

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): September 23, 1998

QUALCOMM INCORPORATED  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of incorporation)

0-19528  
(Commission File No.)

95-3685934  
(IRS Employer Identification No.)

6455 LUSK BOULEVARD  
SAN DIEGO, CALIFORNIA 92121  
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (619) 587-1121

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On September 23, 1998, QUALCOMM Incorporated ("QUALCOMM" or the "Company") completed the spin-off and distribution (the "Distribution") to its stockholders of shares of Leap Wireless International, Inc., a Delaware corporation ("Leap"). As part of the Distribution, effective immediately after the close of market trading on September 23, 1998, record holders of QUALCOMM common stock on September 11, 1998 received a dividend of one share of common stock of Leap for every four shares of common stock of QUALCOMM held by them as of that date. Regular public trading of Leap shares under the ticker symbol "LWIN" began on September 24, 1998, at which time QUALCOMM common stock traded ex-dividend.

In connection with the Distribution, QUALCOMM transferred to Leap QUALCOMM's joint venture and equity interests in the following domestic and international emerging terrestrial-based wireless telecommunications operating companies: Pegaso Telecomunicaciones, S.A. de C.V. (Mexico), Metrosvyaz Limited (Russia) and Orrengrove Investments Limited (Russia), ChileSat Telefonía Personal, S.A. (Chile), Chase Telecommunications, Inc. (United States), OzPhone Pty. Ltd. (Australia), and certain other development-stage businesses. QUALCOMM and Leap have also agreed that, if certain events occur within eighteen months after the Distribution, QUALCOMM will transfer to Leap certain assets and liabilities related to Telesystems of Ukraine, a wireless telecommunications company in Ukraine. In connection with the Distribution, QUALCOMM also transferred to Leap \$10.0 million cash and certain indebtedness of the operating companies owed to QUALCOMM in the amount of approximately \$113.0 million, approximately \$30.8 million of which is indebtedness under certain convertible notes, as well as certain miscellaneous assets. QUALCOMM has also made a substantial funding commitment to Leap in the form of a \$265.0 million secured credit facility. The aggregate net tangible book value of the assets transferred by QUALCOMM to Leap in connection with the Distribution was \$260.5 million.

Leap has agreed to assume certain of QUALCOMM's other obligations to manage operations of and finance costs relating to ongoing build-outs of the wireless telecommunications systems being deployed by such operating companies, including approximately \$73.8 million of anticipated funding obligations to certain of the operating companies, other than equipment financing obligations, as well as certain miscellaneous liabilities. There can be no assurance that Leap will fulfill or perform such obligations sufficiently or at all. QUALCOMM will continue to be a supplier of CDMA equipment and is expected to provide significant vendor financing to Leap's wireless telecommunications businesses and ventures.

As a result of the Distribution, QUALCOMM and Leap will operate as independent publicly traded companies, with no common officers or directors. In connection with the Distribution, however, Leap issued to QUALCOMM a warrant to purchase 5,500,000 shares of Leap common stock at a purchase price equal to the average of the last sales price per share of the Leap common stock on the Nasdaq National Market for each of the five consecutive trading days beginning with and including the date of the Distribution, or \$6.10625 per share. In addition, QUALCOMM and Leap will continue to have a relationship as a result of the following agreements that they entered into in connection with the Distribution:

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**SEPARATION AND DISTRIBUTION AGREEMENT.** Pursuant to the Separation and Distribution Agreement, QUALCOMM agreed to transfer to Leap the assets described above, and Leap agreed to assume the obligations described above. QUALCOMM and Leap also agreed that, if certain events occur within eighteen months after the Distribution, QUALCOMM will transfer to Leap certain assets and liabilities related to Telesystems of Ukraine.

Leap also agreed in the Separation and Distribution Agreement that, until January 1, 2004, it will deploy, subject to certain specified limited exceptions, only wireless terrestrial systems using technology and systems known as cdmaOne.

In addition, Leap agreed that, until January 1, 2004, it will, subject to certain specified limited exceptions, invest only in companies using cdmaOne systems, in connection with terrestrial wireless activities. Pursuant to the Separation and Distribution Agreement and subject to certain exceptions, QUALCOMM will have a non-exclusive, royalty-free license to any patent rights developed by Leap or any of Leap's affiliates. In addition, pursuant to the Separation and Distribution Agreement, Leap will grant to QUALCOMM a right of first refusal for a period of three years with respect to proposed transfers by Leap of its interests in joint ventures and equity interests, subject to pre-existing rights of other investors. Leap also agreed to take an active role in the management of companies with which it has joint venture or equity interests, consistent with its own business needs and applicable laws, contractual arrangements and other requirements. Finally, the agreement includes provisions prohibiting each party from soliciting the employees of the other for three years.

**CREDIT FACILITY.** Leap entered into a secured credit facility with QUALCOMM. The credit facility consists of two sub-facilities. The first sub-facility enables Leap to borrow up to \$35.2 million from QUALCOMM, subject to the terms thereof. The proceeds from this sub-facility may be used by Leap solely to meet the normal working capital and operating expenses of Leap, including salaries and overhead, but excluding, among other things, strategic capital investments in wireless operators, substantial acquisitions of capital equipment, and/or the acquisition of telecommunications licenses. The other sub-facility enables Leap to borrow up to \$229.8 million from QUALCOMM, subject to the terms thereof. The proceeds from this second sub-facility may be used by Leap solely to make certain identified portfolio investments.

Amounts borrowed under the Credit Facility will be due and payable approximately eight years following the Distribution Date. QUALCOMM will have a first priority security interest in, subject to some exceptions, substantially all of the assets of Leap for so long as any amounts are outstanding under the Credit Facility. Amounts borrowed under the Credit Facility will bear interest at a variable rate equal to LIBOR plus 5.25% per annum. Interest will be payable quarterly beginning September 30, 2001; and prior to such time, accrued interest shall be added to the principal amount outstanding.

**MASTER AGREEMENT REGARDING EQUIPMENT PROCUREMENT.** The Master Agreement Regarding Equipment Procurement sets forth certain obligations of Leap and QUALCOMM with respect to the purchase and sale of certain terrestrial-based cdmaOne infrastructure and subscriber equipment.

**INTERIM SERVICES AGREEMENT.** The Interim Services Agreement governs the provision by QUALCOMM to Leap, on an interim basis, of certain services (which may include voice telecommunications and data transmission,

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accounting, financial management, tax, payroll, stockholder and public relations, legal, human resources administration, procurement, real estate management and other administrative functions), each as mutually agreed to and on the terms set forth therein. Leap has agreed to pay QUALCOMM the hourly rate of the QUALCOMM employees performing such services, plus associated general and administrative overhead (which shall be deemed to equal an additional 150% of the hourly rate of the employees) and all out-of-pocket costs and expenses. These interim services are not expected to extend beyond one year following the date of the Distribution.

EMPLOYEE BENEFITS AGREEMENT. Pursuant to the Employee Benefits Agreement, Leap assumed and agreed to pay, perform, fulfill and discharge certain liabilities to, or relating to, former employees of QUALCOMM or its affiliates who are now employed by Leap. In addition, Leap was obligated to grant (in connection with the Distribution) options to purchase shares of Leap common stock to certain holders of options to purchase shares of QUALCOMM Common Stock.

TAX AGREEMENT. The Tax Agreement generally will require QUALCOMM to pay, and indemnify Leap against, all United States federal, state, local and foreign taxes relating to the businesses conducted by QUALCOMM or its subsidiaries for any taxable period, other than the following taxes which will be paid by Leap and against which Leap will indemnify QUALCOMM: (i) all United States federal, state, local and foreign taxes relating to Leap and its U.S. subsidiaries for periods after the Distribution; (ii) all United States federal, state, local and foreign taxes relating to Leap's non-U.S. subsidiaries or any predecessor or successor thereof for all periods before and after the Distribution (other than with respect to certain restructuring transactions incident to the Distribution); and (iii) all United States federal, state, local and foreign taxes arising out of certain actions taken by, or in respect of, Leap or any of its subsidiaries that cause adverse tax consequences to QUALCOMM, Leap or their respective subsidiaries with respect to the Distribution or the transactions related thereto; provided, however, that under certain limited circumstances Leap's indemnification obligation described in this subparagraph (iii) may be reduced.

CONVERSION AGREEMENT. Pursuant to the Conversion Agreement, Leap agreed to issue shares of Leap common stock to holders of QUALCOMM's Trust Convertible Preferred Securities upon the conversion of such securities and to, at all times, have reserved and keep available, solely for issuance and delivery upon such conversion, all Leap common stock issuable from time to time upon such conversion.

A number of Leap's senior management members were members of QUALCOMM's senior management and joined Leap from QUALCOMM in connection with the formation of Leap, including Harvey P. White, Leap's President, Chief Executive Officer and Chairman of the Board and formerly Vice Chairman of the Board of QUALCOMM; Thomas J. Bernard, Leap's Executive Vice President and formerly Senior Vice President of QUALCOMM; and James E. Hoffmann, Leap's Senior Vice President and General Counsel and formerly Vice President, Legal Counsel of QUALCOMM.

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ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED.

Not applicable.

(b) PRO FORMA FINANCIAL INFORMATION.

(1) UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF QUALCOMM Incorporated.

The following unaudited pro forma condensed consolidated financial information is being filed herewith:

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Notes to Unaudited Pro Forma Condensed Consolidated Financial Information	10

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(c) EXHIBITS.

- 2.1 Separation and Distribution Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to the Registration Statement on Form 10, as amended, filed by Leap with the Commission on July 1, 1998, SEC File No. 0-29752 (the "Form 10")).

- 99.1 Warrant issued to QUALCOMM by Leap (incorporated herein by reference to Exhibit 4.2 to the Form 10).
- 99.2 Credit Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.1 to the Form 10).
- 99.3 Tax Matters Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.2 to the Form 10).
- 99.4 Interim Services Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.3 to the Form 10).
- 99.5 Master Agreement Regarding Equipment Procurement 99.4 between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.4 to the Form 10).

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- 99.6 Employee Benefits Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.5 to the Form 10).
- 99.7 Conversion Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.6 to the Form 10).
- 99.8 Press release dated September 23, 1998.

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QUALCOMM Incorporated  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET  
 (In thousands, except per share data)

<TABLE>  
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	JUNE 28, 1998		
	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA (1)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 179,905	\$ 0	\$ 179,905
Investments	118,454	0	118,454
Accounts receivable, net	787,865	0	787,865
Finance receivables	45,242	0	45,242
Inventories	393,805	0	393,805
Other current assets	112,834	0	112,834
	-----	-----	-----
Total current assets	1,638,105	0	1,638,105
Property, plant and equipment, net	565,671	0	565,671
Investments	111,626	(37,034) (2)	74,592
Finance receivables, net	132,663	0	132,663
Other assets	187,299	33,079 (3)	220,378
	-----	-----	-----
Total assets	\$2,635,364	\$ (3,955)	\$2,631,409
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 551,777	\$ 803 (4)	\$ 552,580
Unearned revenue	92,494	0	92,494
Bank lines of credit	138,000	0	138,000
Current portion of long-term debt	2,959	0	2,959
	-----	-----	-----
Total current liabilities	785,230	803	786,033
Long-term debt	4,734	0	4,734
Other liabilities	23,591	0	23,591
	-----	-----	-----
Total liabilities	813,555	803	814,358
Minority interest in consolidated subsidiaries	27,195	0	27,195
	-----	-----	-----
Company-obligated mandatorily			

redeemable trust convertible preferred securities of a subsidiary trust holding solely debt securities of the Company	660,000	0	660,000
Stockholders' equity:			
Preferred stock, \$0.0001 par value	0	0	0
Common stock, \$0.0001 par value	7	0	7
Paid-in capital	948,193	0	948,193
Retained earnings	186,414	(4,758) (2) (3) (4)	181,656
Total stockholders' equity	1,134,614	(4,758)	1,129,856
Total liabilities and stockholders' equity	\$2,635,364	\$ (3,955)	\$2,631,409

</TABLE>

See accompanying notes to unaudited pro forma condensed consolidated financial information

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QUALCOMM Incorporated  
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(In thousands, except per share data)

<TABLE>  
<CAPTION>

	NINE MONTHS ENDED JUNE 28, 1998		
	HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA (1)
<S>	<C>	<C>	<C>
Revenues:			
Communications systems	\$ 2,061,084	\$ 0	\$ 2,061,084
Contract services	198,905	0	198,905
License, royalty and development fees	161,915	0	161,915
Total revenues	2,421,904	0	2,421,904
Operating expenses:			
Communications systems	1,566,671	0	1,566,671
Contract services	145,956	0	145,956
Research and development	244,557	0	244,557
Selling and marketing	180,519	0	180,519
General and administrative	114,676	(16,188) (5)	98,488
Other	11,976	0	11,976
Total operating expenses	2,264,355	(16,188)	2,248,167
Operating income	157,549	16,188	173,737
Interest income	32,435	0	32,435
Interest expense	(6,166)	0	(6,166)
Net gain on sale of investments	2,950	0	2,950
Write-off of investment in other entity	(20,000)	0	(20,000)
Distributions on trust convertible preferred securities of subsidiary trust	(29,496)	0	(29,496)
Minority interest in income of consolidated subsidiary	(36,557)	0	(36,557)
Equity in losses of investees	(9,707)	7,278 (6)	(2,429)
Income before income taxes	91,008	23,466	114,474
Income tax expense	(22,392)	(4,533) (7)	(26,925)
Net income	\$ 68,616	\$ 18,933	\$ 87,549
Net earnings per common share:			
Basic	\$ 1.00		\$ 1.27
Diluted	\$ 0.93		\$ 1.19
Shares used in per share calculation:			
Basic	68,899		68,899
Diluted	73,754		73,754

</TABLE>

See accompanying notes to unaudited pro forma condensed consolidated financial information

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QUALCOMM Incorporated  
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME  
 (In thousands, except per share data)

<TABLE>  
 <CAPTION>

<S>	YEAR ENDED SEPTEMBER 30, 1997		
	HISTORICAL <C>	PRO FORMA ADJUSTMENTS <C>	PRO FORMA (1) <C>
Revenues:			
Communications systems	\$ 1,733,169	\$ 0	\$ 1,733,169
Contract services	211,661	0	211,661
License, royalty and development fees	151,535	0	151,535
Total revenues	2,096,365	0	2,096,365
Operating expenses:			
Communications systems	1,361,641	0	1,361,641
Contract services	156,365	0	156,365
Research and development	235,922	0	235,922
Selling and marketing	147,040	0	147,040
General and administrative	89,148	(1,361) (5)	87,787
Other	8,792	0	8,792
Total operating expenses	1,998,908	(1,361)	1,997,547
Operating income	97,457	1,361	98,818
Interest income	34,845	0	34,845
Interest expense	(11,012)	0	(11,012)
Gain on sale of trading securities	13,400	0	13,400
Distributions on trust convertible preferred securities of subsidiary trust	(23,277)	0	(23,277)
Minority interest in income of consolidated subsidiary	(2,979)	0	(2,979)
Income before income taxes	108,434	1,361	109,795
Income tax expense	(16,500)	(204) (7)	(16,704)
Net income	\$ 91,934	\$ 1,157	\$ 93,091
Net earnings per common share:			
Basic	\$ 1.37		\$ 1.38
Diluted	\$ 1.28		\$ 1.29
Shares used in per share calculation:			
Basic	67,335		67,335
Diluted	71,887		71,887

</TABLE>

See accompanying notes to unaudited pro forma condensed consolidated financial information

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QUALCOMM Incorporated  
 NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (In thousands)

(1) The unaudited pro forma condensed consolidated financial statements give retroactive effect to the spin-off of Leap Wireless International, Inc. ("Leap"). Pro forma balance sheet and statement of income adjustments as of and for the nine months ended June 28, 1998 are presented as of and for the nine months ended May 31, 1998. Pro forma statement of income adjustments for the year ended September 30, 1997 are presented for the year ended August 31, 1997, Leap's fiscal year-end.

(2) Reflects \$42,777 in investments in wireless telecommunications

operating companies transferred to Leap net of \$4,735 profit and \$1,008 interest income previously eliminated in connection with transactions with equity investees.

- (3) Reflects a \$15,000 note receivable transferred to Leap and \$48,079 in assets to be recorded by QUALCOMM in connection with the spin-off. Assets recorded by QUALCOMM include: a warrant to purchase 5.5 million shares of Leap common stock valued at predecessor basis of \$36,289, and a call option related to Leap's obligation to issue common stock to holders of QUALCOMM's Trust Convertible Preferred Securities upon the conversion of such securities at a fair value of \$11,790.
- (4) Reflects a \$2,897 reduction related to Leap accounts payable and a \$3,700 increase in payables resulting from transaction costs related to the spin-off. Transaction costs consist primarily of investment banking, legal and accounting fees, printing and registration expenses.
- (5) Reflects Leap's general and administrative expenses.
- (6) Reflects reversal of (a) \$1,535 in equity losses and (b) \$4,735 profit and \$1,008 interest income previously eliminated in connection with transactions with equity investees.
- (7) Pro forma adjustments have been tax affected at a 15% incremental income tax rate for the year ended September 30, 1997 and at a 28% incremental tax rate for the nine months ended June 28, 1998.

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SIGNATURE

Pursuant to the requirements 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

Dated: October 7, 1998

By: /s/ STEVEN R. ALTMAN

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Steven R. Altman  
Executive Vice President and  
General Counsel, Assistant Secretary  
and General Manager, Technology  
Transfer & Strategic Alliances  
Division

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INDEX TO EXHIBITS

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- 99.6 Employee Benefits Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit

10.5 to the Form 10).

99.7 Conversion Agreement between QUALCOMM and Leap dated September 23, 1998 (incorporated herein by reference to Exhibit 10.6 to the Form 10).

99.8 Press release dated September 23, 1998.

## QUALCOMM COMPLETES SPIN-OFF OF LEAP WIRELESS INTERNATIONAL

SAN DIEGO - September 23, 1998 - QUALCOMM Incorporated (NASDAQ: QCOM) today announced that it has completed the spin-off and distribution to its stockholders of shares of Leap Wireless International, Inc. (NASDAQ: LWIN). As part of the distribution, effective immediately after the close of market trading on September 23, 1998, record holders of QUALCOMM common stock on September 11, 1998 will receive a dividend of one (1) share of common stock of Leap Wireless for every four (4) shares of common stock of QUALCOMM held by them as of that date. Regular public trading of Leap Wireless shares under the ticker symbol "LWIN" will begin as of September 24, 1998, at which time QUALCOMM common stock will trade ex-dividend.

The strategy of Leap Wireless will be to invest in wireless consortia with partners that offer financial resources, spectrum or familiarity with the local market to facilitate deployment. Leap Wireless currently owns, manages, supports and operates joint venture and equity interests in Pegaso Telecomunicaciones, S.A. de C.V. (Mexico), Metrosyavaz Limited (Russia) and Orrengrove Investments Limited (Russia), ChileSat Telefonía Personal, S.A. (Chile), Chase Telecommunications, Inc. (United States), OzPhone Pty. Ltd. (Australia), and certain other development-stage businesses.

"In emerging markets, the need for rapidly expanding telecommunications infrastructure is not a luxury item, but a fundamental need, and wireless is the fastest and most cost-effective way to meet the demand," said Harvey P. White, chairman and CEO of Leap Wireless. "We have chosen to focus on CDMA because we believe that it is the best technology to provide the capacity and quality to meet customer demand. In addition, by using CDMA, we will not have to sacrifice quality for mobility. We will be able to provide high quality voice and data services that just happen to be mobile."

Mr. White was a co-founder of QUALCOMM who served as its president until just prior to the distribution.

Headquartered in San Diego, QUALCOMM develops, manufactures, markets, licenses and operates advanced communications systems and products based on its proprietary digital wireless technologies. The Company's primary product areas are the OmniTRACS(R) system (a geostationary satellite-based, mobile communications system providing two-way data and position reporting services), CDMA wireless communications systems and products and, in conjunction with others, the development of the Globalstar(TM) low-earth orbit (LEO) satellite communications system. Other Company products include Eudora Pro(R) electronic mail software, ASIC products, and communications equipment and systems for government and commercial customers worldwide.

For more information on QUALCOMM products and technologies, please visit the Company's web site at <http://www.qualcomm.com>.

Headquartered in San Diego, Leap Wireless is a wireless communications carrier that deploys CDMA networks in domestic and international markets with strong growth potential. In conjunction with its strategic partners, Leap Wireless is building or anticipates building a combination of fixed and mobile wireless solutions in Mexico, Chile, Australia, Russia and the United States. The world is going wireless, and Leap believes CDMA is the technology of choice to increase the teledensity that is critical to economic growth. For each of its ventures, Leap Wireless expects to be actively involved in the management of the networks, combining its experience in international markets with its wireless technical expertise in CDMA. Leap Wireless is dedicated to bringing the economic benefits of a reliable, cost-effective and high-quality telecommunications infrastructure to emerging markets. For more information about Leap Wireless, please visit the company's web site beginning September 24, 1998 at <http://www.leapwireless.com>.

Except for the historical information contained herein, this news release contains forward-looking statements that are subject to risks and uncertainties, including risks associated with the lack of Leap Wireless operating history, uncertainty of future profitability of Leap Wireless, international risks and change in economic conditions of the various markets QUALCOMM serves and Leap Wireless may serve. These and other risks are detailed from time to time in QUALCOMM's SEC reports, including the report on Form 10-K for the year ended September 28, 1997 and most recent Form 10-Q, as well as in the Information Statement on Form 10, as amended, filed by Leap Wireless in connection with the distribution.

# # #

QUALCOMM, OmniTRACS, Eudora and Eudora Pro are registered trademarks of QUALCOMM Incorporated. Globalstar is a trademark of Loral QUALCOMM Satellite Services,

Incorporated.

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