any vendor of equipment or services used or planned to be used as part of the System, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Agreement shall not terminate, nor shall the obligations of Borrower be affected, by reason of (a) any defect in or damage to, or any loss or destruction of, any of the equipment or services provided pursuant to the QUALCOMM Procurement Agreements or otherwise becoming part of the System from any cause whatsoever, (b) the interference with the use of the System by Administrative Agent, Collateral Agent, any Lender or any other Person, (c) any defect in title to the System or any part thereof or any Lien on such title, or (d) any bankruptcy, insolvency, reorganization or other proceeding relating to, or any action taken by any trustee or receiver of, Administrative Agent, any Lender or any other Person, or (e) for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, whether or not such cause shall give rise to a claim by any Credit Party or their respective Affiliates against any Lender under the QUALCOMM Procurement Agreements or otherwise, it being the express intention of

the parties hereto that all amounts payable by Borrower hereunder shall be, and continue to be, payable in all events unless the obligation to pay shall be terminated pursuant to the express provisions of this Agreement. All payments made by Borrower hereunder as required hereby shall be final, and Borrower shall not seek to recover any such payment or any part thereof for any reason whatsoever. Nothing in this Agreement shall, however, release or waive any claim Borrower may have against Administrative Agent, any Lender or any other Person, whether in connection with the QUALCOMM Procurement Agreements or otherwise. If for any reason whatsoever this Agreement shall be terminated in whole or in part by operation of law or otherwise, Borrower shall nonetheless, to the extent permitted by applicable law, pay to Administrative Agent, on behalf of Lenders, an amount equal to each payment payable hereunder at the time and in the manner that such payment would have become due and payable under the terms of this Agreement if it had not been terminated in whole or in part.

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1.15 REPLACEMENT OF LENDERS Upon the occurrence of any event giving rise to the operation of SECTION 1.9(b) or SECTION 3.04 with respect to any Lender which results in such Lender charging to the Borrower increased costs in excess of those being charged generally by the Lenders or if a Lender has defaulted on its obligation to make Loans hereunder, Borrower shall have the right, if no Default or Event of Default then exists, to replace such Lender (the "Replaced Lender") with one or more other Eligible Transferee (collectively, the "Replacement Lender") reasonably acceptable to the Administrative Agent, provided that (i) at the time of any replacement pursuant to this SECTION 1.15, the Replacement Lender shall enter into one or more Assignment Agreements pursuant to SECTION 11.4(b) (and with all fees payable pursuant to said SECTION 11.4(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the Commitments and outstanding Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Replaced Lender and (B) an amount equal to all accrued, but unpaid, Commitment Fees owing to the Replaced Lender pursuant to SECTION 2.1, (ii) all obligations of the Borrower owing to the Replaced Lender (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid) shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Assignment Agreement, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions applicable to the Replaced Lender under this Agreement, which shall survive as to such Replaced Lender.

SECTION 2. FEES; COMMITMENTS.

2.1 FEES.

(a) Borrower agrees to pay to Administrative Agent a commitment fee ("Commitment Fee") (x) for the account of each Lender with a Facility-1 Commitment, for each day during the Facility-1 Availability Period computed at the rate of .50% per annum on the average daily Facility-1 Commitment of such Lender, (y) for the account of each Lender with a Facility-2 Commitment, for each day during each of the Facility-1 Availability Period and the Facility-2 Availability Period computed at the rate of (i) .25% per annum during the Facility-1 Availability Period on the daily average Facility-2 Commitment of such Lender and (ii) .50% per annum during the Facility-2 Availability Period on the daily average Facility-2 Commitment of such Lender, and (z) for the account of each Lender with a VAT Loan Commitment, for each day during the VAT Facility Availability Period, computed at the rate of .50% per annum on the daily average unutilized VAT Loan Commitment of such Lender. All such Commitment Fees shall be due and payable in arrears on the last Business Day of each March, June, September and December.

(b) Borrower shall pay to QUALCOMM, for its own account, such fees as are set forth in the QUALCOMM Fee Letter when and as due.

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(c) All computations of Fees shall be made in accordance with SECTION 11.7(b).

2.2 VOLUNTARY REDUCTION OF COMMITMENTS. Upon at least five (5) Business Days' prior written notice (or telephonic notice confirmed in writing) to Administrative Agent (which notice shall be deemed to be given on a certain day only if given before 1:00 p.m. (New York time) on such day and shall be promptly transmitted by Administrative Agent to each of the Lenders), Borrower shall have the right, without premium or penalty, to terminate or partially reduce (x) the Total Facility-1 Commitment and/or the Total Facility-2 Commitment, provided that any such partial reduction shall apply to proportionately and permanently

reduce the Commitments of each Lender under the affected Facility and/or (y) the unutilized Total VAT Loan Commitment. Any partial reduction pursuant to this Section 2.2 shall be in the amount of at least \$1,000,000.

2.3 MANDATORY ADJUSTMENTS OF COMMITMENTS, ETC.

(a) The Facility-1 Commitment and Facility-2 Commitment of each Lender shall be permanently reduced upon the making of any Facility-1 Loan or Facility-2 Loan, as the case may be, by such Lender in the principal amount of such Facility-1 Loan or Facility-2 Loan, respectively.

(b) The Total Facility-1 Commitment shall be reduced on each day on which a borrowing is incurred by Borrower under any EXIM Financing entered into to finance Facility-1 Availability Period Costs in the amount of such borrowing, with any such reduction to be applied pro rata to the Facility-1 Commitment of each Lender.

(c) The Total Facility-2 Commitment shall be reduced on each day on which a borrowing is incurred by Borrower under any EXIM Financing entered into to finance Facility-2 Availability Period Costs in the amount of such borrowing, with any such reduction to be applied pro rata to the Facility-2 Commitment of each Lender.

(d) The Total Facility-1 Commitment (and the Facility-1 Commitment of each Lender) shall terminate in its entirety on the last day of the Facility-1 Availability Period.

(e) The Total Facility-2 Commitment (and the Facility-2 Commitment of each Lender) shall terminate in its entirety on the last day of the Facility-2 Availability Period.

(f) The Total VAT Loan Commitment (and the VAT Loan Commitment of each Lender) shall terminate in its entirety on the last day of the VAT Facility Availability Period.

SECTION 3. PAYMENTS.

3.1 VOLUNTARY PREPAYMENTS. Subject to the terms of SECTION 1.10, Borrower shall have the right to prepay Loans in whole or in part, without premium or penalty, from time to time on the following terms and conditions: (i) Borrower shall give Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans, whether such Loans are Facility-1 Loans, Facility-2 Loans or VAT Loans, the amount of

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such prepayment and the specific Borrowing(s) pursuant to which made, which notice shall be given by Borrower no later than 1:00 p.m. (New York time) three (3) Business Days' prior to the date of such prepayment, and which notice shall promptly be transmitted by Administrative Agent to each of the Lenders; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least \$1,000,000, provided that no partial prepayment of Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) each prepayment in respect of Loans under any Facility made pursuant to a Borrowing shall be applied pro rata among such Loans; and (iv) each prepayment of Facility-1 Loans or Facility-2 Loans pursuant to this SECTION 3.1 shall be applied to reduce pro rata the amount of the then remaining Scheduled Repayments under Facility-1 or Facility-2, as the case may be.

3.2 MANDATORY PREPAYMENTS AND REPAYMENTS.

(a) Borrower shall repay all Tranche A Loans which are outstanding under Facility-1 and Facility-2, as the case may be, on the Facility-1 EXIM Loans Closing Date and Facility-2 EXIM Loans Closing Date, as the case may be.

(b) Borrower shall repay Tranche B Loans made in any Borrowing Year in three consecutive annual installments commencing on the third anniversary of the last day of such Borrowing Year and ending on the fifth anniversary thereof (each a "Scheduled Repayment"), with each Scheduled Repayment being in an aggregate principal amount equal to the respective percentages set forth below opposite such anniversaries of the aggregate principal amount of Tranche B Loans made during such Borrowing Year:

ANNIVERSARY	PERCENTAGE
Third	20%
Fourth	30%
Fifth	50%

For the purposes of this SECTION 3.2(b), any Tranche B Loan into which a Tranche A Loan or Tranche C Loan has been converted shall be deemed to be a Tranche B Loan which was made in the Borrowing Year that such converted Tranche A Loan or

Tranche C Loan was originally made.

(c) All Tranche C Loans which are outstanding under Facility-1 on the first anniversary of the Effective Date (including any interest capitalized in respect thereto) shall be automatically converted into Tranche B Loans under such Facility on such date.

(d) Borrower shall repay the aggregate outstanding principal amount of each VAT Loan, including all accrued and unpaid interest thereon, on the earlier of: (i) five (5) Business Days after the date the Secretariat of Finance and Public Credit of Mexico reimburses all or any portion of the VAT which was advanced on behalf of Borrower or Pegaso PCS by the Lenders in connection with such VAT Loan; or (ii) the VAT Loan Maturity Date of such VAT Loan.

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(e) All Tranche A Loans which are outstanding under Facility-1 and Facility-2 on the Facility-1 Refinancing Date or the Facility-2 Refinancing Date, as the case may be, shall be automatically converted into Tranche B Loans under Facility-1 or Facility-2, as the case may be, on such date.

3.3 METHOD AND PLACE OF PAYMENT. Except as otherwise specifically provided herein, all payments under this Agreement or any Note or Pagare shall be made to Administrative Agent for the ratable account of the Lenders entitled thereto at Administrative Agent's Account not later than 1:00 p.m. (New York time) on the date when due and shall be made in immediately available funds and in lawful money of the United States of America. Any payments under this Agreement or under any Note or Pagare which are made later than 1:00 p.m. (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Note or Pagare shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

3.4 NET PAYMENTS.

(a) All payments made by Borrower hereunder or under any Note or Pagare will be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future federal, state, or local income, payroll, withholding, social security, sales, use, service, leasing excise, franchise, value added, estimated, occupation, real and personal property, stamp, transfer, workers' compensation, severance or other taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the third succeeding sentence, any tax imposed on or measured by the net income or net profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or any jurisdiction in which such Lender maintains a place of business or any subdivision thereof or therein) and all interest, penalties addition thereto or similar liabilities with respect to such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges (all such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). In addition, Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Credit Documents (hereinafter referred to as "Other Taxes"). If any Taxes or Other Taxes are so levied or imposed, Borrower agrees to pay the full amount of such Taxes or Other Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note or Pagare, after withholding or deduction for or on account of any Taxes or Other Taxes, will not be less than the amount provided for herein or in such Note or Pagare. If any amounts are payable in respect of Taxes or Other Taxes pursuant to the foregoing, Borrower agrees to reimburse such amounts to each Lender, upon the written request of such Lender, such Taxes or Other Taxes as are imposed on or measured by the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction

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in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender, in each case in respect of such amounts so paid to or on behalf of such Lender pursuant to the foregoing and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. Borrower will furnish to Administrative Agent within 45 days (or as soon thereafter as available) after the date the payment of any Taxes or Other Taxes is due pursuant to applicable law certified copies of receipts evidencing

such payment by Borrower. Borrower agrees to indemnify and hold harmless each Lender, and immediately reimburse such Lender upon its written request, for the amount of any Taxes or Other Taxes so levied or imposed and paid by such Lender.

(b) If Borrower pays any additional amount under this SECTION 3.4 to a Lender and such Lender, in such Lender's sole and absolute determination, has received or realized in connection therewith any refund or any reduction of, or credit against, its tax liabilities in or with respect to the taxable year in which the additional amount is paid, such Lender shall pay to Borrower an amount equal to the net benefit, after tax, which was obtained by the Lender in such year as a consequence of such refund, reduction or credit. Such amount shall be paid as soon as practicable after receipt or realization by such Lender of such refund, reduction or credit.

(c) Each Lender shall use reasonable efforts (consistent with legal and regulatory restrictions and subject to overall policy considerations of such Lender) to file any certificate or document or to furnish any information as reasonably requested by Borrower pursuant to any applicable treaty, law or regulation, if the making of such filing or the furnishing of such information would avoid the need for or reduce the amount of any amounts payable by Borrower under SECTION 3.4(a); provided, however, that the failure of any Lender to use such efforts shall not in any way diminish the obligations of Borrower under this SECTION 3.4 or otherwise under this Agreement.

(d) Notwithstanding anything in this SECTION 3.4 to the contrary, Borrower shall have no obligation to make any payment of Taxes pursuant to this SECTION 3.4 to any Lender, other than QUALCOMM, in excess of such Gross Up Amounts which would be applicable in the case of payments to a Registered Financial Institution.

SECTION 4. CONDITIONS PRECEDENT TO ADDITIONAL LOANS.

4.1 CONDITIONS PRECEDENT TO ADDITIONAL LOANS ON ADDITIONAL LOANS CLOSING DATE. The obligation of the Lenders to make Additional Loans on the Additional Loans Closing Date is subject to the satisfaction of each of the following conditions at such time:

(a) EFFECTIVENESS; NOTES. (i) The Effective Date shall have occurred and (ii) there shall have been delivered to Administrative Agent for the account of each Lender requesting same the appropriate Note or Notes executed by Borrower, in each case, in the amount, maturity and as otherwise provided herein.

(b) OPINION OF COUNSEL. Administrative Agent shall have received opinions, addressed to Administrative Agent and each of the Lenders, dated the Additional Loans Closing Date and in form and substance satisfactory to QUALCOMM, Administrative Agent and

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Collateral Agent, from White & Case LLP, and White & Case S.C., each special counsel to the Credit Parties.

(c) CORPORATE PROCEEDINGS.

(i) Administrative Agent shall have received a certificate, dated the Additional Loans Closing Date, signed by an Authorized Officer of each Credit Party with appropriate insertions and deletions, together with (x) copies of the certificate of the organizational documents of each Credit Party, (y) the resolutions of each Credit Party referred to in such certificate and all of the foregoing shall be reasonably satisfactory to Administrative Agent, and (z) a statement that all of the applicable conditions, assuming Administrative Agent's, QUALCOMM's or Lender's satisfaction where applicable, set forth in SECTION 4.2 exist as of such date.

(ii) On the Additional Loans Closing Date, all corporate and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be reasonably satisfactory in form and substance to Administrative Agent, and Administrative Agent shall have received all information and copies of all certificates, documents and papers, and any other records of corporate proceedings and governmental approvals, if any, which Administrative Agent may have reasonably requested in connection therewith, such documents and papers, where appropriate, to be certified by proper corporate or governmental authorities.

(d) GUARANTY. Holdings, Pegaso PCS, Personnel Co. and each Subsidiary of any of them and/or of Borrower then in existence shall have duly authorized, executed and delivered a joint and several Guaranty in form and substance satisfactory to QUALCOMM (as modified, amended or supplemented from time to time in accordance with the terms hereof and thereof, a "Guaranty"), and the Guaranty shall be in full force and effect and each of them shall have executed the Notes and each Pagare "avalados;" provided, however, that the Guaranty of Holdings shall provide that such Guaranty shall automatically

terminate on the issuance of High- Yield Debt.

(e) SECURITY DOCUMENTS. (i) The Mortgage in form and substance satisfactory to QUALCOMM creating first priority perfected security interests in and Liens on all of the assets of Borrower, including, without limitation, the Licenses, (ii) security documents in form and substance satisfactory to QUALCOMM which QUALCOMM may elect to require creating first priority perfected security interests in and Liens on all the assets of Pegaso PCS and Personnel Co., (iii) the Pledge Agreements on the stock of, Borrower, Pegaso PCS and Personnel, representing 100% of the capital stock of each such Person, (iv) Collateral Assignment Agreements to provide for the conditional assignment of all existing Site Lease Agreements, the PCS Services Agreements and the Personnel Services Agreement, all for the benefit of Secured Creditors, shall have been duly authorized, executed and delivered by, Borrower and each Guarantor, as applicable, and shall be in full force and effect and all filings, recordations and notices required to perfect such security interests and Liens shall have been effected or given. All agreements entered into pursuant to this SECTION 4.1(e) are hereinafter called the "Security Documents" and all such Security Documents shall secure the Obligations and the Pari Passu Debt on pro rata basis.

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(f) CONSENT LETTER. Administrative Agent shall have received a letter from CT Corporation System, hereto, indicating its consent to its appointment by each Credit Party as its agent to receive service of process and confirming that its fees have been fully paid for the term of this Agreement on behalf of each Credit Party.

(g) QUALCOMM PROCUREMENT AGREEMENTS AND OTHER AGREEMENTS. The QUALCOMM Procurement Agreements, the PCS Service Agreement and the Personnel Co. Services Agreement shall have been authorized, executed and delivered by the parties thereto and a copy thereof, certificated by an Authorized Officer as true and complete, shall have been delivered to Administrative Agent.

(h) OFFICER'S CERTIFICATE. Administrative Agent and Collateral Agent shall have received certificates dated such date, signed by the president and chief financial officer (such certificate and all other certificates delivered under this Agreement to be in such Person's corporate, not individual, capacity) of Borrower and each Guarantor, as applicable, stating that all of the applicable conditions set forth in this SECTION 4.1 have been satisfied as of such date.

(i) ADVERSE CHANGE. There shall have occurred no developments, events or circumstances that individually or in the aggregate have had, or are reasonably likely to have, a Material Adverse Effect.

(j) CONSENTS, APPROVALS. The Credit Parties shall have received the material consents, approvals and releases of all appropriate Governmental Authorities and all other third parties in connection with the transactions contemplated by the QUALCOMM Procurement Agreements and the Credit Documents (the "Governmental Consents"), including, without limitation, all required consents from contractual counterparties of the Credit Parties required to be obtained to permit the assignment to Collateral Agent or Lenders, or their designees, of the Collateral and all applicable waiting periods shall have expired without any action being taken by any competent Governmental Authority which restrains, prevents or imposes materially adverse conditions upon the consummation of this Agreement the Alcatel Procurement Agreement or the QUALCOMM Procurement Agreements or building the System to the extent such are then required to be obtained on the Additional Loans Closing Date.

(k) LITIGATION. There shall be no actions, suits or proceedings pending or threatened with respect to Borrower or any Subsidiary that (i) is reasonably likely to have a Material Adverse Effect, or (ii) have a material adverse effect on the ability of Borrower or Guarantors to perform their respective obligations under the Alcatel Procurement Agreement or the QUALCOMM Procurement Agreements or the rights or remedies of Lenders. There shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other material restraint pending or notified with respect to the performance of the Alcatel Procurement Agreements, the QUALCOMM Procurement Agreements, the Credit Documents, the making of any Loan hereunder or Borrower's use of the Licenses.

(l) INCUMBENCY CERTIFICATES. Administrative Agent and Lenders shall have received signature and incumbency certificates of Borrower's, each Guarantor's and each of their respective Subsidiaries' officers executing this Agreement or the other Credit Documents to which it is or is to be a party.

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(m) EVIDENCE OF INSURANCE. Collateral Agent and Lenders shall have received certificates or other evidence of the existence of the insurance required by this Agreement with loss payee endorsements reasonably satisfactory

to Collateral Agent and Lenders.

(n) FEE LETTER. QUALCOMM shall have received the QUALCOMM Fee Letter, in each case together with the payment of such fees as are set forth in each such letter to be paid on the Additional Loans Closing Date (the payment of which shall be deemed to be a concurrent condition).

(o) CAPITAL CONTRIBUTIONS. Holdings shall have received (x) cash equity contributions or, in the event contributions are not required to be made until a date following the Additional Loans Closing Date, irrevocable cash equity commitments, of at least \$175,000,000 from the Sponsors to be invested as needed to satisfy License requirements, (y) irrevocable cash equity commitments from Sponsors for \$50,000,000 in 1999 and for \$50,000,000 in 2000 and (z) an additional \$100,000,000 in equity contributions and/or commitments, as such contributions and commitments are required in the Joint Venture Agreement.

(p) LICENSE FEES. Administrative Agent shall be reasonably satisfied that Holdings will be able to pay all applicable fees for the Licenses from equity, other than the payment of the 15% VAT, which may be financed.

(q) ALL INTEGRAL ASSETS IN BORROWER; HOLDINGS UNDERTAKING. Administrative Agent and Collateral Agent shall have received (i) evidence satisfactory to them that all Integral Assets then owned by the Borrower Group shall be fully vested in and owned by Borrower and Asset Ownership Concentration shall exceed 95% and (ii) an undertaking from Holdings, in the Pledge Agreements or separately, that Holdings holds and will continue to hold as its only assets the equity stock of Borrower, Pegaso PCS and Personnel Co. (with all debt or other obligations owing from any such entity to Holdings having been contributed to such entity as additional capital).

(r) SPANISH TRANSLATIONS. Administrative Agent shall have received certified Spanish translations of this Agreement and any other agreement which the Administrative Agent might reasonably request.

(s) GOVERNMENT AUTHORIZATIONS. Administrative Agent shall have received a copy of the notice to the Secretariat of Communications and Transport of the Borrower's country for the pledge of the capital stock of the Borrower pursuant to the corresponding Pledge Agreement duly sealed by such Secretariat.

(t) MORTGAGE. Administrative Agent shall have received a copy of the second testimony of the public deed evidencing the creation of the Mortgage, together with a certificate of the relevant Public Notary that the first testimony of such public deed has been presented for registration at (i) the Public Registry of Commerce of the Federal District of Mexico, and (ii) the Telecommunications Registry.

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(u) FREQUENCY BAND LICENSE. Administrative Agent shall have received a copy of the License issued by the Secretariat of Communications and Transport in favor of the Borrower for the Frequency Band License.

(v) ADDITIONAL MATTERS, DOCUMENTS OR INFORMATION. Lenders shall have received each additional document, instrument, legal opinion or item of information reasonably requested by any Lender, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which Borrower, Guarantors or any of their Subsidiaries may be a party, and all corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement, the other Credit Documents, and the QUALCOMM Procurement Agreements shall be reasonably satisfactory in form and substance to Lenders.

4.2 CONDITIONS PRECEDENT TO ALL ADDITIONAL LOANS. The obligation of each Lender to make Additional Loans (including Additional Loans made on the Additional Loans Closing Date) is subject at the time of each such Loan, to the satisfaction of the following conditions:

(a) BORROWING NOTICE. Administrative Agent shall have received a Borrowing Notice meeting the requirements of SECTION 1.2.

(b) NO DEFAULT; REPRESENTATIONS AND WARRANTIES. At the time of the making of each Loan and also after giving effect thereto, (i) there shall exist no Default or Event of Default and (ii) all representations and warranties made by any Credit Party contained herein or in the other Credit Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Loans, except to the extent that such representations and warranties expressly relate to an earlier date.

(c) GOVERNMENT APPROVALS. Administrative Agent shall have received evidence satisfactory to QUALCOMM showing receipt of all applicable material Governmental Approvals necessary to the extent then required to be obtained in connection with the sale, importation, payment, or Loans in respect of the equipment and services under the QUALCOMM Procurement Agreements.

The acceptance of the benefits of each Loan shall constitute a representation and warranty by Borrower to Administrative Agent and each of the Lenders that all of the applicable conditions specified in SECTION 4.2 exist as of that time. All of the certificates, legal opinions and other documents and papers referred to in SECTION 4.1, unless otherwise specified, shall be delivered to Administrative Agent for the account of each of the Lenders and, except for the Notes and Pagares, in sufficient counterparts for each of the Lenders and shall be reasonably satisfactory in form and substance to Administrative Agent.

SECTION 5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

In order to induce the Lenders to enter into this Agreement and to make the Loans, Borrower, each Guarantor by execution of the Guaranty and the Pledge Agreements, as applicable, jointly and severally makes with respect to Borrower, each Guarantor and their respective Subsidiaries the following representations and warranties to, and agreements with, the

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Lenders, all of which shall survive the execution and delivery of this Agreement and the making of the Loans:

5.1 CORPORATE STATUS. Each Credit Party (i) is a variable capital limited liability stock corporation duly organized and validly existing under the laws of Mexico and (ii) has the requisite corporate power and authority to own, lease or otherwise hold its property and assets and to carry on the Business as contemplated by the Business Plan and are qualified as foreign corporations and are in good standing in each jurisdiction where the nature of their business or assets requires such qualification or good standing.

5.2 CORPORATE POWER AND AUTHORITY. Each Credit Party has the requisite capacity, power and authority to execute the Credit Documents to which it is a party and to perform the transactions contemplated therein and its obligations thereunder and has duly authorized the execution and performance of the Credit Documents to which it is a party. Each Credit Party has duly executed each Credit Document to which it is a party.

5.3 NO VIOLATION. The execution by each Credit Party of the Credit Documents to which it is party does not, and the performance by each Credit Party of the transactions contemplated by each such Credit Document to be performed by it does not and will not: (a) contravene such Person's certificate of incorporation or bylaw, (b) conflict with, or result in any violation of, or constitute a default under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a benefit under, any contract, permit, order, judgment or decree to which any Credit Party is a party (including, without limitation, the Network License and the Frequency Band License once the latter have been paid and issued by the respective authorities); (c) constitute a violation of any statute, law, rule or regulation ("Law") applicable to such Credit Party; or (d) result in the creation of any Lien upon any of the stocks, assets or properties of such Credit Party other than the Liens created pursuant to the Credit Documents. No consent, approval, order or authorization of, or registration, declaration or filing with, any third party or Mexican court, Mexican government (including its ministries) or Mexican governmental agency, authority, entity or instrumentality ("Governmental Entity") is required to be obtained or made by or with respect to any Credit Party in connection with the execution and performance of any Credit Document by such Credit Party, except for the authorizations and consents listed or described on SCHEDULE 5.3 hereto.

5.4 ENFORCEABILITY. This Agreement is, and each other Credit Document to which Borrower or any Guarantor is or will be a party when delivered hereunder will be, legal, valid and binding obligations of such Person enforceable against it in accordance with their respective terms, provided that the enforceability of any of such documents may be subject to or limited by bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws relating to or affecting the rights of creditors generally and the application of equitable principles.

5.5 LITIGATION. There are no actions, suits or proceedings pending or, to the best of its knowledge, threatened with respect to any Credit Party (i) that is reasonably likely to have a Material Adverse Effect or (ii) that is reasonably likely to have a material adverse effect on the rights or remedies of the Lenders or on the ability of the Credit Parties taken as a whole to perform their obligations under the other Credit Documents.

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5.6 USE OF PROCEEDS.

(a) The proceeds of all Facility-1 Loans and Facility-2 Loans shall be utilized to finance QUALCOMM Costs.

(b) The proceeds of VAT Loans may be used only to finance VAT charges imposed by Mexico in respect of the QUALCOMM Costs.

5.7 GOVERNMENTAL APPROVALS. Except for filings and recordings in connection with the Security Documents, no order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any foreign or domestic governmental or public body or authority, or any subdivision thereof, is required to authorize or is required in connection with (i) the execution, delivery and performance of any Credit Document or (ii) the legality, validity, binding effect or enforceability of any Credit Document.

5.8 FINANCIAL CONDITION; FINANCIAL STATEMENTS.

(a) The consolidated and consolidating balance sheet of the Borrower Group required to be delivered pursuant to SECTION 6.1, and the related consolidated and consolidating statements of income and retained earnings of Borrower and each Guarantor for the fiscal year then ended, copies of which have been furnished to Lenders, fairly present in all material respects the financial condition of Borrower and each Guarantor on a consolidated and consolidating basis as at such date and the results of the operations of Borrower and each Guarantor for the period ended on such date, all in accordance with GAAP consistently applied.

(b) As to any current version of the Business Plan in effect from time to time, the detailed projections contained in such version of the Business Plan were prepared in good faith on the basis of the assumptions described in the Business Plan, which assumptions were believed by the Credit Parties in good faith to be reasonable in light of conditions existing at the time of preparation thereof, it being understood by Administrative Agent and the Lenders that actual results may vary from the projected results contained therein.

(c) Since the date of the last financial statements of Borrower submitted to Agent and Lenders under Section 6.1, there has been no material adverse change in the condition (financial or otherwise) or operations of the Borrower, except for the operating losses contemplated by the most recent Business Plan required to be delivered pursuant to SECTION 6.1(c).

5.9 SECURITY INTERESTS. On and after the Additional Loans Closing Date, each of the Security Documents creates, as security for the obligations purported to be secured thereby, a valid and enforceable perfected security interest in and Lien on all of the Collateral subject thereto, superior to and prior to the rights of all third Persons and subject to no other Liens (other than Permitted Liens relating thereto), in favor of Collateral Agent for the benefit of the Secured Creditors. On and after the Additional Loans Closing Date, no filings or recordings are required in order to perfect the security interests created under any Security Document except for filings or recordings (i) required in connection with any such Security Document which shall have been made upon or prior to (or are the subject of arrangements, reasonably satisfactory to

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Administrative Agent, for filing on or promptly after the date of) the execution and delivery thereof and (ii) that are required by the relevant Security Document to be made thereafter.

5.10 SUBSIDIARIES. On and as of the Effective Date, Holdings has no subsidiaries other than Borrower, Pegaso PCS and Personnel Co. Holdings is, as of the Effective Date, the owner, directly or indirectly of 100% of the shares representing the capital stock of all such Subsidiaries.

5.11 INTELLECTUAL PROPERTY. The Credit Parties have obtained all material patents, trademarks, service marks, trade names, copyrights, licenses and other rights, free from materially burdensome restrictions, that are necessary for the operation of the Business as presently conducted.

5.12 COMPLIANCE WITH LAW; LICENSES. Each Credit Party is in material compliance with each Law to which the Business, and/or the operations of such Credit Party are subject. The Network License has been duly granted to Borrower, is legal, valid, binding and enforceable, and is free of any Liens (other than Liens created pursuant to the Security Documents) and conditions (other than those conditions set forth in the corresponding concession title, a copy of which has been delivered to Administrative Agent). Borrower holds legal, valid, binding and enforceable title to the Frequency Band License (once they have been paid in full and the applicable concession agreements have been delivered by the respective authorities), free of any Liens (other than Liens created pursuant to the Security Documents) and conditions (other than those conditions set forth in the corresponding concession titles).

5.13 ENVIRONMENTAL MATTERS. The operation of the Business is in compliance with all applicable Environmental Law except where the effect of noncompliance is not reasonably likely to have a Material Adverse Effect. The Credit Parties have obtained and currently maintain all environmental permits

necessary for their current operations and are in compliance therewith, there are no judicial or administrative actions, proceedings or investigations pending against any Credit Party that is reasonably likely to have a Material Adverse Effect and no Credit Party has received any notice from any Governmental Entity to the effect that they are not in compliance with any Environment Law where the effect of such noncompliance is reasonably likely to have a Material Adverse Effect.

5.14 YEAR 2000. Borrower reasonably believes that all computer applications that are material to any Credit Party's business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before, on and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so is not reasonably likely to have Material Adverse Effect.

5.15 NO SUBORDINATION. The obligations of each Guarantor under the Guaranty and Borrower under this Agreement or under any other contracts or instruments executed by Guarantors or Borrower in connection therewith and herewith (i) are not subordinated in right of payment to any other obligation of Borrower or such Guarantors and (ii) will at all times rank prior to or *pari passu* in right of payment with all present and future unsecured Indebtedness of any Guarantor or Borrower, as applicable, except, in either case, to the extent required by law.

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5.16 TAXES. Each of Borrower and Guarantors has filed or has caused to be filed all material tax returns which it is required to file or has obtained extensions for the filing thereof, and each of Borrower and Guarantors has paid (i) all taxes shown to be due and payable on said returns or on any assessments made against it or against any of its property (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower or Guarantors, as the case may be) and (ii) all other material taxes, fees or other charges imposed on it or imposed on any of its property by any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower or Guarantors, as the case may be), and no material claims are being asserted with respect to any such taxes, fees or other charges (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower or Guarantors, as the case may be). No tax Liens have been filed with respect to any such taxes, fees or other charges (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower or Guarantors, as the case may be).

5.17 OWNERSHIP AND LIENS. Subject to the sale of equipment and services under the QUALCOMM Procurement Agreements and the Alcatel Procurement Agreements, Borrower owns and has good and marketable title to all assets comprising any of the Integral Assets and Borrower and Pegaso PCS own and have good and marketable title in fee simple absolute to, or a valid leasehold interest in, all property necessary and appropriate to operate the System to the extent, in each case, such assets are owned by any Guarantor. Each member of the Borrower Group owns and has good title to, all assets held by such member (except those disposed of in the ordinary course of business or otherwise in compliance with this Agreement), and, except as set forth on SCHEDULE 5.17, none of the properties and assets owned by any member of the Borrowing Group and none of their leasehold interests are subject to any Lien, except Permitted Liens.

5.18 INDEBTEDNESS. As of the date hereof, SCHEDULE 5.18 is a complete and correct list of all Indebtedness, credit agreements, indentures, purchase agreements, guaranties, capital leases and other investments, agreements and arrangements presently in effect providing for or relating to extensions of credit (including agreements and arrangements for the issuance of letters of credit or for acceptance financing, but not including nondelinquent trade credit providing for payment within ninety (90) days of invoice) involving \$1,000,000 or more in respect of which Borrower or any Guarantor is in any manner directly or contingently obligated. The maximum principal or face amounts of the credits in question, which are outstanding and which can be outstanding, are correctly stated, and all Liens of any nature given or agreed to be given as security therefor are correctly described or indicated in such Schedule.

5.19 ACCURACY OF INFORMATION FURNISHED; COMPLETE DISCLOSURE. Neither this Agreement nor any certificate, data, report, statement or other information furnished to Lenders by or on behalf of Borrower or any Guarantor in connection with the transactions contemplated hereby or by the other Credit Documents taken as a whole contains any untrue statement of a

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material fact or omits or will omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the Effective Date, there is no fact known to Borrower or any Guarantor which would be reasonably likely to have a Material Adverse Effect which has not been disclosed herein or in such other documents, certificates and statements furnished to Lenders for use in connection with the transaction contemplated hereby.

5.20 OTHER REGULATORY COMPLIANCE. Neither Borrower nor any Guarantor is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Borrower is not engaged principally, or as one of the important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). Borrower has not violated any statutes, laws, ordinances or rules applicable to them, violation of which would be reasonably likely to have a Material Adverse Effect.

5.21 EMPLOYEE BENEFIT PLANS; EMPLOYMENT MATTERS.

(a) EMPLOYEE BENEFITS:

(i) Each employee benefit plan, if any, has been maintained, operated and administered in accordance with its terms and with applicable law, and all notices, filings and disclosures required by terms or law have been timely made as of the date hereof, except when the failure to maintain, operate, or administer, or to notify, file or disclose, could not reasonably be expected to have a Material Adverse Effect. No proceeding with respect to the administration or the investment of the assets of any employee benefit plan (other than routine claims for benefits) that could reasonably be expected to have a Material Adverse Effect or create any material Lien is pending or threatened.

(ii) All obligations of the Borrower Group for payments with respect to any and all mandatory and additional employee benefit plans including, but not limited to, all IMSS, INFONAVIT, accrued payroll and payroll taxes payments for their respective employees have been timely paid and properly reported in the financial statements required to be delivered under SECTION 6.1(a) AND (b) in accordance with GAAP except where the failure to make such payments could not reasonably be expected to have a Material Adverse Effect or create any material Lien.

(iii) The Borrower Group has no liability for retiree benefits.

(b) EMPLOYMENT PRACTICES:

(i) prior to the date of any borrowing hereunder, the Borrower Group has complied in all material respects with all applicable laws, rules and regulations with respect to employment practices including, but not limited to, applicable health and safety regulations and there is no charge or complaint alleging such a violation against the Borrower pending or threatened, or before any federal or local labor board, tribunal or CONSAR; and

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(c) there is no labor strike, request for representation, slowdown or stoppage actually pending or, to the knowledge of the Borrower Group, threatened against or affecting it which could reasonably be expected to have a Material Adverse Effect.

(d) FILINGS: Each of the Borrower Group has filed all forms, reports, statements, provider agreements, benefit plan descriptions, payor agreements, beneficiary materials and other documents (including, without limitation, those related to employee benefit plans) required to be filed by it with any Governmental Entities, including without limitation state and federal insurance and health regulatory authorities except where the failure to file could not reasonably be expected to have a Material Adverse Effect or create a material Lien.

5.22 SOVEREIGN IMMUNITY. This Agreement, the other Credit Documents and the Loans are of a commercial rather than the public or governmental nature and Borrower is not entitled to claim immunity from legal proceedings with respect to itself or any of its properties or assets on any grounds of sovereignty or otherwise under any Mexican law. To the extent that Borrower or any of its properties or assets has or hereafter may acquire any rights to immunity from setoff, legal proceedings, attachment prior to judgment, other attachment or execution of judgment of any grounds of sovereignty or otherwise (whether under the laws of Mexico or any other jurisdiction), to the extent permitted by applicable law Borrower hereby irrevocably waives such right to immunity for itself and its properties and assets in respect of its obligations arising under or relating to this Agreement or any other Credit Document.

SECTION 6. AFFIRMATIVE COVENANTS.

By their execution of this Agreement, the Guaranty and the Pledge Agreements, as applicable, each of Borrower and each Guarantor jointly and severally covenants and agrees with respect to Borrower, each Guarantor, and their respective Subsidiaries that for so long as this Agreement is in effect and until the Commitments have terminated, and the Loans, together with interest, Fees and all other Obligations incurred hereunder, are paid in full:

6.1 INFORMATION COVENANTS. Borrower will furnish to each Lender:

(a) ANNUAL FINANCIAL STATEMENTS. Within 120 days after the close of each fiscal year of Borrower, the audited combined balance sheet of Borrower Group, as at the end of such fiscal year and the related combined statements of income, of stockholders' equity and of cash flows for such fiscal year, in each case setting forth comparative combined figures for the preceding fiscal year, and reported on by Price Waterhouse or other independent certified public accountants of recognized national standing whose opinion shall not be qualified as to the scope of audit, together with a certificate of such accounting firm stating that in the course of its regular audit of the business of Borrower Group, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge of any Event of Default which has occurred and is continuing or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof .

(b) QUARTERLY FINANCIAL STATEMENTS. As soon as available and in any event within 90 days after the close of each of the first three quarterly accounting periods in each fiscal

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year, the unaudited combined balance sheet of Borrower Group, as at the end of such quarterly period and the related unaudited combined statements of income and of cash flows for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, and in each case setting forth comparative combined figures for the related periods in the prior fiscal year, all of which shall be certified by the chief financial officer or controller of Borrower, subject to changes resulting from audit and normal year-end audit adjustments.

(c) BUSINESS PLAN. Promptly after completed and approved by Holdings' Board of Directors, each update and revision to the Business Plan (which update will be made no less frequently than once in any twelve (12) month period).

(d) OFFICER'S CERTIFICATES. At the time of the delivery of the financial statements provided for in SECTIONS 6.1(a) AND (b), a certificate of the chief financial officer, controller or other Authorized Officer of Borrower to the effect that no Default or Event of Default exists or, if any Default or Event of Default does exist, specifying the nature and extent thereof, which certificate shall set forth the calculations required to establish whether Borrower Group was in compliance with the provisions of SECTION 7.10 as at the end of such fiscal period.

(e) NOTICE OF DEFAULT, LITIGATION OR ENVIRONMENTAL CLAIM. Promptly, and in any event within three Business Days after any Responsible Officer of Borrower obtains knowledge thereof, notice of (w) the occurrence of any event which constitutes a Default or Event of Default (x) any default or event of default under any contractual obligation of Borrower or any Guarantor or any force majeure event which in either case is reasonably likely to have a Material Adverse Effect or the termination of any of the Alcatel Procurement Agreement or the QUALCOMM Procurement Agreements, (y) the commencement of, or any significant development in, any litigation, governmental proceeding or Environmental Claim pending against Borrower Group which is reasonably expected to have a Material Adverse Effect and (z) any change in the ownership of Holdings, Borrower or any Guarantor of which it has knowledge. Each notice pursuant to this subsection shall specify the nature thereof, the period of existence thereof and what action, if any, Borrower proposes to take with respect thereto.

(f) YEAR 2000 COMPLIANCE. Promptly notify Administrative Agent in the event Borrower discovers or determines that any computer application (including those of its material suppliers and vendors) that is material to its or any of the Business will not be Year 2000 compliant on a timely basis, except to the extent that such failure is not reasonably likely to have a Material Adverse Effect.

(g) OTHER INFORMATION. Promptly upon transmission thereof, (i) copies of any filings and registrations with, and reports to, the SEC or any comparable Mexican Governmental Entity by Holdings or any of its Subsidiaries, (ii) copies of all financial statements, proxy statements, notices and reports as Holdings or any of its Subsidiaries shall send generally to public shareholders and (iii) with reasonable promptness, such other information or documents (financial or otherwise) as Administrative Agent on behalf of Required

Lenders may reasonably request from time to time.

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6.2 BOOKS, RECORDS AND INSPECTIONS. Holdings will, and will cause its Subsidiaries to, keep and maintain accurate books of record and account in accordance with GAAP consistently applied and permit, upon reasonable notice to the chief financial officer, controller or any other Authorized Officer, officers and designated representatives of Administrative Agent or Required Lenders to visit and inspect any of the properties or assets of Holdings and any of its Subsidiaries in whomsoever's possession, and to examine the books of account of Holdings and any of its Subsidiaries and discuss the affairs, finances and accounts of Holdings and of any of its Subsidiaries with, and be advised as to the same by, its and their officers and independent accountants, all at such reasonable times and intervals and to such reasonable extent as Administrative Agent or Required Lenders may desire.

6.3 INSURANCE. Holdings will, and will cause each of its Subsidiaries to, at all times maintain in full force and effect insurance with responsible and reputable insurance companies and associations in such amounts, covering such risks and liabilities and with such deductibles or self-insured retentions as are in accordance with normal industry practice in Mexico. Holdings will, and will cause each of its Subsidiaries to, furnish to Administrative Agent on the Additional Loans Closing Date and thereafter, upon request of Administrative Agent and reasonable notice, a summary of the insurance carried together with certificates of insurance and other evidence of such insurance, if any, naming Collateral Agent as an additional insured and naming Collateral Agent, on behalf of Secured Creditors, loss payee and providing that if at any time any such insurance shall be canceled, or coverage be reduced in a way which materially affects the interests of Lenders, Administrative Agent or Collateral Agent, such cancellation or reduction shall not be effective as to Lenders, Administrative Agent or Collateral Agent for thirty (30) days after receipt by Administrative Agent and Collateral Agent of written notice from such insurer of such cancellation or reduction. In the event Required Lenders determine that the requirements of this SECTION 6.3 have not been met, then Administrative Agent shall provide notice of such determination to Borrower, whereupon Borrower and Collateral Agent shall mutually agree upon an independent, internationally recognized insurance consultant or broker and such consultant or brokers determination as to compliance with this SECTION 6.3 shall be binding on the parties.

6.4 PAYMENT OF TAXES. Holdings will pay and discharge, and will cause each of its Subsidiaries to pay and discharge, all taxes imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, provided that neither Holdings nor any Subsidiary shall be required to pay any such tax which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with GAAP.

6.5 CORPORATE FRANCHISES. Holdings will do, and will cause each Subsidiary to do, or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its existence and to preserve its material rights and franchises, other than those the failure to preserve which is not reasonably likely to have a Material Adverse Effect, provided that any transaction permitted by SECTION 7.2 will not constitute a breach of this SECTION 6.5.

6.6 COMPLIANCE WITH STATUTES, ETC. Holdings will, and will cause each Subsidiary to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental entities, domestic or foreign, in respect of the conduct of the

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Business and the ownership of its property (including, in any event, all Environmental Laws) other than those the noncompliance with which is not likely to have a Material Adverse Effect.

6.7 GOOD REPAIR. Holdings will, and will cause each of its Subsidiaries to, ensure that its material properties and equipment necessary in the operation of its business are kept in generally good repair, working order and condition, normal wear and tear excepted, and, subject to SECTION 7.5, that from time to time there are made in such properties and equipment all needful and proper repairs, renewals, replacements, extensions, additions, betterments and improvements thereto, to the extent and in the manner useful or customary for companies in similar businesses in management's judgment.

6.8 ALCATEL PROCUREMENT AGREEMENT AND ALCATEL CREDIT AGREEMENT. Prior to December 31, 1998, Borrower shall have authorized, executed and delivered (i) an agreement (the "Alcatel Procurement Agreement") with Alcatel Indetel Industria de Telecomunicacion S.A. de CV (the "Alcatel Vendor") substantially similar to the form most recently provided to QUALCOMM prior to the Effective Date hereof, and (ii) a Credit Agreement (the "Alcatel Credit Agreement") with Alcatel

Alsthom or lender(s) arranged by such party ("Alcatel Lender"), which Alcatel Credit Agreement provides that Alcatel Lender is committed to provide not less than 100% of the financing for the equipment (other than towers and shelters) and services provided under the Alcatel Procurement Agreement (plus amounts to finance some portion of VAT payments required in connection therewith), copies of each of which have been certified by an Authorized Officer as true and complete, and shall have been delivered to Administrative Agent and each Lender, and all conditions precedent to the making of initial loans under the Alcatel Credit Agreement shall have occurred or been waived.

6.9 SHAREHOLDER PLEDGE OF HOLDINGS STOCK. Borrower shall use its best efforts to have delivered to Collateral Agent the Pledge Agreements in respect of the pledge of 100% the capital stock of Holdings. Prior to October 31, 1998, Borrower shall have caused to be obtained the undertaking of each shareholder of Holdings in favor of Collateral Agent that no such shareholder will pledge its shares in Holdings without the consent of Collateral Agent.

6.10 INTRAGROUP SERVICE AGREEMENTS. Prior to October 31, 1998, the PCS Services Agreement and the Personnel Co. Services Agreement shall have been duly authorized, executed and delivered by the parties thereto, the same shall be in form and substance reasonably satisfactory to QUALCOMM and, a copy thereof, certified by an Authorized Officer of Borrower as true and complete, shall have been delivered to Administrative Agent and each Lender. Borrower agrees not to materially amend, supplement or modify any such agreement in any way which would be reasonably likely have a negative impact on the interests of any Lender.

6.11 BUSINESS PLAN. Prior to December 31, 1998, a Business Plan shall have been finalized and a true and complete copy thereof shall have been delivered to each Lender.

6.12 ADDITIONAL SECURITY; FURTHER ASSURANCES.

(a) Borrower will, and each other member of the Borrower Group will, upon request of the Required Lenders grant to Collateral Agent security interests and mortgages in any material personal or real property, whether acquired before or after the Effective Date, as may be

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reasonably requested from time to time by Required Lenders. All such security interests and mortgages shall be granted pursuant to documentation reasonably satisfactory in form and substance to Administrative Agent and Collateral Agent and shall constitute valid and enforceable Liens superior to and prior to the rights of all third Persons and subject to no other Liens except as are permitted by SECTION 7.3. The mortgages or instruments related thereto shall have been duly recorded or filed in such manner and in such places as are required by law to establish, perfect, preserve and protect the Liens in favor of Collateral Agent required to be granted pursuant to such mortgages and instruments and all taxes, fees and other charges payable in connection therewith shall have been paid in full.

(b) Each Credit Party will, at the expense of such Credit Party, make, execute, endorse, acknowledge, file and/or deliver to Collateral Agent from time to time such vouchers, invoices, schedules, confirmatory assignments, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments and take such further steps relating to the collateral covered by any of the Security Documents as Collateral Agent may reasonably require. Furthermore, Borrower shall cause to be delivered to Collateral Agent such opinions of counsel and other related documents as may be reasonably requested by Administrative Agent to assure itself that this SECTION 6.12 has been complied with.

(c) Each Credit Party will, at the expense of such Credit Party, make, execute, endorse, acknowledge and/or deliver to Administrative Agent from time to time such amendments hereto as shall be reasonably requested by Administrative Agent or Required Lenders for the purposes of establishing and maintaining efficient funds transfer, invoicing, interest collection and other administrative procedures.

(d) Each action required by this SECTION 6.12 shall be completed as soon as possible, but in no event later than 60 days after such action is requested to be taken by Administrative Agent, Collateral Agent or Required Lenders, as the case may be, provided that in no event shall any Credit Party be required to take any action, other than using its reasonable commercial efforts without any material expenditure, to obtain consents from third parties with respect to its compliance with this SECTION 6.12.

(e) In addition to the obligations and documents which this Agreement expressly requires Borrower or any Guarantor to execute, acknowledge, deliver and perform, Borrower and each Guarantor shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Administrative Agent or Collateral Agent all documents, and take all actions, that may be reasonably requested by Administrative Agent, Collateral Agent or Lenders from time to time to confirm the rights created by the terms of any Credit Document to be covered

by the Collateral Documents, or otherwise to carry out the purposes of the Credit Documents and the transactions contemplated hereunder and thereunder.

6.13 CONSENTS, APPROVALS. From time to time obtain all material governmental and third party consents, approvals and licenses required to be obtained by such time in connection with the transactions contemplated by the Alcatel Procurement Agreement, the QUALCOMM Procurement Agreements and the Credit Documents and such consents, approvals and licenses shall be kept in effect for so long as required, including, without limitation, (i) any required consent of any Governmental Entity required to be obtained to permit the assignment for security

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purposes of the License and all additional licenses granted to Borrower or its Subsidiaries and (ii) all required consents from Borrower's, Holdings' any Guarantor's or their Subsidiaries' contractual counterparties required to be obtained to permit the assignment to Collateral Agent of the Collateral.

6.14 MAINTENANCE OF LICENSES AND COMPLIANCE WITH REGULATIONS AND RELATED AGREEMENTS.

(i) Take any and all action necessary to maintain the Licenses;

(ii) Not, without the prior written consent of Collateral Agent and Required Lenders, sell, assign, transfer or partition the Licenses, and if Administrative Agent and Lenders consent to such sale, assignment, transfer or partition, Borrower and each Guarantor shall cause each purchaser, assignee, transferee or partitionee to become a party to or otherwise specifically assume Borrower's obligations under the Credit Documents;

(iii) Not take any action which would violate any federal, state, national, provincial or local statute, rule, regulation or order relating to the Licenses;

(iv) Not, without the prior written consent of Collateral Agent and Requisite Lenders, materially modify or amend the Licenses;

(v) Enter into all interconnection agreements required under or by the Licenses, if any;

(vi) Not take any action which would violate any License or any agreement relating to the Licenses which might be reasonably likely to have a Material Adverse Effect; or

(vii) Not, without the prior written consent of Collateral Agent and Required Lenders, pledge as collateral the License, nor subject the License or any Other License to any claim, Lien, security interest or other encumbrance;

provided, however, that nothing in this SECTION 6.14 shall limit Borrower's ability to sell or dispose of assets, including a portion of the Licenses or Other Licenses, to the extent expressly permitted in SECTION 7.2(f).

6.15 SITE ACQUISITION.

(a) In connection with site acquisition for the placement or installation of Intelligent Base Station Controllers ("BSCs"), Base Station Transceivers ("BTSs"), Mobile Switching Centers ("MSCs") or other infrastructure equipment, enter into a Site Lease Agreement with minor modifications as shall be reasonably necessary to negotiate with particular landlords and, as to leases not yet distributed to potential landlords, appropriate modifications to reflect the fact that the Integral Assets will be entirely owned by Borrower; and

(b) Concurrent with entering into any lease of real property in connection with the placement or installation of BSCs, BTSs, MSCs or other infrastructure equipment, whether or not in the form of a Site Lease Agreement, deliver to Collateral Agent (i) a copy of such lease and (ii) if the lessor of such real property is party to a lending arrangement with respect to such

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real property, a nondisturbance agreement, duly executed by the lessor's lender in form suitable for recordation, or, in the case of each of items (a) or (b) of this SECTION 6.15, other documentation reasonably satisfactory to Collateral Agent.

6.16 COMPLETION OF CONDITIONS PRECEDENT Borrower shall satisfy each and every condition set forth in SECTION 4 hereof not later than October 31, 1998

6.17 ADDITION OF OTHER SECURED CREDITORS. Within a reasonable time prior to the execution of any credit agreement that would give rise to Pari Passu Debt, Borrower shall notify Administrative Agent in writing that such credit agreement will be signed. Notification shall be substantially in the form

attached hereto as Exhibit H. The Lenders and Borrower shall, within a reasonable period following the latter of the date of execution of such credit agreement and the date Borrower shall have provided to Administrative Agent a certified Spanish translation of such credit agreement for notarization and registration by a Notary Public, (i) enter into an amendment of the Mortgage ("ampliacion de hipoteca") which amendment shall set forth that the new lender under the Pari-Passu Debt will participate with the Lenders on a first priority perfected security interest in the Mortgage, (ii) enter into amendments of the Pledge Agreements executed by the Lenders and the Credit Parties which amendment shall set forth that the new lender under the Pari-Passu Debt will participate with the Lenders on a first priority perfected security interest in the pledge of the stock of Borrower and the Guarantors and (iii) enter into amendments of the Collateral Assignment Agreements entered into by the Credit Parties and the Lenders which amendment shall set forth that the new lender under the Pari-Passu Debt will participate with the Lenders in a first priority perfected security interest in the Collateral Assignment Agreements.

SECTION 7. NEGATIVE COVENANTS.

By their execution of this Agreement, the Guaranty or the Pledge Agreements, as applicable, each of Borrower, and each Guarantor jointly and severally covenants and agrees with respect to Borrower, each Guarantor and their Subsidiaries that for so long as this Agreement is in effect and until the Commitments have terminated and the Loans, together with interest, Fees and all other Obligations incurred hereunder, are paid in full:

7.1 CHANGES IN BUSINESS. None of Borrower Group will engage in any business but the Business and reasonable extensions thereof.

7.2 CONSOLIDATION, MERGER, SALE OR PURCHASE OF ASSETS, ETC. None of Holdings or Borrower Group will wind up, liquidate or dissolve its affairs, or enter into any transaction of merger or consolidation, sell or otherwise dispose of all or any part of its property or assets (other than sales and other dispositions (including asset swaps and similar transactions) when no Event of Default exists to the extent in the ordinary course of business), or purchase, lease or otherwise acquire all or any part of the property or assets of any Person (other than purchases or other acquisitions of inventory, leases, materials and equipment in the ordinary course of business) or agree to do any of the foregoing at any future time, except that the following shall be permitted:

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(a) any Subsidiary of a Credit Party (other than Borrower) may be merged or consolidated with or into, or be liquidated into, another Subsidiary that is a Credit Party (so long as a Credit Party is the surviving corporation), or all or any part of its business, properties and assets may be conveyed, leased, sold or transferred to any Credit Party, in each case to the extent no detriment results with respect to the security interests and Liens created pursuant to the Security Documents;

(b) capital expenditures not exceeding \$750,000,000 from the Effective Date through December 31, 2000 and \$200,000,000 per year thereafter; provided, however, that if any such permitted capital expenditure is not made within the designated period, such amount shall be available to be made as capital expenditures in ensuing periods;

(c) the investments permitted pursuant to SECTION 7.5;

(d) each Credit Party may lease (as lessee) real or personal property in the ordinary course of business (so long as such lease does not create a Capitalized Lease Obligation not otherwise permitted by SECTION 7.4(c));

(e) licenses or sublicenses by the Credit Parties of intellectual property in the ordinary course of business of such Credit Parties, provided, that such licenses or sublicenses shall not interfere with the Business;

(f) sales of Licenses (to the extent such does not constitute an Event of Default under SECTION 8.9) and other sales or dispositions of assets as shall be mutually agreed by QUALCOMM and Borrower; and

(g) the acquisitions of additional telecommunications business and assets in Mexico to the extent not in excess of \$50,000,000.

7.3 LIENS. None of Holdings or Borrower Group will create, incur, assume or suffer to exist any Lien upon or with respect to any property or assets of any kind (real or personal, tangible or intangible) of such Person whether now owned or hereafter acquired, or sell any such property or assets subject to an understanding or agreement, contingent or otherwise, to repurchase such property or assets (including sales of accounts receivable or notes with recourse to such Person) or assign any right to receive income, except:

(a) Liens for taxes not yet due or Liens for taxes, assessment or

governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of Holdings) have been established;

(b) Liens in respect of property or assets of any of Borrower Group imposed by law which were incurred in the ordinary course of business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of Borrower Group or (y) which are being contested in good faith by

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appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or asset subject to such Lien;

(c) Liens created by or pursuant to this Agreement or the other Credit Documents;

(d) Liens created pursuant to Capital Leases permitted by SECTION 7.4(c);

(e) Liens arising from judgments, decrees or attachments and Liens securing appeal bonds arising from judgments, in each case in circumstances not constituting an Event of Default under SECTION 8.9;

(f) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (exclusive of obligations in respect of the payment for borrowed money);

(g) leases, subleases or licenses granted to others not interfering in any material respect with the Business;

(h) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the ordinary conduct of the Business;

(i) any interest or title of a lessor under any lease permitted by this Agreement and Liens arising from financing statements regarding leases permitted by this Agreement;

(j) purchase money Liens securing payables arising from the purchase by any of Borrower Group or any Guarantor of any equipment or goods in the normal course of business, provided that such payables shall not constitute Indebtedness;

(k) Liens existing on, and to remain in effect after, the Effective Date to the extent specified on SCHEDULE 7.3 hereto;

(l) Liens arising pursuant to purchase money mortgages or security interests securing Indebtedness not constituting Pari Passu Debt or High-Yield Debt representing the purchase price of assets acquired by any of Borrower Group after the Effective Date, provided that any such Liens attach only to the assets so acquired and that all Indebtedness secured by Liens created pursuant to this clause (l) is permitted by SECTION 7.4(c);

(m) Liens on property (other than capital stock) of any Person that becomes a member of Borrower Group after the date hereof, provided that such Liens are in existence at the time such Person becomes a member of Borrower Group, were not created in anticipation thereof and do not attach to any property of any other member of Borrower Group;

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(n) Liens on amounts raised pursuant to the High-Yield Debt to fund interest payments as required under the terms thereof; and

(o) Liens created to secure Indebtedness permitted by SECTION 7.4(j); and

(p) other Liens, in addition to the Liens permitted above, provided that the aggregate amount of obligations secured by such Liens does not at any time exceed the greater of (i) \$10,000,000 or (ii) one percent (1%) of the aggregate of Consolidated Debt and Consolidated Net Worth at the time of the incurrence thereof; provided, further, that such Liens do not encumber any Integral Assets.

7.4 INDEBTEDNESS. None of Holdings or Borrower Group will contract,

create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness incurred pursuant to this Agreement and the other Credit Documents, the QUALCOMM Procurement Documents and the Alcatel Procurement Agreement;

(b) Indebtedness owing by any of Borrower Group that is a Credit Party to another member of Borrower Group that is a Credit Party;

(c) Capitalized Lease Obligations of a member of Borrower Group that is a Credit Party not constituting Pari Passu Debt and Indebtedness incurred pursuant to purchase money mortgages or security interests permitted by SECTION 7.3(1), provided that the aggregate of all such Capitalized Lease Obligations under all Capital Leases entered into after the Effective Date plus all principal Indebtedness secured by such purchase money mortgages or security interests shall not exceed the greater of (i) \$15,000,000 or (ii) two percent (2%) of the sum of Consolidated Debt and Consolidated Net Worth at the time of incurrence thereof;

(d) Pari Passu Debt provided that after the incurrence thereof the Leverage Ratio set forth in SECTION 7.10 (if applicable at such time) shall be satisfied on the last day of the fiscal quarter most recently ended on a pro forma basis as if such Pari Passu Debt was incurred on such last day;

(e) other Indebtedness outstanding prior to, and to remain outstanding after, the Effective Date to the extent specified in SCHEDULE 5.18 hereto;

(f) Contingent Obligations of any of Borrower Group arising with respect to customary indemnification obligations incurred in connection with permitted asset dispositions and/or acquisitions;

(g) unsecured Indebtedness of Borrower or Indebtedness secured by a Lien permitted under SECTION 7.3(p); provided that after the incurrence thereof the Leverage Ratio set forth in SECTION 7.10 (if applicable at such time) shall be satisfied on the last day of the fiscal quarter most recently ended on a pro forma basis calculated as if such Indebtedness was incurred on such last day;

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(h) Contingent Obligations not otherwise permitted by this SECTION 7.4 to the extent not exceeding in the aggregate at any time outstanding \$5,000,000;

(i) High-Yield Debt; and

(j) Indebtedness incurred in connection with obtaining financing for wireless telecommunication handsets.

7.5 ADVANCES, INVESTMENTS AND LOANS. None of Holdings or Borrower Group will lend money or credit or make advances to any Person, or purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to any Person, except:

(a) Holdings and Borrower Group may invest in cash and Cash Equivalents;

(b) any of Borrower Group may acquire and hold receivables owing to them, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(c) the intercompany Indebtedness described in SECTION 7.4(b);

(d) loans and advances to officers, directors and employees in the ordinary course of business in an aggregate principal amount not to exceed \$5,000,000 (or the equivalent) at any time outstanding shall be permitted;

(e) any of Borrower Group may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(f) any of Borrower Group may make investments in any other member of Borrower Group that is a Credit Party; and

(g) acquisitions permitted by SECTION 7.2(g).

7.6 LIMITATION ON CREATION OF SUBSIDIARIES. None of Borrower Group will establish, create or acquire any Subsidiary other than a Wholly-owned Subsidiary (x) 100% of the capital stock of which is pledged pursuant to the Security Documents and such pledge is perfected, (y) which executes a counterpart of the Guaranty and appropriate Security Documents, in each case on the same basis (and

to the same extent) as such Subsidiary would have executed such Credit Documents if it were a Credit Party on the Additional Loans Closing Date and (z) which owns no Integral Assets.

7.7 PREPAYMENTS; MODIFICATIONS. Holdings will not, and will not permit any of its Subsidiaries to (i) make any voluntary or optional payment or prepayment or redemption or acquisition for value of Indebtedness under the High Yield Debt or the Alcatel Credit Agreement except, with respect to the Alcatel Credit Agreement and any other vendor Indebtedness in excess of \$50,000,000, if such prepayment, redemption or acquisition is made pro rata among

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such lenders based on the applicable outstanding principal amounts on the date of payment, or (ii) amend, modify or change (including early termination) in any manner adverse to the interests of the Lenders any provisions of any organizational documents of any Credit Party or any document governing High-Yield Debt, the Joint Venture Agreement, the Alcatel Procurement Agreement or the Alcatel Credit Agreement (provided that any change to such Credit Agreement will not violate this Section if the Credit Parties have offered in writing to make a corresponding change to this Agreement) or any organizational document of any Credit Party.

7.8 DIVIDENDS, ETC.

(a) None of Borrower Group will declare or pay any dividends (other than dividends payable solely in capital stock of such Person) or return any capital to, its stockholders or authorize or make any other distribution, payment or delivery of property or cash to its stockholders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any shares of any class of its capital stock now or hereafter outstanding (or any warrants for or options or stock appreciation rights in respect of any of such shares), or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any shares of any class of the capital stock of any other member of Borrower Group or any other Subsidiary, as the case may be, now or hereafter outstanding (or any options or warrants or stock appreciation rights issued by such Person with respect to its capital stock) (all of the foregoing "Dividends"), except that any Subsidiary of Borrower, Pegaso PCS and Personnel Co. may pay dividends to Borrower, Pegaso PCS and Personnel Co, as applicable, and direct Subsidiaries of Holdings may pay dividends to Holdings (i) to permit it to pay when due administrative costs, taxes relating to the Business and Borrower Group, (ii) if no Event of Default exists, to pay interest and scheduled principal amortization on any High-Yield Debt that Holdings may issue, and (iii) at such time as the Debt to Cash Flow Ratio as of the end of any fiscal quarter most recently ended for the Borrower Group is less 5:1 as reflected on the financial statements delivered pursuant to SECTION 6.1(a) OR (b), as applicable, then to the extent that Facility-1 and Facility-2 are, in aggregate, prepaid in amounts equal to such Dividends, Dividends may be paid to Holdings and Holdings may pay to its shareholders Dividends in such amount.

(b) Holdings will not, and will not permit any of its Subsidiaries to, create or otherwise cause or suffer to exist any encumbrance or restriction which prohibits or otherwise restricts (i) the ability of any Credit Party to (A) pay dividends or make other distributions or pay any Indebtedness owed to any other Credit Party, (B) make loans or advances to another Credit Party (C) transfer any of its properties or assets to another Credit Party or (ii) the ability of any Guarantor to create, incur, assume or suffer to exist any Lien upon its property or assets to secure the Obligations, other than prohibitions or restrictions existing under or by reason of: this Agreement, the other Credit Documents and the agreements governing other Pari Passu Debt; agreements governing High-Yield Debt to the extent no more restrictive than those contained herein; the terms of any of the Licenses; applicable law; customary non-assignment provisions entered into in the ordinary course of business and consistent with past practices; any restriction or encumbrance with respect to a Subsidiary imposed pursuant to an agreement which has been entered into for the sale or disposition of all or substantially all of the capital stock or assets of such Subsidiary, so long as such sale or disposition is permitted under this Agreement; and Liens permitted under SECTION 7.3(1) and any documents or instruments governing the terms of any

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Indebtedness or other obligations secured by any such Liens, provided that such prohibitions or restrictions apply only to the assets subject to such Liens.

7.9 TRANSACTIONS WITH AFFILIATES. Holdings will not, and will not permit any Subsidiary to, enter into any transaction or series of transactions after the Effective Date whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable to Holdings or such Subsidiary as would be obtainable by Holdings or such Subsidiary at the time in a comparable arm's-length transaction with a Person other than an Affiliate, provided that the foregoing restrictions shall not

apply to (i) transactions solely among the Credit Parties, (ii) employment arrangements entered into in the ordinary course of business with officers of Holdings and its Subsidiaries, (iii) customary fees paid to members of the Board of Directors of Holdings, and (iv) any transaction expressly permitted by the Joint Venture Agreement as in effect on the Effective Date.

7.10 LEVERAGE RATIO. Borrower will not permit the Leverage Ratio to exceed, as of the last day of any fiscal quarter, 1.5:1.0 with each component thereof calculated in Mexican pesos for purposes of determining compliance with this SECTION 7.10. Upon the Borrower Group achieving positive earnings before interest, taxes, depreciation and amortization ("EBITDA") Borrower and Lenders agree to negotiate in good faith to set an appropriate financial covenant to be substituted for the foregoing financial covenant based on an agreed ratio of total Consolidated Debt to 12 month EBITDA.

7.11 MINIMUM ASSET OWNERSHIP CONCENTRATION. Borrower shall ensure that the Asset Ownership Concentration shall not at any time be less than ninety-five percent (95%).

7.12 Limitation On Issuance Of Stock. Holdings will not permit any of its Subsidiaries, directly or indirectly, to issue any shares of its capital stock or other securities (or warrants, rights or options to acquire shares or other equity securities), except (i) in favor of Holdings or another Credit Party that is the parent company, (ii) for replacements of then outstanding shares of capital stock, (iii) for stock splits, stock dividends and similar issuances which do not decrease the percentage ownership of Holdings or Borrower Group in any class of the capital stock of such Subsidiary, and (iv) for issuances by newly created or acquired Subsidiaries in accordance with SECTION 7.6.

7.13 COMPLIANCE WITH CERTAIN REGULATIONS. Neither Holdings nor any other Credit Party shall become an "investment company" or a Person controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Loan for such purpose or violate any law or regulation, in each case which violation would be reasonably likely to have a Material Adverse Effect.

SECTION 8. EVENTS OF DEFAULT.

Upon the occurrence of any of the following specified events (each, an "Event of Default"):

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8.1 PAYMENTS. Borrower shall (i) default in the payment when due of any principal of the Loans or (ii) default, and such default shall continue for five or more days, in the payment when due of any interest on the Loans or any Fees; or

8.2 REPRESENTATIONS, ETC. Any material representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made or deemed made; or

8.3 COVENANTS. Any Credit Party shall (a) default in the due performance or observance by it of any term, covenant or agreement contained in SECTION 6.8, 6.9, 6.10, 6.11, 6.12, 6.14, 6.16 or 7, or (b) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in SECTION 8.1, 8.2 or clause (a) of this SECTION 8.3) contained in this Agreement and such default shall continue unremedied for a period of at least 30 days after written notice to the defaulting party by Administrative Agent or Required Lenders; or

8.4 DEFAULT UNDER OTHER AGREEMENTS. Any Credit Party shall (i) default in any payment with respect to any Indebtedness (other than the Obligations) beyond the period of grace, if any, applicable thereto or (ii) default in the observance or performance of any agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause any such Indebtedness to become due prior to its stated maturity; or any such Indebtedness of any Credit Party shall be declared to be due and payable prior to the stated maturity thereof, provided that it shall not constitute an Event of Default pursuant to this SECTION 8.4 unless the principal amount of such Indebtedness exceeds \$25,000,000 individually or in the aggregate at any one time; or

8.5 BANKRUPTCY. (i) Any Credit Party shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to

it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Credit Party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Credit Party any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Credit Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Credit Party shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i),

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(ii) or (iii) above; or (v) any Credit Party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

8.6 SECURITY DOCUMENTS.

(a) The Liens created by the Security Documents shall at any time not constitute a valid and perfected Lien on the collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required herein or therein) in favor of the Collateral Agent, free and clear of all other Liens (other than Liens permitted under Section 7.3 hereof or under the respective Security Documents), or except for expiration in accordance with its terms, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, or the enforceability thereof shall be contested by the Borrower in writing; or

(b) Any Credit Party shall default in the due performance or observance of any material term, covenant or agreement on its part to be performed or observed pursuant to any Security Document and such default shall continue unremedied for a period of at least 30 days after written notice to the defaulting party by Collateral Agent on behalf of Required Lenders; or

8.7 GUARANTY. The Guaranty or any provision thereof shall cease to be in full force and effect, or any Guarantor or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under the Guaranty or any Guarantor shall default in the due performance or observance of any material term, covenant or agreement on its part to be performed or observed pursuant to the Guaranty and such default (other than a payment default) shall continue unremedied for a period of at least 30 days after written notice to the defaulting party by Administrative Agent; or

8.8 JUDGMENTS. One or more judgments or decrees shall be entered against any Credit Party involving a liability of \$5,000,000 or more, individually or in the aggregate for all such judgments and decrees for all Credit Parties (not paid or to the extent not covered by insurance), and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 60 days from the entry thereof; or

8.9 LOST LICENSES. Borrower Group shall lose the ownership or use of, there shall occur a revocation of, or there shall occur a failure to pay required amounts under, any License or Licenses and as a result thereof Covered Pops shall be reduced below 40,000,000;

8.10 CHANGE OF CONTROL. A Change of Control has occurred and is continuing; or

8.11 FAILURE TO COMPLETE CONDITIONS. Borrower shall fail to satisfy the closing conditions for making Additional Loans by the date set forth in SECTION 6.16; or

8.12 OBJECTION TO PLEDGE. The Secretariat of Communications of Transport shall, within the statutory period in which objections may be made, object to the pledge of the capital stock of the Borrower pursuant to the Pledge Agreement or the registration of such pledge in the share registry of the Borrower and (i) the Borrower either does not appeal such objection within fifteen (15) days of receipt of notice thereof or (ii) Borrower, after having appealed such

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objection within the fifteen (15) day period stipulated above, fails to cause the objection to be rescinded within ninety (90) days of receipt of notice of such objection; or

8.13 MORTGAGE. The Borrower shall fail to deliver to the Administrative Agent within forty five (45) days after the filing of the Mortgage, the first testimony of the public deed evidencing the creation of the Mortgage, duly recorded at the Public Registry of Commerce of the Federal District of Mexico; or the Borrower shall fail to deliver to the Collateral Agent within ninety (90) days after filing of the Mortgage, the first testimony of the public deed evidencing the creation of the Mortgage, duly recorded at the Telecommunications Registry and Public Registry of Commerce;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, Administrative Agent shall, upon the written request of Required Lenders, by written notice to Borrower, take any or all of the following actions, without prejudice to the rights of Administrative Agent or any Lender to enforce its claims against any Guarantor or Borrower, except as otherwise specifically provided for in this Agreement (provided that, if an Event of Default specified in SECTION 8.5 shall occur with respect to Borrower, the result which would occur upon the giving of written notice by Administrative Agent as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the Commitments to be terminated, whereupon the Commitment of each Lender shall forthwith terminate immediately and any Commitment Fee shall forthwith become due and payable without any other notice of any kind; (ii) declare the principal of and any accrued interest in respect of all Loans and all obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties; and (iii) exercise its rights under the Security Documents to cause Collateral Agent to enforce any or all of the Liens and security interests created pursuant to the Security Documents. Upon the occurrence and during the continuance, of any Default or Event of Default, the obligation of Lenders to make any Loans under this Agreement or the other Credit Documents shall be suspended.

SECTION 9. DEFINITIONS.

As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"Additional Loans" shall mean Loans made after the Effective Date.

"Additional Loans Closing Date" shall mean the date on which the initial Additional Loans are made under this Agreement.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to Administrative Agent appointed pursuant to SECTION 10.8.

"Administrative Agent's Account" shall mean such account as is specified in writing by Administrative Agent to Borrower and Lenders from time to time.

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"Affiliate" shall mean, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person; provided, however, that neither of Vendors shall be considered to be an "Affiliate" hereunder. A Person shall be deemed to control a corporation if such Person possesses, directly or indirectly, the power (i) to vote 10% or more of the securities having ordinary voting power for the election of directors of such corporation or (ii) to direct or cause the direction of the management and policies of such corporation, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" shall mean this Credit Agreement, as the same may be from time to time further modified, amended and/or supplemented.

"Alcatel Costs" shall mean the cost of all equipment and services delivered to Borrower under the Alcatel Procurement Agreement.

"Alcatel Lender" shall have the meaning provided in SECTION 6.10.

"Alcatel Procurement Agreement" shall have the meaning provided in SECTION 6.9.

"Alcatel Vendor" shall have the meaning provided in SECTION 6.9.

"Applicable Margin" shall mean (i) for Eurodollar Loans (A) that are Tranche A Loans, 1.50%, (B) that are Tranche B Loans, 4.50% and (C) that are Tranche C Loans, 1.50% and (ii) for Base Rate Loans (A) that are Tranche A Loans, 0.50%, (B) that are Tranche B Loans 3.50% and (C) that are Tranche C Loans 0.50%, which margins with respect to Tranche B Loans will be reduced on the first day Borrower incurs loans under a Senior Bank Financing with aggregate commitments of at least \$100,000,000 to the margin applicable to loans under

such Senior Bank Financing with an interest rate established by reference to the Eurodollar Rate (or any other comparable LIBOR market rate) or Base Rate, as the case may be.

"Applicable VAT Margin" shall mean 1.50%.

"Asset Ownership Concentration" shall mean, as of any date of determination, that percentage of the assets of the Borrower Group which are owned by, and are fully vested in, Borrower, valued on the same basis as such assets are carried on the books of each member of the Borrower Group on a consolidated basis.

"Assignment Agreement" shall mean the Assignment and Acceptance Agreement in the form of EXHIBIT F (appropriately completed).

"Authorized Officer" shall mean any senior officer of Borrower designated as such in writing to Administrative Agent by Borrower, in each case to the extent acceptable to Administrative Agent and shall include in any event the Chief Executive Officer and the Chief Financial Officer of Borrower.

"Availability Period" shall mean the Facility-1 Availability Period or the Facility-2 Availability Period, as applicable.

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"Base Rate" shall mean the greater of (i) the rate of interest per annum publicly announced by Administrative Agent at its headquarters from time to time as its prime commercial lending rate, or, if Administrative Agent does not establish its own prime commercial lending rate, that rate published on such day (or if not a Business Day, on the last Business Day) in the Wall Street Journal newspaper as the "Prime Rate," such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate and (ii) the Federal Funds Effective Rate plus one-half of one percent (0.50%) (rounded upwards, if necessary, to the next one-sixteenth of one percent (1/16 of 1%).

"Base Rate Loan" means any Loan bearing interest at the Base Rate.

"Base Financing Percentage" shall mean fifty percent (50%).

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrower Group" shall mean Borrower, Holdings, Pegaso PCS, Personnel Co. and their respective Subsidiaries.

"Borrower's Account" shall mean, such account as shall be maintained by Borrower and specified in writing by Borrower to Administrative Agent from time to time.

"Borrowing" shall mean the incurrence of Loans pursuant to a single Facility by Borrower from all of the Lenders having Commitments with respect to such Facility on a pro rata basis on a given date and having in the case of Eurodollar Loans the same Interest Period.

"Borrowing Date" shall mean each Business Day on which Loans are made or required to be made.

"Borrowing Notice" shall mean a written notice in the form of EXHIBIT B hereto, signed by an Authorized Officer.

"Borrowing Year" shall mean (i) the period from the Additional Loans Closing Date through January 31, 2000 and (ii) each successive 12-month period thereafter.

"Business" shall mean the business of development, operation and use of the Licenses (and other new licenses and/or concessions issued to any of Borrower Group) and to operate and install terrestrial-based wireless telecommunications systems and long distance telecommunication systems in Mexico.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday and any day which shall be in the City of New York a legal holiday or a day on which banking institutions are authorized by law or other governmental actions to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Loans, any day which is a Business Day described in clause (i) and which is also a day for trading by and between banks in U.S. Dollar deposits in the inter-bank Eurodollar market.

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"Business Plan" shall mean at any time the Business Plan of Holdings and

its Subsidiaries as the same shall be from time to time updated and approved by Holdings' Board of Directors as provided to each Lender as contemplated in SECTION 6.1(c).

"Capital Lease" as applied to any Person shall mean any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is accounted for as a capital lease on the balance sheet of that Person.

"Capitalized Lease Obligations" shall mean all obligations under Capital Leases of any Credit Party in each case taken at the amount thereof accounted for as liabilities in accordance with GAAP.

"Cash Advance" shall have the meaning provided in SECTION 1.5(b) (i).

"Cash Equivalents" shall mean (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than one year from the date of acquisition, (ii) Dollar denominated time deposits, certificates of deposit and bankers' acceptances of (x) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 or (y) any bank (or the parent company of such bank) whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's Investors Service, Inc. ("Moody's") is at least P-1 or the equivalent thereof (any such bank, an "Approved Bank"), in each case with maturities of not more than one year from the date of acquisition, (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (i) above entered into with any bank meeting the qualifications specified in clause (ii) above, (iv) commercial paper issued by any Approved Bank or by the parent company of any Approved Bank and commercial paper issued by, or guaranteed by, any industrial or financial company with a short-term commercial paper rating of at least A-1 or the equivalent thereof by S&P or at least P-1 or the equivalent thereof by Moody's, or guaranteed by any industrial company with a long term unsecured debt rating of at least A or A2, or the equivalent of each thereof, from S&P or Moody's, as the case may be, and in each case maturing within one year after the date of acquisition and (v) investments in money market funds substantially all of whose assets are comprised of securities of the type described in clauses (i) through (iv) above.

"Change of Control" shall mean, (i) the failure at any time prior to the consummation of a Qualified IPO of (A) the Original Mexican Shareholders to own at least 40% of the voting stock of Holdings or (B) SpinCo to own, directly or indirectly through QUALCOMM Mexico and/or other wholly owned Subsidiaries, at least 15% of the capital stock of Holdings except to the extent their stockholdings are sold to any of the Original Mexican Shareholders or other persons acceptable to Required Lenders, and (ii) at any time after the consummation of a Qualified IPO any transaction or series of transactions whereby (A) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of voting stock of Holdings (or other securities convertible into such voting stock) representing 25% or more of the combined voting power of all Voting Stock of Holdings; or (B) during any period of up to 18 consecutive months, commencing before or after the date of

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this Agreement, individuals who at the beginning of such 18-month period were directors of Holdings, together with such directors as are approved by directors who were directors at the beginning of such period, shall cease for any reason to constitute a majority of the board of directors of Holdings; or (iii) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of Holdings. Notwithstanding the foregoing, (y) any such transaction or series of transactions described above involving QUALCOMM or any of its Affiliates shall not constitute a Change of Control and (z) any such transaction or series of transactions described in clause (ii) shall not constitute a change of control if the Original Mexican Shareholders or their Subsidiaries and Spinco continue to own, directly or indirectly, a greater percentage of the voting stock of Holdings than any other Person or two or more Persons acting in concert.

"Collateral" shall mean all of the Collateral as defined in each of the Security Documents.

"Collateral Agent" shall mean such Person as may from time to time be designated by Required Lenders as their collateral agent or collateral trustee on behalf of Lenders and the other Secured Creditors; provided, however, that until any such Person is so designated Collateral Agent shall refer to QUALCOMM; provided, further, that Required Lenders shall have no obligation to designate a

Collateral Agent and the rights of Collateral Agent as specified herein may be vested in Lenders as a group or individually, as Required Lenders shall from time to time determine in their sole and absolute discretion.

"Collateral Assignment Agreements" shall mean the following (i) the collateral assignment agreement to be entered into by Borrower and Lenders in connection with the conditional assignment in favor of Lenders of the PCS Services Agreement, (ii) the collateral assignment agreement to be entered into by Pegaso PCS and Lenders in connection with the conditional assignment of the Personnel Co. Services Agreement in favor of Lenders, and (iii) the collateral assignment agreement to be entered into by Pegaso PCS and the Lenders in connection with the conditional assignment of the Site Lease Agreements in favor of Lenders as each such agreement may be amended from time to time.

"Commitment" shall mean, with respect to each Lender, such Lender's Facility-1 Commitment, Facility-2 Commitment and VAT Loan Commitment.

"Commitment Fee" shall have the meaning provided in SECTION 2.1(a).

"Common Terms Agreement" shall have the meaning provided in SECTION 1.13.

"Consolidated Debt" shall mean, as of any date of determination, the aggregate stated balance sheet amount of all Indebtedness of each of Borrower Group on a combined basis as determined in accordance with GAAP plus (without duplication) any Indebtedness for borrowed money of any other Person as to which any of Borrower Group has created a guarantee or other Contingent Obligation.

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"Consolidated Net Worth" shall mean, at any time for the determination thereof, the aggregate amount of equity theretofore contributed to Holdings by its shareholders.

"Contingent Financing Percentage" shall mean such percentage as shall be negotiated in good faith and agreed upon in writing from time to time by Borrower and QUALCOMM which shall reflect the funding requirements of Borrower and Guarantors as set forth in the Business Plan after giving full effect to all funds raised by Borrower, and Guarantors after the date hereof provided, however, that (i) prior to the earlier of any Senior Bank Financing or the issuance of High-Yield Debt, the Contingent Financing Percentage shall be equal to fifty percent (50%), (ii) the Contingent Financing Percentage for calendar years 1998 and 1999 shall be fifty percent (50%) and (iii) at any time that clause (i) or (ii) is not applicable, the Contingent Financing Percentage shall be 50% until the Borrower and QUALCOMM otherwise agree in writing.

"Contingent Obligations" shall mean as to any Person any obligation of such Person guaranteeing or intending to guarantee any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof, provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

"Covered Pops" shall mean Pops for those areas for which Borrower has the right under the Licenses to provide Wireless Services and has constructed or intends to construct facilities to provide such Wireless Services.

"Credit Advance" shall have the meaning provided in SECTION 1.5(b)(i).

"Credit Documents" shall mean this Agreement, the Notes, the Pagares, the Security Documents and the Guaranty.

"Credit Party" shall mean Borrower, Holdings and Guarantors.

"Debt to Cash Flow Ratio" shall mean as of any date of determination, the ratio of Consolidated Debt (net of cash and Cash Equivalents) on such date to (i) EBITDA for the period of two consecutive fiscal quarters last ended prior to the date of the determination for which

financial statements have been provided pursuant to SECTION 6.1 (a) or (b) multiplied by (ii) two (2).

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Dividends" shall have the meaning provided in SECTION 7.8.

"Dollars" and the sign "\$" shall each mean freely transferable lawful money of the United States.

"EBITDA" shall have the meaning provided in SECTION 7.10.

"Effective Date" shall have the meaning provided in SECTION 11.10.

"Eligible Transferee" shall mean and include a commercial bank, financial institution or other institutional "accredited investor" as defined in SEC Regulation D.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation or proceedings relating in any way to any Environmental Law or any permit issued under any such Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief in connection with alleged injury or threat of injury to health, safety or the environment due to the presence of Hazardous Materials.

"Environmental Law" means any applicable federal, state or local statute, law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to the environment or Hazardous Materials.

"Equipment Agreement" means that Equipment Purchase Agreement entered into as of June 10, 1998 by and between Borrower and QUALCOMM as such shall from time to time be amended, supplemented and restated.

"Eurodollar Rate" shall mean, with respect to each Interest Period, the rate of interest determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be agreed upon by Administrative Agent and Borrower or, in the absence of such agreement, the "Eurodollar Rate" shall instead be the rate per annum equal to the average (rounded upwards to the nearest 1/100th of 1%) of the respective rates notified to Administrative Agent by such banks as shall be agreed

by Borrower and QUALCOMM prior to the Additional Loans Closing Date as the rate at which such Persons is offered Dollar deposits in an amount approximately equal to the amount of the requested Loan at or about 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations in respect of its Eurodollar Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Eurodollar Loan" means any Loan (other than VAT Loans) bearing interest at the Eurodollar Rate.

"Event of Default" shall have the meaning provided in SECTION 8.

"EXIM Financing" shall mean each credit facility entered into by Borrower to finance QUALCOMM Costs that are EXIM Qualified, together with eligible local costs, under export credit political and commercial guarantees/insurance provided by the Export Import Bank of the U.S.

"EXIM Qualified" shall mean with respect to (i) QUALCOMM Costs and eligible local costs, such costs that are eligible to be financed and/or refinanced under an EXIM Financing and (ii) Loans, Loans that are incurred to finance QUALCOMM Costs that are EXIM Qualified.

"Existing VAT Loans" shall have the meaning ascribed to such term inside the definition of "VAT Loans."

"Facility" shall mean any of the credit facilities established under this Agreement, i.e., Facility-1, Facility-2 and the VAT Facility.

"Facility-1" shall mean the Facility evidenced by the Total Facility-1 Commitment.

"Facility-1 Availability Period" shall mean the period commencing on the Additional Loans Closing Date and ending on December 31, 2000.

"Facility-1 Availability Period Costs" shall mean QUALCOMM Costs that are EXIM Qualified and are payable during the Facility-1 Availability Period.

"Facility-1 Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on SCHEDULE 1.0 hereto under the column entitled "Facility-1 Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

"Facility-1 EXIM Loans Closing Date" shall mean the date of the initial borrowing under any EXIM Financing entered into to finance and/or refinance Facility-1 Availability Period Costs.

"Facility-1 Loan" shall have the meaning provided in SECTION 1.1.

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"Facility-1 Refinancing Date" shall mean the earlier of (i) the first anniversary of the Additional Loans Closing Date and (ii) the Facility-1 EXIM Loans Closing Date.

"Facility-2" shall mean the Facility evidenced by the Total Facility-2 Commitment.

"Facility-2 Availability Period" shall mean the period commencing on January 1, 2001 and ending on December 31, 2002.

"Facility-2 Availability Period Costs" shall mean QUALCOMM Costs that are EXIM Qualified and are payable during the Facility-2 Availability Period.

"Facility-2 Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on Annex I hereto under the column entitled "Facility-2 Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

"Facility-2 EXIM Loans Closing Date" shall mean the date of the initial borrowing under any EXIM Financing entered into to finance and/or refinance Facility-2 Availability Period Costs.

"Facility-2 Loan" shall have the meaning provided in SECTION 1.1.

"Facility-2 Refinancing Date" shall mean the earlier of (i) January 1, 2002 and (ii) the Facility-2 EXIM Loans Closing Date.

"Federal Funds Effective Rate" means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three Federal funds brokers of recognized standing selected by Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, SECTION 2.1.

"Frequency Band License" shall mean the Concessions for the Use, Development and Operation of Radio-electric Spectrum Frequency Bands to Provide Fixed or Mobile Wireless Access Services granted by the Secretariat of Communications of Transport in favor of the Borrower by means of its decision dated May 8, 1998 for the bands of frequencies of the radioelectric spectrum in order to render wireless access services, as also further described in the Joint Venture Agreement and Exhibit A thereto.

"GAAP" shall mean generally accepted accounting principles in Mexico as in effect on the date of this Agreement; it being understood and agreed that determinations in accordance with GAAP for purposes of SECTIONS 6 AND 7, including defined terms as used therein, are subject (to the extent provided therein) to SECTION 11.7(a) and shall include U.S. GAAP reconciliations.

"Governmental Entity" shall have the meaning provided in SECTION 5.3.

"Guarantor" shall mean Holdings, Pegaso PCS, Personnel Co. and each other Person party to the Guaranty.

"Guaranty" shall have the meaning provided in SECTION 4.1(d).

"Hazardous Materials" shall mean (a) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or is reasonably likely to become friable, urea formaldehyde foam insulation, transformers or other equipment that contains, electric fluid containing polychlorinated biphenyls above 50 ppm, and radon gas and (b) any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous waste," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," "toxic substances," "toxic pollutants," "contaminants," or "pollutants," or words of similar import, under any applicable Environmental Law.

"High-Yield Debt" shall mean notes or bonds of Holdings, provided that (i) after the issuance thereof by Borrower or Holdings the Leverage Ratio set forth in SECTION 7.10 shall be satisfied on the last day of the last fiscal quarter then ended on a pro forma basis as if such High-Yield Debt were issued on such last day and (ii) any issue of such debt shall be unsecured, except to the extent of amounts raised to fund scheduled interest payments, and not have a maturity or provide for sinking fund payment or any scheduled prepayment prior to December 31, 2005.

"Holdings" shall mean Pegaso Telecomunicaciones, S.A. de C.V., a Mexican corporation.

"Indebtedness" of any Person shall mean, without duplication, (i) all indebtedness of such Person for borrowed money, (ii) the deferred purchase price of assets or services which in accordance with GAAP would be shown on the liability side of the balance sheet of such Person, (iii) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (iv) all Indebtedness of a second Person secured by any Lien on any property owned by such first Person, whether or not such indebtedness has been assumed, (v) all Capitalized Lease Obligations of such Person, (vi) all obligations of such Person to pay a specified purchase price for goods or services whether or not delivered or accepted, i.e., take-or-pay and similar obligations, (vii) all net obligations of such Person under Interest Rate Agreements and (viii) all Contingent Obligations of such Person, (other than Contingent Obligations arising from the guaranty by such Person of the obligations of Borrower and/or its Subsidiaries to the extent such guaranteed obligations do not constitute Indebtedness and are otherwise permitted hereunder), provided that Indebtedness shall not include trade payables and accrued expenses, in each case arising in the ordinary course of business.

"Integral Assets" shall mean the Licenses, all assets to be provided under the QUALCOMM Procurement Agreements and the Alcatel Procurement Agreement, all trademarks, trade names and other intellectual property associated with the Business, all accounts receivable and the proceeds thereof related to the Business, all real estate (other than real estate the use of which does not derive from pure leasing arrangements)..

"Interest Payment Date" shall mean each date on which interest is payable on the Loans, determined without regard to SECTION 1.5(b).

"Interest Period" means, with respect to each Eurodollar, the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending one, three or six months thereafter, as Borrower may elect in the applicable Notice of Conversion/Continuation; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (c) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period applicable to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Business Day of a calendar month;

(c) any Interest Period with respect to a Eurodollar Loan that would otherwise end after the applicable the maturity date of such Loan shall end on such maturity date;

(d) no Interest Period with respect to a Eurodollar Loan which begins before January 31 of any given year (except January 31 of 1999) shall have a maturity extending beyond January 31 of such year;

(e) no Interest Period applicable to any Eurodollar Loan shall include a principal repayment date for Loans under the Facility under which such Loan is made unless an aggregate principal amount of Loans under such Facility at least equal to the principal amount due on such principal repayment date shall be Base Rate Loans or other Eurodollar Loans having Interest Periods ending on or before such date; and

(f) notwithstanding clauses (c) (d) and (e) above, no Interest Period applicable to a Eurodollar Loan shall have a duration of less than one month, and if any Interest Period applicable to such Eurodollar Loan would be for a shorter period, such Interest Period shall not be available hereunder.

"Interest Rate Agreement" shall mean any interest rate swap agreement, any interest rate cap agreement, any interest rate collar agreement or other similar agreement or arrangement designed to protect Borrower or any Subsidiary against fluctuations in interest rates.

"Joint Venture Agreement" shall mean the Joint Venture Agreement entered into as of July 16, 1998 by and between QUALCOMM Mexico, the Original Mexican Shareholders, Holdings and the New Shareholders listed therein, in the form delivered to Administrative Agent on the Effective Date and as the same may be subsequently amended or modified in compliance with the terms thereof and hereof.

"Law" shall have the meaning provided in SECTION 5.3.

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"Lender" shall have the meaning provided in the first paragraph of this Agreement.

"Lender Register" shall have the meaning provided in SECTION 11.16.

"Leverage Ratio" shall mean, at any date of determination, the ratio of Consolidated Debt (net of cash and Cash Equivalents), to Consolidated Net Worth on such date.

"Licenses" shall mean the Frequency Band License and the Network License.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement or any lease in the nature thereof).

"Loan" and "Loans" shall mean the loans provided in accordance with SECTION 1.1 together with the existing loans described in SECTION 1.5(a).

"Loan Request" has the meaning set forth in SECTION 1.5(b) (i) hereof.

"Loan Request Review Period" has the meaning set forth in SECTION 1.5(b) (i) hereof.

"Long-Term Facility" shall mean Facility-1 or Facility-2 and "Long-Term Facilities" shall mean Facility-1 and Facility-2.

"Long-Term Loans" shall mean Loans made under either Long-Term Facility.

"Material Adverse Effect" shall mean a material adverse effect on (i) the business, assets, liabilities, or operations or condition (financial or otherwise) of the Borrower Group, taken as a whole, (ii) the ability of the Borrower Group to pay its Obligations under the Credit Documents as they become due and (iii) the validity or enforceability of the Guaranties or the Security Documents.

"Maturity" or "maturity" means the earlier of (i) the final maturity date for any Loan as stated in SECTION 3.2 hereof and (ii) the date on which (A) the Loans have been accelerated or (B) the Loans have been prepaid in full and the Commitment terminated pursuant to this Agreement.

"Mexico" shall mean the United Mexican States.

"Minimum Borrowing Amount" shall mean (i) for Facility-1 and Facility-2, \$250,000 and (ii) for the VAT Facility, \$25,000.

"Mortgage" shall mean that industrial mortgage established under the Mexican Telecommunications Law creating a mortgage on all assets of Borrower, including the Licenses, as further described in SECTION 4.1(e) (i).

"Network License" shall mean the license granted on June 23, 1998 by the

Secretariat of Communications of Transport in favor of the Borrower to install, operate and exploit a public telecommunications network.

53.

"Note" shall have the meaning provided in SECTION 1.6(d).

"Notice of Conversion/Continuation" has the meaning set forth in SECTION 1.5(c) hereof.

"Notice of Deemed Loan" has the meaning set forth in SECTION 1.5(b)(ii) hereof.

"Obligations" shall mean all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing, owing by Borrower and/or any Guarantor to Administrative Agent, Collateral Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

"Original Mexican Shareholders" shall mean Pegaso Comunicaciones y Servicios, S.A. de C.V., Corporativo del Valle de Mexico S.A. de C.V. and Alejandro Burillo Azcarraga.

"Pagare" shall mean a promissory note heretofore or hereafter issued by Borrower or Pegaso PCS in favor of a Lender in substantially the form attached hereto as EXHIBIT B with appropriate insertions as to issue date, maturity date, principal amount, and interest rate to finance VAT charges imposed by Mexico in respect of the QUALCOMM Costs.

"Pari Passu Debt" shall mean all Indebtedness of Borrower incurred to finance the Business including Indebtedness under this Agreement, the Alcatel Credit Agreement, the Pari Passu Bank Facilities and under Interest Rate Agreements, but shall not include the High-Yield Debt, Capital Lease Obligations and the Indebtedness secured by Liens permitted by SECTION 7.3(1); provided that any such Indebtedness incurred in connection with the purchase of particular equipment or services, including, without limitation, Indebtedness of Borrower guaranteed by a vendor or any Affiliate of vendor to Borrower or any Affiliate of a vendor or any Affiliate of a vendor to Borrower, shall have a weighted average life of at least 3.8 years.

"Pari Passu Bank Facilities" shall mean those loan facilities with a syndicate of prime banks or financial institutions having a weighted average life to maturity not less than the remaining weighted average life to maturity of Facility-1 Tranche B Loans made in the first Borrowing Year.

"Participating Lenders" shall mean, with respect to the making of any Loans, those Lenders with Commitments to make such Loans.

"PCS Services Agreement" shall mean the services agreement to be entered into by the Borrower and Pegaso PCS under which the latter will provide services to the Borrower.

"Pegaso PCS" shall mean Pegaso PCS, S.A. de C.V., a Mexican corporation.

"Percentage" shall mean at any time for each Lender with respect to the Loans and/or Commitments under any Facility, the percentage obtained by dividing such Lender's Commitment for such Facility by the aggregate Commitments of all Lenders for such Facility, provided that if the Commitments of all Lenders for such Facility have been terminated, the Percentage of each Lender for such Facility shall be determined by dividing such Lender's Commitment for such Facility immediately prior to such termination by the aggregate Commitments of all Lenders for such Facility immediately prior to such termination.

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"Permitted Liens" shall mean Liens described in SECTION 7.3.

"Person" shall mean any individual, partnership, limited liability company, joint venture, firm, corporation, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

"Personnel Co." shall mean Pegaso Recursos Humanos S.A. de C.V., a Mexican corporation.

"Personnel Co. Services Agreement" shall mean the services agreement to be entered into by PCS and Personnel Co. under which the latter will provide services to Pegaso PCS.

"Pledge Agreements" shall mean (i) the pledge agreement to be entered into by Holdings, PCS, the Borrower and the Lenders under which the stock of Pegaso PCS and Personnel Co. will be pledged in favor of Lenders, and (ii) the pledge agreement to be entered into by the shareholders of Holdings, Pegaso PCS, the Borrower and Lenders under which the stock of the Borrower and Holdings will

be pledged and under which the stock of Holdings is affirmatively and/or negatively pledged in favor of Lenders.

"Pops" shall mean population, as based on specific population estimates of geographic areas.

"QUALCOMM" shall mean QUALCOMM Incorporated, a Delaware corporation.

"QUALCOMM Costs" shall mean the cost of all equipment and services delivered to Borrower under the QUALCOMM Procurement Agreements, plus broker's fees, export credit insurance premiums, transportation costs and import duties payable in connection therewith, but in no event including the cost of any Subscriber Units (as defined in the Equipment Agreement).

"QUALCOMM Mexico" shall mean QUALCOMM PCS Mexico, Inc., a California corporation.

"QUALCOMM Fee Letter" means the side letter relating to arrangement fees dated September 25, 1998, between Borrower and QUALCOMM.

"QUALCOMM Procurement Agreements" shall mean either or both of the Equipment Agreement or the Services Agreement.

"Qualified IPO" shall mean a public offering of Holdings' common stock for gross sale proceeds to Holdings of at least U.S.\$50,000,000 (or the equivalent) resulting in the trading of Holding's common stock on a national securities exchange in the U.S. or Mexico or international exchange in the European Economic Union.

"Refinancing" shall have the meaning provided in SECTION 1.12.

"Registered Financial Institution" shall mean the Registry of Foreign Banks, Financing Entities, Pension Funds and Investments Funds or any successor thereto.

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"Required Lenders" shall mean Lenders holding at least fifty-one percent (51%) of the then aggregate unpaid principal amount of all Loans then outstanding or, if no Loans are then outstanding, Lenders having at least fifty-one percent (51%) of the Commitments.

"Responsible Officer" shall mean the President, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer or General Counsel, or any Person having a similar function.

"S&P" shall mean Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc.

"Scheduled Repayment" shall have the meaning provided in SECTION 3.2(b).

"SEC" shall mean the Securities and Exchange Commission or any successor thereto.

"SEC Regulation D" shall mean Regulation D as promulgated under the Securities Act of 1933, as amended, as the same may be in effect from time to time.

"Secured Creditor" shall mean and include each holder of Pari Passu Debt.

"Security Documents" shall have the meaning provided in SECTION 4.1(e).

"Senior Bank Financing" shall mean any credit facility providing for loans and/or advances to be made to Borrower that Borrower enters into with one or more Lenders to the extent the Indebtedness arising thereunder shall constitute Pari Passu Debt, provided that Senior Bank Financing shall not include any EXIM Financing or financing under the Alcatel Credit Agreement.

"Services Agreement" shall mean the Services Agreement entered into as of June 10, 1998 by and between Borrower and QUALCOMM Wireless Services (Mexico), S.A de C.V. as such may be from time to time amended, supplemented and restated.

"Site Lease Agreement" shall mean a Site Lease Agreement substantially in the form of EXHIBIT G hereto; provided, however, that with respect to any Site Lease Agreement which has not yet been forwarded to potential lessors as of the Effective Date, the Site Lease Agreement shall reflect appropriate changes to reflect ownership in Borrower of assets located at the leased sites.

"SpinCo" shall mean Leap Wireless International, Inc., a Delaware corporation.

"Sponsors" shall mean the Original Mexican Shareholders, QUALCOMM and SpinCo. acting directly or through QUALCOMM Mexico.

"Subsidiary" of any Person shall mean and include (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (ii) any partnership, association, joint venture or other entity in which such

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Person directly or indirectly through Subsidiaries, has more than a 50% equity interest at the time.

"Syndication" shall have the meaning provided in SECTION 1.12.

"System" shall have the meaning provided in the first WHEREAS clause of this Agreement.

"Total Commitment" shall mean \$310,000,000; provided, however, that until such time as QUALCOMM's Board of Directors shall have approved such amount and QUALCOMM shall have given notice to Borrower and Administrative Agent of such approval, the "Total Commitment" shall mean \$250,000,000. QUALCOMM agrees to request authorization for such increased amount promptly following the Effective Date.

"Total Facility-1 Commitment" shall mean the sum of the Facility-1 Commitments of all the Lenders.

"Total Facility-2 Commitment" shall mean the sum of the Facility-2 Commitments of all the Lenders.

"Total VAT Loan Commitment" shall mean the sum of the VAT Loan Commitments of all of the Lenders.

"Tranche A Loans" shall mean Loans under the Long-Term Facilities made as Tranche A Loans pursuant to SECTION 1.1(a) or (b), as the case may be.

"Tranche B Loans" shall mean Loans under the Long-Term Facilities made as Tranche B Loans pursuant to SECTION 1.1(a) or (b), as the case may be.

"Tranche C Loans" shall mean Loans under Facility-1 made as Tranche C Loans pursuant to SECTION 1.1(a).

"U.S." shall mean the United States of America.

"U.S. GAAP" means generally accepted accounting principles in the United States.

"VAT" shall mean any value added tax associated with the sales of equipment and services under the QUALCOMM Procurement Agreements or broker's fees payable in connection therewith.

"VAT Facility" shall mean the Facility evidenced by the Total VAT Loan Commitment.

"VAT Facility Availability Period" shall mean the period commencing on the Additional Loans Closing Date and ending on December 31, 2002.

"VAT Loan" shall have the meaning provided in SECTION 1.1(c) and shall specifically include any advances made to Borrower or Pegaso PCS prior to the Additional Loans Closing Date to finance VAT charges (the "Existing VAT Loans").

"VAT Loan Advance" shall have the meaning provided in SECTION 1.2(a).

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"VAT Loan Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on SCHEDULE 1. hereto under the column entitled "VAT Loan Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

"VAT Loan Maturity Date" shall mean, with respect to each VAT Loan, the date which is 364 days after the date such VAT Loan is made.

"Vendor" shall have the meaning provided in the first WHEREAS clause of this Agreement.

"Vendor's Account" shall mean such account as is specified in writing by the Vendor to Administrative Agent and Borrower from time to time.

"Wholly-owned Subsidiary" of any Person shall mean any Subsidiary of such Person to the extent all of the capital stock or other ownership interests in such Subsidiary, other than directors' qualifying shares, is owned directly or indirectly by such Person.

"Wireless Services" shall mean PCS (Personal Communications Systems) and/or WLL (wireless local loop) services.

"Written" or "in writing" shall mean any form of written communication or a communication by means of telex, facsimile transmission, or electronic mail.

9.2 OTHER INTERPRETIVE PROVISIONS.

(a) All terms defined in this Agreement shall have their defined meanings when used in the other Credit Documents and any certificate or other document made or delivered pursuant hereto, unless the context clearly indicates otherwise.

(b) As used in this Agreement and the other Credit Documents and any certificate or other document made or delivered pursuant hereto, accounting terms relating to any Person not defined in SECTION 9.1 above, and accounting terms partly defined in SECTION 9.1 above to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified. The term "including" is not limiting and means "including, without limitation," and "including, but not limited to."

(d) Whenever, from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular or the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter.

(e) Unless otherwise specified herein, all accounting terms used herein shall be interpreted, and all Financial Statements required to be delivered hereunder shall be prepared

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in accordance with GAAP. If any changes in GAAP from those used in the preparation of the financial statements referred to in SECTION 5.8 hereof ("GAAP Changes") hereafter occasioned by the promulgation of rules, regulations, pronouncements and opinions by or required by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or Mexico or international equivalent thereof (or successors thereto or agencies with similar functions) result in a change in the method of calculation of any of the financial covenants, standards or other terms or conditions found in this Agreement, the parties hereto agree to enter into negotiations to amend such provisions so as to reflect equitably such GAAP Changes with the desired result that the criteria for evaluating the financial condition and performance of any Guarantor or Borrower and their Subsidiaries shall be the same after such GAAP Changes as if such GAAP Changes had not been made.

SECTION 10. ADMINISTRATIVE AGENT.

10.1 APPOINTMENT OF QUALCOMM AS ADMINISTRATIVE AGENT. Lenders hereby designate and appoint QUALCOMM. as Administrative Agent to act in an administrative function as specified under this Agreement and the other Credit Documents and irrevocably authorizes Administrative Agent to take such action on its behalf under and subject to the provisions of this Agreement and each other Credit Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Credit Document, together with such other powers, in the judgment of Administrative Agent, as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or any other Credit Document, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against Administrative Agent.

10.2 DELEGATION OF DUTIES BY ADMINISTRATIVE AGENT. Administrative Agent may execute any of its duties under this Agreement by or through the Administrative Agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any Administrative Agent or attorney-in-fact that it selects with reasonable care.

10.3 LIABILITY OF ADMINISTRATIVE AGENT. None of Administrative Agent-Related Persons (defined below) shall (a) be liable for any action taken

or omitted to be taken by any of them under or in connection with this Agreement or any other Credit Document (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by Borrower or any Affiliate of Borrower, or any officer thereof, contained in this Agreement or in any other Credit Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Credit Document, or for the value of any Collateral or the validity, priority, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any Credit Document, or for any failure of Borrower or any other party to any Credit Document to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the

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agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the Properties, books or records of Borrower or any of Borrower's Affiliates. "Administrative Agent-Related Persons" shall mean Administrative Agent and any successor Administrative Agent, together with their respective Affiliates, and the employees, agents and attorneys-in-fact of such persons.

10.4 RELIANCE BY ADMINISTRATIVE AGENT.

(a) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of Requisite Lenders as it deems appropriate and indemnification for all liability and expense which may be incurred by it by reason of taking or continuing to take any such action, provided, however, that Administrative Agent shall be justified in refusing to take action if such action is in violation of law or the terms of this Agreement or any other Credit Document, based on the advice of Administrative Agent's legal counsel. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Credit Document in accordance with a request or consent of Requisite Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders.

(b) For purposes of determining compliance with the conditions precedent specified in SECTION 4, each Lender that has executed this Agreement or shall hereafter execute and deliver an Assignment Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter either sent by Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender, unless an officer of Administrative Agent responsible for the transactions contemplated by the Credit Documents shall have received notice from such Lender prior to the initial borrowing specifying its objection thereto and either such objection shall not have been withdrawn by notice to Administrative Agent to that effect or such Lender shall not have made available to Administrative Agent its ratable portion of such borrowing.

10.5 NOTICE OF DEFAULT. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent on behalf and for the benefit of Lenders, unless Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default." In the event that Administrative Agent receives such a notice, Administrative Agent shall give notice thereof to each Lender. Administrative Agent shall take such action with respect to such Default or Event of Default as shall be requested by Requisite Lenders in accordance with SECTION 8; provided, however, that unless and until Administrative Agent shall have received any such request, Administrative

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Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem in the best interest of Lenders.

10.6 NON-RELIANCE BY LENDERS. Each Lender expressly acknowledges that none of Administrative Agent-Related Persons has made any representation or warranty to it and that no act by Administrative Agent hereafter taken,

including any review of the affairs of Borrower, shall be deemed to constitute any representation or warranty by Administrative Agent to such Lender. Each Lender confirms to Administrative Agent that it has not relied, and will not rely hereafter, on Administrative Agent to check or inquire on such Lender's behalf into the adequacy, accuracy or completeness of any information provided by Borrower or any other Person under or in connection with the Credit Documents or the transactions herein contemplated (whether or not the information has been or is hereafter distributed to such Lender by Administrative Agent). Each Lender represents to Administrative Agent that it has, independently and without reliance upon Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower, and all applicable regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and the other Credit Documents and extend credit to Borrower under and pursuant to this Agreement. Each Lender also represents that it will, independently and without reliance upon Administrative Agent and based on such documents and appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Administrative Agent, Administrative Agent shall not have any duty or responsibility to provide to any Lender any credit or other information concerning the business, prospects, operations, Property, financial and other condition or creditworthiness of Borrower which may come into the possession of any Administrative Agent-Related Persons. Administrative Agent shall not be responsible to any Lender for the execution, effectiveness, priority, genuineness, validity, enforceability, collectability or sufficiency of this Agreement the Credit Documents or for any representations or warranties, recitals or statements made herein or therein or made in any written or oral statements, or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made available by Administrative Agent to Lenders or by or on behalf of Borrower to Administrative Agent or any Lender in connection with the Credit Documents or the transactions contemplated thereby or for the financial condition or business affairs of Borrower or any Person liable for payment of the Obligations, nor shall Administrative Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Credit Documents or as to the use of proceeds of the Loans or as to the existence or possible existence of any Default or Event of Default.

10.7 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand Administrative Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so) ratably from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans or the

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termination or the resignation of the related Administrative Agent) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any of the other Credit Documents or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment to Administrative Agent-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or other out-of-pocket expenses (including reasonable attorneys' expenses and disbursements) incurred by Administrative Agent in connection with the preparation, execution, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Credit Document to the extent that Administrative Agent has not previously been reimbursed for such expenses by or on behalf of Borrower. Without limiting the generality of the foregoing, if any Governmental Entity or any Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify Administrative Agent fully for all amounts paid, directly or indirectly, by Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Administrative Agent under this SECTION 10.7, together with all costs and expenses (including reasonable attorneys' expenses and disbursements). The obligations of Lenders in this SECTION 10.7 shall survive the repayment of all

Obligations and the termination of the Credit Documents.

10.8 SUCCESSOR ADMINISTRATIVE AGENT. Administrative Agent may, and at the request of Requisite Lenders shall, resign as Administrative Agent upon 30 days' notice to Lenders. If Administrative Agent shall resign as Administrative Agent under this Agreement and the other Credit Documents, then Requisite Lenders shall appoint from among Lenders a successor Administrative Agent for Lenders. If no successor Administrative Agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrower, a successor Administrative Agent from among Lenders. Upon the acceptance of its appointment as successor Administrative Agent hereunder and under the other Credit Documents, such successor Administrative Agent shall succeed to the rights, powers and duties of Administrative Agent, the term "Administrative Agent" shall mean such successor Administrative Agent effective upon its appointment, and the former Administrative Agent's appointment, rights, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this SECTION 10 and SECTION 11.1 shall continue to inure to its benefit as to actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Credit Documents.

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SECTION 11. MISCELLANEOUS.

11.1 PAYMENT OF EXPENSES, INDEMNIFICATION, ETC.

(a) Borrower agrees to: (i) pay the costs and expense of Administrative Agent and each Lender in connection with the enforcement of the Credit Documents; and (ii) pay and hold each of the Lenders harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes.

(b) Borrower agrees to indemnify, save, and hold harmless Administrative Agent, Lenders and their directors, officers, agents, attorneys and employees (collectively, the "indemnitees") from and against: (i) any and all claims, demands, actions, or causes of action that are asserted against any indemnitee by any Person if the claim, demand, action, or cause of action arises out of or relates to a claim, demand, action, or cause of action that the Person asserts or may assert against Borrower, or any officer, director or shareholder of Borrower in their capacity as such, (ii) any and all claims, demands, actions or causes of action that are asserted against any indemnitee (other than by Borrower or by another indemnitee) if the claim, demand, action or cause of action arises out of or relates to the Loans, the use of proceeds of any Loans, or the relationship of Borrower and Lenders under this Agreement or any transaction contemplated pursuant to this Agreement, (iii) any administrative or investigative proceeding by any governmental agency arising out of or related to a claim, demand, action or cause of action described in clauses (i) or (ii) above; and (iv) any and all liabilities, losses, costs, or expenses (including outside attorneys' fees, in-house counsel fees and disbursements) that any indemnitee suffers or incurs as a result of any of the foregoing; provided, that Borrower shall have no obligation under this SECTION 11.1 to any Lender or Administrative Agent with respect to any of the foregoing arising out of the gross negligence or willful misconduct of such Lender or Administrative Agent.

11.2 RIGHT OF SETOFF. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, if an Event of Default then exists, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special but other than payroll accounts) and any other Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of such Credit Party to such Lender under this Agreement or under any of the other Credit Documents, including, without limitation, all interests in Obligations of such Credit Party purchased by such Lender pursuant to SECTION 11.6(b), irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

11.3 NOTICES. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telex, telecopier, facsimile

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or electronic mail) and mailed, telexed, telecopied, faxed, electronic mailed or

delivered, if to a Credit Party, at the address specified opposite its signature below or in the other relevant Credit Documents, as the case may be; if to any Lender, at its address specified for such Lender on the signature pages hereto; or, at such other address as shall be designated by any party in a written notice to the other parties hereto. All such notices and communications shall be mailed, telexed, telecopied, or electronic mailed or sent by overnight courier, and shall be effective when received.

11.4 BENEFIT OF AGREEMENT.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, provided that Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Lenders. Each Lender may at any time grant participations in any of its rights hereunder or under any of the Notes or Pagares to an Eligible Transferee, provided that in the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by Borrower hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of SECTIONS 1.9 and 3.4 of this Agreement to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold, and, provided further that no Lender shall transfer, grant or assign any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Credit Document except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan in which such participant is participating (it being understood that any waiver of the application of any prepayment or the method of any application of any prepayment to, the amortization of the Loans shall not constitute an extension of the final maturity date), or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitments, or a mandatory prepayment, shall not constitute a change in the terms of any Commitment), (ii) release all or substantially all of the Collateral or (iii) consent to the assignment or transfer by Borrower of any of its rights and obligations under this Agreement.

(b) Notwithstanding the foregoing and subject to the limitations on Syndications set forth in SECTION 1.12, (x) any Lender may assign all or a portion of its outstanding Loans and/or Commitments and its rights and obligations hereunder to one or more other Lenders, and (y) with the consent of QUALCOMM, Administrative Agent and Borrower (which consents shall not be unreasonably withheld) any Lender may assign all or a portion of its outstanding Loans and/or Commitments and its rights and obligations hereunder to one or more Eligible Transferees. No assignment pursuant to the immediately preceding sentence shall to the extent such assignment represents an assignment to an institution other than one or more Lenders hereunder, be in an aggregate amount less than \$5,000,000 (unless such assignee has agreed to purchase assignments of interests under this Agreement is a series of transactions which, in the

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aggregate, will total an original amount not less than \$5,000,000. If any Lender so sells or assigns all or a part of its rights hereunder, any reference in this Agreement to such assigning Lender shall thereafter refer to such Lender and to the respective assignee to the extent of their respective interests and the respective assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights and benefits as it would if it were such assigning Lender. Each assignment pursuant to this SECTION 11.4(b) shall be effected by the assigning Lender and the assignee Lender executing an Assignment Agreement and giving Administrative Agent written notice thereof. At the time of any such assignment, (i) either the assigning or the assignee Lender shall pay to Administrative Agent a nonrefundable assignment fee of \$1,500, (ii) SCHEDULE 1.0 shall be deemed to be amended to reflect the Commitments of the respective assignee (which shall result in a direct reduction to the Commitments of the assigning Lender) and of the other Lenders, and (iii) Borrower will, if requested, issue new Notes or Pagares to the respective assignee and to the assigning Lender. To the extent that an assignment pursuant to this SECTION 11.4(b) would, at the time of such assignment, result in increased costs under SECTION 1.9 or 3.4 from those being charged by the respective assigning Lender prior to such assignment, then Borrower shall not be obligated to pay such increased costs (although Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment). Each Lender and Borrower agree to execute such documents (including without limitation amendments to this Agreement and the other Credit Documents) as shall be necessary to effect the foregoing. Nothing in this clause (b) shall prevent or prohibit any Lender from pledging its Notes or Pagares or Loans to a Federal Reserve Bank in support of borrowings made by such Lender

from such Federal Reserve Bank.

(c) Notwithstanding any other provisions of this SECTION 11.4, no transfer or assignment of the interests or obligations of any Lender hereunder or any grant of participation therein shall be permitted if such transfer, assignment or grant would require Borrower to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any State.

(d) Each Lender initially party to this Agreement hereby represents, and each Person that became a Lender pursuant to an assignment permitted by this SECTION 11.4 will, upon its becoming party to this Agreement, represent that it is an Eligible Transferee which makes loans in the ordinary course of its business and that it will make or acquire Loans for its own account in the ordinary course of such business, provided that subject to the preceding clauses (a) and (b), the disposition of any promissory notes or other evidences of or interests in Indebtedness held by such Lender shall at all times be within its exclusive control.

11.5 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between any Credit Party and Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall

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entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.6 PAYMENTS PRO RATA.

(a) Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party, it shall distribute such payment to the Lenders (other than any Lender that has expressly waived its right to receive its pro rata share thereof) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise) which is applicable to the payment of the principal of, or interest on, the Loans or Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount, provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

11.7 CALCULATIONS; COMPUTATIONS.

(a) The financial statements to be furnished to the Lenders pursuant hereto shall be made and prepared in accordance with GAAP consistently applied throughout the periods involved (except as set forth in the notes thereto or as otherwise disclosed in writing by Borrower to the Lenders), provided that if at any time such computations utilize accounting principles different from those utilized in the financial statements furnished to the Lenders, such financial statements shall be accompanied by reconciliation worksheets.

(b) All computations of interest and Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days (365 or 366 days, as the case may be, in the case of Fees and Base Rate Loans).

11.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL.

(a) This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the

General Obligations Laws of the State of New York); provided, however, that in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement shall be deemed to be

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an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

(b) Each party hereto hereby agrees that any suit, action or proceeding with respect to this Agreement or any judgment entered by any court in respect thereof may be brought in the United States of America District Court for the Southern District of New York, in the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), or in any other appellate court in the State of New York or the competent courts of the Federal District of Mexico, as the party commencing such suit, action or proceeding may elect in its sole discretion; and each party hereto hereby irrevocably submits to the jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment. Each party hereto further submits, for the purpose of any such suit, action, proceeding or judgment brought or rendered against it, to the appropriate courts of the jurisdiction of its domicile. Borrower hereby waives any rights to a specific jurisdiction it may have by virtue of its present or any future domicile, or otherwise.

(c) The Borrower hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be made upon CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, U.S.A. (the "Process Agent"), and the Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to the Borrower shall not impair or affect the validity of such service or of any judgment based thereon. The Borrower hereby further irrevocably consents to the service of process in any suit, action or proceeding in said courts by the mailing thereof by the Lender by registered or certified mail, postage prepaid, at its address set forth beneath its signature hereto.

(d) Nothing herein shall in any way be deemed to limit the ability of the Lenders to serve any such writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over Borrower in such other jurisdictions, and in such manner, as may be permitted by applicable law.

(e) Borrower hereby irrevocably waives any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Credit Document brought in the Supreme Court of the State of New York, County of New York, or in the United States of America District Court for the Southern District of New York or the competent courts of the Federal District of Mexico, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(f) The Borrower hereby agrees to cause the Process Agent to execute and deliver to the Lender a letter from the Process Agent to the Lender confirming Process Agent's acceptance of the appointment by Borrower prescribed in SECTION 11.8(c).

11.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and

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delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with Borrower and Administrative Agent.

11.10 EFFECTIVENESS. This Agreement shall become effective on the date (the "Effective Date") on which Borrower and each of the Lenders shall have signed a copy hereof (whether the same or different copies) and shall have delivered the same to Administrative Agent at its Notice Office or, in the case of the Lenders, shall have given to Administrative Agent telephonic (confirmed in writing), written telex or facsimile transmission notice (actually received) at such office that the same has been signed and sent to it.

11.11 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.12 AMENDMENT OR WAIVER. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender directly affected thereby, (i) extend the final scheduled maturity date of any Facility or any Note or Pagare, it being understood that any waiver of any prepayment of, or the method of application of any prepayment to the amortization of, the Loans shall not constitute any such extension, or reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) or Fees, or reduce the principal amount thereof, or increase the Commitment of any Lender over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender), (ii) amend, modify or waive any provision of this SECTION 11.12, (iii) reduce the percentage specified in, or (except to give effect to any additional facilities hereunder) otherwise modify, the definition of Required Lenders, (iv) consent to the assignment or transfer by Borrower of any of its rights and obligations under this Agreement, (v) establish any new obligations for any Lender or (vi) release all or substantially all of the Collateral; provided that no such change, waiver, discharge or termination shall, without the consent of Administrative Agent, amend any provision of SECTION 10.

11.13 SURVIVAL. All indemnities set forth herein including, without limitation, in SECTION 1.9, 1.10, 3.4, 10.6 or 11.1 shall survive the execution and delivery of this Agreement and the making and repayment of the Loans.

11.14 DOMICILE OF LOANS. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender, provided that Borrower shall not be responsible for costs arising or reimbursable under SECTION 1.9 or 3.4 resulting from any such transfer (other than a transfer pursuant to SECTION 1.11) to the extent not otherwise applicable to such Lender prior to such transfer.

68.

11.15 CONFIDENTIALITY. Subject to SECTION 11.4, the Lenders shall hold all nonpublic information obtained pursuant to the requirements of this Agreement which has been identified as such by Borrower in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its Affiliates, employees, auditors, advisors, or counsel or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Loans or participation therein (so long as such transferee or participant agrees to be bound by the provisions of this SECTION 11.15) or as required or requested by any governmental agency or representative thereof or pursuant to legal process, provided that, unless specifically prohibited by applicable law or court order, each Lender shall notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such nonpublic information prior to disclosure of such information, and provided further that in no event shall any Lender be obligated or required to return any materials furnished by any Credit Party.

11.16 LENDER REGISTER. Borrower hereby designates Administrative Agent to serve as its agent, solely for purposes of this SECTION 11.16, to maintain a register (the "Lender Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation, shall not affect Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitments shall not be effective until such transfer is recorded on the Lender Register maintained by Administrative Agent and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by Administrative Agent on the Lender Register only upon the acceptance by Administrative Agent of a properly executed and delivered Agreement pursuant to SECTION 11.4(b). Borrower agrees to indemnify Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by Administrative Agent in performing its duties under this SECTION 11.16 other than those resulting from Administrative Agent's willful misconduct or gross negligence.

11.17 JUDGMENT CURRENCY. Borrower agrees to indemnify QUALCOMM against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under any Pagare which is expressed and paid in a currency (the "Judgment Currency") other than the currency in which such amount was to be paid (the "Obligation Currency") and as a result of any

variation between (i) the rate of exchange at which the Obligation Currency amount is converted into Judgment Currency for the purposes of such judgment or order, and (ii) the rate of exchange at which QUALCOMM is able to purchase the Obligation Currency with the amount of judgment currency actually received by QUALCOMM. The foregoing indemnity shall constitute a separate and independent obligation of Borrower and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversions into, the relevant currency.

69.

11.18 ENTIRE AGREEMENT; CONSTRUCTION.

(a) This Agreement, the Notes, the Pagares and the other Credit Documents, taken together, constitute and contain the entire agreement among Borrower, the Lenders, and Administrative Agent and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(b) To the extent of any inconsistency between this Agreement and any Pagare, the terms and conditions contained in this Agreement shall govern.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS, S.A.
DE C.V.

By: /s/ [SIGNATURE ILLEGIBLE]

Title: -----

By: /s/ [SIGNATURE ILLEGIBLE]

Title: -----

Address: -----

QUALCOMM INCORPORATED
Individually and as Administrative Agent

By: /s/ [SIGNATURE ILLEGIBLE]

Title: -----

By: /s/ [SIGNATURE ILLEGIBLE]

Title: VP FINANCE -----

Address: -----

70.

11.18 ENTIRE AGREEMENT; CONSTRUCTION.

(a) This Agreement, the Notes, the Pagares and the other Credit Documents, taken together, constitute and contain the entire agreement among Borrower, the Lenders, and Administrative Agent and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(b) To the extent of any inconsistency between this Agreement and any Pagare, the terms and conditions contained in this Agreement shall govern.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS, S.A.
DE C.V.

By: _____
Title: _____

By: _____
Title: _____

Address: _____

QUALCOMM INCORPORATED
Individually and as Administrative Agent

By: _____
Title: _____

By: _____
Title: _____

Address: _____

70.
EXHIBITS

- Exhibit A -- Form of Note
- Exhibit B -- Form of Pagare
- Exhibit C -- Form of Loan Request
- Exhibit D -- Form of Notice of Deemed Loan
- Exhibit E -- Form of Notice of Conversion/Continuation
- Exhibit F -- Form of Assignment Agreement
- Exhibit G -- Form of Site Lease Agreement
- Exhibit H -- Form of Notice of Additional Pari-Passu Debt

SCHEDULES

- Schedule 1.0 -- Commitments
- Schedule 1.5 -- Existing Loans
- Schedule 5.3 -- Required Authorizations and Consents
- Schedule 5.17 -- Liens
- Schedule 5.18 -- Existing Indebtedness

SCHEDULE 1.0

COMMITMENTS

LENDER	FACILITY-1 COMMITMENT	FACILITY-2 COMMITMENT	VAT LOAN COMMITMENT
QUALCOMM	\$200,000,000.00	\$90,000,000.00	\$20,000,000
Total:	\$200,000,000.00	\$90,000,000.00	\$20,000,000

NOTE: The foregoing Commitments are subject to the maximum aggregate commitment in the amount of the Total Commitment, an amount which is less than the sum of the Commitments set forth above under the Total Commitment is increased by the Board of Directors of QUALCOMM.

SCHEDULE 5.3

REQUIRED COVENANTS AND AUTHORIZATIONS

None

SCHEDULE 5.17

LIENS

None

SCHEDULE 5.18

EXISTING INDEBTEDNESS

Indebtedness by and among Borrower, Guarantors and the shareholders of Holdings, all of which has been fully disclosed to Administrative Agent and Lenders.

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF DECEMBER 15, 1998

BY AND AMONG

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

THE LENDERS PARTY HERETO

AND

ABN AMRO BANK N.V.,

AS ADMINISTRATIVE AGENT

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iii.

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement"), dated as of December 15, 1998, among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a corporation organized under the laws of Mexico ("Borrower"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM"), the lenders from time to time party hereto (each, a "Lender" and, collectively, the "Lenders"), and ABN AMRO BANK N.V. as administrative agent for the Lenders ("Administrative Agent"). Unless otherwise defined herein, all capitalized terms used herein shall have the meanings assigned to them in SECTION 9 hereof and the Common Agreement (as hereinafter defined), including Appendix A thereto.

W I T N E S S E T H

WHEREAS, Borrower Group intends to construct and operate a nationwide wireless broadband PCS system (the "System") in Mexico;

WHEREAS, (i) QUALCOMM and Borrower have entered into the Equipment Purchase Agreement and the Software Maintenance Agreement, (ii) QUALCOMM Wireless Services (Mexico), S.A. de C.V., a wholly-owned subsidiary of QUALCOMM, and Borrower have entered into the Services Agreement (QUALCOMM and QUALCOMM Wireless Services (Mexico), S.A. de C.V. each being a "Vendor" and collectively, the "Vendors"), and (iii) Alcatel Indetel has entered into the Alcatel Procurement Agreement in each case, pursuant to which Vendors and Alcatel Indetel have agreed to supply to Borrower certain of the equipment and services needed to complete and operate the System;

WHEREAS, Borrower, QUALCOMM as a Lender, and QUALCOMM as administrative agent entered into that certain Credit Agreement dated as of September 25, 1998 (the "Original Credit Agreement"), to finance certain of (i) the equipment and services provided by the applicable Vendors under the QUALCOMM Procurement Agreements and (ii) the VAT in connection therewith;

WHEREAS, concurrent herewith, Borrower, the Alcatel Lenders and the Alcatel Administrative Agent shall enter into the Alcatel Credit Agreement to finance certain of (i) the equipment and services provided by Alcatel Indetel under the Alcatel Procurement Agreement and (ii) the VAT in connection therewith;

WHEREAS, in the future, Borrower shall also be entering into various other senior indebtedness agreements to further finance the costs of building, developing and operating the System;

WHEREAS, concurrent herewith, Borrower Group shall enter into the Common Agreement containing certain representations, covenants, conditions and undertakings for the common benefit of the lenders party to all senior indebtedness agreements, including the Lenders hereunder and the Alcatel Lenders;

1.

WHEREAS, Borrower has requested that Lenders amend and restate the Original Credit Agreement to make certain terms and provisions consistent with the Alcatel Credit Agreement;

WHEREAS, Lenders are willing to agree to such request on the terms and conditions set forth herein and in the documents executed in connection herewith;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. AMOUNT AND TERMS OF CREDIT.

1.1 COMMITMENT. Subject to and upon the terms and conditions, and subject to the limitations, herein set forth, each Lender severally agrees to make Loans to Borrower, which Loans shall be drawn, to the extent such Lender has a commitment under such Facility, under Facility-1, Facility-2 and the VAT Facility, as set forth below:

(a) Loans under Facility-1 (each, together with Facility-1 Loans deemed made pursuant to SECTION 1.5(b), a "Facility-1 Loan" and, collectively, the "Facility-1 Loans") shall (i) be made from time to time on a Business Day during the Facility-1 Availability Period, (ii) constitute Tranche A Loans if such Loans are EXIM Qualified and are made prior to the Facility-1 Refinancing

Date, (iii) constitute Tranche C Loans if such Loan are not EXIM Qualified and do not exceed \$55,000,000 in aggregate original principal amount, (iv) constitute Tranche B Loans if such Loans are not Tranche A Loans or Tranche C Loans, (v) not exceed in aggregate principal amount for any Lender with respect to any incurrence thereof the Facility-1 Commitment of such Lender as in effect on the date of such incurrence and (vi) to the extent made in any calendar year, not exceed in the aggregate the sum of the Base Financing Percentage plus the Contingent Financing Percentage, if any, for such calendar year of QUALCOMM Costs required to be paid in such calendar year; provided that, with respect to all of the foregoing, no Loans that are EXIM Qualified will be made under Facility-1 after the Facility-1 EXIM Loans Closing Date. Once repaid, Facility-1 Loans may not be reborrowed.

(b) Loans under Facility-2 (each a "Facility-2 Loan" and, collectively, the "Facility-2 Loans") shall (i) be made from time to time on a Business Day during the Facility-2 Availability Period, (ii) constitute (x) Tranche A Loans if such Loans are EXIM Qualified and are made prior to the Facility-2 Refinancing Date or (y) Tranche B if such Loans are not EXIM Qualified or are made on and after the Facility-2 Refinancing Date, (iii) not exceed in aggregate principal amount with respect to any incurrence thereof the Facility-2 Commitment of such Lender as in effect on the date of such incurrence and (iv) to the extent made in any calendar year, not exceed in the aggregate the sum of the Base Financing Percentage plus the Contingent Financing Percentage, if any, for such calendar year of QUALCOMM Costs required to be paid in such calendar year; provided that, with respect to all of the foregoing, no Loans that are EXIM Qualified will be made under Facility-2 after the Facility-2 EXIM Loans Closing Date. Once repaid, Facility-2 Loans may not be reborrowed.

(c) Loans under the VAT Facility (each, a "VAT Loan" and, collectively, the "VAT Loans") (i) shall, except for the Existing VAT Loans, be made at any time and from time to time on a Business Day during the VAT Facility Availability Period, (ii) may be repaid and reborrowed in accordance with the provisions hereof and (iii) shall not exceed (inclusive of the

2.

Existing VAT Loans and giving effect to any incurrence) for any Lender in aggregate principal amount at the time of the incurrence thereof the VAT Loan Commitment of such Lender at such time.

(d) Notwithstanding anything in this Agreement to the contrary, no Lender shall be obligated to make any Loan, to the extent that the initial aggregate principal amount of all Loans (other than Loans representing the capitalization of interest pursuant to SECTION 1.8) made hereunder shall exceed the Total Commitment.

(e) Long-Term Loans which are incurred on or after the Original Effective Date shall be allocated among Tranche A, Tranche B and Tranche C Loans in the following priority:

First, to Tranche A Loans to the extent of 85% of each Invoice for QUALCOMM Costs allocable to the sale of equipment and to the provision of services in the U.S.;

Second, to Tranche C Loans to the extent of the availability thereof; and

Third, to Tranche B Loans to the extent of the availability thereof;

provided, however, that upon receiving confirmation satisfactory to QUALCOMM from the Export Import Bank of the U.S. that costs reflected in any Invoice are, or are not, EXIM Qualified, QUALCOMM may, but shall not be obligated to, redesignate Tranche A Loans, in whole or part, in order of priority according to availability, to be Tranche C Loans or Tranche B Loans and, upon written notice to Administrative Agent, with a copy thereof to Borrower, the interest accrued pursuant to each such redesignated Loan shall be retroactively adjusted from the date such redesignated Tranche A Loan was originally made and paid, or credited, as applicable, on the next succeeding Interest Payment Date; provided further, that if QUALCOMM shall arrange one or more EXIM Financings which are in the "best commercial interests" of Borrower as contemplated in SECTION 1.12 and Borrower shall not agree to such Refinancing, all Tranche A Loans shall be thereupon redesignated, in whole or part, in order of priority according to availability, to be Tranche C Loans or Tranche B Loans and, upon written notice to Administrative Agent, with a copy thereof to Borrower, the interest accrued pursuant to each such redesignated Loan shall be retroactively adjusted from the date such redesignated Tranche A Loan was originally made and paid, or credited, as applicable, on the next succeeding Interest Payment Date; provided, further, that if QUALCOMM provides notice that QUALCOMM has been advised by the Export Import Bank of the U.S. that EXIM Financings will for any reason not be available or, if available, are not available on terms determined in QUALCOMM's reasonable judgement to be commercially reasonable, in respect of any or all of the Tranche A Loans either

outstanding or as permitted herein, together with such materials as shall reasonably evidence such position of the EXIM Bank of the U.S, then, for such period as EXIM Financings will be unavailable or are not available on commercially reasonable terms, all existing Tranche A Loans shall be redesignated, in whole or part, in order of priority according to availability, to be Tranche C Loans or Tranche B Loans, no further Tranche A Loans shall be made and, upon written notice to Administrative Agent, with a copy thereof to

3.

Borrower, the interest accrued pursuant to each such redesignated Loan shall be retroactively adjusted from the date of such notice and paid, or credited, as applicable, on the next succeeding Interest Payment Date; provided, further, that with respect to Loans made under Facility-2, the foregoing references to Tranche C Loans, and designation and redesignation of Loans as Tranche C Loans shall be ignored.

1.2 TYPES OF LONG-TERM LOANS. Each Long-Term Loan shall, in accordance with the terms of this Agreement, be in the form of either a Base Rate Loan or a Eurodollar Loan; provided, however, that, notwithstanding anything to the contrary herein, each initial Borrowing of Long-Term Loans pursuant to SECTION 1.5(b) hereof shall be comprised solely of Base Rate Loans until the first Business Day of the calendar month next succeeding the effective date of such initial Borrowing of such Loans but may as of such Business Day be converted into Eurodollar Loans and continued as provided in SECTION 1.3 hereof. At no time may Borrower maintain Eurodollar Loans in more than six (6) separate Interest Periods in respect of Facility-1 Loans and six (6) separate Interest Periods in respect of Facility-2 Loans.

1.3 CONVERSION AND CONTINUATION ELECTIONS. Borrower may, upon irrevocable written notice to Administrative Agent, with reference to the Long-Term Loans:

(a) elect to convert on any Business Day, Base Rate Loans in an amount equal to Two Million Five Hundred Thousand (\$2,500,000) (or any integral multiple of One Hundred Thousand Dollars (\$100,000) in excess thereof) into Eurodollar Loans; or

(b) elect to convert any Eurodollar Loans into Base Rate Loans on the last day of the Interest Period applicable to such Eurodollar Loans; or

(c) elect to continue any Eurodollar Loans (or any part thereof in an amount equal to Two Million Five Hundred Thousand Dollars (\$2,500,000) or any integral multiple of One Hundred Thousand Dollars (\$100,000) in excess thereof) as Eurodollar Loans on the last day of the Interest Period applicable to such Eurodollar Loans.

1.4 DURATION OF INTEREST PERIODS.

(a) Subject to the provisions of the definition of Interest Period and SECTION 1.2 and SECTION 1.3 above, the duration of each Interest Period applicable to a Eurodollar Loan shall be as specified in the applicable Notice of Conversion/Continuation.

(b) If Administrative Agent does not receive a Notice of Conversion/Continuation with respect to a Borrowing of Eurodollar Loans pursuant to SUBSECTION (a) above within the applicable time limits specified herein, Borrower shall be deemed to have elected to make or convert such Loans in whole into Eurodollar Loans with an Interest Period of one month on the last day of the then current Interest Period with respect thereto. Notwithstanding anything to the contrary herein, any and all Eurodollar Loans shall be converted in whole into Base Rate Loans on the last day of the then existing Interest Period with respect thereto if Administrative Agent shall have received notice from Borrower or a Lender that an Event of Default exists and Administrative Agent, at the direction of Required Lenders, shall have delivered to Borrower notice that such conversion is required.

4.

1.5 EXISTING LOANS AND NOTICE AND MANNER OF MAKING ADDITIONAL LOANS OR CONVERTING/CONTINUING LONG-TERM LOANS.

(a) EXISTING LOANS. Set forth on SCHEDULE 1.5 hereto is a schedule of all amounts invoiced under the QUALCOMM Procurement Agreements through and including the Amendment Effective Date, which amounts have been financed under Facility-1. Each such amount shall be deemed to be Tranche A Loans, Tranche B Loans or Tranche C Loans thereunder pursuant to SECTION 1.1(e), and the principal amount of each tranche shall be evidenced by a Term Pagares as set forth in SECTION 1.6(d). SCHEDULE 1.5 also sets forth a schedule of all VAT Loans outstanding on the Amendment Effective Date which the parties have agreed will be financed under the VAT Facility and shall continue to be outstanding on the terms set forth therein and shall be treated as VAT Loans hereunder on and

after the Amendment Effective Date.

(b) NOTICE AND MANNER OF MAKING ADDITIONAL LOANS.

(i) Not fewer than five (5) Business Days prior to the date Borrower desires to borrow hereunder, Borrower shall deliver by electronic facsimile transmission: (A) to each of Administrative Agent and the applicable Vendor, written notice specifying (1) whether proceeds of the requested Loan shall be paid directly to a party not a Lender on behalf of Borrower, or paid to Borrower as reimbursement for a certain amount of QUALCOMM Costs paid out-of-pocket by Borrower to a third party; provided that, with respect to such reimbursement, Borrower shall have delivered to Administrative Agent and the applicable Vendor such notice, together with the applicable receipt or other evidence of payment by Borrower, within 30 calendar days of such payment by Borrower (in each case, a "Cash Advance"), or paid to a Lender (that is a vendor) (a "Credit Advance"), (2) the amount of such Borrowing which, in the case of a Cash Advance under either Long-Term Facility shall not be less than the Minimum Borrowing Amount, (3) with respect to requests of Cash Advances, the Person to which such Cash Advance is requested to be made on behalf of Borrower, together with the contact and wire transfer information for such Person and (4) the effective date for such Borrowing of Loans (which for Credit Advances shall be no earlier than the date on which payment is due under the applicable QUALCOMM Procurement Agreement), which notice shall be substantially in the form of EXHIBIT C to this Agreement (a "Loan Request"); and (B) to the applicable Vendor, all invoices and any other supporting documentary information necessary to evidence the QUALCOMM Costs and VAT, if applicable, giving rise to such Loan Request (the "Invoices"). After the date on which the applicable Vendor receives each Loan Request and the accompanying Invoices, the applicable Vendor shall have four (4) Business Days (the "Loan Request Review Period") during which to acknowledge receipt of the same and transmit such to Administrative Agent. Provided that the applicable Vendor has acknowledged receipt of such Loan Request and such Invoices to Administrative Agent in writing or, if the applicable Vendor has not so acknowledged within the Loan Request Review Period, the effective date for such Borrowing of such Loans under Credit Advances shall be the first (1st) Business Day after the final day of such Loan Request Review Period and the applicable Invoice shall be deemed paid to the extent of such Loan.

(ii) On each date prior to the end of the Facility-1 Availability Period or the Facility-2 Availability Period, as applicable, on which payment under any QUALCOMM

5.

Procurement Agreement is due for which Borrower has received an Invoice, and such payment has not been made or a Borrowing of Long-Term Loans has not been requested by Borrower pursuant to SECTION 1.5(b)(i) hereof, either Vendor may deliver to Administrative Agent by electronic facsimile transmission written notice of such due date and the amount of such payment due under the applicable QUALCOMM Procurement Agreement (less any amounts as to which the applicable Vendor and the Administrative Agent have received written notice from Borrower of any dispute with respect to such amount being due and payable), which notice shall be substantially in the form of EXHIBIT D to this Agreement (a "Notice of Deemed Loan"), and a Borrowing of Base Rate Loans (which Loans shall be Tranche A Loans, Tranche B Loans or Tranche C Loans as shall be determined pursuant to SECTION 1.1(e)) shall be deemed to have been made as of the date on which such payment was due pursuant to the applicable QUALCOMM Procurement Agreement and the amount of Long-Term Loans owing to each Lender shall automatically be increased to add to the principal amount thereof the amount of such required payment according to the Commitment of each Lender making such Long-Term Loan as of such date as to the applicable Vendor which is a Lender and as of the date, as to any other Lender, that such Lender remits funds in respect of such Loan to the Administrative Agent; provided, however, that Borrower may thereafter elect to convert such Long-Term Loans in whole or in part to Eurodollar Loans in accordance with SECTION 1.5(c) below.

(iii) With regard to Long-Term Loans which are Credit Advances: (A) to the extent that, with respect to any Lender, the amount equal to such Lender's Percentage under the applicable Facility multiplied by the aggregate amount required to be paid by Borrower at such time under the QUALCOMM Procurement Agreements exceeds amounts owing to such Lender under the QUALCOMM Procurement Agreements on such date, such Lender shall, by 12:00 noon New York time on the effective date of any Loan Request or within 2 Business Days after receiving a Notice of a Deemed Loan, remit by wire transfer such excess to Administrative Agent; and (B) to the extent that, with respect to any Lender, the amount equal to such Lender's Percentage under the applicable Facility multiplied by the aggregate amount required to be paid by Borrower at such time under the QUALCOMM Procurement Agreements is less than the amount reported by the applicable Vendor to Administrative Agent as amounts owing to such Lender under the QUALCOMM Procurement Agreements, Administrative Agent shall promptly remit (from amounts received by Administrative Agent pursuant to (A) above) by wire transfer such shortfall to such Lender.

(iv) With regard to Loans that are Cash Advances,

Administrative Agent shall promptly notify each Lender having a Commitment with respect thereto as to the content of each Loan Request or Notice of Deemed Loan. Provided that with respect to Loan Requests that the applicable Vendor has acknowledged Borrower's Loan Request to Administrative Agent in writing, such Lenders shall disburse to Administrative Agent in immediately available funds by 12:00 noon New York time on the effective date of any Loan Request or within 2 Business Days of receiving a Notice of Deemed Loan an amount equal to their respective Percentages multiplied by the amount of the Borrowing requested in such Loan Request, and Administrative Agent shall promptly disburse the aggregate of such amounts in immediately available funds to the applicable Vendor or, if not payable to a Vendor, such other Person designated by the Borrower in the Loan Request.

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(v) Nothing herein shall limit the ability of a Vendor to deliver a Notice of Deemed Loan after an Event of Default or otherwise; provided, that if a Notice of Deemed Loan is delivered after an Event of Default and any Lender elects, based on the existence of such Event of Default, not to remit funds in respect of such Loan as provided above, then such Loan shall be deemed to be a Loan hereunder in favor of such Vendor and, if at such time such Vendor shall not otherwise be a Lender hereunder, such Vendor shall upon the giving of such Notice of Deemed Loan become a Lender hereunder to the extent of such Loan.

(c) CONVERSIONS/CONTINUATIONS OF LOANS. On each date on which Borrower desires, with respect to Long-Term Loans to (A) continue any such Long-Term Loans that are Eurodollar Loans for another Interest Period, or (B) convert any such outstanding Long-Term Loans into Long-Term Loans of another type provided for in this Agreement, Borrower shall notify Administrative Agent (which notice shall be irrevocable) in writing by electronic facsimile transmission received no later than 1:00 p.m. New York time on the date one (1) Business Day before the day on which such requested Long-Term Loans are to be converted into Base Rate Loans, and received no later than 1:00 p.m. New York time on the date three (3) Business Days before the date on which such requested Long-Term Loans are to be continued for another Interest Period as or converted into Eurodollar Loans. Such notice shall specify (i) the effective date and amount of such Long-Term Loans or portion thereof to be continued or converted, subject to the limitations set forth in SECTION 1.3 hereof, (ii) the interest rate option to be applicable thereto, and (iii) the duration of the applicable Interest Period, if any (subject to the provisions of the definition of Interest Period and SECTION 1.4) hereof. Each such notification (a "Notice of Conversion/Continuation") shall be in the form of EXHIBIT E to this Agreement. The Borrower shall execute and deliver to the Administrative Agent for the account of each Lender a Notice of Conversion/Continuation and each such notice shall specify the amount of the Long-Term Loans or portion thereof payable to the respective Lender to be continued or converted, which notice shall evidence the joint and several guarantee "avalado" by the Guarantors and shall be attached to the Term Pagare which evidences such Loans by the Administrative Agent (if it holds possession of the Term Pagare) and otherwise by the Lender.

(d) Administrative Agent shall promptly notify each Lender as to the content of each Loan Request, Notice of Deemed Loan, and Notice of Conversion/Continuation.

(e) Unless Administrative Agent shall have been notified by any Lender no later than the Business Day prior to the respective funding date of any Borrowing of Loans that such Lender does not intend to make available to Administrative Agent immediately available funds equal to such Lender's Percentage under the relevant Facility of the total principal amount of such Borrowing, Administrative Agent may (in its sole and absolute discretion) assume that such Lender has advanced funds in the amount of such Lender's relevant Percentage of such Borrowing to Administrative Agent on the applicable funding date and Administrative Agent may, in reliance upon such assumption, make available to Borrower corresponding funds. Administrative Agent agrees to give prompt notice to Borrower in the event it advances funds on behalf of a Lender under this SECTION 1.5(e); provided that failure to give such notice shall in no way limit, restrict or otherwise affect Borrower's obligations or Administrative Agent's or any Lender's rights or remedies under this Agreement and the other Financing Agreements. If Administrative Agent has made funds available to Borrower based on such assumption and such Loan is not in fact made available to Administrative Agent by such Lender, Administrative

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Agent shall be entitled to recover the corresponding amount of such Loan on demand from such Lender. If such Lender does not promptly pay such corresponding amount upon Administrative Agent's demand, Administrative Agent shall notify Borrower and Borrower shall repay such Loan to Administrative Agent, together with accrued interest thereon. Administrative Agent also shall be entitled to recover from such Lender interest on such Loan in respect of each day from the date such Loan was made by Administrative Agent to Borrower to the date such corresponding amount is recovered by Administrative Agent at the Federal Funds

Effective Rate.

(f) Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights which Borrower may have against any Lender as a result of any default by such Lender hereunder.

1.6 EVIDENCE OF DEBT.

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) Administrative Agent shall maintain the Lender Register pursuant to SECTION 11.16, and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from Borrower to each Lender hereunder (including the amount of any capitalized interest under SECTION 1.8(e)) and (iii) both the amount of any sum received by Administrative Agent hereunder from Borrower and each Lender's share thereof.

(c) The entries made in the Lender Register and the accounts of each Lender maintained pursuant to SECTION 1.6(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of Borrower therein recorded; provided, that the failure of Administrative Agent or any Lender to maintain the Lender Register or any such account, or any error therein, shall not in any manner affect the obligation of Borrower to repay (with applicable interest) the Loans of each Lender in accordance with the terms of this Agreement.

(d) With respect to each tranche of the Long-Term Loans made by each Lender prior to the Amendment Effective Date, Borrower shall, as provided in the Post-Closing Agreement, execute and deliver to Administrative Agent to hold on behalf of such Lender a promissory note of Borrower payable to such Lender substantially in the form of EXHIBIT A with appropriate insertions as to issue date, principal repayment dates, principal amount, and Applicable Margin (each, a "Term Pagare"), which promissory note shall be jointly and severally guaranteed "avalado" by the Guarantors and shall be dated the date such Long-Term Loan was made or deemed made. In addition, with respect to each tranche of each Long-Term Loan made by a Lender on or after the Amendment Effective Date, Borrower shall, within 5 Business Days of the day on which such Loan is made or deemed made, execute and deliver to Administrative Agent to hold on behalf of such Lender a Term Pagare for each tranche of such Long-Term Loan, which promissory note shall be jointly and severally guaranteed "avalado" by

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the Guarantors and shall be dated the date such Loan is made or deemed made. Notwithstanding anything to the contrary contained herein, upon the request of the Administrative Agent at any time, Borrower shall promptly execute and deliver to Administrative Agent to hold on behalf of such Lender a replacement Term Pagare with respect to any Term Pagare theretofore issued in order to conform the terms thereof to the terms of this Agreement, which replacement Term Pagare shall be jointly and severally guaranteed "avalado" by the Guarantors and shall be dated the date on which the replacement is to be effective. Concurrently therewith, Administrative Agent or Lender, as the case may be, shall return the replaced Term Pagare to Borrower.

(e) With respect to VAT Loans (including any VAT Loans made prior to the Amendment Effective Date not yet evidenced by a VAT Pagare), Borrower agrees that Borrower will execute and deliver to each Lender making a VAT Loan a VAT Pagare, which shall be jointly and severally guaranteed "avalado" by the Guarantors, dated the date of issuance of such VAT Pagare evidencing the VAT Loan made on that date. Thereafter, the VAT Loan evidenced by such VAT Pagare and interest thereon shall at all times (including after assignment pursuant to SECTION 11.4) be represented by such VAT Pagare in such form payable to the order of the payee named therein. Borrower acknowledges that any VAT Pagares issued prior to the Amendment Effective Date shall be treated as "VAT Pagares" hereunder on and after such date.

(f) Upon the written request of any Lender, Administrative Agent shall forward to such Lender (i) all Pagares payable to such Lender received by Administrative Agent on or prior to such date (the "Request Date") within ten Business Days of receipt by Administrative Agent of such request, and (ii) all Pagares payable to such Lender received by Administrative Agent after the Request Date within ten Business Days of the receipt by Administrative Agent thereof; provided, that any Lender requesting such delivery of its Pagares shall reimburse Administrative Agent for all costs and expenses incurred by Administrative Agent in the distribution thereof.

(g) In the case of any conflict between the terms of this

Agreement and any Pagare, the terms of this Agreement shall control. Without limiting the generality of the foregoing, all Loans made hereunder shall accrue interest from the date such Loan is made and, to the extent not evidenced by a Term Pagare, shall otherwise be treated as a Loan hereunder prior to Borrower's execution of a Term Pagare evidencing such Loan.

1.7 PRO RATA BORROWINGS. All Loans under this Agreement shall be made by the Lenders pro rata on the basis of Commitments of the Lenders with a Commitment under the Facility under which such Loan is being made. It is understood that no Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and that each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its commitments hereunder.

1.8 INTEREST.

(a) Except as provided in the next sentence with respect to VAT Loans and as contemplated in SECTION 1.1(e), the outstanding principal amount of each Loan shall bear interest from the date of the incurrence thereof until payment maturity (whether by acceleration or otherwise) at a rate per annum which shall at all times (i) in the case of Eurodollar Loans, and

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during each Interest Period applicable thereto, be the Eurodollar Rate for such Interest Period plus the relevant Applicable Margin and (ii) in the case of Base Rate Loans, be the Base Rate plus the relevant Applicable Margin. The outstanding principal amount of each VAT Loan shall bear interest from the date of the incurrence thereof until payment maturity (whether by acceleration or otherwise) at a fixed rate per annum which shall at all times be the Applicable VAT Margin plus the Eurodollar Rate in effect on the date of issuance of the VAT Pagare associated with such VAT Loan (assuming an Interest Period of six months commencing on such date).

(b) All overdue principal and, to the extent permitted by law, overdue interest in respect of each Loan and any other overdue amount payable hereunder shall bear interest at a rate per annum equal to the rate otherwise applicable thereto plus two percent (2%) per annum.

(c) Except as provided in the next sentence with respect to VAT Loans, interest shall accrue from and including the date of the incurrence of Loans to but excluding the date of any repayment thereof and shall be payable (i) in the case of Base Rate Loans, on the last Business Day of each calendar quarter, and (ii) in the case of each Eurodollar Loan, on the last day of each Interest Period applicable thereto and, in the case of an Interest Period in excess of three months, on each date occurring at three month intervals after the first day of such Interest Period and (iii) in the case of all Loans, on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand. Interest shall accrue from and including the date of the incurrence of each VAT Loan to but excluding the date of any repayment thereof and shall be payable on any prepayment (on the amount prepaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(d) All computations of interest hereunder shall be made in accordance with SECTION 11.7(b).

(e) Anything in this Agreement to the contrary notwithstanding, and unless Borrower shall notify Administrative Agent that this SECTION 1.8(e) shall not be applicable to any of the interest payments on the Tranche A Loans or the Tranche C Loans otherwise covered hereby, (i) the interest that accrues on Tranche A Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to the Facility-1 Refinancing Date and (ii) the interest that accrues on Tranche C Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to the first anniversary of the Original Effective Date, but, in each case, on each such Interest Payment Date such accrued interest will be capitalized and added to the principal of the Tranche A Loans or Tranche C Loans of each Lender as to which such interest accrued.

(f) Administrative Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period shall promptly notify Borrower and the Lenders thereof.

(g) So long as no Default or Event of Default shall have occurred and be continuing on such date on which Borrower executes and delivers the first agreement following the Amendment Effective Date which agreement evidences Additional Senior Indebtedness and if the Alternative Margin in connection therewith is less than the Applicable Margin applicable

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to the Tranche B Loans, the Applicable Margin in respect of the Tranche B Loans

shall be adjusted (once and only once) based on the Alternative Margin as follows: (i) the Applicable Margin for Eurodollar Loans shall become the Alternative Margin and (ii) the Applicable Margin for Base Rate Loans shall be reduced by the same amount as the Applicable Margin for Eurodollar Loans was reduced by the Alternative Margin. In the event that the Alternative Margin is to be utilized, Borrower shall furnish to the Administrative Agent all appropriate documentation relating to the Alternative Facility at least ten (10) Business Days prior to the date it becomes effective. With respect to Eurodollar Loans under Tranche B, the Alternative Margin shall become effective for the first Interest Period (and all subsequent Interest Periods) immediately following the execution and delivery of agreements evidencing such Alternative Facility, and with respect to Base Rate Loans under Tranche B, the Alternative Margin shall become effective on the Business Day immediately following the execution and delivery of the agreements evidencing such Alternative Facility.

1.9 INCREASED COSTS, ILLEGALITY, ETC.

(a) In the event that (x) in the case of clause (i) below, Administrative Agent or (y) in the case of clauses (ii) and (iii) below, any Lender shall have determined in good faith (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto):

(i) on any date for determining the Eurodollar Rate for any Interest Period that, by reason of any changes arising after the Original Effective Date affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that such Lender shall incur increased costs or reductions in the amounts received or receivable hereunder with respect to any Eurodollar Loans (other than taxes covered by SECTION 3.4 and any increased cost or reduction in the amount received or receivable resulting from the imposition of or a change in the rate of taxes or similar charges) because of (x) any change since the Original Effective Date in any applicable law, governmental rule, regulation, guideline or order (or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, guideline or order) (such as, for example, but not limited to, a change in official reserve requirements) and/or (y) other circumstances affecting the interbank Eurodollar market or the position of such Lender in such market; or

(iii) at any time, that the making or continuance of any Eurodollar Loan has become unlawful by compliance by such Lender in good faith with any law, governmental rule, regulation or guideline introduced or changed after the Original Effective Date;

then, and in any such event, such Lender (or Administrative Agent in the case of clause (i) above) shall (x) on such date and (y) within ten Business Days of the date on which such event no longer exists give notice (by telephone confirmed in writing) to Borrower and to Administrative Agent of such determination (which notice Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, until such time as Administrative Agent notifies Borrower and the Lenders that the circumstances giving

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rise to such notice by Administrative Agent no longer exist, all new Loans, and all outstanding Loans as to which existing Interest Periods expire, shall bear interest at a rate per annum equal to (A) the Base Rate plus (B) the Applicable Margin, (y) in the case of clause (ii) above, Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender in its reasonable discretion shall determine after consultation with Borrower) as shall be required to compensate such Lender for such increased costs or reductions in amounts receivable hereunder (a written notice as to the additional amounts owed to such Lender, describing the basis for such increased costs and showing the calculation thereof, submitted to Borrower by such Lender shall, absent manifest error, be final and conclusive and binding upon all parties hereto) and (z) in the case of clause (iii) above, the obligations of such Lender to make and maintain Loans hereunder under the respective Facilities shall terminate and all of the outstanding Loans made by it shall be repaid.

(b) If any Lender shall have determined that the adoption or effectiveness after the Original Effective Date of any applicable law, rule or regulation regarding capital adequacy, or any change therein after the Original Effective Date, or any change after the Original Effective Date in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Lender or its parent corporation with any request or directive made after the Original Effective Date regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's or its parent corporation's capital or assets as a consequence

of its commitments or obligations hereunder to a level below that which such Lender or its parent corporation could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's or its parent corporation's policies with respect to capital adequacy), then from time to time, within 15 days after demand by such Lender (with a copy to Administrative Agent), Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or its parent corporation for such reduction. Each Lender, upon determining in good faith that any additional amounts will be payable pursuant to this SECTION 1.9(b), will give prompt written notice thereof to Borrower, which notice shall describe the basis for such claim and set forth the calculation of such additional amounts, although the failure to give any such notice shall not release or diminish any of Borrower's obligations to pay additional amounts pursuant to this SECTION 1.9(b) upon the subsequent receipt of such notice;

(c) Notwithstanding the foregoing, a Lender shall not be entitled to receive reimbursement for claimed costs pursuant to this SECTION 1.9 incurred more than 15 months prior to the date Lender provides notice of a claim for reimbursement.

1.10 COMPENSATION. Borrower shall compensate each Lender, upon its written request (which request shall set forth the basis for requesting such compensation), for all losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its Eurodollar Loans but excluding in any event the loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or Administrative Agent) Eurodollar Loans are not incurred on a date specified therefor in a Loan Request

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(whether or not withdrawn by Borrower); (ii) if any prepayment or repayment of any of its Eurodollar Loans (other than VAT Loans) occurs on a date which is not the last day of an Interest Period applicable thereto; (iii) if any prepayment of any of its Eurodollar Loans (other than VAT Loans) is not made on any date specified in a notice of prepayment given by Borrower; or (iv) as a consequence of any other default by Borrower to repay its Eurodollar Loans when required by the terms of this Agreement.

1.11 CHANGE OF LENDING OFFICE. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of SECTION 1.9(a) (ii) OR (iii), 1.9(b) OR 3.4 with respect to such Lender, it will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no material economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of any such Section. Nothing in this SECTION 1.11 shall affect or postpone any of the obligations of Borrower or the right of any Lender provided in SECTION 1.9, 1.10 or 3.

1.12 EXIM FINANCING, ETC. QUALCOMM shall have the right to (i) attempt to arrange and arrange at any time one or more EXIM Financings for each or both Long-Term Facilities, with the entering into of such EXIM Financings to reduce the respective Facility-1 Commitments and Facility-2 Commitments, as the case may be, as provided for in SECTION 2.3; and/or (ii) attempt to arrange and arrange for the Loans to be refinanced by other means, including a subparticipation of the Commitments or a debt issue in the public markets (each refinancing described in clause (i) or (ii), a "Refinancing"); provided, however, that Borrower shall not be obligated to agree to any Refinancing if the structure, costs, and other terms and conditions and other relevant factors concerning the financing provided under any such Refinancing are not in the best commercial interests of Borrower as compared to the structure, costs, and other terms and conditions and other relevant factors concerning the financing provided under this Agreement as they relate to the Loans and/or Commitments to be refinanced; provided, further, that if Borrower and QUALCOMM disagree as to whether the terms of any proposed Refinancing are in the best commercial interests of Borrower, the parties shall submit the matter to an independent, third party and internationally recognized investment banking firm mutually agreeable to the parties for its determination, which determination shall be binding on the parties hereto; and/or (iii) attempt to arrange and arrange for a syndication that complies with the requirements of SECTION 11.4 of the Commitments and Loans (a "Syndication"), it being agreed that Borrower and each Credit Party will cooperate with QUALCOMM to negotiate in good faith any such Refinancing and facilitate, as more fully described below, any such Syndication; provided, however, that, within the 18 month period following the Original Effective Date, (x) the Borrower shall not be obligated to, and QUALCOMM shall not attempt to arrange, any refinancing of the type referred to in clause (ii) above and (y) QUALCOMM shall not solicit any potential Lender in connection with such Syndication which potential Lender is actively participating in the market for transactions similar to the Senior Bank Financing or the High Yield Debt financing; provided, further, that Borrower shall not be obligated to cooperate in any such attempted Syndication by QUALCOMM more than three (3) times. Subject

to the terms of this SECTION 1.12, upon any Syndication attempt by QUALCOMM, Borrower shall, at its expense, execute and deliver such documents, furnish such information, attend such meetings, assist QUALCOMM and/or the Administrative Agent, as the case may be, and take any and all

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actions as may be reasonably requested by QUALCOMM and/or the Administrative Agent in connection with any such Syndication, and Borrower shall cause senior management of Borrower to be available to assist with and accomplish any of the foregoing. In connection with any such Refinancing or Syndication, Borrower may request that proposed participants therein shall enter into the Common Agreement and if so requested, it shall also be a condition of such Refinancing or Syndication that such proposed participants enter Common Agreement.

1.13 COMMON AGREEMENT. Concurrently herewith, each of the Agents and each member of the Borrower Group shall enter into the Common Agreement.

1.14 NO NET PAYMENTS. Borrower's obligation to make payments and perform all other obligations hereunder, and the rights of Administrative Agent and Lenders in and to such payments and performance, shall be absolute and unconditional and shall not be subject to any abatement, reduction, set-off, defense, counterclaim or recoupment for any reason whatsoever, including, without limitation, abatements or reductions due to any present or future claims of any Credit Party or their respective Affiliates against Administrative Agent, any Lender, or any other Secured Party under this Agreement, the Common Agreement, the QUALCOMM Procurement Agreements, the Alcatel Procurement Agreement or any other Transaction Document or otherwise, against any vendor of equipment or services used or planned to be used as part of the System, or against any other Person for whatever reason. Except as otherwise expressly provided herein, this Agreement shall not terminate, nor shall the obligations of Borrower be affected, by reason of (a) any defect in or damage to, or any loss or destruction of, any of the equipment or services provided pursuant to the QUALCOMM Procurement Agreements or the Alcatel Procurement Agreement or otherwise becoming part of the System from any cause whatsoever, (b) the interference with the use of the System by Administrative Agent, any Lender, any other Secured Party or any other Person, (c) any defect in title to the System or any part thereof or any Lien on such title, or (d) any bankruptcy, insolvency, reorganization or other proceeding relating to, or any action taken by any trustee or receiver of, Administrative Agent, any Lender, any other Secured Party or any other Person, or (e) for any other cause, whether similar or dissimilar to the foregoing, any present or future law or regulation to the contrary notwithstanding, whether or not such cause shall give rise to a claim by any Credit Party or their respective Affiliates against any Lender under the QUALCOMM Procurement Agreements or against Alcatel or any Alcatel Lender under the Alcatel Credit Agreement or otherwise, it being the express intention of the parties hereto that all amounts payable by Borrower hereunder shall be, and continue to be, payable in all events unless the obligation to pay shall be terminated pursuant to the express provisions of this Agreement. All payments made by Borrower hereunder as required hereby shall be final, and Borrower shall not seek to recover any such payment or any part thereof for any reason whatsoever. Nothing in this Agreement shall, however, release or waive any claim Borrower may have against Administrative Agent, any Lender or any other Person, whether in connection with the QUALCOMM Procurement Agreements, this Agreement or otherwise. If for any reason whatsoever this Agreement shall be terminated in whole or in part by operation of law or otherwise, Borrower shall nonetheless, to the extent permitted by applicable law, pay to Administrative Agent, on behalf of Lenders, an amount equal to each payment payable hereunder at the time and in the manner that such payment would have become due and payable under the terms of this Agreement if it had not been terminated in whole or in part.

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1.15 REPLACEMENT OF LENDERS Upon the occurrence of any event giving rise to the operation of SECTION 1.9(b) or SECTION 3.4 with respect to any Lender which results in such Lender charging to the Borrower increased costs in excess of those being charged generally by the Lenders or if a Lender has defaulted on its obligation to make Loans hereunder, Borrower shall have the right, if no Default or Event of Default then exists, to replace such Lender (the "Replaced Lender") with one or more replacement lenders (collectively, the "Replacement Lender") reasonably acceptable to Administrative Agent, provided that (i) at the time of any replacement pursuant to this SECTION 1.15, the Replacement Lender shall enter into one or more Assignment Agreements pursuant TO SECTION 11.4(b) (and with all fees payable pursuant to said SECTION 11.4(b) to be paid by the Replacement Lender) pursuant to which the Replacement Lender shall acquire all of the Commitments and outstanding Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to the sum of (A) an amount equal to the principal of, and all accrued but unpaid interest on, all outstanding Loans of the Replaced Lender and (B) an amount equal to all accrued, but unpaid, Commitment Fees owing to the Replaced Lender pursuant to SECTION 2.1, and (ii) all obligations of the Borrower owing to the Replaced Lender (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been,

or is concurrently being, paid) shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the respective Assignment Agreement, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Pagares executed by the Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions applicable to the Replaced Lender under this Agreement, which shall survive as to such Replaced Lender.

SECTION 2. FEES; COMMITMENTS.

2.1 FEES.

(a) Borrower agrees to pay to Administrative Agent a commitment fee ("Commitment Fee") (x) for the account of each Lender with a Facility-1 Commitment, for each day during the Facility-1 Availability Period computed at the rate of .50% per annum on the average daily Facility-1 Commitment of such Lender, (y) for the account of each Lender with a Facility-2 Commitment, for each day during each of the Facility-1 Availability Period and the Facility-2 Availability Period computed at the rate of (i) .25% per annum during the Facility-1 Availability Period on the daily average Facility-2 Commitment of such Lender and (ii) .50% per annum during the Facility-2 Availability Period on the daily average Facility-2 Commitment of such Lender, and (z) for the account of each Lender with a VAT Loan Commitment, for each day during the VAT Facility Availability Period, computed at the rate of .50% per annum on the daily average unutilized VAT Loan Commitment of such Lender. All such Commitment Fees shall be due and payable in arrears on the last Business Day of each March, June, September and December.

(b) Borrower shall pay to QUALCOMM, for its own account, such fees as are set forth in the QUALCOMM Fee Letter when and as due.

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(c) All computations of Fees shall be made in accordance with SECTION 11.7(b).

2.2 VOLUNTARY REDUCTION OF COMMITMENTS. Upon at least five (5) Business Days' prior written notice (or telephonic notice confirmed in writing) to Administrative Agent (which notice shall be deemed to be given on a certain day only if given before 1:00 p.m. (New York time) on such day and shall be promptly transmitted by Administrative Agent to each of the Lenders), Borrower shall have the right, without premium or penalty, to terminate or partially reduce (x) the Total Facility-1 Commitment and/or the Total Facility-2 Commitment, provided that any such partial reduction shall apply to proportionately and permanently reduce the Commitments of each Lender under the affected Facility and/or (y) the unutilized Total VAT Loan Commitment. Any partial reduction pursuant to this Section 2.2 shall be in the amount of at least \$1,000,000.

2.3 MANDATORY ADJUSTMENTS OF COMMITMENTS, ETC.

(a) The Facility-1 Commitment and Facility-2 Commitment of each Lender shall be permanently reduced upon the making of any Facility-1 Loan or Facility-2 Loan, as the case may be, by such Lender in the principal amount of such Facility-1 Loan or Facility-2 Loan, respectively.

(b) The Total Facility-1 Commitment shall be reduced on each day on which a borrowing is incurred by Borrower under any EXIM Financing entered into to finance Facility-1 Availability Period Costs in the amount of such borrowing, with any such reduction to be applied pro rata to the Facility-1 Commitment of each Lender.

(c) The Total Facility-2 Commitment shall be reduced on each day on which a borrowing is incurred by Borrower under any EXIM Financing entered into to finance Facility-2 Availability Period Costs in the amount of such borrowing, with any such reduction to be applied pro rata to the Facility-2 Commitment of each Lender.

(d) The Total Facility-1 Commitment (and the Facility-1 Commitment of each Lender) shall terminate in its entirety on the last day of the Facility-1 Availability Period.

(e) The Total Facility-2 Commitment (and the Facility-2 Commitment of each Lender) shall terminate in its entirety on the last day of the Facility-2 Availability Period.

(f) The Total VAT Loan Commitment (and the VAT Loan Commitment of each Lender) shall terminate in its entirety on the last day of the VAT Facility Availability Period.

SECTION 3. PAYMENTS.

3.1 VOLUNTARY PREPAYMENTS. Subject to the terms of SECTION 1.10,

Borrower shall have the right to prepay Loans in whole or in part, without premium or penalty, from time to time on the following terms and conditions: (i) Borrower shall give Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans, whether such Loans are Facility-1 Loans, Facility-2 Loans or VAT Loans, the amount of

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such prepayment and the specific Borrowing(s) pursuant to which made, which notice shall be given by Borrower no later than 1:00 p.m. (New York time) three (3) Business Days prior to the date of such prepayment, and which notice shall promptly be transmitted by Administrative Agent to each of the Lenders; (ii) each partial prepayment of any Borrowing shall be in an aggregate principal amount of at least \$1,000,000; provided that no partial prepayment of Loans made pursuant to a Borrowing shall reduce the aggregate principal amount of the Loans outstanding pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) each prepayment of the Long-Term Loans shall be applied pro rata among all Long-Term Loans under the Long Term Facilities; and (iv) each prepayment of the Long-Term Loans pursuant to this SECTION 3.1 shall be applied to reduce pro rata the amount of the then remaining Scheduled Repayments under the Long-Term Facilities.

3.2 MANDATORY PREPAYMENTS AND REPAYMENTS.

(a) Borrower shall repay all Tranche A Loans which are outstanding under Facility-1 and Facility-2, as the case may be, on the Facility-1 EXIM Loans Closing Date and Facility-2 EXIM Loans Closing Date, as the case may be, to the extent refinanced with the proceeds of EXIM Financing. Any amount of Tranche A Loans not so refinanced shall be subject to SECTION 3.2(e).

(b) Borrower shall repay Tranche B Loans made in any Borrowing Year in three consecutive annual installments commencing on December 31 of the calendar year that is two years following the calendar year in which such Borrowing Year ends (each a "Scheduled Repayment"), with each Scheduled Repayment being in an aggregate principal amount equal to the respective percentages set forth below opposite such anniversaries of the aggregate principal amount of Tranche B Loans made during such Borrowing Year:

<TABLE>
<CAPTION>

	ANNUAL INSTALLMENT	PERCENTAGE
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<S>	<C>	<C>
	First	20%
	Second	30%
	Third	50%

</TABLE>

For the purposes of this SECTION 3.2(b), any Tranche B Loan into which a Tranche A Loan or Tranche C Loan has been converted shall be deemed to be a Tranche B Loan which was made in the Borrowing Year that such converted Tranche A Loan or Tranche C Loan was originally made.

(c) All Tranche C Loans which are outstanding under Facility-1 on the first anniversary of the Original Effective Date (including any interest capitalized in respect thereto) shall be automatically converted into Tranche B Loans under such Facility on such date.

(d) Borrower shall repay the aggregate outstanding principal amount of each VAT Loan, including all accrued and unpaid interest thereon, on the earlier of: (i) five (5) Business Days after the date the Secretariat of Finance and Public Credit of Mexico reimburses all or any portion of the VAT which was advanced on behalf of Borrower or Pegaso PCS by the Lenders in connection with such VAT Loan; or (ii) the VAT Loan Maturity Date of such VAT Loan.

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(e) All Tranche A Loans which are outstanding under Facility-1 and Facility-2 on the Facility-1 Refinancing Date or the Facility-2 Refinancing Date, as the case may be, shall be automatically converted into Tranche B Loans under Facility-1 or Facility-2, as the case may be, on such date to the extent not refinanced with the proceeds of EXIM Financing.

3.3 METHOD AND PLACE OF PAYMENT. Except as otherwise specifically provided herein, all payments under this Agreement or any Pagare shall be made to Administrative Agent for the ratable account of the Lenders entitled thereto at Administrative Agent's Account not later than 1:00 p.m. (New York time) on the date when due and shall be made in immediately available funds and in lawful money of the United States of America. Any payments under this Agreement or under any Pagare which are made later than 1:00 p.m. (New York time) shall be deemed to have been made on the next succeeding Business Day. Whenever any

payment to be made hereunder or under any Pagare shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension.

3.4 NET PAYMENTS.

(a) All payments made by Borrower hereunder or under any Pagare will be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future federal, state, or local income, payroll, withholding, social security, sales, use, service, leasing excise, franchise, value added, estimated, occupation, real and personal property, stamp, transfer, workers' compensation, severance or other taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the third succeeding sentence, any tax imposed on or measured by the net income or net profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or any jurisdiction in which such Lender maintains a place of business or any subdivision thereof or therein) and all interest, penalties addition thereto or similar liabilities with respect to such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges (all such nonexcluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as "Taxes"). In addition, Borrower shall pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Financing Agreement (hereinafter referred to as "Other Taxes"). If any Taxes or Other Taxes are so levied or imposed, Borrower agrees to pay the full amount of such Taxes or Other Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Pagare, after withholding or deduction for or on account of any Taxes or Other Taxes, will not be less than the amount provided for herein or in such Pagare. If any amounts are payable in respect of Taxes or Other Taxes pursuant to the foregoing, Borrower agrees to reimburse such amounts to each Lender, upon the written request of such Lender, such Taxes or Other Taxes as are imposed on or measured by the net income or net profits of such Lender pursuant to the laws of the jurisdiction in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction

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in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender, in each case in respect of such amounts so paid to or on behalf of such Lender pursuant to the foregoing and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. Borrower will furnish to Administrative Agent within 45 days (or as soon thereafter as available) after the date the payment of any Taxes or Other Taxes is due pursuant to applicable law certified copies of receipts evidencing such payment by Borrower. Borrower agrees to indemnify and hold harmless each Lender, and immediately reimburse such Lender upon its written request, for the amount of any Taxes or Other Taxes so levied or imposed and paid by such Lender.

(b) If Borrower pays any additional amount under this SECTION 3.4 to a Lender and such Lender, in such Lender's sole and absolute determination, has received or realized in connection therewith any refund or any reduction of, or credit against, its tax liabilities in or with respect to the taxable year in which the additional amount is paid, such Lender shall pay to Borrower an amount equal to the net benefit, after tax, which was obtained by the Lender in such year as a consequence of such refund, reduction or credit. Such amount shall be paid as soon as practicable after receipt or realization by such Lender of such refund, reduction or credit.

(c) Each Lender shall use reasonable efforts (consistent with legal and regulatory restrictions and subject to overall policy considerations of such Lender) to file any certificate or document or to furnish any information as reasonably requested by Borrower pursuant to any applicable treaty, law or regulation, if the making of such filing or the furnishing of such information would avoid the need for or reduce the amount of any amounts payable by Borrower under SECTION 3.4(a); provided, however, that the failure of any Lender to use such efforts shall not in any way diminish the obligations of Borrower under this SECTION 3.4 or otherwise under this Agreement.

(d) Notwithstanding anything in this SECTION 3.4 to the contrary, Borrower shall have no obligation to make any payment of Taxes pursuant to this SECTION 3.4 to any Lender, other than QUALCOMM, in excess of such Gross Up Amounts which would be applicable in the case of payments to a Registered Financial Institution.

EFFECTIVE DATE.

4.1 CONDITIONS PRECEDENT TO THE INITIAL ADDITIONAL LOANS ON THE AMENDMENT EFFECTIVE DATE. The obligation of each Lender to make the first Additional Loan on or after the Amendment Effective Date is subject to the satisfaction of each of the following conditions:

(a) EFFECTIVENESS. The Amendment Effective Date shall have occurred.

(b) SATISFACTION OF CONDITIONS PRECEDENT IN THE COMMON AGREEMENT. The conditions precedent to Disbursements set forth in Section 3.01 of the Common Agreement shall have been satisfied (or waived as provided herein).

(c) OTHER AGREEMENTS. The Pegaso PCS Service Agreement and the Personnel Co. Services Agreement shall have been authorized, executed and delivered by the

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parties thereto and a copy thereof, certificated by an Authorized Officer of the Borrower as true and complete, shall have been delivered to Administrative Agent.

(d) ALCATEL PROCUREMENT AGREEMENT. THE Alcatel Procurement Agreement shall have been authorized, executed and delivered by the parties thereto, a copy thereof, certified by an Authorized Officer as true and complete, shall have been delivered to QUALCOMM and the terms (other than the pricing terms) of the Alcatel Procurement Agreement shall be reasonably satisfactory to QUALCOMM.

(e) ALCATEL CREDIT AGREEMENT; ALCATEL COMMITMENT LETTER; OTHER ALCATEL DOCUMENTS . The Alcatel Credit Agreement shall have been duly authorized, executed and delivered by Borrower, the Alcatel Administrative Agent and the lenders thereunder; a copy thereof, together with all side-letters and other documentation evidencing the agreement among Alcatel and the Borrower Group in connection with or related to the Alcatel Credit Agreement or the Alcatel Procurement Agreement, certified by an Authorized Officer as true and complete, shall have been delivered to the Administrative Agent; the initial incurrence by Borrower of loans thereunder shall have occurred or shall occur concurrently with the initial incurrence of Loans hereunder on or after the Amendment Effective Date; the Alcatel Credit Agreement shall include a long-term credit facility in the aggregate amount of \$170,000,000 to finance all or a portion of the Alcatel Costs, as set forth below, and a revolving credit facility in an aggregate principal amount not less than \$7,500,000, the proceeds of which are to be used by Borrower for the payment of VAT payable in connection with Alcatel Costs; QUALCOMM shall be reasonably satisfied that (i) all material terms of the Alcatel Credit Agreement, including interest, amortization, prepayment, security/collateral and fees are no more favorable to the lenders therein than the terms of this Agreement are to the Lenders, (ii) the lenders under the Alcatel Credit Agreement and the Alcatel Commitment Letter shall have committed to provide financing to Borrower in an amount equal to 100% of the Alcatel Costs; and Administrative Agent shall have received true, correct and complete copies of all agreements, letters or other documents executed by any member of the Borrower Group relating to any fee arrangements between (x) any member of the Borrower Group and (y) Alcatel Indetel or the Alcatel Administrative Agent.

4.2 CONDITIONS PRECEDENT TO ALL ADDITIONAL LOANS. The obligation of each Lender to make any Additional Loans (including the initial Additional Loan made on or after the Amendment Effective Date) is subject at the time of each such Loan, to the satisfaction of the following conditions:

(a) LOAN REQUEST. Administrative Agent shall have received a Loan Request meeting the requirements of SECTION 1.5.

(b) SATISFACTION OF CONDITIONS PRECEDENT IN THE COMMON AGREEMENT. The conditions precedent set forth in Section 3.02 of the Common Agreement shall have been satisfied (or waived as provided herein).

(c) REPRESENTATIONS AND WARRANTIES. At the time of the making of each Loan and also after giving effect thereto, all representations and warranties made in Section 5 hereof shall be true and correct in all material respects with the same effect as though such

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representations and warranties had been made on and as of the date of such Loans, except to the extent that such representations and warranties expressly relate to an earlier date.

(d) QUALCOMM COSTS. The proceeds of the Long-Term Loans shall be

needed for (and will be applied immediately to) the payment of QUALCOMM Costs or, in the case of a VAT Loan, to pay VAT then due and payable and will be applied within three Business Days to such payment.

(e) ALCATEL PROCUREMENT AGREEMENT. The Alcatel Procurement Agreement shall be in full force and effect, provided, however, that in the event the Alcatel Procurement Agreement shall have been terminated prior to the date of such Borrowing, Borrower shall have executed and delivered an agreement with an internationally respected supplier of wireless telecommunication equipment and services of the type provided under the Alcatel Procurement Agreement and the material terms of such agreement shall be satisfactory to QUALCOMM.

(f) MATERIAL ADVERSE EFFECT. Since the date of the most recent financial statements delivered by Borrower to Administrative Agent pursuant to the Common Agreement, no event, circumstance or condition shall have occurred which constitutes a Material Adverse Effect.

(g) FEES AND EXPENSES. Borrower shall have paid or made arrangements for payment (including, to the extent permitted, arrangement for payment out of Disbursements) of all fees, expenses and other charges then payable by it under this Agreement and any other Financing Agreement to the Administrative Agent and shall have paid to QUALCOMM the fees set forth in the Qualcomm Fee Letter.

(h) OTHER DOCUMENTS, ETC. The Administrative Agent shall have received such other statements, certificates, agreements, opinions, information, documents and evidence with respect to matters relating to or affecting such Disbursement as the Lenders may reasonably request.

4.3 CONDITIONS PRECEDENT TO ADDITIONAL LOANS UNDER FACILITY-2. The obligation of each Lender to make the initial Additional Loans under Facility-2 is subject, in addition to the conditions in SECTION 4.2, to the satisfaction of the following condition:

(a) FACILITY 2 ALCATEL CREDIT AGREEMENT. A credit agreement in accordance with the terms of the Alcatel Commitment Letter (the "Facility 2 Alcatel Credit Agreement") shall have been duly authorized, executed and delivered by Borrower, the administrative agent and the lenders thereunder; a copy thereof, certified by an Authorized Officer as true and complete, shall have been delivered to the Administrative Agent; the initial incurrence by Borrower of loans thereunder shall have occurred or shall occur concurrently with the initial incurrence of the Facility-2 Loans; the Facility 2 Alcatel Credit Agreement shall include a long-term credit facility in the aggregate principal amount of not less than \$100,000,000 to finance all or a portion of the Alcatel Costs, as set forth below, and a revolving credit facility in the principal amount of \$7,500,000, the proceeds of which are to be used by Borrower for the payment of VAT payable in connection with Alcatel Costs; QUALCOMM shall be reasonably satisfied that (i) all material terms of the Facility 2 Alcatel Credit Agreement, including interest,

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amortization, prepayment, security/collateral and fees are no more favorable to the lenders therein than the terms of this Agreement are to the Lenders, and (ii) the lenders under the Facility-2 Alcatel Credit Agreement shall have committed to provide financing to Borrower in an amount equal to 100% of the Alcatel Costs.

The acceptance of the benefits of each Loan shall constitute a representation and warranty by Borrower to Administrative Agent and each of the Lenders that all of the applicable conditions specified in SECTION 4.2 exist as of that time. All of the certificates, legal opinions and other documents and papers referred to in SECTION 4.1, unless otherwise specified, shall be delivered to Administrative Agent for the account of each of the Lenders and, except for the Pagares, in sufficient counterparts for each of the Lenders and shall be reasonably satisfactory in form and substance to Administrative Agent.

SECTION 5. REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Borrower confirms the representations and warranties contained in Article 4 of the Common Agreement, as if made as of the Amendment Effective Date, which representations and warranties are incorporated herein by reference as if fully set forth in this Agreement. Borrower further represents and warrants to the Lenders and the Administrative Agent that:

5.1 SENIOR DEBT. The Lenders are "Senior Lenders" and this Agreement is a "Financing Agreement", as such terms are defined in the Common Agreement, and the Loans hereunder, when made, and all other obligations of Borrower to the Lenders and the Administrative Agent hereunder, will constitute "Senior Indebtedness", as such term is defined in the Common Agreement. Accordingly, the Loans and such other obligations hereunder are and shall be secured by and entitled to the benefits of the Common Agreement and the Security Documents referred to therein.

5.2 APPROVALS. Other than the authorizations, approvals or consents from governmental authorities in Mexico referred to in Section 4.05 of the Common Agreement which relate to this Agreement, no authorizations, consents, approvals, licenses, filings or registrations by or with any governmental authority or administrative body of or in Mexico, and no notarization or other formalities in Mexico, are required to be obtained or accomplished for the execution, delivery or performance by Borrower of this Agreement or any other Financing Agreement or for the validity and enforceability of this Agreement in accordance with the terms of this Agreement or the other Financing Agreements.

SECTION 6. AFFIRMATIVE COVENANTS.

Borrower agrees that, so long as any Lender has any Commitment hereunder or any amount payable under this Agreement remains unpaid, it shall observe and perform each of the covenants and agreements set forth in Article 5 of the Common Agreement, which covenants and agreements are incorporated by reference in this Agreement as if fully set forth herein, in accordance with their terms. Borrower further covenants and agrees with the Administrative Agent and the Lenders that so long as any Lender has any Commitment hereunder or any amount payable under this Agreement remains unpaid, Borrower shall maintain in good legal standing and validity all material licenses, permits, contracts and rights necessary to comply in all respects with its obligations under this Agreement and the Pagares.

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SECTION 7. NEGATIVE COVENANTS.

Borrower agrees that, so long as any Lender has any Commitment hereunder or any amount payable under this Agreement remains unpaid, it shall observe and perform each of the covenants and agreements set forth in Article 6 of the Common Agreement, which covenants and agreements are incorporated by reference in this Agreement as if fully set forth herein, in accordance with their terms. Borrower further covenants and agrees with the Administrative Agent and the Lenders that so long as any Lender has any Commitment hereunder or any amount payable under this Agreement remains unpaid, in addition to the other provisions of Section 6.04(d) of the Common Agreement, no Additional Senior Indebtedness (other than additional indebtedness under commitments under Credit Agreements in effect at the time of such devaluation) shall be permitted if and to the extent that there has been a Peso-Dollar Devaluation of 20% or more during any three-month period subsequent to the Amendment Effective Date, or any Peso-Dollar Devaluation of 30% or more during any six-month period subsequent to the Amendment Effective Date, unless prior to the date of the incurrence of such Additional Senior Indebtedness Borrower shall have obtained the prior written approval of the Required Lenders.

SECTION 8. EVENTS OF DEFAULT.

If any "Event of Default" under and as defined in the Common Agreement shall occur and be continuing, then the Lenders shall have (in addition to any and all other available remedies at law and in equity) each of the remedies to which they are entitled as provided in Section 7.18 of the Common Agreement (subject to the provisions of the Intercreditor Agreement).

SECTION 9. DEFINITIONS.

As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:

"Additional Loans" shall mean Loans made after the Original Effective Date.

"Additional Loans Closing Date" shall mean the date on which the initial Additional Loans were made under the Original Agreement.

"Administrative Agent" shall have the meaning provided in the first paragraph of this Agreement and shall include any successor to Administrative Agent appointed pursuant to SECTION 10.8.

"Administrative Agent's Account" shall mean such account as is specified in writing by Administrative Agent to Borrower and Lenders from time to time.

"Agreement" shall mean this Credit Agreement, as the same may be from time to time further modified, amended and/or supplemented.

"Amendment Effective Date" shall have the meaning assigned to it in SECTION 11.10.

23.

"Alternative Margin" when used in connection with Tranche B Loans shall mean that margin (expressed in annual percentages or basis points) over the

Eurodollar Rate which is provided under a bona fide loan or credit facility constituting Additional Senior Indebtedness (the "Alternative Facility") made available to Borrower; provided, however, that no calculation of the Alternative Margin (and no change in the interest rate payable in respect of Tranche B Loans) shall be made unless (i) the Alternative Facility is made available to Borrower by recognized financial institutions that have no equity interest in Holdings or any other member of the Borrower Group (other than the Alternative Facility itself), that are not a vendor of equipment or services to any member of the Borrower Group, and that are not benefiting otherwise from the making of the Alternative Facility, (ii) the base rate for the calculation of the interest rate payable under the Alternative Facility is either the Eurodollar Rate or a rate comparable to the Eurodollar Rate, (iii) the aggregate amount of the commitment under the Alternative Facility, and the repayment thereof, is calculated in Dollars, and the total amount of such commitment is at least \$100,000,000, (iv) the margin over the Eurodollar Rate applicable to such Alternative Facility (other than margins applicable during any default period) is predetermined and applicable for the entire period in which amounts thereunder are outstanding, or, if such margin is established pursuant to a grid, the "Alternative Margin" shall be the highest margin set forth in the grid, (v) the required amortization of principal of the Alternative Facility is such that the average life of such Alternative Facility is not less than 4.3 years and (vi) no collateral other than the Collateral will secure the Alternative Facility and no third party will guarantee the obligations under the Alternative Facility other than the Guarantors pursuant to the Guaranty Agreements.

"Applicable Margin" shall mean (i) for Eurodollar Loans (A) that are Tranche A Loans, 1.50%, (B) that are Tranche B Loans, 4.50% and (C) that are Tranche C Loans, 1.50% and (ii) for Base Rate Loans (A) that are Tranche A Loans, 0.50%, (B) that are Tranche B Loans 3.50% and (C) that are Tranche C Loans 0.50%, which margins with respect to Tranche B Loans will be subject to adjustment based on the Alternative Margin as provided in SECTION 1.8(g).

"Applicable VAT Margin" shall mean 4.50%.

"Assignment Agreement" shall mean the Assignment and Acceptance Agreement in the form of EXHIBIT F (appropriately completed).

"Availability Period" shall mean the Facility-1 Availability Period or the Facility-2 Availability Period, as applicable.

"Base Rate" shall mean the greater of (i) the rate of interest per annum published on such day (or if not a Business Day, on the last Business Day) in the Wall Street Journal newspaper as the "Prime Rate," such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate and (ii) the Federal Funds Effective Rate plus one-half of one percent (0.50%) (rounded upwards, if necessary, to the next one-sixteenth of one percent (1/16 of 1%).

"Base Rate Loan" means any Loan bearing interest at the Base Rate.

"Base Financing Percentage" shall mean fifty percent (50%).

24.

"Borrower" shall have the meaning provided in the first paragraph of this Agreement.

"Borrower's Account" shall mean, such account as shall be maintained by Borrower and specified in writing by Borrower to Administrative Agent from time to time.

"Borrowing" shall mean the incurrence of Loans pursuant to a single Facility by Borrower from all of the Lenders having Commitments with respect to such Facility on a pro rata basis on a given date and having in the case of Eurodollar Loans the same Interest Period.

"Borrowing Year" shall mean (i) the period from the Additional Loans Closing Date through January 31, 2000 and (ii) each successive 12-month period thereafter.

"Cash Advance" shall have the meaning provided in SECTION 1.5(b) (i).

"Commitment" shall mean, with respect to each Lender, such Lender's Facility-1 Commitment, Facility-2 Commitment and VAT Loan Commitment.

"Commitment Fee" shall have the meaning provided in SECTION 2.1(a).

"Common Agreement" shall mean the Common Agreement dated as of the date hereof among each member of the Borrower Group, the Collateral Agent, the Intercreditor Agent, the Alcatel Administrative Agent, and the Administrative Agent, as the same may be amended, supplemented or modified in accordance with its terms and in effect from time to time.

"Common Closing Date" shall mean the "Closing Date" as defined under the Common Agreement.

"Contingent Financing Percentage" shall mean such percentage as shall be negotiated in good faith and agreed upon in writing from time to time by Borrower and QUALCOMM which shall reflect the funding requirements of Borrower and Guarantors as set forth in the Business Plan after giving full effect to all funds raised by Borrower and Guarantors after the Original Effective Date; provided, however, that (i) prior to the earlier of any Senior Bank Financing or the issuance of High-Yield Debt, the Contingent Financing Percentage shall be equal to fifty percent (50%), (ii) the Contingent Financing Percentage for calendar years 1998 and 1999 shall be fifty percent (50%) and (iii) at any time that clause (i) or (ii) is not applicable, the Contingent Financing Percentage shall be 0% until the Borrower and QUALCOMM otherwise agree in writing.

"Credit Advance" shall have the meaning provided in SECTION 1.5(b)(i).

"Credit Documents" shall mean this Agreement and the Pagares.

"Credit Party" shall mean Borrower, Holdings and Guarantors.

"Equipment Agreement" means that Equipment Purchase Agreement entered into as of June 10, 1998 by and between Borrower and QUALCOMM as such shall from time to time be amended, supplemented and restated.

25.

"Eurodollar Rate" shall mean, with respect to each Interest Period, the rate of interest determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate screen as of 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the "Eurodollar Rate" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be agreed upon by Administrative Agent and Borrower or, in the absence of such agreement, the "Eurodollar Rate" shall instead be the rate at which Dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Eurodollar Loan" means any Loan (other than VAT Loans) bearing interest at the Eurodollar Rate.

"EXIM Financing" shall mean each credit facility entered into by Borrower to finance QUALCOMM Costs that are EXIM Qualified, together with eligible local costs, under export credit political and commercial guarantees/insurance provided by the Export Import Bank of the U.S.

"EXIM Qualified" shall mean with respect to (i) QUALCOMM Costs and eligible local costs, such costs that are eligible to be financed and/or refinanced under an EXIM Financing and (ii) Loans, Loans that are incurred to finance QUALCOMM Costs that are EXIM Qualified.

"Existing VAT Loans" shall have the meaning ascribed to such term inside the definition of "VAT Loans."

"Facility" shall mean any of the credit facilities established under this Agreement, i.e., Facility-1, Facility-2 and the VAT Facility.

"Facility-1" shall mean the Facility evidenced by the Total Facility-1 Commitment.

"Facility-1 Availability Period" shall mean the period commencing on the Additional Loans Closing Date and ending on December 31, 2000.

"Facility-1 Availability Period Costs" shall mean QUALCOMM Costs that are EXIM Qualified and are payable during the Facility-1 Availability Period.

"Facility-1 Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on SCHEDULE 1.0 hereto under the column entitled "Facility-1 Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

"Facility-1 EXIM Loans Closing Date" shall mean the date of the initial borrowing under any EXIM Financing entered into to finance and/or refinance Facility-1 Availability Period Costs.

26.

"Facility-1 Loan" shall have the meaning provided in SECTION 1.1.

"Facility-1 Refinancing Date" shall mean the earlier of (i) the first anniversary of the Additional Loans Closing Date and (ii) the Facility-1 EXIM Loans Closing Date.

"Facility-2" shall mean the Facility evidenced by the Total Facility-2 Commitment.

"Facility-2 Availability Period" shall mean the period commencing on January 1, 2001 and ending on December 31, 2002.

"Facility-2 Availability Period Costs" shall mean QUALCOMM Costs that are EXIM Qualified and are payable during the Facility-2 Availability Period.

"Facility-2 Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on Annex I hereto under the column entitled "Facility-2 Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

"Facility-2 EXIM Loans Closing Date" shall mean the date of the initial borrowing under any EXIM Financing entered into to finance and/or refinance Facility-2 Availability Period Costs.

"Facility-2 Loan" shall have the meaning provided in SECTION 1.1.

"Facility-2 Refinancing Date" shall mean the earlier of (i) January 1, 2002 and (ii) the Facility-2 EXIM Loans Closing Date.

"Federal Funds Effective Rate" means, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three Federal funds brokers of recognized standing selected by Administrative Agent.

"Fees" shall mean all amounts payable pursuant to, or referred to in, SECTION 2.1.

"Interest Payment Date" shall mean each date on which interest is payable on the Loans.

"Interest Period" means, with respect to each Eurodollar Loan, the period commencing on the date of the making or continuation of or conversion to such Eurodollar Loan and ending one, three or six months thereafter, as Borrower may elect in the applicable Notice of Conversion/Continuation; provided that:

(a) any Interest Period (other than an Interest Period determined pursuant to clause (c) below) that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day;

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(b) any Interest Period applicable to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Business Day of a calendar month;

(c) any Interest Period with respect to a Eurodollar Loan that would otherwise end after the applicable the maturity date of such Loan shall end on such maturity date;

(d) no Interest Period with respect to a Eurodollar Loan which begins before January 31 of any given year (except January 31 of 1999) shall have a maturity extending beyond January 31 of such year;

(e) no Interest Period applicable to any Eurodollar Loan shall include a principal repayment date for Loans under the Facility under which such Loan is made unless an aggregate principal amount of Loans under such Facility at least equal to the principal amount due on such principal repayment date shall be Base Rate Loans or other Eurodollar Loans having Interest Periods ending on or before such date; and

(f) notwithstanding clauses (c) (d) and (e) above, no Interest Period applicable to a Eurodollar Loan shall have a duration of less than one month, and if any Interest Period applicable to such Eurodollar Loan would be for a shorter period, such Interest Period shall not be available hereunder.

"Interest Rate Agreement" shall mean any interest rate swap agreement, any interest rate cap agreement, any interest rate collar agreement or other similar agreement or arrangement designed to protect Borrower or any Subsidiary against fluctuations in interest rates.

"Lender" shall have the meaning provided in the first paragraph of this Agreement.

"Lender Register" shall have the meaning provided in SECTION 11.16.

"Loan" and "Loans" shall mean the loans provided in accordance with SECTION 1.1 together with the existing loans described in SECTION 1.5(a).

"Loan Request" has the meaning set forth in SECTION 1.5(b) (i) hereof.

"Loan Request Review Period" has the meaning set forth in SECTION 1.5(b) (i) hereof.

"Long-Term Facility" shall mean Facility-1 or Facility-2 and "Long-Term Facilities" shall mean Facility-1 and Facility-2.

"Long-Term Loans" shall mean Loans made under either Long-Term Facility.

"Maturity" or "maturity" means the earlier of (i) the final maturity date for any Loan as stated in SECTION 3.2 hereof and (ii) the date on which (A) the Loans have been accelerated or (B) the Loans have been prepaid in full and the Commitment terminated pursuant to this Agreement.

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"Minimum Borrowing Amount" shall mean (i) for Facility-1 and Facility-2, \$250,000 and (ii) for the VAT Facility, \$25,000, unless otherwise agreed to by the Lenders.

"Notice of Conversion/Continuation" has the meaning set forth in SECTION 1.5(c) hereof.

"Notice of Deemed Loan" has the meaning set forth in SECTION 1.5(b) (ii) hereof.

"Original Effective Date" shall have the meaning provided in SECTION 11.10.

"Pagare" or "Pagares" shall mean, individually, any Term Pagare or VAT Pagare, or collectively, the Term Pagares and the VAT Pagares.

"Percentage" shall mean at any time for each Lender with respect to the Loans and/or Commitments under any Facility, the percentage obtained by dividing such Lender's Commitment for such Facility by the aggregate Commitments of all Lenders for such Facility, provided that if the Commitments of all Lenders for such Facility have been terminated, the Percentage of each Lender for such Facility shall be determined by dividing such Lender's Commitment for such Facility immediately prior to such termination by the aggregate Commitments of all Lenders for such Facility immediately prior to such termination.

"QUALCOMM Fee Letter" means the side letter relating to arrangement fees dated September 25, 1998, between Borrower and QUALCOMM.

"Refinancing" shall have the meaning provided in SECTION 1.12.

"Registered Financial Institution" shall mean the Registry of Foreign Banks of Mexico, Financing Entities, Pension Funds and Investments Funds or any successor thereto.

"Required Lenders" shall mean Lenders holding at least fifty-one percent (51%) of the then aggregate outstanding principal amount of all Loans then outstanding or, if no Loans are then outstanding, Lenders having at least fifty-one percent (51%) of the Commitments.

"Scheduled Repayment" shall have the meaning provided in SECTION 3.2(b).

"SEC" shall mean the Securities and Exchange Commission or any successor thereto.

"SEC Regulation D" shall mean Regulation D as promulgated under the Securities Act of 1933, as amended, as the same may be in effect from time to time.

"Senior Bank Financing" shall mean any credit facility providing for loans and/or advances to be made to Borrower that Borrower enters into with one or more Lenders to the extent the Indebtedness arising thereunder shall constitute Additional Senior Indebtedness, provided that Senior Bank Financing shall not include any EXIM Financing or financing under the Alcatel Credit

Agreement.

"Services Agreement" shall mean the Services Agreement entered into as of June 10, 1998 by and between Borrower and QUALCOMM Wireless Services (Mexico), S.A de C.V., as such may be from time to time amended, supplemented and restated.

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"Software Maintenance Agreement" shall mean the Software Maintenance Agreement dated as of June 10, 1998 between Borrower and QUALCOMM, which form of agreement was attached as Exhibit D to the Equipment Purchase Agreement and separately executed therefrom.

"Syndication" shall have the meaning provided in SECTION 1.12.

"Term Pagare" shall have the meaning assigned to it in SECTION 1.6(d).

"Total Commitment" shall mean \$300,000,000.

"Total Facility-1 Commitment" shall mean the sum of the Facility-1 Commitments of all the Lenders.

"Total Facility-2 Commitment" shall mean the sum of the Facility-2 Commitments of all the Lenders.

"Total VAT Loan Commitment" shall mean the sum of the VAT Loan Commitments of all of the Lenders.

"Tranche A Loans" shall mean Loans under the Long-Term Facilities made as Tranche A Loans pursuant to SECTION 1.1(a) or (b), as the case may be.

"Tranche B Loans" shall mean Loans under the Long-Term Facilities made as Tranche B Loans pursuant to SECTION 1.1(a) or (b), as the case may be.

"Tranche C Loans" shall mean Loans under Facility-1 made as Tranche C Loans pursuant to SECTION 1.1(a).

"U.S." shall mean the United States of America.

"U.S. GAAP" means generally accepted accounting principles in the United States.

"VAT Facility" shall mean the Facility evidenced by the Total VAT Loan Commitment.

"VAT Facility Availability Period" shall mean the period commencing on the Additional Loans Closing Date and ending on December 31, 2002.

"VAT Loan" shall have the meaning provided in SECTION 1.1(c) and shall specifically include any advances made to Borrower or Pegaso PCS prior to the Additional Loans Closing Date to finance VAT charges (the "Existing VAT Loans").

"VAT Loan Advance" shall have the meaning provided in SECTION 1.2(a).

"VAT Loan Commitment" shall mean, with respect to each Lender, the amount, if any, set forth opposite its name on SCHEDULE 1.0 hereto under the column entitled "VAT Loan Commitment," as the same may be (x) reduced or terminated pursuant to SECTIONS 2.2, 2.3 and 8 or (y) adjusted as a result of assignments to or from such Lender pursuant to SECTION 1.10 or 11.4.

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"VAT Loan Maturity Date" shall mean, with respect to each VAT Loan, the date which is 364 days after the date such VAT Loan is made.

"VAT Pagare" shall mean a promissory note heretofore or hereafter issued by Borrower or Pegaso PCS in favor of a Lender in substantially the form attached hereto as EXHIBIT B with appropriate insertions as to issue date, maturity date, principal amount, and interest rate to finance VAT charges imposed by Mexico in respect of the QUALCOMM Costs.

"Vendor" shall have the meaning provided in the first WHEREAS clause of this Agreement.

"Vendor's Account" shall mean such account as is specified in writing by the Vendors under the Qualcomm Procurement Agreements to Administrative Agent and Borrower from time to time.

SECTION 10. ADMINISTRATIVE AGENT.

10.1 APPOINTMENT OF ABN AMRO BANK N.V. AS ADMINISTRATIVE AGENT. Lenders hereby designate and appoint ABN AMRO Bank N.V. as Administrative Agent to act

in an administrative function as specified under this Agreement and the other Financing Agreements and irrevocably authorizes Administrative Agent to take such action on its behalf under and subject to the provisions of this Agreement and each other Financing Agreement and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Financing Agreement, together with such other powers, in the judgment of Administrative Agent, as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or any other Financing Agreement, Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Financing Agreement or otherwise exist against Administrative Agent.

10.2 DELEGATION OF DUTIES BY ADMINISTRATIVE AGENT. Administrative Agent may execute any of its duties under this Agreement by or through the agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Administrative Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects with reasonable care.

10.3 LIABILITY OF ADMINISTRATIVE AGENT. None of Administrative Agent-Related Persons (defined below) shall (a) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Financing Agreement (except for its own gross negligence or willful misconduct), or (b) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by Borrower, any other member of the Borrower Group or any Affiliate of any member of the Borrower Group, or any officer thereof, contained in this Agreement or in any other Financing Agreement, or in any certificate, report, statement or other document referred to or provided for in, or received by Administrative Agent under or in connection with, this Agreement or any other Financing Agreement, or for the value of any Collateral or the validity, priority, effectiveness, genuineness,

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enforceability or sufficiency of this Agreement or any Financing Agreement, or for any failure of Borrower, any other member of the Borrower Group or any other party to any Financing Agreement to perform its obligations hereunder or thereunder. No Administrative Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Financing Agreement, or to inspect the properties, books or records of Borrower or any of Borrower's Affiliates. "Administrative Agent-Related Persons" shall mean Administrative Agent and any successor Administrative Agent, together with their respective Affiliates, and the employees, agents and attorneys-in-fact of such persons.

10.4 RELIANCE BY ADMINISTRATIVE AGENT.

(a) Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Administrative Agent. Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Financing Agreement unless it shall first receive such advice or concurrence of Requisite Lenders as it deems appropriate and indemnification for all liability and expense which may be incurred by it by reason of taking or continuing to take any such action, provided, however, that Administrative Agent shall be justified in refusing to take action if such action is in violation of law or the terms of this Agreement or any other Financing Agreement, based on the advice of Administrative Agent's legal counsel. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Financing Agreement in accordance with a request or consent of Requisite Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of Lenders.

(b) For purposes of determining compliance with the conditions precedent specified in SECTION 4 of this Agreement and Section 3 of the Common Agreement, each Lender that has executed this Agreement or shall hereafter execute and deliver an Assignment Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter either sent by Administrative Agent to such Lender for consent, approval, acceptance or satisfaction, or required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender, unless an officer of Administrative Agent responsible for the transactions contemplated by the Financing Agreements shall have received written notice from such Lender prior to the initial Borrowing specifying its objection thereto and either such objection shall not have been withdrawn by notice to Administrative Agent to

that effect or such Lender shall not have made available to Administrative Agent its ratable portion of such Borrowing.

10.5 NOTICE OF DEFAULT. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Administrative Agent on behalf and for the benefit of Lenders, unless Administrative Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Default or Event of

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Default and stating that such notice is a "notice of default." In the event that Administrative Agent receives such a notice, Administrative Agent shall give notice thereof to each Lender. Administrative Agent shall take such action with respect to such Default or Event of Default as shall be requested by Requisite Lenders in accordance with SECTION 8; provided, however, that unless and until Administrative Agent shall have received any such request, Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem in the best interest of Lenders.

10.6 NON-RELIANCE BY LENDERS. Each Lender expressly acknowledges that none of Administrative Agent-Related Persons has made any representation or warranty to it and that no act by Administrative Agent hereafter taken, including any review of the affairs of Borrower, shall be deemed to constitute any representation or warranty by Administrative Agent to such Lender. Each Lender confirms to Administrative Agent that it has not relied, and will not rely hereafter, on Administrative Agent to check or inquire on such Lender's behalf into the adequacy, accuracy or completeness of any information provided by Borrower or any other Person under or in connection with the Financing Agreements or the transactions herein contemplated (whether or not the information has been or is hereafter distributed to such Lender by Administrative Agent). Each Lender represents to Administrative Agent that it has, independently and without reliance upon Administrative Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower, and all applicable regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and the other Financing Agreements and extend credit to Borrower under and pursuant to this Agreement. Each Lender also represents that it will, independently and without reliance upon Administrative Agent and based on such documents and appraisals and decisions in taking or not taking action under this Agreement and the other Financing Agreements, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower. Except for notices, reports and other documents expressly herein required to be furnished to Lenders by Administrative Agent, Administrative Agent shall not have any duty or responsibility to provide to any Lender any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower which may come into the possession of any Administrative Agent-Related Persons. Administrative Agent shall not be responsible to any Lender for the execution, effectiveness, priority, genuineness, validity, enforceability, collectability or sufficiency of this Agreement, the Financing Agreements or for any representations or warranties, recitals or statements made herein or therein or made in any written or oral statements, or in any financial or other statements, instruments, reports or certificates or any other documents furnished or made available by Administrative Agent to Lenders or by or on behalf of Borrower to Administrative Agent or any Lender in connection with the Financing Agreements or the transactions contemplated thereby or for the financial condition or business affairs of Borrower or any Person liable for payment of the Obligations, nor shall Administrative Agent be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained in any of the Financing Agreements or as to the use of proceeds of the Loans or as to the existence or possible existence of any Default or Event of Default.

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10.7 INDEMNIFICATION. Whether or not the transactions contemplated hereby are consummated, Lenders shall indemnify upon demand Administrative Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so) ratably from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans or the termination or the resignation of the related Administrative Agent) be imposed on, incurred by or asserted against any such Person in any way relating to or arising out of this Agreement or any of the other Transaction Documents or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing;

provided, however, that no Lender shall be liable for the payment to Administrative Agent-Related Persons of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse Administrative Agent upon demand for its ratable share of any costs or other out-of-pocket expenses (including reasonable attorneys' expenses and disbursements) incurred by Administrative Agent in connection with the preparation, execution, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or any other Transaction Document to the extent that Administrative Agent has not previously been reimbursed for such expenses by or on behalf of Borrower. Without limiting the generality of the foregoing, if any Governmental Authority or any Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify Administrative Agent fully for all amounts paid, directly or indirectly, by Administrative Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Administrative Agent under this SECTION 10.7, together with all costs and expenses (including reasonable attorneys' expenses and disbursements). The obligations of Lenders in this SECTION 10.7 shall survive the repayment of all Obligations and the termination of the Transaction Documents.

10.8 SUCCESSOR ADMINISTRATIVE AGENT. Administrative Agent may, and at the request of Requisite Lenders shall, resign as Administrative Agent upon 30 days' notice to Lenders. If Administrative Agent shall resign as Administrative Agent under this Agreement and the other Financing Agreements, then Requisite Lenders shall appoint from among Lenders a successor Administrative Agent for Lenders. If no successor Administrative Agent is appointed prior to the effective date of the resignation of Administrative Agent, Administrative Agent may appoint, after consulting with Lenders and Borrower, a successor Administrative Agent from among Lenders. Upon the acceptance of its appointment as successor Administrative Agent hereunder and under the other Financing Agreements, such successor Administrative Agent shall succeed to the rights, powers and duties of Administrative Agent, the term "Administrative Agent" shall mean such successor Administrative Agent effective upon its appointment, and the former Administrative Agent's appointment, rights, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this SECTION 10 and SECTION 11.1 shall continue to inure to its benefit as to actions

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taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Financing Agreements.

SECTION 11. MISCELLANEOUS.

11.1 PAYMENT OF EXPENSES, INDEMNIFICATION, ETC.

(a) (i) Borrower agrees to pay, or cause to be paid, to the Administrative Agent and each Lender (A) all reasonable out-of-pocket costs and expenses (including, without limitation, the reasonable fees and expenses of one common New York counsel and one common Mexican counsel to the Senior Lenders (including the Lenders) and counsel for the Administrative Agent), in connection with any amendment, modification, supplement or waiver of any other terms of the Common Agreement, the Security Documents, this Agreement, the Pagares or the other documents contemplated hereby and thereby; and (B) all reasonable costs and expenses (including, without limitation, the reasonable fees and expenses of one common New York and one common Mexican counsel to the Senior Lenders (including the Lenders) and counsel for the Administrative Agent) in connection with (X) any Default or Event of Default and any enforcement or collection proceedings resulting therefrom or in connection with the negotiation of any restructuring or "work-out" (whether or not consummated) of the obligations of Borrower hereunder and under the Pagares and (Y) the enforcement of this Section 11.1, in each case as evidenced in reasonable detail to the satisfaction of Borrower, and (iii) pay and hold each of the Lenders harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes.

(b) Borrower agrees to indemnify, save, and hold harmless Administrative Agent, Lenders and their directors, officers, agents, attorneys and employees (collectively, the "indemnitees") from and against: (i) any and all claims, demands, actions, or causes of action that are asserted against any indemnitee by any Person if the claim, demand, action, or cause of action arises out of or relates to a claim, demand, action, or cause of action that the Person asserts or may assert against Borrower, or any officer, director or shareholder

of Borrower in their capacity as such, (ii) any and all claims, demands, actions or causes of action that are asserted against any indemnitee (other than by Borrower or by another indemnitee) if the claim, demand, action or cause of action arises out of or relates to the Loans, the use of proceeds of any Loans, or the relationship of Borrower and Lenders under this Agreement or any transaction contemplated pursuant to this Agreement, (iii) any administrative or investigative proceeding by any governmental agency arising out of or related to a claim, demand, action or cause of action described in clauses (i) or (ii) above; and (iv) any and all liabilities, losses, costs, or expenses (including outside attorneys' fees, in-house counsel fees and disbursements) that any indemnitee suffers or incurs as a result of any of the foregoing; provided, that Borrower shall have no obligation under this SECTION 11.1 to any Lender or Administrative Agent with respect to any of the foregoing arising out of the gross negligence or willful misconduct of such Lender or Administrative Agent.

11.2 RIGHT OF SETOFF. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, if an Event of

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Default then exists, each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Credit Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special but other than payroll accounts) and any other Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of any Credit Party against and on account of the Obligations and liabilities of such Credit Party to such Lender under this Agreement or under any of the other Financing Agreements, including, without limitation, all interests in Obligations of such Credit Party purchased by such Lender pursuant to SECTION 11.6(b), irrespective of whether or not such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

11.3 NOTICES. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telex, telecopier, facsimile or electronic mail) and mailed, telexed, telecopied, faxed, electronic mailed or delivered, if to a Credit Party, at the address specified opposite its signature below or in the other relevant Financing Agreements, as the case may be; if to any Lender, at its address specified for such Lender on the signature pages hereto; or, at such other address as shall be designated by any party in a written notice to the other parties hereto. All such notices and communications shall be mailed, telexed, telecopied, or electronic mailed or sent by overnight courier, and shall be effective when received.

11.4 BENEFIT OF AGREEMENT.

(a) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto, provided that Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Lenders. Each Lender may at any time grant participations in any of its rights hereunder or under any of the Pagares to one or more entities or institutions, provided that in the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Financing Agreements (the participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the participant relating thereto) and all amounts payable by Borrower hereunder shall be determined as if such Lender had not sold such participation, except that the participant shall be entitled to the benefits of SECTIONS 1.9 and 3.4 of this Agreement to the extent that such Lender would be entitled to such benefits if the participation had not been entered into or sold, and, provided further that no Lender shall transfer, grant or assign any participation under which the participant shall have rights to approve any amendment to or waiver of this Agreement or any other Financing Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan in which such participant is participating (it being understood that any waiver of the application of any prepayment or the method of any application of any prepayment to the amortization of the Loans shall not constitute an extension of the final maturity date), or reduce the rate or extend the time of payment of interest or Fees thereon (except in connection with a waiver of the applicability of any post-default increase in interest rates), or reduce the principal amount thereof, or increase such participant's participating interest in any Commitment over the amount thereof then in

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effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitments, or a mandatory prepayment, shall not constitute a change in the terms of any Commitment), (ii) release all or

substantially all of the Collateral or (iii) consent to the assignment or transfer by Borrower of any of its rights and obligations under this Agreement.

(b) Notwithstanding the foregoing and subject to the limitations on Syndications set forth in SECTION 1.12, (x) any Lender may assign all or a portion of its outstanding Loans and/or Commitments and its rights and obligations hereunder to one or more other Lenders, and (y) with the consent of QUALCOMM and Borrower (which consents shall not be unreasonably withheld) any Lender may assign all or a portion of its outstanding Loans and/or Commitments and its rights and obligations hereunder to one or more other entities or institutions. No assignment pursuant to the immediately preceding sentence shall to the extent such assignment represents an assignment to an institution other than one or more Lenders hereunder, be in an aggregate amount less than the lesser of (A) \$5,000,000 (unless such assignee has agreed to purchase assignments of interests under this Agreement in a series of transactions which, in the aggregate, will total an original amount not less than \$5,000,000) and (B) if the amount of any Lender's outstanding Loans or Commitment shall be less than \$5,000,000, one hundred percent (100%) of such Lender's outstanding Loans or Commitment. If any Lender so sells or assigns all or a part of its rights hereunder, any reference in this Agreement to such assigning Lender shall thereafter refer to such Lender and to the respective assignee to the extent of their respective interests and the respective assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights and benefits as it would if it were such assigning Lender. Each assignment pursuant to this SECTION 11.4(b) shall be effected by the assigning Lender and the assignee Lender executing an Assignment Agreement and giving Administrative Agent written notice thereof. At the time of any such assignment, (i) either the assigning or the assignee Lender shall pay to Administrative Agent a nonrefundable assignment fee of \$3,500; provided, that if the assignee has agreed to purchase assignments of interests in a series of transactions, such assignment fee shall be payable upon the first assignment of such series and payable only once with respect to such entire series of transactions and no fee shall be due in respect of any assignment to Qualcomm or any of its Affiliates, (ii) SCHEDULE 1.0 shall be deemed to be amended to reflect the Commitments of the respective assignee (which shall result in a direct reduction to the Commitments of the assigning Lender) and of the other Lenders, and (iii) Borrower will, if requested, issue new Pagares to the respective assignee and to the assigning Lender. To the extent that an assignment pursuant to this SECTION 11.4(b) would, at the time of such assignment, result in increased costs under SECTION 1.9 or 3.4 from those being charged by the respective assigning Lender prior to such assignment, then Borrower shall not be obligated to pay such increased costs (although Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective assignment). Each Lender and Borrower agree to execute such documents (including without limitation amendments to this Agreement and the other Financing Agreements) as shall be necessary to effect the foregoing. Nothing in this clause (b) shall prevent or prohibit any Lender from pledging its Pagares or Loans to a Federal Reserve Bank in support of borrowings made by such Lender from such Federal Reserve Bank.

(c) Notwithstanding any other provisions of this SECTION 11.4, no transfer or assignment of the interests or obligations of any Lender hereunder or any grant of participation therein shall be permitted if such transfer, assignment or grant would require Borrower to file a

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registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any State.

(d) Each Lender initially party to this Agreement hereby represents, and each Person that became a Lender pursuant to an assignment permitted by this SECTION 11.4 will, upon its becoming party to this Agreement, represents that it makes loans in the ordinary course of its business and that it will make or acquire Loans for its own account in the ordinary course of such business, provided that subject to the preceding clauses (a) and (b), the disposition of any promissory notes or other evidences of or interests in Indebtedness held by such Lender shall at all times be within its exclusive control.

11.5 NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Financing Agreement and no course of dealing between any Credit Party and Administrative Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Financing Agreement preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.6 PAYMENTS PRO RATA.

(a) Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of any Credit Party in respect of any Obligations of such Credit Party, it shall distribute such payment to the Lenders (other than any Lender that has expressly waived its right to receive its pro rata share thereof) pro rata based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Financing Agreements, or otherwise) which is applicable to the payment of the principal of, or interest on, the Loans or Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all of the Lenders in such amount, provided that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

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11.7 CALCULATIONS; COMPUTATIONS. All computations of interest and Fees hereunder shall be made on the actual number of days elapsed over a year of 360 days (365 or 366 days, as the case may be, in the case of Fees and Base Rate Loans).

11.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL.

(a) This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the General Obligations Laws of the State of New York); provided, however, that in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement shall be deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

(b) Each party hereto hereby agrees that any suit, action or proceeding with respect to this Agreement or any judgment entered by any court in respect thereof may be brought in the United States of America District Court for the Southern District of New York, in the Supreme Court of the State of New York sitting in New York County (including its Appellate Division), or in any other appellate court in the State of New York or the competent courts of the Federal District of Mexico, as the party commencing such suit, action or proceeding may elect in its sole discretion; and each party hereto hereby irrevocably submits to the jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment. Each party hereto further submits, for the purpose of any such suit, action, proceeding or judgment brought or rendered against it, to the appropriate courts of the jurisdiction of its domicile. Borrower hereby waives any rights to a specific jurisdiction it may have by virtue of its present or any future domicile, or otherwise.

(c) The Borrower hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be made upon CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, U.S.A. (the "Process Agent"), and the Borrower hereby confirms and agrees that the Process Agent has been duly and irrevocably appointed as its agent and true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses, and agrees that the failure of the Process Agent to give any notice of any such service of process to the Borrower shall not impair or affect the validity of such service or of any judgment based thereon. The Borrower hereby further irrevocably consents to the service of process in any suit, action or proceeding in said courts by the mailing thereof by the Lender by registered or certified mail, postage prepaid, at its address set forth beneath its signature hereto.

(d) Nothing herein shall in any way be deemed to limit the ability of the Lenders to serve any such writs, process or summonses in any other manner permitted by applicable law or to obtain jurisdiction over Borrower in such other jurisdictions, and in such manner, as may be permitted by applicable law.

(e) Borrower hereby irrevocably waives any objection that it may now or hereafter have to the laying of the venue of any suit, action or proceeding arising out of or

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relating to this Agreement or any other Financing Agreement brought in the Supreme Court of the State of New York, County of New York, or in the United States of America District Court for the Southern District of New York or the competent courts of the Federal District of Mexico, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(f) The Borrower hereby agrees to cause the Process Agent to execute and deliver to the Lender a letter from the Process Agent to the Lender confirming Process Agent's acceptance of the appointment by Borrower prescribed in SECTION 11.8(c).

11.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with Borrower and Administrative Agent.

11.10 EFFECTIVENESS. The Original Credit Agreement became effective on September 25, 1998 (the "Original Effective Date"). This Agreement shall become effective on the date (the "Amendment Effective Date") on which all of the following shall have occurred: (i) Borrower and each of the Lenders shall have signed a copy of this Agreement, (ii) each member of the Borrower Group and each Agent shall have signed a copy of the Common Agreement (in each case whether the same or different copies), (iii) the Common Closing Date shall have occurred, and (iv) the Borrower Group shall have delivered executed copies of this Agreement and the Common Agreement to Administrative Agent at its Notice Office or, in the case of the Lenders, shall have given to Administrative Agent telephonic (confirmed in writing), written telex or facsimile transmission notice (actually received) at such office that the same has been signed and sent to such Lender.

11.11 HEADINGS DESCRIPTIVE. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.12 AMENDMENT OR WAIVER. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and Required Lenders, provided that no such change, waiver, discharge or termination shall, without the consent of each Lender directly affected thereby, (i) extend the final scheduled maturity date of any Facility or any Pagare, it being understood that any waiver of any prepayment of, or the method of application of any prepayment to the amortization of, the Loans shall not constitute any such extension, or reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) or Fees, or reduce the principal amount thereof, or increase the Commitment of any Lender over the amount thereof then in effect (it being understood that a waiver of any Default or Event of Default or of a mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender), (ii) amend, modify or waive any provision of this SECTION 11.12, (iii) reduce the percentage specified in, or (except to give effect to any additional facilities hereunder) otherwise modify, the definition of Required Lenders, (iv) consent to the

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assignment or transfer by Borrower of any of its rights and obligations under this Agreement, (v) establish any new obligations for any Lender or (vi) release all or substantially all of the Collateral; provided that no such change, waiver, discharge or termination shall, without the consent of Administrative Agent, amend any provision of SECTION 10.

11.13 SURVIVAL. All indemnities set forth herein including, without limitation, in SECTION 1.9, 1.10, 3.4, 10.6 or 11.1 shall survive the execution and delivery of this Agreement and the making and repayment of the Loans.

11.14 DOMICILE OF LOANS. Each Lender may transfer and carry its Loans at, to or for the account of any branch office, subsidiary or affiliate of such Lender, provided that Borrower shall not be responsible for costs arising or reimbursable under SECTION 1.9 or 3.4 resulting from any such transfer (other than a transfer pursuant to SECTION 1.11) to the extent not otherwise applicable to such Lender prior to such transfer.

11.15 CONFIDENTIALITY. Subject to SECTION 11.4, the Lenders shall hold

all nonpublic information obtained pursuant to the requirements of this Agreement which has been identified as such by Borrower in accordance with its customary procedure for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its Affiliates, employees, auditors, advisors, or counsel or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Loans or participation therein (so long as such transferee or participant agrees to be bound by the provisions of this SECTION 11.15) or as required or requested by any governmental agency or representative thereof or pursuant to legal process, provided that, unless specifically prohibited by applicable law or court order, each Lender shall notify Borrower of any request by any governmental agency or representative thereof (other than any such request in connection with an examination of the financial condition of such Lender by such governmental agency) for disclosure of any such nonpublic information prior to disclosure of such information, and provided further that in no event shall any Lender be obligated or required to return any materials furnished by any Credit Party.

11.16 LENDER REGISTER. Borrower hereby designates Administrative Agent to serve as its agent, solely for purposes of this SECTION 11.16, to maintain a register (the "Lender Register") on which it will record the Commitments from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation, shall not affect Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitments shall not be effective until such transfer is recorded on the Lender Register maintained by Administrative Agent and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitments and Loans shall be recorded by Administrative Agent on the Lender Register only upon the acceptance by Administrative Agent of a properly executed and delivered Agreement pursuant to SECTION 11.4(b). Borrower agrees to indemnify Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by Administrative Agent in performing its duties under this SECTION

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11.16 other than those resulting from Administrative Agent's willful misconduct or gross negligence.

11.17 JUDGMENT CURRENCY. Borrower agrees to indemnify QUALCOMM against any loss incurred by it as a result of any judgment or order being given or made for the payment of any amount due under any Pagare which is expressed and paid in a currency (the "Judgment Currency") other than the currency in which such amount was to be paid (the "Obligation Currency") and as a result of any variation between (i) the rate of exchange at which the Obligation Currency amount is converted into Judgment Currency for the purposes of such judgment or order, and (ii) the rate of exchange at which QUALCOMM is able to purchase the Obligation Currency with the amount of judgment currency actually received by QUALCOMM. The foregoing indemnity shall constitute a separate and independent obligation of Borrower and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversions into, the relevant currency.

11.18 ENTIRE AGREEMENT; CONSTRUCTION.

(a) This Agreement, the Pagares and the other Financing Agreements, taken together, constitute and contain the entire agreement among Borrower, the Lenders, and Administrative Agent and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

(b) To the extent of any inconsistency between this Agreement and any Pagare, the terms and conditions contained in this Agreement shall govern.

42.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS,
S.A. DE C.V.

By:

Printed Name:

Title: _____

By: _____
Printed Name: _____

Title: _____

Notice Address:

Pegaso Comunicaciones y Sistemas,
S.A. de C.V.
Paseo de los Tamarindos 400-A,
4th floor
Bosques de las Lomas
Mexico, D.F. 05120
Fax No.: 011-525-261-6290
Phone No.: 011-525-261-6243

ABN AMRO BANK N.V.,
as Administrative Agent

By: _____
Printed Name: _____

Title: _____

By: _____
Printed Name: _____

Title: _____

Notice Address:

ABN AMRO Bank N.V.
Agency Services
1325 Avenue of the Americas,
9th Floor
New York, New York 10019
Attention: Linda Boardman,
Vice President and Director
Fax No.: (212) 314-1711
Phone No.: (212) 314-1724

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with a copy to:

ABN AMRO Bank N.V.
Los Angeles Branch
300 South Grand Avenue
Suite 2650
Los Angeles, CA 90071
Attention: Credit Administration
Fax No.: (213) 687-2390

QUALCOMM INCORPORATED
as a Lender

By: _____
Paul Fiskness
Vice President of Project Finance
and Direct Investments

Notice Address:

Qualcomm Incorporated
6455 Lusk Boulevard
San Diego, CA
Attention:
Fax No.:
Phone No.:

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EXHIBITS

Exhibit A -- Form of Term Pagare
Exhibit B -- Form of VAT Pagare
Exhibit C -- Form of Loan Request
Exhibit D -- Form of Notice of Deemed Loan
Exhibit E -- Form of Notice of Conversion/Continuation
Exhibit F -- Form of Assignment Agreement

SCHEDULES

Schedule 1.0 -- Commitments
Schedule 1.5 -- Existing Loans

SCHEDULE 1.0

COMMITMENTS

<TABLE>			
<CAPTION>			
LENDER	FACILITY-1 COMMITMENT	FACILITY-2 COMMITMENT	VAT LOAN COMMITMENT
- - - - -	- - - - -	- - - - -	- - - - -
<S>	<C>	<C>	<C>
QUALCOMM	\$200,000,000.00	\$90,000,000.00	\$20,000,000
Total:	\$200,000,000.00	\$90,000,000.00	\$20,000,000

NOTE: The foregoing Commitments are subject to the maximum aggregate commitment in the amount of the Total Commitment, an amount which is less than the sum of the Commitments set forth above.

SCHEDULE 1.5

EXISTING LOANS

AMENDMENT NO. 1 TO
AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT AGREEMENT, dated as of May [___], 1998 (this "Amendment"), is entered into among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a corporation organized under the laws of Mexico ("Borrower"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM"), the lenders from time to time party to the Amended and Restated Credit Agreement (each, a "Lender" and, collectively, "Lenders"), and ABN AMRO BANK N.V. as administrative agent for the Lenders ("Administrative Agent").

RECITALS

WHEREAS, Borrower has entered into (i) that Amended and Restated Credit Agreement dated as of December 15, 1998 (the "Credit Agreement"), by and among Borrower, Lenders and Administrative Agent, and (ii) that Common Agreement, dated as of December 15, 1998, as the same may be amended, supplemented, modified or restated from time to time (the "Common Agreement"), by and among each member of Borrower Group, the Collateral Agent, the Intercreditor Agent, the Alcatel Administrative Agent (each as defined in the Common Agreement), and Administrative Agent,.

WHEREAS, Lenders have extended credit to Borrower for the purposes permitted in the Credit Agreement and the Common Agreement in the form of Loans (as defined below) advanced to Borrower.

WHEREAS, the parties to the Credit Agreement desire to amend the Credit Agreement to (i) create a capitalized interest facility, (ii) clarify the deemed loan mechanism, and (iii) revise Schedule 1.5 attached thereto, all in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Credit Agreement, as amended by this Amendment, the Common Agreement and Annex A thereto.

1.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT.

2.1 SECTION 9 (DEFINITIONS). Section 9 is amended as follows:

(a) DEFINITION OF "ADDITIONAL LOANS" The definition of "Additional Loans" is amended by adding the parenthetical "(other than Capitalized Interest Loans)" immediately after the word "Loans."

(b) DEFINITION OF "CAPITALIZED APPLICABLE MARGIN" A new definition of "Capitalized Applicable Margin" shall be added in appropriate alphabetical order to read as follows:

"Capitalized Applicable Margin" shall mean, with respect to any Capitalized Interest Loan, the Applicable Margin that is applicable to the Long-Term Loan with respect to which the Capitalized Interest Loan was made.

(c) DEFINITION OF "CAPITALIZED INTEREST COMMITMENT" A new definition of "Capitalized Interest Commitment" shall be added in appropriate alphabetical order to read as follows:

"Capitalized Interest Commitment" shall mean with respect to each Lender, the aggregate amount required for Capitalized Interest Loans pursuant to SECTIONS 1.1(f) AND 1.2(b) to finance the regularly scheduled interest payments of Tranche A Loans and Tranche C Loans made by such Lender under Facility-1, and the capitalized interest thereon pursuant to SECTION 1.8(e).

(d) DEFINITION OF "CAPITALIZED INTEREST FACILITY" A new definition of "Capitalized Interest Facility" shall be added in appropriate alphabetical order to read as follows:

"Capitalized Interest Facility" shall mean the credit facility under this Agreement as evidenced by the Capitalized Interest Loans.

(e) DEFINITION OF "CAPITALIZED INTEREST LOAN" A new definition of "Capitalized Interest Loan" shall be added in appropriate alphabetical order to read as follows:

"Capitalized Interest Loan" shall have the meaning provided in SECTION 1.1(f).

(f) DEFINITION OF "CAPITALIZED INTEREST RATE" A new definition of "Capitalized Interest Rate" shall be added in appropriate alphabetical order to read as follows:

"Capitalized Interest Rate" shall mean, as determined on the last Business Day of each calendar month, a rate per annum equal to the Eurodollar Rate (set pursuant to the definition thereof) with a three month Interest Period, which rate shall be adjusted automatically on the last Business Day of each calendar month.

2.

(g) DEFINITION OF "COMMITMENT" The definition of "Commitment" is amended by adding the term Capitalized Interest Commitment immediately after the term "Facility-2 Commitment."

(h) DEFINITION OF "EURODOLLAR LOANS" The definition of "Eurodollar Loans" is amended by adding inside the parenthetical thereof the phrase "or Capitalized Interest Loans" immediately after the phrase "other than VAT Loans."

(i) DEFINITION OF "FACILITY" The definition of "Facility" is amended by adding the term "Capitalized Interest Facility" immediately after the term "Facility-2."

(j) DEFINITION OF "PERCENTAGE" The definition of "Percentage" is deleted in its entirety and the following is substituted therefor:

"Percentage" shall mean at any time for each Lender with respect to the Loans and/or Commitments under any Facility, the percentage obtained by dividing such Lender's Commitment for such Facility by the aggregate Commitments of all Lenders for such Facility, provided that (i) with respect to the making of any Loans under such Facility on any date

on or after May [___], 1999, unless otherwise agreed among all of the Lenders in writing, written notice of which shall be delivered to Administrative Agent prior to the end of the Loan Request Review Period or at the time of delivery of Notice of Deemed Loan, as applicable with respect to such Loans, the Percentage of each Lender for such Facility shall be determined by dividing the amount of such Lender's unused Commitment by the aggregate amount of unused Commitments of all Lenders for such Facility as of the date such Loans are to be made; (ii) if the Commitments of all Lenders for such Facility have been terminated, the Percentage of each Lender for such Facility shall be determined by dividing such Lender's Commitment for such Facility immediately prior to such termination by the aggregate Commitments of all Lenders for such Facility immediately prior to such termination.

(k) DEFINITION OF "VENDOR" The definition of "Vendor" is deleted in its entirety and the following is substituted therefor:

"Vendor" shall not have the meaning set forth in the Recitals, but shall mean QUALCOMM, QUALCOMM Wireless Services (Mexico), S.A. de C.V. or their permitted assignees, as applicable, in respect of the QUALCOMM Procurement Agreements.

2.2 SECTION 1.1 (COMMITMENT).

(a) The introductory clause to SECTION 1.1 which appears before clause "(a)" is amended by inserting the phrase ", the Capitalized Interest Facility" immediately after the reference to "Facility-2."

(b) SECTION 1.1(d) is deleted in its entirety and the following is substituted therefor:

3.

(d) Notwithstanding anything in this Agreement to the contrary, no Lender shall be obligated to make any Loan (other than Capitalized Interest Loans) to the extent that the initial aggregate principal amount of all Loans (other than Capitalized Interest Loans) made hereunder shall exceed the Total Commitment.

(c) In SECTION 1.1(e), a new sentence is added at the end thereof to read as follows:

To the extent that any Tranche A or Tranche C Loan under Facility-1 is redesignated pursuant to this SECTION 1.1(e), the principal and interest amounts (including the Capitalized Applicable Margin) of any Capitalized Interest Loan related to such redesignated Tranche A or Tranche C Loan shall be adjusted to be consistent with the terms of such redesignation.

(d) A new SECTION 1.1(f) is added in appropriate alphabetical order to read as follows:

(f) Loans under the Capitalized Interest Facility (each a "Capitalized Interest Loan" and, collectively, the "Capitalized Interest Loans") shall be made from time to time to finance the interest that accrues on certain Long-Term Loans as follows: (i) to finance the interest on each Tranche A Loan under Facility-1, Capitalized Interest Loans shall be made on the regularly scheduled Interest Payment Dates occurring prior to the Facility-1 Refinancing Date; and (ii) to finance the interest on each Tranche C Loan under Facility-1, Capitalized Interest Loans shall be made on the regularly scheduled Interest Payment Dates occurring prior to the first anniversary of the Original Effective Date. With respect to each Lender, each Loan shall be in an amount equal to the amount of interest due and payable on such Interest Payment Date with respect to such Lender's then outstanding Tranche A Loans and Tranche C Loans, as applicable.

2.3 SECTION 1.2 (TYPES OF LOANS). SECTION 1.2 is amended as follows:

(a) The heading of SECTION 1.2 is deleted in its entirety and replaced with a heading that reads "TYPES OF LOANS."

(b) A subsection reference "(a)" is inserted immediately before the first sentence, and a new subsection "(b)" is added immediately after the end of the second sentence to read as follows:

(b) Each initial Borrowing of Capitalized Interest Loans pursuant to SECTION 1.5(b)(vi) shall be comprised of Capitalized Interest Loans bearing interest at the Capitalized Interest Rate plus the relevant Capitalized Applicable Margin.

4.

2.4 SECTION 1.5 (EXISTING LOANS, NOTICE AND MANNER OF MAKING LOANS OR CONVERTING/CONTINUING LONG-TERM LOANS). SECTION 1.5 is amended as follows:

(a) The headings of SECTION 1.5 and SECTION 1.5(b) are amended by deleting the word "Additional" before the word "Loans" in each heading.

(b) SECTION 1.5(a) is amended by adding a two new sentences at the end thereof to read as follows:

(a) Notwithstanding anything contained herein to the contrary, (i) each Loan described on Schedule 1.5 shall be deemed to have been incurred on, and have an effective date of, the date set forth on Schedule 1.5 for such Loan, (ii) each Loan described on Schedule 1.5 and each Loan incurred during the period from December 15, 1998 through May [___], 1999 (individually, a "Pre-Amendment Loan") shall be deemed to have been a Base Rate Loan until the first Business Day of the calendar month immediately succeeding the effective date of such Loan and, subject to the immediately subsequent sentence, during the period from such Business Day through and including May 31, 1999 (the "Retroactive Eurodollar Period"), such Loan shall be deemed to have been converted to a Eurodollar Loan with a one month Interest Period and serially continued as a Eurodollar Loan with a one month Interest Period until the end of the Retroactive Eurodollar Period, and (iii) on June 1, 1999, and thereafter, each Pre-Amendment Loan shall be subject to SECTIONS 1.3 and 1.4 hereof. Clauses (i) and (ii) of the immediately preceding sentence shall apply only if Borrower delivers to Administrative Agent, with respect to each Pre-Amendment Loan, a Notice of Conversion/Continuation for each Interest Period during the Retroactive Eurodollar Period, which notices shall evidence the joint and several guarantee "avalado" by the Guarantors and shall be attached by the Administrative Agent (if it holds possession of the applicable Pagare) and otherwise by the Lender to the respective Pagares that evidence such Loans.

(c) In SECTION 1.5(b) (i),

(i) the introductory language of CLAUSE (A) thereof is deleted in its entirety and the following is substituted therefor:

(A) to each of Administrative Agent, the applicable Vendor and QUALCOMM, written notice specifying

(ii) CLAUSE (B) thereof is deleted in its entirety and the following is substituted therefor:

(B) to the applicable Vendor and QUALCOMM, all invoices and any other supporting documentary information necessary to evidence the QUALCOMM Costs and VAT, if applicable, giving rise to such Loan Request (the "Invoices").

(d) SECTION 1.5(b) (ii) is deleted in its entirety and the following is substituted therefor:

(ii) On each date prior to the end of the VAT Facility Availability Period, the Facility-1 Availability Period or the Facility-2 Availability Period, as applicable, on

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which payment for any VAT or under any QUALCOMM Procurement Agreement, as applicable, is due for which Borrower has received an Invoice, or on which cash payment for any VAT or QUALCOMM Costs has been made by QUALCOMM for Borrower's account with respect to the importation of goods into Mexico, and such payment has not been made or a Borrowing of VAT Loans or Long-Term Loans, as applicable, has not been requested by Borrower pursuant to SECTION 1.5(b) (i) hereof, either Vendor may deliver to Administrative Agent by electronic facsimile transmission written notice of such due date and the amount of such payment due under the applicable QUALCOMM Procurement Agreement or in connection with such importation of goods into Mexico (less any amounts as to which the applicable Vendor and the Administrative Agent have received written notice from Borrower of any dispute with respect to such amount being due and payable), which notice shall be substantially in the form of EXHIBIT D to this Agreement (a "Notice of Deemed Loan"), and a Borrowing of Base Rate Loans (which Loans shall be VAT Loans, or Tranche A Loans, Tranche B Loans or Tranche C Loans as shall be determined pursuant to SECTION 1.1(e)) shall be deemed to have been made (A) as of the date on which such payment was due for any VAT or under the applicable QUALCOMM Procurement Agreement for which Borrower has received an invoice and (B) as of the date on which cash payment was made to the customs broker or other applicable party in the case of any VAT or QUALCOMM Costs paid in connection with the importation of goods into Mexico, and the amount of VAT Loans or Long-Term Loans, as applicable, owing to each Lender shall automatically be increased to add to the principal amount thereof the amount of such required payment according to the Commitment of each

Lender making such VAT Loan or Long-Term Loan, as applicable, as of the date of such Notice of Deemed Loan, as to the applicable Vendor which is a Lender, and as to any other Lender, as of the date that such Lender remits funds in respect of such Loan to the Administrative Agent; provided, however, that Borrower may thereafter elect to convert such VAT Loans or Long-Term Loans in whole or in part to Eurodollar Loans in accordance with SECTION 1.5(c) below.

(e) A new SECTION 1.5(b)(vi) is added in appropriate alpha-numeric order to read as follows:

(vi) Notwithstanding anything in this Agreement to the contrary, (i) unless Borrower shall notify Administrative Agent at least Two (2) Business Days prior to the next succeeding regularly scheduled Interest Payment Date that this SECTION 1.5(b)(vi) shall not be applicable to any of the interest payments on the Tranche A or C Loans otherwise eligible for financing under the Capitalized Interest Facility pursuant to SECTION 1.1(f), a Capitalized Interest Loan Request shall be deemed to have been made on such date (a "Deemed Capitalized Interest Loan Request") for a Capitalized Interest Loan as set forth in SECTION 1.2(b), with respect to such eligible interest payments as set forth in SECTION 1.1(f), in the amount of the interest payment to become due and payable on such Tranche A Loans or Tranche C Loans, as applicable, on such Interest Payment Date.

(f) In SECTION 1.5(d), the term "Deemed Capitalized Interest Loan Request" is inserted immediately after the term "Notice of Deemed Loan."

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2.5 SECTION 1.8 (INTEREST). SECTION 1.8 is amended as follows:

(a) In the first sentence of SECTION 1.8(a), a new clause (iii) is added to read as follows:

and (iii) in the case of Capitalized Interest Loans, be the Capitalized Interest Rate plus the relevant Capitalized Applicable Margin.

(b) In SECTION 1.8(c) clause (iii) is renumbered as clause (iv) and a new clause (iii) is added to read as follows:

(iii) in the case of Capitalized Interest Loans, on the last Business Day of each calendar month, and

(c) SECTION 1.8(e) is deleted in its entirety and following is substituted therefor:

(e) Anything in this Agreement to the contrary notwithstanding, and unless Borrower shall notify Administrative Agent that this SECTION 1.8(e) shall not be applicable to any of the interest payments on the Capitalized Interest Loans, the interest that accrues on the Capitalized Interest Loans shall not be required to be paid in cash on any Interest Payment Date occurring prior to the Facility-1 Refinancing Date (as to Capitalized Interest Loans made on Tranche A Loans under Facility-1) or prior to the first anniversary of the Original Effective Date (as to the Capitalized Interest Loans made on Tranche C Loans under Facility-1), but on each such Interest Payment Date relating to a Capitalized Interest Loan, such accrued interest will be capitalized and added, as a new Capitalized Interest Loan, to the principal of the Capitalized Interest Loans of each Lender with respect to which such interest accrued.

2.6 SECTION 1.9(a) (INCREASED COSTS, ILLEGALITY, ETC). Clause (z) at the end of SECTION 1.9(a) is deleted in its entirety and the following is substituted therefor:

(z) in the case of CLAUSE (iii) above, (A) the obligations of such Lender to make and maintain Eurodollar Loans under the respective Facilities shall terminate and all of the outstanding Eurodollar Loans made by such Lender shall, at the option of Borrower, either be repaid or converted to Base Rate Loans, and (B) all Capitalized Interest Loans to be made by such Lender thereafter shall be made as Base Rate Loans, and all outstanding Capitalized Interest Loans already made by such Lender shall, at the option of Borrower, be repaid or converted to Base Rate Loans.

2.7 SECTION 3.2 (MANDATORY PREPAYMENTS AND REPAYMENTS). Section 3.2 is amended as follows:

(a) SECTION 3.2(a) is deleted in its entirety and the following is substituted therefor:

(a) Borrower shall repay all Tranche A Loans, and all Capitalized Interest Loans made with respect thereto, as applicable, which are outstanding under

7.

Facility-1 and Facility-2, as applicable, on the Facility-1 EXIM Loans Closing Date and Facility-2 EXIM Loans Closing Date, as applicable, to the extent refinanced with the proceeds of EXIM Financing. Any amount of Tranche A Loans and such related Capitalized Interest Loans not so refinanced shall be subject to SECTION 3.2(e).

(b) SECTION 3.2(c) is deleted in its entirety and the following is substituted therefor:

(c) All Tranche C Loans, and all Capitalized Interest Loans made with respect thereto, which are outstanding under Facility-1 on the first anniversary of the Original Effective Date shall be automatically converted into Tranche B Loans under such Facility on such date.

(c) SECTION 3.2(e) is deleted in its entirety and the following is substituted therefor:

(e) All Tranche A Loans, and all Capitalized Interest Loans made with respect thereto, as applicable, which are outstanding under Facility-1 and Facility-2 on the Facility-1 Refinancing Date or the Facility-2 Refinancing Date, as applicable, shall be automatically converted into Tranche B Loans under Facility-1 or Facility-2, as applicable, on such date to the extent not refinanced with the proceeds of EXIM Financing.

2.8 A new SECTION 4.4 is added to read as follows:

4.2 CONDITIONS PRECEDENT TO CAPITALIZED INTEREST LOANS.

Notwithstanding anything to the contrary herein, the obligation of each Lender to make any Capitalized Interest Loan is subject only to the satisfaction of the following conditions:

(a) NO BANKRUPTCY OR INSOLVENCY PROCEEDINGS. No Event of Default under Section 7.05, 7.06 or 7.07 of the Common Agreement shall have occurred.

(b) NO ACCELERATION OF THE LOANS. Lenders shall not have accelerated the Loans pursuant to Section 7.17(b) of the Common Agreement.

2.9 SCHEDULE 1.5. Schedule 1.5 attached to the Credit Agreement is hereby replaced in its entirety by Schedule 1.5 attached to this Amendment.

SECTION 3. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND OTHER FINANCING AGREEMENTS.

(a) Upon the effectiveness of this Amendment, on after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended hereby and each reference in the Financing Agreements to the QUALCOMM Credit Agreement shall also mean and be a reference to the Credit Agreement as amended by this Amendment.

8.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Administrative Agent or Lenders under the Credit Agreement, the Common Agreement or any of the Financing Agreements, nor constitute a waiver of any provision of the Credit Agreement, the Common Agreement or any of the Financing Agreements.

SECTION 4. REAFFIRMATION OF TERMS. This Amendment shall be construed in connection with and as part of the Financing Agreements and all terms, conditions, representations, warranties, covenants and agreements set forth in the Financing Agreements, except as herein waived or amended, are hereby ratified and confirmed and shall remain in full force and effect.

SECTION 5. ACKNOWLEDGMENTS AND WAIVERS. Each member of the Borrower Group hereby ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted to the Collateral Agent pursuant to the Security Documents, for the benefit of the Lenders, as collateral security for the Obligations, and acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for the Obligations, continues to be and remain collateral for the Obligations from and after the date hereof.

SECTION 6. RELEASE AND WAIVER.

(a) Each member of the Borrower Group hereby acknowledges and agrees that: (i) it has no claim or cause of action against Administrative Agent, any Lender or any other Affiliate thereof, or any of their officers,

directors, employees, attorneys or other representatives or agents (all of which parties being, collectively, "SECURED PARTIES' AGENTS") under the Financing Agreements (including, without limitation, in respect of the Senior Loans thereunder but excluding under or in respect of the Vendor Agreements) (collectively, the "Financing Transactions"), with respect to any condition, act, omission, event, contract, liability, obligation, indebtedness, claim, cause of action, defense, circumstance or matter of any kind whatsoever which existed, arose or occurred at any time prior to the execution and delivery of this Amendment or which could arise concurrently with the effectiveness of this Amendment ("Claims"); (ii) it has no offset or defense against any of its respective obligations, indebtedness or contracts in favor of Administrative Agent or any Lender on account of any Claims and (iii) it recognizes that Administrative Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations and contracts with each member of the Borrower Group relating to the Financing Transactions.

(b) Although Administrative Agent and Lenders regard their conduct as proper and do not believe any member of the Borrower Group to have any claim, cause of action, offset or defense against Administrative Agent, any Lender or any of Secured Parties' Agents in connection with the Financing Transactions, Administrative Agent and Lenders wish, and each member of the Borrower Group agrees, to eliminate any possibility that any past conditions, acts, omissions, events, circumstances or matters could impair or otherwise affect any rights, interests, contracts or remedies of Administrative Agent or any Lender. Therefore, each member of the Borrower Group unconditionally releases and waives as to Administrative Agent or any Lender in its capacity as a Secured Party under the Financing Agreements (and not in any other capacity, including, without limitation, in its capacity as a Vendor) (1) any and all

9.

liabilities, indebtedness and obligations, whether known or unknown, of any kind of Administrative Agent or any Lender or of any of Secured Parties' Agents to any member of the Borrower Group arising under the Financing transactions and which exist on the date hereof, except the obligations remaining to be performed by Administrative Agent and Lenders as expressly stated in the Financing Agreements executed by Administrative Agent and Lenders; (2) any legal, equitable or other obligations or duties, whether known or unknown, of Administrative Agent or any Lender or of any of Secured Parties' Agents to any member of the Borrower Group (and any rights of any member of the Borrower Group against Administrative Agent or any Lender) arising under the Financing Transactions and which exist on the date hereof besides those expressly stated in any of the Financing Agreements; (3) any and all claims under any oral or implied agreement, obligation or understanding with Administrative Agent or any Lender or any of Secured Parties' Agents, whether known or unknown, arising under the Financing transactions and which exist on the date hereof and are different from or in addition to the express terms of any of the other Financing Agreements; and (4) all other claims, causes of action or defenses of any kind whatsoever (if any), whether known or unknown, which any member of the Borrower Group might otherwise have against Administrative Agent or any Lender or any of Secured Parties' Agents, on account of any Claims.

(c) EACH MEMBER OF THE BORROWER GROUP AGREES TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED BY THIS AMENDMENT IN FAVOR OF ADMINISTRATIVE AGENT AND EACH LENDER AND SECURED PARTIES' AGENTS, AND EACH MEMBER OF THE BORROWER GROUP HEREBY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT MIGHT OTHERWISE HAVE UNDER THE LAW OF THE STATE OF NEW YORK AND THE LAW OF THE FEDERAL DISTRICT OF MEXICO WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS. TO THE EXTENT (IF ANY) WHICH ANY SUCH LAWS MAY BE APPLICABLE, EACH MEMBER OF THE BORROWER GROUP WAIVES AND RELEASES (TO THE MAXIMUM EXTENT PERMITTED BY LAW) ANY RIGHT OR DEFENSE WHICH IT MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OF ANY APPLICABLE JURISDICTION WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY OF ITS WAIVERS OR RELEASES UNDER THIS AMENDMENT.

SECTION 7. REPRESENTATIONS AND WARRANTIES. In order to induce Administrative Agent and Lenders to enter into this Amendment, each member of the Borrower Group hereby represents and warrants to each Lender and Administrative Agent as follows:

7.1 Immediately after giving effect to this Amendment (i) the representations and warranties contained in the Financing Agreements (other than those which expressly relate to a different date) are true, accurate and complete in all material respects as of the date hereof and (ii) no Default or Event of Default has occurred and is continuing;

10.

7.2 The Charter Documents of each member of the Borrower Group delivered to Administrative Agent on the Closing Date remain true, accurate and complete and have not been amended, supplemented or restated and are and

continue to be in full force and effect;

SECTION 8. COUNTERPARTS. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 9. EFFECTIVENESS. This Amendment shall be deemed effective upon the satisfaction of all of the following conditions precedent :

9.1 AMENDMENT. Each member of the Borrower Group and each Lender shall have duly executed and delivered this Amendment to Administrative Agent.

9.2 ACKNOWLEDGMENT OF AMENDMENT AND REAFFIRMATION OF GUARANTY. Administrative Agent shall have received the Acknowledgment of Amendment and Reaffirmation of Guaranty, duly executed and delivered by each Guarantor.

9.3 CERTIFIED RESOLUTIONS. Administrative Agent shall have received for each member of the Borrower Group a certificate of the appropriate officers of such member of the Borrower Group dated the date hereof certifying (i) the names and true signatures of the incumbent officers of such member of the Borrower Group authorized to sign the this Amendment, (ii) the resolutions of such member's Board of Directors approving and authorizing the execution, delivery and performance of this Amendment, and (iii) that there have been no changes in the Charter Documents of such member of the Borrower Group since the date of certification thereof to Administrative Agent in connection with the Closing of the Financing Agreements.

9.4 PAYMENT OF REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS. Each member of the Borrower Group shall have paid to Administrative Agent and the Lenders all of their reimbursement and indemnification obligations owing under SECTION 11.1 of the Credit Agreement and Section 8.01 of the Common Agreement, including its obligation to pay all attorneys' fees and costs and other disbursements incurred by Administrative Agent and Lenders in connection with the negotiation, implementation, execution and enforcement of this Amendment and any acts contemplated hereby.

9.5 The conditions precedent for the initial Syndicated Working Capital Loans (as defined in the Bridge Loan Agreement (the "Bridge Loan Agreement") dated as of the date hereof by and among each member of the Borrower Group, the lenders party thereto and Citibank, N.A., as administrative agent) under Section 5.1 of the Bridge Loan Agreement shall have been satisfied or waived.

SECTION 10. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the General Obligations Laws of the State of New York); provided, however, that in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement shall be

11.

deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

12.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____

Name: _____

Title: _____

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____

Name: _____

Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____

Name: _____

Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____

Name: _____

Title: _____

13.

ABN AMRO BANK N.V., as QUALCOMM Administrative Agent

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

QUALCOMM INCORPORATED

By: _____

Name: _____

Title: _____

TELEFONAKTIEBOLAGET L.M. ERICSSON (PUBL)

By: _____

Name: _____

Title: _____

14.

Capitalized terms used but not defined in this Acknowledgment of Amendment and Reaffirmation of Guaranty shall have the meanings given to them in the Credit Agreement.

SECTION 1. Each of the undersigned Guarantors hereby acknowledges and confirms that it has reviewed and approved the terms and conditions of the Amendment No. 1 to Amended and Restated Agreement dated as of even date herewith (the "Amendment").

SECTION 2. Each of the Guarantors hereby consents to the Amendment and agrees that the Pegaso Guaranty Agreement relating to the Obligations of Borrower under the Financing Agreements shall continue in full force and effect, shall be valid and enforceable and shall not be impaired or otherwise affected by the execution of the Amendment or any other document or instrument delivered in connection herewith.

SECTION 3. Each of the Guarantors severally represents and warrants that, after giving effect to the Amendment, all representations and warranties contained in the Pegaso Guaranty Agreement are true, accurate and complete as if made the date hereof.

SECTION 4. Each of the Guarantors hereby ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted, pursuant to the Security Documents to the Collateral Agent, for itself and on behalf of the Lenders, as collateral security for the Obligations, and acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged as security for the Obligations, continues to be and remain collateral for the Obligations from and after the date hereof.

Dated: May [___], 1999

PEGASO TELECOMUNICACIONES, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
Name: _____
Title: _____

CITIBANK, N.A., as Intercreditor Agent

By: _____
Name: _____
Title: _____

AMENDMENT NO. 2 TO AMENDED

AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO THE AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 28, 2000 (this "Amendment"), among PEGASO COMUNICACIONES Y

SISTEMAS, S.A. DE C.V., a corporation organized under the laws of Mexico ("Borrower"), QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware, ("QUALCOMM"), the lenders (each, a "Lender" and, collectively, the "Lenders") from time to time party to the Amended and Restated Credit Agreement (as defined below), and ABN AMRO BANK N.V. as administrative agent for the Lenders ("Administrative Agent").

RECITALS

WHEREAS, the Borrower has entered into that certain Amended and Restated Credit Agreement, dated as of December 15, 1998, by and among the Borrower, QUALCOMM, the Lenders and the Administrative Agent, as amended by that certain Amendment No. 1 to Amended and Restated Credit Agreement dated as of May 27, 1999 (as so amended, the "Credit Agreement").

WHEREAS, the parties to the Credit Agreement desire to further amend the Credit Agreement as provided below, all in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Unless defined herein, all capitalized terms used herein shall have the meanings given to them in the Credit Agreement.

SECTION 2. AMENDMENT TO CREDIT AGREEMENT.

2.1 SECTION 9 (DEFINITIONS). Section 9 of the Credit Agreement is hereby amended by deleting the definition of Facility-2 Availability Period in its entirety, and inserting the following in lieu thereof:

"Facility-2 Availability Period" shall mean the period commencing on November 28, 2000 and ending on December 31, 2002.

SECTION 3. REFERENCE TO AND EFFECT ON CREDIT AGREEMENT AND OTHER FINANCING AGREEMENTS.

1.

(a) Upon the effectiveness of this Amendment, on and after the date hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended by this Amendment and each reference in the Financing Agreements to the Credit Agreement shall also mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or any of the Financing Agreements, nor constitute a waiver of any provision of the Credit Agreement or any of the Financing Agreements.

SECTION 4. REAFFIRMATION OF TERMS. This Amendment shall be construed in connection with and as part of the Financing Agreements and all terms, conditions, representations, warranties, covenants and agreements set forth in the Financing Agreements, except as herein waived or amended, are hereby ratified and confirmed and shall remain in full force and effect.

SECTION 5. ACKNOWLEDGMENTS AND WAIVERS. Borrower hereby ratified and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted pursuant to the Common Agreement and the Security Documents referred to therein, for the benefit of the Lenders, as collateral security for the Senior Indebtedness, and acknowledges that all of such Liens and security interests, and all collateral pledged as security for the Senior Indebtedness, continues to be and remain collateral for the Senior Indebtedness from and after the date hereof.

SECTION 6. RELEASE AND WAIVER.

(a) Borrower hereby acknowledges and agrees that: (i) it has no claim or cause of action against any Lender or the Administrative Agent, or any of their officers, directors, employees, attorneys or other representatives or agents under the Financing Agreements with respect to any condition, act, omission, event, contract, liability, obligation, indebtedness, claim, cause of action, defense, circumstance or matter of any kind whatsoever which existed, arose or occurred at any time prior to the execution and delivery of this Amendment or which could arise concurrently with the effectiveness of this Amendment ("CLAIMS"); (ii) it has no offset or defense against any of its respective obligations, indebtedness or contracts in favor of any Lender or the Administrative Agent on account of any Claims; and (iii) it recognizes that each Lender and the Administrative Agent has heretofore properly performed and

satisfied in a timely manner all of its obligations to and contracts with the Borrower relating to the Financing Agreements.

(b) Although the Administrative Agent and Lenders regard their conduct as proper and do not believe the Borrower to have any claim, cause of action, offset or defense against any Lender or the Administrative Agent in connection with the Financing Agreements, Lenders and the Administrative Agent wish, and the Borrower agrees, to eliminate any possibility that any past conditions, acts, omissions, events, circumstances or matters could impair or otherwise affect any rights, interests, contracts or remedies of any Lender or the Administrative Agent. Therefore, the Borrower unconditionally releases and waives as to all

2.

Lenders and the Administrative Agent (1) any and all liabilities, indebtedness and obligations, whether known or unknown, of any kind of any Lender or the Administrative Agent to the Borrower arising under the Financing Agreements and which exist on the date hereof, except the obligations remaining to be performed by the Lenders as expressly stated in the Financing Agreements; (2) any legal, equitable or other obligations or duties, whether known or unknown, of the Lenders or of the Administrative Agent to the Borrower (and any rights of the Borrower against any Lender or the Administrative Agent) arising under the Financing Agreements and which exist on the date hereof besides those expressly stated in the Financing Agreements; (3) any and all claims under any oral or implied agreement, obligation or understanding with any Lender or the Administrative Agent, whether known or unknown, arising under the Financing Agreements and which exist on the date hereof; and (4) all other claims, causes of action or defenses of any kind whatsoever (if any), whether known or unknown, which the Borrower might otherwise have against any Lender or the Administrative Agent, on account of any Claims.

(c) THE BORROWER AGREES TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED BY THIS AMENDMENT IN FAVOR OF ANY LENDER OR THE ADMINISTRATIVE AGENT, AND THE BORROWER HEREBY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT MIGHT OTHERWISE HAVE UNDER THE LAW OF THE STATE OF NEW YORK AND THE LAW OF THE FEDERAL DISTRICT OF MEXICO WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS. TO THE EXTENT (IF ANY) WHICH ANY SUCH LAWS MAY BE APPLICABLE, THE BORROWER WAIVES AND RELEASES (TO THE MAXIMUM EXTENT PERMITTED BY LAW) ANY RIGHT OR DEFENSE WHICH IT MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OF ANY APPLICABLE JURISDICTION WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY OF ITS WAIVERS OR RELEASES UNDER THIS AMENDMENT.

SECTION 7. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders and the Administrative Agent to enter into this Amendment, the Borrower hereby represents, warrants and covenants to the Lenders and the Administrative Agent as follows:

7.1 Immediately after giving effect to this Amendment (i) the representations and warranties contained in the Financing Agreements (other than those which expressly relate to a different date) are true, accurate and complete in all material respects as of the date hereof and (ii) no Default or Event of Default has occurred and is continuing;

7.2 Pegaso shall deliver to the Administrative Agent, simultaneous with the execution of this Amendment No. 2, the Charter Documents of the Borrower as amended and restated effective April 2000. Such Charter Documents, as so amended and restated, remain true, accurate and complete and have not been amended, supplemented or restated subsequent to such date and are and continue to be in full force and effect;

3.

SECTION 8. COUNTERPARTS. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 9. EFFECTIVENESS. This Amendment shall be deemed effective upon the satisfaction of all of the following conditions precedent:

9.1 AMENDMENT. Borrower shall have duly executed and delivered this Amendment to the Administrative Agent.

9.2 ACKNOWLEDGMENT OF AMENDMENT AND REAFFIRMATION OF GUARANTY. The Administrative Agent shall have received the Acknowledgment of Amendment and Reaffirmation of Guaranty, duly executed and delivered by each Guarantor.

9.3 PAYMENT OF REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS.

Borrower shall have paid to the Lenders and the Administrative Agent all of its reimbursement and indemnification obligations owing under Section 11.1 of the Credit Agreement, including its obligation to pay all attorneys' fees and costs and other disbursements incurred by the Lenders or the Administrative Agent in connection with the negotiation, implementation, execution and enforcement of this Amendment and any acts contemplated hereby.

SECTION 10. GOVERNING LAW. This Agreement shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the General Obligations Laws of the State of New York); provided, however, that in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Agreement in the courts of Mexico or any political subdivision thereof, this Agreement shall be deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

4.
ACKNOWLEDGEMENT OF AMENDMENT
AND REAFFIRMATION OF GUARANTY

Capitalized terms used but not defined in this Acknowledgement of Amendment and Reaffirmation of Guaranty shall have the meanings given to them in the Credit Agreement.

SECTION 1. Each of the undersigned Guarantors hereby acknowledges and confirms that it has reviewed and approved the terms and conditions of the Amendment No. 1 to Credit Agreement dated as of even date herewith (the "Amendment").

SECTION 2. Each of the Guarantors hereby consents to the Amendment and agrees that the Pegaso Guaranty Agreement relating to the Senior Indebtedness of the Borrower under the Credit Agreement shall continue in full force and effect, shall be valid and enforceable and shall not be impaired or otherwise affected by the execution of the Amendment or any other document or instrument delivered in connection herewith.

SECTION 3. Each of the Guarantors severally represents and warrants that, after giving effect to the Amendment, all representations and warranties contained in the Pegaso Guaranty Agreement are true, accurate and complete as if made the date hereof.

SECTION 4. Each of the Guarantors hereby ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted by it, pursuant to the Security Documents to the Administrative Agent, for itself and on behalf of the Senior Lenders, as collateral security for the Senior Indebtedness, and acknowledges that all of such Liens and security interests, and all Collateral heretofore pledged by it as security for the Senior Indebtedness, continues to be and remain collateral for the Senior Indebtedness from and after the date hereof.

Dated: November 28, 2000

PEGASO TELECOMUNICACIONES, S.A., DE C.V.

BY: /s/ [SIGNATURE ILLEGIBLE]

Name: _____

Title: _____

1.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS, S.A.
DE C.V.

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: _____

Title: _____

ABN AMRO BANK N.V.,
as Administrative Agent

By: /s/ Mary C. Casey /s/ Milena Sopcic

Printed Name: Mary C. Casey Milena Sopcic

Title: Vice President Assistant Vice President

QUALCOMM INCORPORATED
as a Lender

By: /s/ Paul Fiskness

Paul Fiskness
Vice President of Project Finance and
Direct Investments

TELEFONAKTIEBOLAGET L.M. ERICSSON (PUBL)
as a Lender

By: /s/[SIGNATURE ILLEGIBLE] /s/[SIGNATURE ILLEGIBLE]

Printed Name: -----

Title: -----

5.
PEGASO PCS, S.A. DE C.V.

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: -----

Title: -----

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: /s/ [SIGNATURE ILLEGIBLE]

Printed Name: -----

Title: -----

ABN AMRO BANK N.V.,
as Administrative Agent

By: /s/ Mary C. Casey /s/ Milena Sopcic

Printed Name: Mary C. Casey Milena Sopcic

Title: Vice President Assistant Vice President

2.

PEGASO PCS, S.A. DE C.V.
Paseo de los Tamarindos No. 400-A
Col. Bosques de las Lomas
Mexico, D.F. 05120
Tel: 5261-6600 Fax: 5261-6780

[PEGASO LOGO]

January 3, 2001

RICHARD BERWICK
C/O QUALCOMM INC.
5775 MOOREHOUSE DRIVE
SAN DIEGO, CA 92121-1714

Dear Mr. Berwick,

Enclosed please find copy signed of the Amendment No. 2 to Amended and Restated Credit Agreement, these have the original signatures of all parties.

If you have any question, please call me at 011-52-5261-6757.

Regards,

/s/ FERNANDA LUNA

Fernanda Luna
Technical Contracts Assistant

EXECUTION COPY

AMENDMENT NO. 3 TO AMENDED
AND RESTATED CREDIT AGREEMENT

THIS AMENDMENT NO. 3 TO THE AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 10, 2001 (this "Amendment"), is entered into by and among PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V., a corporation organized under the laws of Mexico ("Borrower"), the other members of the BORROWER GROUP, QUALCOMM INCORPORATED, a corporation organized under the laws of Delaware ("QUALCOMM"), TELEFONAKTIEBOLAGET L.M. ERICSSON (PUBL), a limited liability company organized under the laws of Sweden ("Ericsson"), the lenders from time to time party to the Credit Agreement (as defined below) (together with QUALCOMM and Ericsson, each a "Lender," and, collectively, the "Lenders"), and ABN AMRO BANK N.V. as administrative agent for the Lenders ("Administrative Agent").

RECITALS

WHEREAS, Borrower has entered into that certain Amended and Restated Credit Agreement, dated as of December 15, 1998, by and among Borrower, QUALCOMM, the Lenders and the Administrative Agent, as amended by that certain Amendment No. 1 to Amended and Restated Credit Agreement dated as of May 27, 1999, and that certain Amendment No. 2 to Amended and Restated Credit Agreement, dated as of November 28, 2000 (as so amended, the "Credit Agreement").

WHEREAS, Borrower has entered into that certain Common Agreement, dated as of December 15, 1998, as the same may be amended, supplemented, modified or restated from time to time ("Common Agreement").

WHEREAS, Borrower acknowledges, recognizes, certifies and represents to the Lenders and the Administrative Agent, that, as of the date of execution of this Amendment, the outstanding amount of principal plus accrued interest owed by Borrower as of the date hereof to (i) QUALCOMM under the Credit Agreement is US\$268,565,648.30 and (ii) Ericsson under the Credit Agreement is US\$39,446,198.70.

WHEREAS, the shareholders of Holdings, Telefonica S.A. and Telefonica Moviles S.A. have entered into negotiations regarding the possible acquisition by Telefonica S.A. or an affiliate thereof ("Telefonica") of a majority of the outstanding capital stock of Holdings or substantially all of the assets of Holdings, a possible business combination involving Telefonica and Holdings or a possible strategic investment by Telefonica in Holdings (any of the foregoing, the "Telefonica Transaction").

WHEREAS, Borrower has requested QUALCOMM and Ericsson to provide additional Facility-2 Commitments and QUALCOMM and Ericsson have agreed to provide additional Facility-2 Commitments to Borrower in the aggregate amount of US \$150,000,000.

WHEREAS, the parties to the Credit Agreement desire to amend the Credit Agreement to (i) amend the definition of "Total Commitment" by increasing the Facility-2 Commitments by \$150,000,000 and (ii) revise Schedule 1.0 attached thereto to reflect QUALCOMM's additional Facility-2 Commitment of US \$96,000,000 and Ericsson's additional

Facility-2 Commitment of US \$54,000,000, all in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

WHEREAS, Borrower intends to enter into a credit agreement (the "Facility 2 Alcatel Credit Agreement") subject to the terms and conditions of the Alcatel Commitment Letter.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Unless defined herein, all capitalized terms used herein shall have the meanings given to them in the Credit Agreement and the Common Agreement.

SECTION 2. AMENDMENTS TO CREDIT AGREEMENT

2.1 SECTION 9 (DEFINITIONS). Section 9 is amended as follows:

(a) The introductory paragraph of Section 9 is amended by deleting such introductory paragraph with the following new introductory paragraph:

"As used herein, the following terms shall have the meanings herein specified unless the context otherwise requires. Unless defined herein, all capitalized terms used herein shall have the meanings give to them in the Common Agreement. Defined terms in this Agreement shall include in the singular number the plural and in the plural the singular:"

(b) The definition of Total Commitment is amended by deleting the number "\$300,000,000" and inserting in its place "\$460,000,000."

2.2 SCHEDULE 1.0. Schedule 1.0 attached to the Credit Agreement is hereby replaced in its entirety by Schedule 1.0 attached to this Amendment in order to reflect the increase in Facility-2 Commitments by QUALCOMM in the amount of US \$96,000,000 (the "QUALCOMM Additional Commitment") and Ericsson in the amount of US \$54,000,000 (the "Ericsson Additional Commitment").

SECTION 3. COMMITMENTS AND AVAILABILITY OF VAT LOANS. Subject to and upon the terms and conditions set forth herein, the Credit Agreement and the Financing Agreements, Ericsson agrees to provide Borrower the Ericsson Additional Commitment and QUALCOMM agrees to provide Borrower the QUALCOMM Additional Commitment as follows:

3.1 ERICSSON ADDITIONAL COMMITMENT. The Ericsson Additional Commitment shall be available upon (a) the occurrence of the Effective Date (as defined in Section 10 herein) and (b) the approval by Ericsson's board of directors of the Ericsson Additional Commitment and thereafter for a period of four (4) months.

3.2 QUALCOMM ADDITIONAL COMMITMENT. The QUALCOMM Additional Commitment shall be available upon (i) receipt by QUALCOMM of duly executed definitive

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agreements relating to the Telefonica Transaction in form and substance reasonably satisfactory to QUALCOMM (the "Definitive Agreements"), (ii) the occurrence of the Effective Date and (iii) the full utilization by Borrower of the Ericsson Additional Commitment. QUALCOMM shall provide Loans to Borrower under the QUALCOMM Additional Commitment only upon receipt of a Loan Request and the supporting invoices in the manner and in accordance with the terms and conditions set forth in Section 1.5(b) (i) of the Credit Agreement.

3.3 AVAILABILITY OF VAT LOANS. Notwithstanding anything to the contrary in Section 1.1(b) of the Credit Agreement and the definition of "VAT Facility Availability Period", the Lenders shall not be obligated to provide to Borrower VAT Loans until the Lenders shall have received executed copies of the Definitive Agreements.

3.4 APPLICATION OF LOAN PROCEEDS. Borrower shall apply the proceeds from any Loans made under the Ericsson Additional Commitment and the Qualcomm Additional Commitment to pay any and all invoices which are now outstanding and due or may become outstanding and due from (i) Ericsson Radio Systems S.A. de C.V. ("ERS"), (ii) Ericsson Telecom, S.A. de C.V. ("Ericsson Telecom") and (iii) Ericsson Wireless Communications, Inc. ("Ericsson Wireless", and together with ERS and Ericsson Telecom, the "Ericsson Sellers") arising in connection with sales made by the Ericsson Sellers to Borrower of cdmaone infrastructure equipment, CDMA2000 infrastructure equipment and HDR infrastructure equipment, including without limitation radio base stations, base station controllers, mobile switching centers, HLRs, jambala platforms and the applications related thereto together with the provision of associated services thereto made by the Ericsson Sellers to Borrower pursuant to the: (A) Amended and Restated Equipment Purchase Agreement, as amended, in effect as of the Effective Date and executed originally between QUALCOMM and Borrower on May 24, 1999 and which agreement was assigned by QUALCOMM to ERS on May 24, 1999 which then was subsequently assigned by ERS to Ericsson Wireless on October 5, 1999, and (B) Amended and Restated Services Agreement, as amended, in effect as of the

Effective Date and executed originally between QUALCOMM Wireless Services (Mexico), S.A. de C.V. ("QWS") and Borrower on May 24, 1999 and which agreement was assigned by QWS to ERS on May 24, 1999 which then was subsequently assigned by ERS to Ericsson Telecom.

SECTION 4. REFERENCE TO AND EFFECT ON CREDIT AGREEMENT AND OTHER FINANCING AGREEMENTS

(a) On the Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import shall mean and be a reference to the Credit Agreement as amended by this Amendment and each reference in the Financing Agreements to the Credit Agreement shall also mean and be a reference to the Credit Agreement as amended by this Amendment.

(b) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement or any of the Financing Agreements, nor constitute a waiver of any provision of the Credit Agreement or any of the Financing Agreements.

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SECTION 5. REAFFIRMATION OF TERMS. This Amendment shall be construed in connection with and as part of the Financing Agreements and all terms, conditions, representations, warranties, covenants and agreements set forth in the Financing Agreements, except as herein waived or amended, are hereby ratified and confirmed and shall remain in full force and effect.

SECTION 6. ACKNOWLEDGMENTS AND WAIVERS. Each member of the Borrower Group hereby ratifies and reaffirms the validity and enforceability of all of the Liens and security interests heretofore granted pursuant to the Common Agreement and the Security Documents referred to therein, for the benefit of the Lenders, as collateral security for the Senior Indebtedness, and acknowledges that all of such Liens and security interests, and all collateral pledged as security for the Senior Indebtedness, continue to be and remain collateral for the Senior Indebtedness from and after the date hereof.

SECTION 7. RELEASE AND WAIVER.

(a) Each member of the Borrower Group hereby acknowledges and agrees that: (i) it has no claim or cause of action against any Lender or the Administrative Agent, or any of their officers, directors, employees, attorneys or other representatives or agents under the Financing Agreements with respect to any condition, act, omission, event, contract, liability, obligation, indebtedness, claim, cause of action, defense, circumstance or matter of any kind whatsoever which existed, arose or occurred at any time prior to the execution and delivery of this Amendment or which could arise concurrently with the effectiveness of this Amendment ("Claims"); (ii) it has no offset or defense against any of its respective obligations, indebtedness or contracts in favor of any Lender or the Administrative Agent on account of any Claims; and (iii) it recognizes that each Lender and the Administrative Agent has heretofore properly performed and satisfied in a timely manner all of its obligations to and contracts with each member of the Borrower Group relating to the Financing Agreements.

(b) Although the Administrative Agent and Lenders regard their conduct as proper and do not believe any member of the Borrower Group to have any claim, cause of action, offset or defense against any Lender or the Administrative Agent in connection with the Financing Agreements, Lenders and the Administrative Agent wish, and each member of the Borrower Group agrees, to eliminate any possibility that any past conditions, acts, omissions, events, circumstances or matters could impair or otherwise affect any rights, interests, contracts or remedies of any Lender or the Administrative Agent. Therefore, each member of the Borrower Group unconditionally releases and waives as to all Lenders and the Administrative Agent (1) any and all liabilities, indebtedness and obligations, whether known or unknown, of any kind of any Lender or the Administrative Agent to any member of the Borrower Group arising under the Financing Agreements and which exist on the date hereof, except the obligations remaining to be performed by the Lenders as expressly stated in the Financing Agreements; (2) any legal, equitable or other obligations or duties, whether known or unknown, of the Lenders or of the Administrative Agent to any member of the Borrower Group (and any rights of any member of the Borrower Group against any Lender or the Administrative Agent) arising under the Financing Agreements and which exist on the date hereof besides those expressly stated in the Financing Agreements; (3) any and all claims under any oral or implied agreement, obligation or understanding with any Lender or the Administrative Agent, whether known or unknown, arising

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under the Financing Agreements and which exist on the date hereof; and (4) all other claims, causes of action or defenses of any kind whatsoever (if any), whether known or unknown, which any member of the Borrower Group might otherwise

have against any Lender or the Administrative Agent on account of any Claims.

(c) EACH MEMBER OF THE BORROWER GROUP AGREES TO ASSUME THE RISK OF ANY AND ALL UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS WHICH ARE RELEASED BY THIS AMENDMENT IN FAVOR OF ANY LENDER OR THE ADMINISTRATIVE AGENT, AND EACH MEMBER OF THE BORROWER GROUP HEREBY WAIVES AND RELEASES ALL RIGHTS AND BENEFITS WHICH IT MIGHT OTHERWISE HAVE UNDER THE LAW OF THE STATE OF NEW YORK AND THE LAW OF THE FEDERAL DISTRICT OF MEXICO WITH REGARD TO THE RELEASE OF SUCH UNKNOWN, UNANTICIPATED OR MISUNDERSTOOD DEFENSES, CLAIMS, CAUSES OF ACTION, CONTRACTS, LIABILITIES, INDEBTEDNESS AND OBLIGATIONS, TO THE EXTENT (IF ANY) WHICH ANY SUCH LAWS MAY BE APPLICABLE, EACH MEMBER OF THE BORROWER GROUP WAIVES AND RELEASES (TO THE MAXIMUM EXTENT PERMITTED BY LAW) ANY RIGHT OR DEFENSE WHICH IT MIGHT OTHERWISE HAVE UNDER ANY OTHER LAW OF ANY APPLICABLE JURISDICTION WHICH MIGHT LIMIT OR RESTRICT THE EFFECTIVENESS OR SCOPE OF ANY OF ITS WAIVERS OR RELEASES UNDER THIS AMENDMENT.

SECTION 8. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders and the Administrative Agent to enter into this Amendment, each member of the Borrower Group hereby represents, warrants and covenants to the Lenders and the Administrative Agent as follows:

8.1 Immediately after giving effect to this Amendment (i) the representations and warranties contained in the Financing Agreements (other than those which expressly relate to a different date) are true, accurate and complete in all material respects as if made as of the Effective Date, (ii) other than to the extent expressly waived in writing by the Lenders, no Default or Event of Default has occurred and is continuing and (iii) all references to the Credit Agreement in the Financing Agreements shall be deemed to be references to the Credit Agreement as amended by this Amendment;

8.2 The Charter Documents of (i) Borrower delivered to the Administrative Agent remain true, accurate and complete and have not been amended, supplemented or restated subsequent to October, 2001 and continue to be in full force and effect, and (ii) each other member of the Borrower Group delivered to the Administrative Agent on the Closing Date remain true, accurate and complete and have not been amended, supplemented or restated subsequent to such date and continue to be in full force and effect.

8.3 The execution, delivery and the performance of obligations of this Amendment by each member of the Borrower Group has been duly authorized by all requisite corporate action. This Amendment, as of the Effective Date, constitutes the valid and binding obligations of each member of the Borrower Group, enforceable in accordance with the terms herein.

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8.4 The execution, delivery and performance of this Amendment do not and will not (i) violate or conflict with the certificate of incorporation or by-laws of any member of the Borrower Group, (ii) conflict with or violate any Applicable Law, or (iii) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to any Person any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien on any of the material assets or properties of any member of the Borrower Group pursuant to, any contract or other instrument relating to such assets or properties to which a member of the Borrower Group is a party or by which any of such assets or properties is bound or affected, except as would not, individually or in the aggregate, materially impair the ability of the member Borrower to consummate the transactions contemplated by this Amendment.

SECTION 9. COUNTERPARTS. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

SECTION 10. EFFECTIVENESS. This Amendment shall be deemed effective upon the satisfaction of all of the following conditions precedent ("Effective Date"):

10.1 AMENDMENT. Each member of the Borrower Group and each Lender shall have duly executed and delivered this Amendment to the Administrative Agent.

10.2 ACKNOWLEDGMENT OF AMENDMENT AND REAFFIRMATION OF GUARANTY. The Administrative Agent shall have received the Acknowledgment of Amendment and Reaffirmation of Guaranty (in English and Spanish), duly executed and delivered by each Guarantor.

10.3 CERTIFIED RESOLUTIONS. The Administrative Agent shall have received for each member of the Borrower Group a certificate of the appropriate officers of such member of the Borrower Group dated as of the date hereof and as of the Effective Date certifying (i) the names and true signatures of the incumbent officers of such member of the Borrower Group authorized to sign this

Amendment, (ii) the resolutions of such member's Board of Directors approving and authorizing the execution, delivery and performance of this Amendment, and (iii) that there have been no changes in the Charter Documents of (A) Borrower since October 2001 and (B) each other member of the Borrower Group since the date of certification thereof to Administrative Agent in connection with the closing of the Financing Agreements.

10.4 PAYMENT OF REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS.

Each member of the Borrower Group shall have paid to the Lenders and the Administrative Agent all of its reimbursement and indemnification obligations owing under Section 11.1 of the Credit Agreement, including its obligation to pay all attorneys' fees and costs and other disbursements incurred by the Lenders or the Administrative Agent in connection with the negotiation, implementation, execution and enforcement of this Amendment and any acts contemplated thereby.

10.5 EXECUTION AND DELIVERY OF FACILITY 2 ALCATEL CREDIT

AGREEMENT. Borrower shall have duly executed and delivered to the Administrative Agent and each Lender

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the Facility 2 Alcatel Credit Agreement pursuant to Section 4.3(a) of the Credit Agreement and all conditions to the effectiveness of the Facility 2 Alcatel Credit Agreement shall have been satisfied or waived by the Lenders thereunder.

10.6 OTHER DOCUMENTS AND ACTIONS. Borrower shall have duly

executed and delivered to the Administrative Agent any other documents (including opinions and certificates) or taken any other actions as may be reasonably requested by the Lenders or the Administrative Agent for purposes related to this Amendment.

SECTION 11. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the law of the State of New York, United States, without reference to principles of conflicts of law (other than Section 5-1401 of the General Obligations Laws of the State of New York); provided, however, that in connection with any legal action or proceeding (other than an action to enforce a judgment obtained in another jurisdiction) brought in respect to this Amendment in the courts of Mexico or any political subdivision thereof, this Amendment shall be deemed to be an instrument made under the laws of Mexico and for such purposes shall be governed by, and construed in accordance with, the laws of the Federal District of Mexico.

[SIGNATURES TO FOLLOW]

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IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written.

PEGASO COMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO TELECOMUNICACIONES Y SISTEMAS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO PCS, S.A. DE C.V.

By: _____
Printed Name: _____
Title: _____

PEGASO RECURSOS HUMANOS, S.A. DE C.V.

By: _____
 Printed Name: _____
 Title: _____

ABN AMRO BANK N.V.
 as Administrative Agent

By: _____
 Printed Name: _____
 Title: _____

By: _____
 Printed Name: _____
 Title: _____

QUALCOMM INCORPORATED
 as a Lender

By: _____
 Printed Name: _____
 Title: _____

TELEFONAKTIEBOLAGET L.M. ERICSSON (PUBL)
 as a Lender

By: _____
 Printed Name: _____
 Title: _____

SCHEDULE 1.0
 COMMITMENTS

LENDER	FACILITY-1	FACILITY-2	VAT LOAN	TOTAL
QUALCOMM	\$180,601,616.00	\$167,353,153.24	\$17,045,230.76	\$365,000,000.00
Ericsson	\$ 19,398,384.00	\$ 72,646,846.76	\$ 2,954,769.24	\$ 95,000,000.00
TOTAL:	\$200,000,000.00	\$240,000,000.00	\$20,000,000.00	\$460,000,000.00 =====

NOTE: The foregoing Commitments are subject to the maximum aggregate commitment in the amount of the Total Commitment, an amount which is less than the sum of the Commitments set forth above.

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 and in the Form S-3 Prospectus contained therein (No. 33-46343), in the Registration Statements on Form S-3 (No. 333-26069 and No. 333-32926) and in the Registration Statements on Form S-8 (No. 333-60484, No. 33-45083, No. 33-78158, No. 33-78150, No. 33-32013, No. 333-69457, No. 333-95291, No. 333-32924 and No. 333-42286) of QUALCOMM Incorporated of our report dated November 5, 2001 relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

PRICEWATERHOUSECOOPERS LLP

San Diego, California
November 9, 2001