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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM 10-Q**

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(Mark one)

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

For the quarterly period ended December 26, 2010

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)

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

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

92121-1714  
(Zip Code)

(858) 587-1121

(Registrant's telephone number, including area code)

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 twelve 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 ninety days. Yes  No

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

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

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on January 24, 2011, was as follows:

Class	Number of Shares
Common Stock, \$0.0001 per share par value	1,643,746,036

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**QUALCOMM Incorporated**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(In millions, except per share data)**  
**(Unaudited)**

	December 26, 2010	September 26, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,711	\$ 3,547
Marketable securities	5,798	6,732
Accounts receivable, net	657	730
Inventories	574	528
Deferred tax assets	336	321
Other current assets	255	275
Total current assets	12,331	12,133
Marketable securities	8,598	8,123
Deferred tax assets	1,979	1,922
Property, plant and equipment, net	2,361	2,373
Goodwill	1,519	1,488
Other intangible assets, net	2,983	3,022
Other assets	1,520	1,511
Total assets	<u>\$ 31,291</u>	<u>\$ 30,572</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 522	\$ 764
Payroll and other benefits related liabilities	480	467
Unearned revenues	631	623
Loans payable	1,089	1,086
Income taxes payable	10	1,443
Other current liabilities	1,211	1,085
Total current liabilities	3,943	5,468
Unearned revenues	3,821	3,485
Other liabilities	791	761
Total liabilities	<u>8,555</u>	<u>9,714</u>
Commitments and contingencies (Note 8)		
Stockholder's equity:		
Preferred stock, \$0.0001 par value; issuable in series; 8 shares authorized; none outstanding at December 26, 2010 and September 26, 2010	—	—
Common stock, \$0.0001 par value; 6,000 shares authorized; 1,634 and 1,612 shares issued and outstanding at December 26, 2010 and September 26, 2010, respectively	—	—
Paid-in capital	7,818	6,856
Retained earnings	14,161	13,305
Accumulated other comprehensive income	757	697
Total stockholders' equity	<u>22,736</u>	<u>20,858</u>
Total liabilities and stockholders' equity	<u>\$ 31,291</u>	<u>\$ 30,572</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

**QUALCOMM Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(In millions, except per share data)**  
**(Unaudited)**

	Three Months Ended	
	December 26, 2010	December 27, 2009
<b>Revenues:</b>		
Equipment and services	\$ 2,213	\$ 1,663
Licensing and royalty fees	1,135	1,007
Total revenues	<u>3,348</u>	<u>2,670</u>
<b>Operating expenses:</b>		
Cost of equipment and services revenues	1,130	816
Research and development	671	596
Selling, general and administrative	437	379
Total operating expenses	<u>2,238</u>	<u>1,791</u>
Operating income	1,110	879
Investment income, net (Note 5)	219	173
Income before income taxes	1,329	1,052
Income tax expense	(159)	(211)
Net income	<u>\$ 1,170</u>	<u>\$ 841</u>
Basic earnings per common share	<u>\$ 0.72</u>	<u>\$ 0.50</u>
Diluted earnings per common share	<u>\$ 0.71</u>	<u>\$ 0.50</u>
<b>Shares used in per share calculations:</b>		
Basic	<u>1,623</u>	<u>1,672</u>
Diluted	<u>1,648</u>	<u>1,691</u>
Dividends per share announced	<u>\$ 0.19</u>	<u>\$ 0.17</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

**QUALCOMM Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Three Months Ended	
	December 26, 2010	December 27, 2009
<b>Operating Activities:</b>		
Net income	\$ 1,170	\$ 841
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	201	162
Revenues related to non-monetary exchanges	(31)	(37)
Income tax provision (less than) in excess of income tax payments	(1,474)	32
Non-cash portion of share-based compensation expense	174	151
Incremental tax benefit from stock options exercised	(45)	(13)
Net realized gains on marketable securities and other investments	(127)	(102)
Net impairment losses on marketable securities and other investments	11	57
Other items, net	(2)	4
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	76	87
Inventories	(45)	101
Other assets	(23)	(32)
Trade accounts payable	(234)	(226)
Payroll, benefits and other liabilities	21	(124)
Unearned revenues	376	338
Net cash provided by operating activities	<u>48</u>	<u>1,239</u>
<b>Investing Activities:</b>		
Capital expenditures	(102)	(88)
Purchases of available-for-sale securities	(2,309)	(2,098)
Proceeds from sale of available-for-sale securities	3,024	2,013
Other investments and acquisitions, net of cash acquired	(66)	(6)
Other items, net	7	7
Net cash provided (used) by investing activities	<u>554</u>	<u>(172)</u>
<b>Financing Activities:</b>		
Borrowing under loans payable	1,083	—
Repayment of loans payable	(1,083)	—
Proceeds from issuance of common stock	791	152
Incremental tax benefit from stock options exercised	45	13
Dividends paid	(309)	(284)
Change in obligation under securities lending	38	—
Other items, net	(4)	(1)
Net cash provided (used) by financing activities	<u>561</u>	<u>(120)</u>
Effect of exchange rate changes on cash	1	(4)
<b>Net increase in cash and cash equivalents</b>	<u>1,164</u>	<u>943</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>3,547</u>	<u>2,717</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,711</u>	<u>\$ 3,660</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 1 — Basis of Presentation**

**Financial Statement Preparation.** The accompanying interim condensed consolidated financial statements have been prepared by QUALCOMM Incorporated (collectively with its subsidiaries, the Company or QUALCOMM), without audit, in accordance with the instructions to Form 10-Q and, therefore, do not necessarily include all information and footnotes necessary for a fair presentation of its consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States. The condensed consolidated balance sheet at September 26, 2010 was derived from the audited financial statements at that date but may not include all disclosures required by accounting principles generally accepted in the United States. The Company operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. The three-month periods ended December 26, 2010 and December 27, 2009 both included 13 weeks.

In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, which are only normal and recurring, necessary for a fair statement of results of operations, financial position and cash flows. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 26, 2010. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

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 condensed consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

**Earnings Per Common Share.** Basic earnings per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's share-based compensation plans and shares subject to written put options, and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money share equivalents, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an award, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the estimated tax benefits that would be recorded in paid-in capital, if any, when an award is settled are assumed to be used to repurchase shares in the current period. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three months ended December 26, 2010 and December 27, 2009 were 25,507,000 and 19,642,000, respectively.

Employee stock options to purchase 60,792,000 and 121,849,000 shares of common stock during the three months ended December 26, 2010 and December 27, 2009, respectively, were outstanding but not included in the computation of diluted earnings per common share because the effect would be anti-dilutive. In addition, 467,000 and 419,000 shares of other common stock equivalents outstanding during the three months ended December 26, 2010 and December 27, 2009, respectively, were not included in the computation of diluted earnings per common share because the effect would be anti-dilutive.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

*Comprehensive Income.* Total comprehensive income consisted of the following (in millions):

	Three Months Ended	
	December 26, 2010	December 27, 2009
Net income	\$ 1,170	\$ 841
Other comprehensive income:		
Foreign currency translation	5	8
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain marketable debt securities, net of income taxes	(4)	8
Net unrealized gains on other marketable securities and derivative instruments, net of income taxes	131	169
Reclassification of net realized gains on marketable securities and derivative instruments included in net income, net of income taxes	(76)	(61)
Reclassification of other-than-temporary losses on marketable securities included in net income, net of income taxes	4	32
Total other comprehensive income	60	156
Total comprehensive income	<u>\$ 1,230</u>	<u>\$ 997</u>

Components of accumulated other comprehensive income consisted of the following (in millions):

	December 26, 2010	September 26, 2010
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain marketable debt securities, net of income taxes	\$ 56	\$ 62
Net unrealized gains on marketable securities, net of income taxes	784	723
Net unrealized losses on derivative instruments, net of income taxes	(8)	(8)
Foreign currency translation	(75)	(80)
	<u>\$ 757</u>	<u>\$ 697</u>

At December 26, 2010, accumulated other comprehensive income included \$23 million of other-than-temporary losses on marketable debt securities related to factors other than credit, net of income taxes.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

*Share-Based Payments.* Total share-based compensation expense was as follows (in millions):

	Three Months Ended	
	December 26, 2010	December 27, 2009
Cost of equipment and services revenues	\$ 14	\$ 11
Research and development	86	72
Selling, general and administrative	72	68
Share-based compensation expense before income taxes	172	151
Related income tax benefit	(56)	(37)
Share-based compensation expense, net of income taxes	<u>\$ 116</u>	<u>\$ 114</u>

The Company recorded \$13 million and \$14 million in share-based compensation expense during the three months ended December 26, 2010 and December 27, 2009, respectively, related to share-based awards granted during those periods. In addition, for the three months ended December 26, 2010 and December 27, 2009, \$45 million and \$13 million, respectively, were reclassified to reduce net cash provided by operating activities with an offsetting increase in net cash provided by financing activities to reflect the incremental tax benefit from stock options exercised in those periods.

At December 26, 2010, total unrecognized compensation costs related to non-vested stock options and restricted stock units granted prior to that date were \$952 million and \$402 million, respectively, which are expected to be recognized over a weighted-average period of 2.6 and 2.7 years, respectively. Net share-based awards, after forfeitures and cancellations, granted during the three months ended December 26, 2010 and December 27, 2009 represented 0.4% and 1.2%, respectively, of outstanding shares as of the beginning of each fiscal period. Total share-based awards granted during the three months ended December 26, 2010 and December 27, 2009 represented 0.5% and 1.3%, respectively, of outstanding shares as of the end of each fiscal period.

**Note 2. Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides an established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors that market participants would use in valuing the asset or liability. There are three levels of inputs that may be used to measure fair value:

- Level 1 includes financial instruments for which quoted market prices for identical instruments are available in active markets.
- Level 2 includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument.
- Level 3 includes financial instruments for which fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including the Company's own assumptions.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at December 26, 2010 (in millions):



**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ 2,312	\$ 1,983	\$ —	\$ 4,295
<b>Marketable securities</b>				
U.S. Treasury securities and government-related securities	417	412	—	829
Corporate bonds and notes	—	4,885	—	4,885
Mortgage- and asset-backed securities	—	660	5	665
Auction rate securities	—	—	126	126
Non-investment-grade debt securities	—	3,602	12	3,614
Common and preferred stock	1,178	672	—	1,850
Equity mutual and exchange-traded funds	1,081	—	—	1,081
Debt mutual funds	875	471	—	1,346
Total marketable securities	<u>3,551</u>	<u>10,702</u>	<u>143</u>	<u>14,396</u>
Derivative instruments	—	2	—	2
Other investments <sup>(1)</sup>	153	—	—	153
Total assets measured at fair value	<u>\$ 6,016</u>	<u>\$ 12,687</u>	<u>\$ 143</u>	<u>\$ 18,846</u>
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 18	\$ —	\$ 18
Other liabilities <sup>(1)</sup>	153	—	—	153
Total liabilities measured at fair value	<u>\$ 153</u>	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ 171</u>

(1) Comprised of the Company's deferred compensation plan liability and related assets which are invested in mutual funds.

**Marketable Securities.** With the exception of auction rate securities, the Company obtains pricing information from quoted market prices, recognized independent pricing vendors or multiple pricing vendors, or quotes from brokers/dealers. The Company conducts reviews of its primary pricing vendors to determine whether the inputs used in the vendors' pricing processes are deemed to be observable.

The fair value of other government-related securities and investment- and non-investment-grade corporate bonds and notes is generally determined using standard observable inputs, including matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and/or offers.

The fair value of debt mutual funds is determined based on published net asset values. The Company assesses the underlying assets to determine the fund's valuation and whether fair value is based on observable or unobservable inputs.

The fair value of mortgage- and asset-backed securities is derived from the use of matrix pricing or cash flow pricing models in which inputs are observable, including contractual terms, maturity, prepayment speeds, credit rating and securitization structure, to determine the timing and amount of future cash flows. Certain mortgage- and asset-backed securities, principally those that are rated below AAA, require use of significant unobservable inputs to estimate fair value, including significant assumptions about prioritization of the payment schedule, default likelihood, recovery rates and prepayment speed.

The fair value of auction rate securities is estimated by the Company using a discounted cash flow model that incorporates transaction details such as contractual terms, maturity and timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of market participants. Though the vast majority of the securities are pools of student loans guaranteed by the U.S. government, prepayment speeds and illiquidity discounts are considered significant unobservable inputs. Therefore, auction rate securities are included in Level 3.

**Derivative Instruments.** Derivative instruments include foreign currency option and forward contracts to manage foreign exchange risk for certain foreign currency transactions and certain balances denominated in a foreign currency. Derivative instruments are valued using standard calculations/models that are primarily based on observable inputs, including foreign currency exchange rates, volatilities and interest rates. Therefore, derivative instruments are included in Level 2.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Activity between Levels of the Fair Value Hierarchy.** There were no significant transfers between Level 1 and Level 2 during the three months ended December 26, 2010 or December 27, 2009. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The following table includes the activity for marketable securities classified within Level 3 of the valuation hierarchy (in millions):

	<b>Three Months Ended December 26, 2010</b>		
	<u>Auction Rate Securities</u>	<u>Other Marketable Securities</u>	<u>Total</u>
Beginning balance of Level 3 marketable securities	\$ 126	\$ 18	\$ 144
Total unrealized gains included in other comprehensive income	2	—	2
Settlements	(2)	(1)	(3)
Ending balance of Level 3 marketable securities	<u>\$ 126</u>	<u>\$ 17</u>	<u>\$ 143</u>

  

	<b>Three Months Ended December 27, 2009</b>		
	<u>Auction Rate Securities</u>	<u>Other Marketable Securities</u>	<u>Total</u>
Beginning balance of Level 3 marketable securities	\$ 174	\$ 31	\$ 205
Total realized and unrealized (losses) gains:			
Included in investment loss, net	—	1	1
Included in other comprehensive income	5	—	5
Settlements	(2)	(3)	(5)
Transfers into Level 3	—	1	1
Ending balance of Level 3 marketable securities	<u>\$ 177</u>	<u>\$ 30</u>	<u>\$ 207</u>

The Company's policy is to recognize transfers into and out of levels within the fair value hierarchy at the end of the fiscal month in which the actual event or change in circumstances that caused the transfer occurs. Transfers into Level 3 during the three months ended December 27, 2009 primarily consisted of debt securities with significant inputs that became unobservable as a result of an increased likelihood of a shortfall in contractual cash flows or a significant downgrade in the credit ratings.

**Nonrecurring Fair Value Measurements.** The Company measures certain assets at fair value on a nonrecurring basis. These assets include cost and equity method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange, and property, plant and equipment and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. During the three months ended December 26, 2010 and December 27, 2009, the Company did not have any significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 3. Marketable Securities**

Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	December 26, 2010	September 26, 2010	December 26, 2010	September 26, 2010
<b>Available-for-sale:</b>				
U.S. Treasury securities and government-related securities	\$ 825	\$ 650	\$ 4	\$ 4
Corporate bonds and notes	3,394	3,504	1,491	1,495
Mortgage- and asset-backed securities	629	629	36	38
Auction rate securities	—	—	126	126
Non-investment-grade debt securities	20	21	3,594	3,344
Common and preferred stock	55	52	1,795	1,670
Equity mutual and exchange-traded funds	—	—	1,081	979
Debt mutual funds	875	1,476	—	—
Total available-for-sale	<u>5,798</u>	<u>6,332</u>	<u>8,127</u>	<u>7,656</u>
<b>Fair value option:</b>				
Debt mutual fund	—	—	471	467
<b>Time deposits</b>				
Total marketable securities	<u>\$ 5,798</u>	<u>\$ 6,732</u>	<u>\$ 8,598</u>	<u>\$ 8,123</u>

In fiscal 2010, the Company made an investment in a debt mutual fund for which the Company elected the fair value option. The investment would have otherwise been recorded using the equity method. The debt mutual fund has no single maturity date. At December 26, 2010, the Company had an effective ownership interest in the debt mutual fund of 19%. Changes in fair value associated with this investment are recognized in net investment income. The Company believes that recording the investment at fair value and reporting the investment as a marketable security is preferable to applying the equity method because the Company is able to redeem its shares at net asset value, which is determined daily. At September 26, 2010, marketable securities included \$400 million of time deposits that matured in December 2010.

At December 26, 2010, the contractual maturities of available-for-sale debt securities were as follows (in millions):

Years to Maturity				No Single Maturity Date	Total
Less Than One Year	One to Five Years	Five to Ten Years	Greater Than Ten Years		
<u>\$ 1,132</u>	<u>\$ 4,202</u>	<u>\$ 1,923</u>	<u>\$ 955</u>	<u>\$ 2,782</u>	<u>\$ 10,994</u>

Securities with no single maturity date included mortgage- and asset-backed securities, auction rate securities, non-investment-grade debt securities and debt mutual funds.

The Company recorded realized gains and losses on sales of available-for-sale marketable securities as follows (in millions):

For the three months ended	Gross Realized Gains	Gross Realized Losses	Net Realized Gains
December 26, 2010	\$ 128	\$ (5)	\$ 123
December 27, 2009	107	(5)	102

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

Available-for-sale securities were comprised as follows (in millions):

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>December 26, 2010</b>				
Equity securities	\$ 2,419	\$ 523	\$ (11)	\$ 2,931
Debt securities	10,538	476	(20)	10,994
	<u>\$ 12,957</u>	<u>\$ 999</u>	<u>\$ (31)</u>	<u>\$ 13,925</u>
<b>September 26, 2010</b>				
Equity securities	\$ 2,309	\$ 403	\$ (11)	\$ 2,701
Debt securities	10,795	512	(20)	11,287
	<u>\$ 13,104</u>	<u>\$ 915</u>	<u>\$ (31)</u>	<u>\$ 13,988</u>

The following table shows the gross unrealized losses and fair values of the Company's investments in individual securities that have been in a continuous unrealized loss position deemed to be temporary for less than 12 months and for more than 12 months, aggregated by investment category (in millions):

	<b>December 26, 2010</b>			
	<u>Less than 12 months</u>		<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds and notes	\$ 888	\$ (7)	\$ 40	\$ —
Auction rate securities	—	—	126	(2)
Debt mutual funds	518	(2)	1	—
Mortgage- and asset-backed securities	141	(1)	2	—
Non-investment-grade debt securities	301	(5)	56	(3)
Common and preferred stock	248	(11)	3	—
	<u>\$ 2,096</u>	<u>\$ (26)</u>	<u>\$ 228</u>	<u>\$ (5)</u>

	<b>September 26, 2010</b>			
	<u>Less than 12 months</u>		<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds and notes	\$ 425	\$ (1)	\$ 23	\$ —
Auction rate securities	—	—	126	(4)
Non-investment-grade debt securities	296	(7)	90	(8)
Common and preferred stock	133	(10)	3	—
Equity mutual and exchange-traded funds	277	(1)	—	—
	<u>\$ 1,131</u>	<u>\$ (19)</u>	<u>\$ 242</u>	<u>\$ (12)</u>

At December 26, 2010, the Company concluded that the unrealized losses were temporary. Further, for common and preferred stock with unrealized losses, the Company has the ability and the intent to hold such securities until they recover, which is expected to be within a reasonable period of time. For debt securities with unrealized losses, the Company does not have the intent to sell, nor is it more likely than not that the Company will be required to sell, such securities before recovery or maturity.

The following table shows the activity for the credit loss portion of other-than-temporary impairments on debt securities held by the Company (in millions):

**QUALCOMM Incorporated**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

	Three Months Ended	
	December 26, 2010	December 27, 2009
Beginning balance of credit losses	\$ 109	\$ 170
Credit losses recognized on securities previously impaired	(11)	—
Credit losses recognized on securities previously not impaired	—	1
Reductions in credit losses related to securities sold	(7)	(12)
Accretion of credit losses due to an increase in cash flows expected to be collected	(2)	(16)
Ending balance of credit losses	\$ 89	\$ 143

**Note 4 — Composition of Certain Financial Statement Items**

*Accounts Receivable.*

	December 26, 2010	September 26, 2010
	(In millions)	
Trade, net of allowances for doubtful accounts of \$2 and \$3, respectively	\$ 614	\$ 697
Long-term contracts	38	25
Other	5	8
	\$ 657	\$ 730

*Inventories.*

	December 26, 2010	September 26, 2010
	(In millions)	
Raw materials	\$ 24	\$ 15
Work-in-process	291	284
Finished goods	259	229
	\$ 574	\$ 528

*Other Current Liabilities.*

	December 26, 2010	September 26, 2010
	(In millions)	
Customer-related liabilities, including incentives, rebates and other reserves	\$ 658	\$ 574
Current portion of payable to Broadcom for litigation settlement	170	170
Payable for unsettled securities trades	92	80
Other	291	261
	\$ 1,211	\$ 1,085

**Note 5 — Investment Income, Net**

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**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

	Three Months Ended	
	December 26, 2010	December 27, 2009
	(In millions)	
Interest and dividend income	\$ 131	\$ 145
Interest expense	(28)	(9)
Net realized gains on marketable securities	127	102
Impairment losses on marketable securities	(8)	(52)
Impairment losses on other investments	(3)	(5)
Gains (losses) on derivative instruments	1	(4)
Equity in losses of investees	(1)	(4)
	<u>\$ 219</u>	<u>\$ 173</u>

**Note 6 — Income Taxes**

The Company currently estimates its annual effective income tax rate to be approximately 14% for fiscal 2011, compared to the 20% effective income tax rate in fiscal 2010. During the first quarter of fiscal 2011, the United States government extended the federal research and development tax credit to include qualified research expenditures paid or incurred after December 31, 2009 and before January 1, 2012. The Company recorded a tax benefit of \$32 million related to fiscal 2010 in the first quarter of fiscal 2011 for the retroactive extension of this credit. The annual effective tax rate for fiscal 2010 included tax expense of approximately \$137 million that arose because certain deferred revenue was taxable in fiscal 2010, but the resulting deferred tax asset will reverse in future years when the Company's state tax rate will be lower as a result of California tax legislation enacted in 2009.

The estimated annual effective tax rate for fiscal 2011 of 14% is less than the United States federal statutory rate primarily due to benefits of approximately 24% related to foreign earnings taxed at less than the United States federal rate and benefits of approximately 3% related to the research and development tax credit, partially offset by state taxes of approximately 5% and other items of approximately 1%. The prior fiscal year rate was lower than the United States federal statutory rate primarily due to benefits related to foreign earnings taxed at less than the United States federal rate, partially offset by state taxes and tax expense related to the valuation of deferred tax assets to reflect changes in California law.

**Note 7 — Stockholders' Equity**

Changes in stockholders' equity for the three months ended December 26, 2010 were as follows (in millions):

Balance at September 26, 2010	\$ 20,858
Net income	1,170
Other comprehensive income	60
Common stock issued under employee benefit plans	789
Share-based compensation	154
Tax benefit from exercise of stock options	18
Dividends	(314)
Other	1
Balance at December 26, 2010	<u>\$ 22,736</u>

**Stock Repurchase Program.** The Company did not repurchase any shares during the three months ended December 26, 2010 and December 27, 2009. At December 26, 2010, approximately \$1.7 billion remained authorized for repurchase under the Company's stock repurchase program. The stock repurchase program has no expiration date.

**Dividends.** Cash dividends announced in the three months ended December 26, 2010 and December 27, 2009 were \$0.19 and \$0.17 per share, respectively. During the three months ended December 26, 2010 and December 27, 2009, dividends charged to retained earnings were \$314 million and \$284 million, respectively. On January 14, 2011, the Company announced a cash dividend of \$0.19 per share on the Company's common stock, payable on March 25, 2011 to stockholders of record as of February 25, 2011, which will be recorded in the second fiscal quarter.

**Note 8 — Commitments and Contingencies**

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**Litigation. *Tessera, Inc. v. QUALCOMM Incorporated:*** On April 17, 2007, Tessera filed a lawsuit in the United States District Court for the Eastern Division of Texas and a complaint with the United States International Trade Commission (ITC) pursuant to Section 337 of the Tariff Act of 1930 against the Company and other companies, alleging infringement of two patents. The District Court action is stayed pending resolution of the ITC proceeding, including all appeals. On May 20, 2009, the ITC issued a limited exclusion order and a cease and desist order, both of which were terminated when the patents expired on September 24, 2010. During the period of the exclusion order, the Company shifted supply of accused chips for the United States market to a licensed supplier of Tessera, and the Company continued to supply the United States market without interruption. On December 21, 2010, the U.S. Court of Appeals for the Federal Circuit issued a decision affirming the ITC's orders. The Company is considering further options on appeal. Tessera may continue to seek back damages in the district court, but it may not seek injunctive relief due to the expiration of the patents.

***Korea Fair Trade Commission (KFTC) Complaint:*** On January 4, 2010, the KFTC issued a written decision, finding that the Company had violated South Korean law by offering certain discounts and rebates for purchases of its CDMA chips and for including in certain agreements language requiring the continued payment of royalties after all licensed patents have expired. The KFTC levied a fine, which the Company paid in the second quarter of fiscal 2010. The Company is appealing that decision in the Korean courts. In fiscal 2006, two South Korean companies (Nextreaming and Thin Multimedia) filed complaints with the KFTC alleging that certain of the Company's business practices with respect to integration of multimedia functions in its chips violated South Korean antitrust regulations. In December 2010, the KFTC announced that it has closed its investigation of those allegations without further action.

***Japan Fair Trade Commission (JFTC) Complaint:*** The JFTC received unspecified complaints alleging that the Company's business practices are, in some way, a violation of Japanese law. On September 29, 2009, the JFTC issued a cease and desist order (CDO) concluding that the Company's Japanese licensees were forced to cross-license patents to the Company on a royalty-free basis and were forced to accept a provision under which they agreed not to assert their essential patents against the Company's other licensees who made a similar commitment in their license agreements with the Company. The CDO seeks to require the Company to modify its existing license agreements with Japanese companies to eliminate these provisions while preserving the license of the Company's patents to those companies. The Company disagrees with the conclusions that it forced its Japanese licensees to agree to any provision in the parties' agreements and that those provisions violate Japan's Anti-Monopoly Act. The Company has invoked its right under Japanese law to an administrative hearing before the JFTC. In February 2010, the Tokyo High Court granted the Company's motion and issued a stay of the CDO pending the administrative hearing before the JFTC. The JFTC has had five hearing days to date, with an additional hearing day scheduled in February 2011, and additional hearing days yet to be scheduled.

***Icera Complaint to the European Commission:*** On June 7, 2010, the European Commission (the Commission) notified and provided the Company with a redacted copy of a complaint filed with the Commission by Icera, Inc. alleging that the Company has engaged in anticompetitive activity. The Company has been asked by the Commission to submit a preliminary response to the portions of the Complaint disclosed to it, and the Company submitted its response in July 2010. The Company will cooperate fully with the Commission.

***Panasonic Arbitration:*** On August 5, 2009, Panasonic filed an arbitration demand alleging that it does not owe royalties, or owes less royalties, on its WCDMA subscriber devices sold on or after December 21, 2008, and that the Company breached the license agreement between the parties as well as certain commitments to standards setting organizations. On January 31, 2010, Panasonic amended the arbitration demand to include claims based on alleged misrepresentations and the Japanese Antimonopoly Act and increased its claim for damages to include royalties it has paid on its WCDMA subscriber devices sold prior to December 21, 2008. The arbitration demand seeks declaratory relief regarding the amount of royalties due and payable by Panasonic, as well as the return of certain royalties it had previously paid. The Company has responded to the arbitration demand, denying the allegations and requesting judgment in its favor on all claims. The arbitration is proceeding in phases. The first phase hearing was completed in July 2010. On October 15, 2010, the arbitrator issued an interim order finding that the Company did not breach the license agreement. The Company is now preparing for the additional phases to address the other claims and allegations. Although the Company believes Panasonic's claims are without merit, it has deferred the recognition of revenue related to WCDMA subscriber unit royalties reported and paid by Panasonic since the fourth quarter of fiscal 2009.

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*Formal Order of Private Investigation.* On September 8, 2010, the Company was notified by the Securities and Exchange Commission's Los Angeles Regional office (SEC) of a formal order of private investigation. The Company understands that the investigation arose from a "whistleblower's" allegations made in December 2009 to the audit committee of the Company's Board of Directors and to the SEC. The audit committee completed an internal review with the assistance of independent counsel and independent forensic accountants. This internal review into the allegations and related accounting practices did not identify any errors in the Company's financial statements. The Company continues to cooperate with the SEC's ongoing investigation.

*Other.* The Company has been named, along with many other manufacturers of wireless phones, wireless operators and industry-related organizations, as a defendant in purported class action lawsuits, and individually filed actions pending in federal court in Pennsylvania and Washington D.C. superior court, seeking monetary damages arising out of its sale of cellular phones.

While there can be no assurance of favorable outcomes, the Company believes the claims made by other parties in the foregoing matters are without merit and will vigorously defend the actions. The Company has not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on the Company's belief that liabilities, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. The Company is engaged in numerous other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these actions will not have a material adverse effect on its operating results, liquidity or financial position.

*Litigation Settlement, Patent License and Other Related Items.* On April 26, 2009, the Company entered into a Settlement and Patent License and Non-Assert Agreement with Broadcom. The Company agreed to pay Broadcom \$891 million, of which \$459 million was paid through December 26, 2010, and the remainder will be paid ratably through April 2013. The Company recorded a pre-tax charge of \$783 million related to this agreement during fiscal 2009. At December 26, 2010, the carrying value of the liability was \$416 million, which also approximated the fair value of the contractual liability, net of imputed interest.

*India Spectrum Acquisition and Related Loans Payable.* In June 2010, the Company won a 20 MHz slot of Broadband Wireless Access (BWA) spectrum in four telecom circles in India as a result of the completion of the BWA spectrum auction. The Company expects that licenses to operate wireless networks on this spectrum will be assigned to the Company in the first half of calendar 2011 with an initial license period of 20 years. At December 26, 2010 and September 26, 2010, the Company had a \$1.1 billion advance payment included in noncurrent other assets related to this spectrum. The Company will amortize the spectrum licenses over the remaining license period commencing upon the commercial launch of wireless services in India, which is expected to occur within five years of the assignment date. The Company's goal is to attract one or more operator partners into a venture (or ventures) for construction of an LTE network in compliance with the Indian government's rollout requirement for the BWA spectrum, and then to exit the venture(s). The manner and timing of such exit will be dependent upon a number of factors, such as market conditions and regulatory considerations, among others.

In June 2010, in connection with the India BWA spectrum purchase, certain of the Company's subsidiaries in India entered into a loan agreement with multiple lenders that was denominated in Indian rupees. The loan had a fixed interest rate of 6.75% per year with interest payments due monthly and was payable in full in December 2010. On December 13, 2010, the loan was refinanced with new loan agreements that bear interest at an annual rate based on the highest base rate among the bank lenders, which is reset quarterly, plus 0.25% (9.25% at December 26, 2010) with interest payments due monthly. The new loans are due and payable in full in December 2012. However, each lender has the right to demand prepayment of its portion of the outstanding loans on December 15, 2011 subject to sufficient prior written notice. As a result, the loans are classified as a component of current liabilities. The loans can be prepaid without penalty on certain dates and are guaranteed by QUALCOMM Incorporated and one of its subsidiaries. The loan agreements contain standard covenants, which, among other things, limit actions by the subsidiaries that are party to the loan agreements, including the incurrence of loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. At December 26, 2010, the aggregate carrying value of the loans was \$1.1 billion, which approximated fair value.

*Indemnifications.* In general, the Company does not agree to indemnify its customers and licensees for losses sustained from infringement of third-party intellectual property. However, the Company is contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by the Company. The Company's obligations under these agreements may be limited in terms of time



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and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by the Company. These indemnification arrangements are not initially measured and recognized at fair value because they are deemed to be similar to product warranties in that they relate to claims and/or other actions that could impair the ability of the Company's direct or indirect customers to use the Company's products or services. Accordingly, the Company records liabilities resulting from the arrangements when they are probable and can be reasonably estimated. Reimbursements under indemnification arrangements have not been material to the Company's consolidated financial statements. The Company has not recorded any accrual for contingent liabilities at December 26, 2010 associated with these indemnification arrangements, other than negligible amounts for reimbursement of legal costs, based on the Company's belief that additional liabilities, while possible, are not probable. Further, any possible range of loss cannot be estimated at this time.

**Purchase Obligations.** The Company has agreements with suppliers and other parties to purchase inventory, other goods and services and long-lived assets. Noncancelable obligations under these agreements at December 26, 2010 for the remainder of fiscal 2011 and for each of the subsequent four years from fiscal 2012 through 2015 were approximately \$1.4 billion, \$153 million, \$60 million, \$19 million and \$48 million, respectively, and \$39 million thereafter. Of these amounts, for the remainder of fiscal 2011 and for fiscal 2012, commitments to purchase integrated circuit product inventories comprised \$1.1 billion and \$12 million, respectively.

**Leases.** The future minimum lease payments for all capital leases and operating leases at December 26, 2010 were as follows (in millions):

	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
Remainder of fiscal 2011	\$ 13	\$ 65	\$ 78
2012	16	69	85
2013	16	39	55
2014	17	28	45
2015	17	23	40
Thereafter	438	227	665
<b>Total minimum lease payments</b>	<b>\$ 517</b>	<b>\$ 451</b>	<b>\$ 968</b>
Deduct: Amounts representing interest	293		
Present value of minimum lease payments	224		
Deduct: Current portion of capital lease obligations	2		
Long-term portion of capital lease obligations	<u>\$ 222</u>		

The Company leases certain of its facilities and equipment under noncancelable operating leases, with terms ranging from less than one year to 35 years and with provisions in certain leases for cost-of-living increases. The Company leases certain property under capital lease agreements, primarily related to cell site leases that have an initial term of five to seven years with renewal options of up to five additional renewal periods. In determining the capital lease classification for the cell site leases upon commencement of each lease, the Company included all renewal options. As a result of the restructuring plan (Note 10), the Company does not intend to renew its existing site capital leases. As of December 26, 2010, the Company expects to write off \$186 million of cell site capital lease assets (which are included in buildings and improvements in property, plant and equipment) and \$215 million of its capital lease obligations (which are included in other liabilities) at the end of the current contractual lease terms related to lease renewal option periods thereafter. Any early terminations may impact the amounts that are written off.

**Note 9 — Segment Information**

The Company is organized on the basis of products and services. The Company aggregates four of its divisions into the Qualcomm Wireless & Internet segment. Reportable segments are as follows:

- Qualcomm CDMA Technologies (QCT) — develops and supplies CDMA- and OFDMA-based integrated circuits and system software for wireless voice and data communications, multimedia functions and global positioning system products;
- Qualcomm Technology Licensing (QTL) — grants licenses or otherwise provides rights to use portions of the Company's intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products, including, without limitation, products

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implementing cdmaOne, CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards, and collects license fees and royalties in partial consideration for such licenses;

- Qualcomm Wireless & Internet (QWI) — comprised of:
  - Qualcomm Internet Services (QIS) — provides content enablement services for the wireless industry and push-to-talk and other products and services for wireless network operators;
  - Qualcomm Government Technologies (QGOV) — provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies;
  - Qualcomm Enterprise Services (QES) — provides satellite- and terrestrial-based two-way data messaging, position reporting, wireless application services and managed data services to transportation and logistics companies and other enterprise companies; and
  - Firethorn — builds and manages software applications that enable certain mobile commerce services.
- Qualcomm Strategic Initiatives (QSI) — consists of the Company’s strategic investment activities, including FLO TV Incorporated (FLO TV), the Company’s wholly-owned wireless multimedia operator subsidiary. The Company has commenced a restructuring plan under which it expects to shut down the FLO TV business and network in March 2011 (Note 10). QSI makes strategic investments that the Company believes will open new markets for CDMA and OFDMA technologies, support the design and introduction of new CDMA and OFDMA products or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies and in wireless spectrum, such as the BWA spectrum won in the auction in India.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes (EBT). EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Certain income and charges are not allocated to segments in the Company’s management reports because they are not considered in evaluating the segments’ operating performance. Unallocated income and charges include certain investment income (loss), certain share-based compensation and certain research and development expenses and marketing expenses that were deemed to be not directly related to the businesses of the segments. The table below presents revenues and EBT for reportable segments (in millions):

	QCT	QTL	QWI	QSI	Reconciling Items	Total
<b>For the three months ended:</b>						
<b>December 26, 2010</b>						
Revenues	\$2,116	\$1,057	\$172	\$ —	\$ 3	\$3,348
EBT	640	892	—	(159)	(44)	1,329
<b>December 27, 2009</b>						
Revenues	\$1,608	\$ 917	\$142	\$ 2	\$ 1	\$2,670
EBT	425	772	9	(107)	(47)	1,052

Reconciling items in the previous table were as follows (in millions):

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	Three Months Ended	
	December 26, 2010	December 27, 2009
<b>Revenues</b>		
Elimination of intersegment revenues	\$ (1)	\$ (3)
Other nonreportable segments	4	4
Reconciling items	<u>\$ 3</u>	<u>\$ 1</u>
<b>EBT</b>		
Unallocated cost of equipment and services revenues	\$ (14)	\$ (11)
Unallocated research and development expenses	(118)	(88)
Unallocated selling, general and administrative expenses	(87)	(73)
Unallocated investment income, net	244	179
Other nonreportable segments	(69)	(53)
Intersegment eliminations	—	(1)
Reconciling items	<u>\$ (44)</u>	<u>\$ (47)</u>

During the three months ended December 26, 2010 and December 27, 2009, unallocated research and development expenses included \$86 million and \$72 million, respectively, and unallocated selling, general and administrative expenses included \$72 million and \$68 million, respectively, of share-based compensation expense. Unallocated cost of equipment and services revenues was comprised entirely of share-based compensation expense.

Revenues from external customers and intersegment revenues were as follows (in millions):

	QCT	QTL	QWI	QSI
<b>For the three months ended:</b>				
<b>December 26, 2010</b>				
Revenues from external customers	\$2,115	\$1,057	\$172	\$—
Intersegment revenues	1	—	—	—
<b>December 27, 2009</b>				
Revenues from external customers	\$1,605	\$ 917	\$142	\$ 2
Intersegment revenues	3	—	—	—

Segment assets are comprised of accounts receivable, finance receivables and inventories for QCT, QTL and QWI. The QSI segment assets include certain marketable securities, notes receivable, spectrum licenses, other investments and all assets of QSI's consolidated subsidiaries, including FLO TV. QSI segment assets related to the FLO TV business totaled \$1.3 billion at both December 26, 2010 and December 27, 2009. Reconciling items for total assets included \$379 million and \$397 million at December 26, 2010 and December 27, 2009, respectively, of goodwill and other assets related to the Company's QMT division, a nonreportable segment developing display technology for mobile devices and other applications. Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of certain cash, cash equivalents, marketable securities, property, plant and equipment, deferred tax assets, goodwill and assets of nonreportable segments. Segment assets and reconciling items were as follows (in millions):

	December 26, 2010	September 26, 2010
QCT	\$ 1,032	\$ 1,085
QTL	37	28
QWI	152	129
QSI	2,718	2,745
Reconciling items	<u>27,352</u>	<u>26,585</u>
Total consolidated assets	<u>\$ 31,291</u>	<u>\$ 30,572</u>

**Note 10 — Restructuring**

**QUALCOMM Incorporated**  
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**(Unaudited)**

On December 20, 2010, the Company announced that it has agreed to sell substantially all of the Company's 700 MHz spectrum for \$1.9 billion, subject to the satisfaction of customary closing conditions, including approval by the U.S. Federal Communications Commission and clearance from the U.S. Department of Justice. The agreement follows the Company's previously announced plan to restructure and evaluate strategic options related to the FLO TV business and network. Under the restructuring plan, the Company now expects that the FLO TV business and network will be shut down in March 2011, and the Company is in the process of shutting down the MediaFLO Technologies division. Restructuring activities under this plan were initiated in the fourth quarter of fiscal 2010 and are expected to be substantially complete by the end of fiscal 2012.

The Company estimates that it will incur future restructuring and restructuring-related charges associated with this plan in the range of \$300 million to \$375 million, which consist of asset impairments and accelerated depreciation of \$250 million to \$275 million and other costs of \$50 million to \$100 million. Restructuring charges consist of lease exit costs, other contract termination costs and certain severance costs. Restructuring-related charges include all other charges associated with the execution of this plan and are expected to primarily consist of asset impairment and accelerated depreciation. Future cash expenditures associated with this plan are expected to be in the range of \$135 million to \$185 million. The restructuring charges will be recorded in the QSI segment, and the restructuring-related charges will be recorded primarily in the QSI segment.

During the three months ended December 26, 2010, the Company recorded restructuring and restructuring-related costs of \$68 million as follows (in millions):

	Asset Impairment and Accelerated Depreciation	Other	Total
<b>Restructuring charges</b>			
Revenues	\$ —	\$ 2	\$ 2
Cost of equipment and services revenues	—	11	11
Research and development	—	2	2
Selling, general and administrative	—	2	2
	<u>—</u>	<u>17</u>	<u>17</u>
<b>Restructuring-related charges</b>			
Cost of equipment and services revenues	\$ 33	\$ —	\$ 33
Research and development	7	—	7
Selling, general and administrative	3	8	11
	<u>43</u>	<u>8</u>	<u>51</u>
	<u>\$ 43</u>	<u>\$ 25</u>	<u>\$ 68</u>

The following is a rollforward of the restructuring accrual since inception of the plan, which is reported as a component of accrued expenses (in millions):

	Balance at September 26, 2010	Additions	Cash Payments	Balance at December 26, 2010
Contract termination costs	\$ —	\$ 5	\$ (2)	\$ 3
Other costs	—	12	—	12
	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ (2)</u>	<u>\$ 15</u>

**Note 11 — Subsequent Event**

On January 5, 2011, the Company announced that it had entered into a definitive agreement under which it intends to acquire Atheros Communications, Inc. for \$45 per share in cash, which represented an enterprise value of approximately \$3.1 billion on that date. The transaction has been approved by the QUALCOMM and Atheros boards of directors and is subject to customary closing conditions, including the receipt of domestic and foreign regulatory approvals and the approval of Atheros' stockholders. The transaction is expected to close in the first half of calendar 2011.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This information should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 26, 2010 contained in our 2010 Annual Report on Form 10-K.

In addition to historical information, 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 Quarterly Report.

### Overview

#### Recent Developments

Revenues for the first quarter of fiscal 2011 were \$3.3 billion, with net income of \$1.2 billion, which were impacted by the following key items:

- We shipped approximately 118 million Mobile Station Modem (MSM) integrated circuits for CDMA-based wireless devices, an increase of 28% compared to approximately 92 million MSM integrated circuits in the year ago quarter. <sup>(1)</sup>
- Total reported device sales were approximately \$34.0 billion, an increase of approximately 39% compared to approximately \$24.5 billion in the year ago quarter. <sup>(2)</sup>

Against this backdrop, the following recent developments occurred during the first quarter of fiscal 2011 with respect to key elements of our business or our industry:

- Worldwide wireless subscriptions grew by approximately 4% to reach approximately 5.4 billion<sup>(3)</sup>
- Worldwide 3G subscriptions (all CDMA-based) grew to approximately 1.2 billion, approximately 23% of total wireless subscriptions, including approximately 510 million CDMA2000 1X/1xEV-DO subscriptions and approximately 700 million WCDMA/HSPA/TD-SCDMA subscriptions. <sup>(3)</sup>
- In the handset market, CDMA-based unit shipments grew an estimated 34% over the prior year quarter, compared to an estimated increase of 13% across all technologies. <sup>(4)</sup>
- We announced that we have agreed to sell substantially all of our 700 MHz spectrum for \$1.9 billion to AT&T, subject to the satisfaction of customary closing conditions, including approval by the U.S. Federal Communications Commission and clearance from the U.S. Department of Justice. The agreement follows our previously announced plan to restructure and evaluate strategic options related to our FLO TV business and network.

- 
- (1) During the first quarter of fiscal 2011, some customers built devices that incorporated two MSMs. In such cases, which represent less than 1% of our gross volume, we count only one MSM in reporting the MSM shipments.
  - (2) Total reported device sales is the sum of all reported sales in U.S. dollars (as reported to us by our licensees) of all licensed CDMA-based subscriber devices (including handsets, modules, modem cards and other subscriber devices) by our licensees during a particular period. Not all licensees report sales the same way (e.g., some licensees report sales net of permitted deductions, such as transportation, insurance and packing costs, while other licensees report sales and then identify the amount of permitted deductions in their reports), and the way in which licensees report such information may change from time to time.
  - (3) According to Wireless Intelligence estimates as of January 24, 2011, for the quarter ending December 31, 2010. Wireless Intelligence estimates for CDMA2000 1X/1xEV-DO subscribers do not include Wireless Local Loop.
  - (4) Based on current reports by Strategy Analytics, a global research and consulting firm, in their November 2010 Global Handset Market Share Update.

#### Our Business and Operating Segments

We design, manufacture, have manufactured on our behalf and market digital wireless telecommunications products and services based on our CDMA technology and other technologies. We derive revenues principally from sales of integrated circuit products, license fees and royalties for use of our intellectual property, messaging and other services and related hardware sales, software development and licensing and related services, software hosting services and services related to delivery of multimedia content. Operating expenses primarily consist of cost of equipment and services, research and development and selling, general and administrative expenses.

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We conduct business primarily through four reportable segments. These segments are: Qualcomm CDMA Technologies, or QCT; Qualcomm Technology Licensing, or QTL; Qualcomm Wireless & Internet, or QWI; and Qualcomm Strategic Initiatives, or QSI.

QCT is a leading developer and supplier of CDMA- and OFDMA-based integrated circuits and system software for wireless voice and data communications, multimedia functions and global positioning system products. QCT's integrated circuit products and system software are used in wireless devices, particularly mobile phones, tablets, laptops, data modules, handheld wireless computers, data cards and infrastructure equipment. The integrated circuits for wireless devices include the Mobile Station Modem (MSM), Mobile Data Modem (MDM), Qualcomm Single Chip (QSC), Qualcomm Snapdragon (QSD), Radio Frequency (RF), Power Management (PM) and Bluetooth devices. The baseband integrated circuits (MSM, MDM, QSC and OSD) for wireless devices and system software perform voice and data communication, multimedia and global positioning functions, and our RF, PM and Bluetooth devices perform radio conversion between RF and baseband signals, power management and peripheral connectivity. QCT's system software enables the other device components to interface with the integrated circuit products and is the foundation software enabling manufacturers to develop devices utilizing the functionality within the integrated circuits. The infrastructure equipment integrated circuits and system software perform the core baseband CDMA modem functionality in the wireless operator's base station equipment. QCT revenues comprised 63% and 60% of total consolidated revenues in the first quarter of fiscal 2011 and 2010, respectively.

QCT utilizes a fabless production business model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. Integrated circuits are die cut from silicon wafers that have completed the assembly and final test manufacturing processes. We rely on independent third-party suppliers to perform the manufacturing and assembly, and most of the testing, of our integrated circuits. Our suppliers are also responsible for the procurement of most of the raw materials used in the production of our integrated circuits. We employ both turnkey and two-stage manufacturing business models to purchase our integrated circuits. Turnkey is when our foundry suppliers are responsible for delivering fully assembled and tested integrated circuits. Under the two-stage manufacturing business model, we purchase die from semiconductor manufacturing foundries and contract with separate third-party manufacturers for back-end assembly and test services. We refer to this two-stage manufacturing business model as Integrated Fabless Manufacturing (IFM).

QTL grants licenses or otherwise provides rights to use portions of our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products, including, without limitation, products implementing cdmaOne, CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards and their derivatives. QTL receives license fees as well as ongoing royalties based on worldwide sales by licensees of products incorporating or using our intellectual property. License fees are fixed amounts paid in one or more installments. Ongoing royalties are generally based upon a percentage of the wholesale (i.e., licensee's) selling price of licensed products, net of certain permissible deductions (e.g., certain shipping costs, packing costs, VAT, etc.). QTL revenues comprised 32% and 34% of total consolidated revenues in the first quarter of fiscal 2011 and 2010, respectively. The vast majority of such revenues were generated through our licensees' sales of cdmaOne, CDMA2000 and WCDMA subscriber equipment products.

QWI, which includes Qualcomm Enterprise Services (QES), Qualcomm Internet Services (QIS), Qualcomm Government Technologies (QGOV) and Firethorn, generates revenues primarily through mobile information products and services and software and software development aimed at support and delivery of wireless applications. QES sells equipment, software and services used by transportation and other companies to connect wirelessly with their assets and workforce. Through December 2010, QES has shipped approximately 1,446,000 terrestrial-based and satellite-based mobile information units. QIS provides content enablement services for the wireless industry, including Brew, the Plaza suite and other services. QIS also provides QChat push-to-talk, QPoint and other products for wireless network operators. QGOV provides development, hardware and analytical expertise involving wireless communications technologies to United States government agencies. Firethorn builds and manages software applications that enable mobile commerce services. QWI revenues comprised 5% of total consolidated revenues for the first quarter of both fiscal 2011 and 2010.

QSI consists of the Company's strategic investment activities, including FLO TV Incorporated (FLO TV), our wholly-owned wireless multimedia operator subsidiary. QSI makes strategic investments that we believe will open new markets for CDMA- and OFDMA-based technologies, support the design and introduction of new CDMA and OFDMA products and services for wireless voice and internet data communications or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies and in wireless spectrum, such as the BWA spectrum won in the auction in India. On December 20, 2010, we announced that we have agreed to sell

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substantially all of our 700 MHz spectrum for \$1.9 billion, subject to the satisfaction of customary closing conditions, including approval by the U.S. Federal Communications Commission and clearance from the U.S. Department of Justice. The agreement follows our previously announced plan to restructure and evaluate strategic options related to our FLO TV business and network. Under the restructuring plan, we now expect that our FLO TV business and network will be shut down in March 2011.

Nonreportable segments include: the Qualcomm MEMS Technologies division, which continues to develop an interferometric modulator (IMOD) display technology based on micro-electro-mechanical-system (MEMS) structure combined with thin film optics; the MediaFLO Technologies division, which we are in the process of shutting down; and other product initiatives.

### **Restructuring and Restructuring-Related Activities**

We commenced a restructuring plan under which we now expect to shut down the FLO TV business and network in March 2011 and are in the process of shutting down our MediaFLO Technologies division. Restructuring activities were initiated in the fourth quarter of fiscal 2010 and are expected to be substantially complete by fiscal 2012.

We estimate that we will incur restructuring and restructuring-related charges associated with this plan in the range of \$300 million to \$375 million, which consist of asset impairment and accelerated depreciation of \$250 million to \$275 million and other costs of \$50 million to \$100 million. Restructuring charges consist of lease exit costs, other contract termination costs and certain severance costs. Restructuring-related charges include all other charges associated with the execution of this plan and are expected to primarily consist of asset impairments and accelerated depreciation. Future cash expenditures associated with this plan are expected to be in the range of \$135 million to \$185 million. The restructuring charges will be recorded in the QSI segment, and the restructuring-related charges will be recorded primarily in the QSI segment.

During the three months ended December 26, 2010, the Company recorded restructuring and restructuring-related costs of \$68 million as follows (in millions):

	<b>Asset Impairment and Accelerated Depreciation</b>	<b>Other</b>	<b>Total</b>
<b>Restructuring charges</b>			
Revenues	\$ —	\$ 2	\$ 2
Cost of equipment and services revenues	—	11	11
Research and development	—	2	2
Selling, general and administrative	—	2	2
	<u>\$ —</u>	<u>\$ 17</u>	<u>\$ 17</u>
<b>Restructuring-related charges</b>			
Cost of equipment and services revenues	\$ 33	\$ —	\$ 33
Research and development	7	—	7
Selling, general and administrative	3	8	11
	<u>\$ 43</u>	<u>\$ 8</u>	<u>\$ 51</u>
	<u>\$ 43</u>	<u>\$ 25</u>	<u>\$ 68</u>

### **Looking Forward**

The deployment of 3G networks enables increased voice capacity and higher data rates than prior generation networks, thereby supporting more minutes of use and a wide range of mobile broadband data applications for handsets, 3G connected computing devices and other consumer electronics. Many wireless operators are also planning to complement their existing 3G networks by deploying OFDMA-based technology, often called 4G, in new spectrum to gain additional capacity for data services, such as in the recent launch of a LTE network by Verizon Wireless in the United States. As a result, we expect continued growth in the coming years in consumer demand for 3G and 3G/4G multimode products and services around the world. As we look forward to the next several months, the following items are likely to have an impact on our business:

- The worldwide transition to 3G CDMA-based networks is expected to continue, including the further expansion of 3G in China and India.

- We expect consumer demand for advanced 3G-based and 3G/4G multimode devices, including smartphones, data-centric devices and new device categories, such as tablets and eBook readers, to continue at a strong pace. We also expect growth in lower-end 3G devices as 3G expands in emerging regions. We still face significant competition in lower-end devices from GSM-based products, particularly in emerging regions.
- We expect that CDMA-based device prices will continue to segment into high, mid and low end due to increased development of smartphones and the popularity of smartphone applications on the high end and high volumes and active competition throughout the world at all tiers. This, along with uneven economic growth and stronger average growth in emerging regions, is expected to continue to impact the average selling price of CDMA-based devices.
- We continue to invest significant resources toward the development of technology to increase the data rates available with 3G and 4G networks, wireless baseband chips, converged computing/communication chips, multimedia products, software and services for the wireless industry.
- We continue to invest in the evolution of CDMA and a broad range of other technologies, such as LTE, our IMOD display technology and our Snapdragon platform, as part of our vision to enable a wide range of products and technologies.
- We resolved a licensee dispute which will be reflected in our financial results beginning in the second quarter of fiscal 2011.
- We commenced a restructuring plan under which we now expect to shut down our FLO TV business and network in March 2011 and are in the process of shutting down our MediaFLO Technologies division. We estimate that we will incur restructuring and restructuring-related charges associated with this plan in the range of \$300 million to \$375 million, and that approximately \$135 million to \$185 million will result in future cash outlays. Restructuring activities were initiated in the fourth quarter of fiscal 2010 and are expected to be substantially complete by the end of fiscal 2012.
- On January 5, 2011, we announced that we had entered into a definitive agreement under which we intend to acquire Atheros Communications, Inc. for \$45 per share in cash, which represented an enterprise value of approximately \$3.1 billion on that date. The transaction is expected to close in the first half of calendar 2011 subject to customary closing conditions, including the receipt of domestic and foreign regulatory approvals and the approval of Atheros' stockholders.

In addition to the foregoing business and market-based matters, we continue to devote resources to working with and educating participants in the wireless value chain as to the benefits of our business model in promoting a highly competitive and innovative wireless market. However, we expect that certain companies may continue to be dissatisfied with the need to pay reasonable royalties for the use of our technology and not welcome the success of our business model in enabling new, highly cost-effective competitors to their products. We expect that such companies will continue to challenge our business model in various forums throughout the world.

Further discussion of risks related to our business is presented in the Risk Factors included in this Quarterly Report.

#### **First Quarter of Fiscal 2011 Compared to First Quarter of Fiscal 2010**

**Revenues.** Total revenues for the first quarter of fiscal 2011 were \$3.35 billion, compared to \$2.67 billion for the first quarter of fiscal 2010.

Revenues from sales of equipment and services for the first quarter of fiscal 2011 were \$2.21 billion, compared to \$1.66 billion for the first quarter of fiscal 2010. The increase in revenues from sales of equipment and services was primarily due to a \$513 million increase in QCT equipment and services revenues. Revenues from licensing and royalty fees for the first quarter of fiscal 2011 were \$1.14 billion, compared to \$1.01 billion for the first quarter of fiscal 2010. The increase in revenues from licensing and royalty fees was primarily due to a \$139 million increase in QTL revenues.

**Cost of Equipment and Services.** Cost of equipment and services revenues for the first quarter of fiscal 2011 was \$1.13 billion, compared to \$816 million for the first quarter of fiscal 2010. Cost of equipment and services revenues as a percentage of equipment and services revenues was 51% for the first quarter of fiscal 2011, compared to 49% for the first quarter of fiscal 2010. The decrease in margin percentage in the first quarter of fiscal 2011 compared to fiscal 2010 was primarily attributable to a decrease in QCT gross margin and the effect of an increase in costs related to our FLO TV subsidiary's restructuring plan. Cost of equipment and services revenues in the first quarter of fiscal 2011 included \$14 million in share-based compensation, compared to \$11 million in the first quarter of fiscal 2010. Cost of equipment and services revenues as a percentage of equipment and services revenues may



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fluctuate in future quarters depending on the mix of products sold and services provided, competitive pricing, new product introduction costs and other factors.

**Research and Development Expenses.** For the first quarter of fiscal 2011, research and development expenses were \$671 million or 20% of revenues, compared to \$596 million or 22% of revenues for the first quarter of fiscal 2010. The dollar increase was primarily attributable to a \$55 million increase in costs related to the development of integrated circuit products, next generation CDMA and OFDMA technologies and other initiatives to support the acceleration of advanced wireless products and services, including lower-cost devices, the integration of wireless with consumer electronics and computing, the convergence of multiband, multimode, multinetwork products and technologies, third-party operating systems and services platforms. The percentage decrease was primarily attributable to a higher increase in revenues relative to the increase in costs. Research and development expenses for the first quarter of fiscal 2011 included share-based compensation of \$86 million, compared to \$72 million in the first quarter of fiscal 2010.

**Selling, General and Administrative Expenses.** For the first quarter of fiscal 2011, selling, general and administrative expenses were \$437 million or 13% of revenues, compared to \$379 million or 14% of revenues for the first quarter of fiscal 2010. The dollar increase was primarily attributable to a \$36 million increase in employee-related expenses and a \$32 million increase in patent-related costs and other professional fees, partially offset by a \$17 million decrease in selling and marketing expenses primarily related to our FLO TV subsidiary. Selling, general and administrative expenses for the first quarter of fiscal 2011 included share-based compensation of \$72 million, compared to \$68 million in the first quarter of fiscal 2010.

**Net Investment Income (Loss).** Net investment income was \$219 million for the first quarter of fiscal 2011, compared to \$173 million for the first quarter of fiscal 2010. The net increase was comprised as follows (in millions):

	Three Months Ended		Change
	December 26, 2010	December 27, 2009	
Interest and dividend income	\$ 131	\$ 145	\$ (14)
Interest expense	(28)	(9)	(19)
Net realized gains on investments:			
Corporate and other segments	127	91	36
QSI	—	11	(11)
Net impairment losses on investments:			
Corporate and other segments	(8)	(51)	43
QSI	(3)	(6)	3
Gains (losses) on derivative instruments	1	(4)	5
Equity in losses of investees	(1)	(4)	3
	<u>\$ 219</u>	<u>\$ 173</u>	<u>\$ 46</u>

During the first quarter of fiscal 2011, we recorded lower impairment losses and higher realized gains on marketable securities as compared to the first quarter of fiscal 2010 due to improvements in financial market conditions. The increase in interest expense is primarily attributable to the loans related to the BWA spectrum won in the India auction in the third quarter of fiscal 2010.

**Income Tax Expense.** Income tax expense was \$159 million for the first quarter of fiscal 2011, compared to \$211 million for the first quarter of fiscal 2010. The effective tax rate for the first quarter of fiscal 2011 was 12%, compared to 20% for the first quarter of fiscal 2010. During the first quarter of fiscal 2011, the United States government extended the federal research and development tax credit to include qualified research expenditures paid or incurred after December 31, 2009 and before January 1, 2012. We recorded a tax benefit of \$32 million related to fiscal 2010 in the first quarter of fiscal 2011 from the retroactive extension of this credit. The annual effective tax rate for fiscal 2010 included tax expense of approximately \$137 million that arose because certain deferred revenue was taxable in fiscal 2010, but the resulting deferred tax asset will reverse in future years when the Company's state tax rate will be lower as a result of California tax legislation enacted in 2009. The effective tax rate for the first quarter of fiscal 2011 of 12% was lower than the expected annual effective rate of 14% primarily as a result of the benefit associated with the retroactive extension of the tax credit.

The estimated annual effective tax rate for fiscal 2011 of 14% is less than the United States federal statutory rate primarily due to benefits of approximately 24% related to foreign earnings taxed at less than the United States

federal rate and benefits of approximately 3% related to the research and development tax credit, partially offset by state taxes of approximately 5% and other items of approximately 1%.

#### **Our Segment Results for the First Quarter of Fiscal 2011 Compared to the First Quarter of Fiscal 2010**

The following should be read in conjunction with the first quarter financial results of fiscal 2011 for each reporting segment. See “Notes to Condensed Consolidated Financial Statements, Note 9 — Segment Information.”

**QCT Segment.** QCT revenues for the first quarter of fiscal 2011 were \$2.12 billion, compared to \$1.61 billion for the first quarter of fiscal 2010. Equipment and services revenues, mostly related to sales of MSM and accompanying RF and PM integrated circuits, were \$2.07 billion for the first quarter of fiscal 2011, compared to \$1.55 billion for the first quarter of fiscal 2010. The increase in equipment and services revenues resulted primarily from a \$550 million increase related to higher unit shipments, partially offset by a decrease of \$32 million related to the net effects of changes in product mix and the average selling prices of such products. Approximately 118 million MSM integrated circuits were sold during the first quarter of fiscal 2011, compared to approximately 92 million for the first quarter of fiscal 2010.<sup>1</sup>

QCT earnings before taxes for the first quarter of fiscal 2011 were \$640 million, compared to \$425 million for the first quarter of fiscal 2010. QCT operating income as a percentage of its revenues (operating margin percentage) was 30% in the first quarter of fiscal 2011, compared to 26% in the first quarter of fiscal 2010. The increases in QCT earnings before taxes and operating margin percentage were primarily attributable to a higher increase in QCT revenues relative to the increases in research and development and selling, general and administrative expenses, partially offset by a decrease in gross margin percentage. QCT gross margin percentage decreased as a result of the net effects of lower average selling prices, higher product support costs and a decrease in average unit costs.

QCT inventories increased by 8% to \$520 million in the first quarter of fiscal 2011 from \$481 million at September 26, 2010 primarily due to higher finished goods units on hand related to the timing of inventory builds and changes in product mix.

**QTL Segment.** QTL revenues for the first quarter of fiscal 2011 were \$1.06 billion, compared to \$917 million for the first quarter of fiscal 2010. QTL revenues in the first quarter of fiscal 2010 included \$71 million attributable to fiscal 2009 that had previously not been recognized due to discussions regarding a license agreement that was signed in the first quarter of fiscal 2010. The \$211 million increase in revenues without considering this amount was primarily due to an increase in sales of CDMA-based devices by licensees. QTL earnings before taxes for the first quarter of fiscal 2011 were \$892 million, compared to \$772 million for the first quarter of fiscal 2010. QTL operating margin percentage was 84% in the first quarter of fiscal 2011, compared to 85% in the first quarter of fiscal 2010. The decrease in operating margin percentage was primarily attributable to an increase in patent-related costs.

**QWI Segment.** QWI revenues for the first quarter of fiscal 2011 were \$172 million, compared to \$142 million for the first quarter of fiscal 2010. Revenues increased primarily due to a \$26 million increase in QES equipment and services revenues resulting primarily from higher unit shipments of our asset-tracking products. QWI earnings before taxes for the first quarter of fiscal 2011 were negligible, compared to \$9 million for the first quarter of fiscal 2010. QWI operating margin percentage was less than 1% in the first quarter of fiscal 2011, compared to 6% in the first quarter of fiscal 2010. The decreases in QWI earnings before taxes and operating margin percentage were primarily attributable to a decrease in QIS gross margin percentage and an increase in the operating loss of Firethorn.

**QSI Segment.** QSI revenues for the first quarter of fiscal 2011 were negligible, compared to \$2 million for the first quarter of fiscal 2010. QSI loss before taxes for the first quarter of fiscal 2011 was \$159 million, compared to \$107 million for the first quarter of fiscal 2010. QSI loss before taxes increased by \$52 million primarily due to a \$35 million increase in our FLO TV subsidiary's loss before taxes and a \$19 million increase in interest expense attributable to the loans related to the BWA spectrum won in the India auction in the third quarter of fiscal 2010.

We have commenced a restructuring plan under which we now expect to shut down the FLO TV business and network in March 2011. QSI loss before taxes for the first quarter of 2011 included \$64 million related to this plan. In addition to our ongoing operating costs, we expect to incur restructuring and restructuring-related charges associated with this plan in the range of \$300 million to \$375 million, which are primarily related to lease exit costs,

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<sup>1</sup> During the first quarter of fiscal 2011, some customers built devices that incorporated two MSMs. In such cases, which represent less than 1% of our gross volume, we count only one MSM in reporting the MSM shipments.

other contract termination costs and asset impairment and accelerated depreciation. Restructuring activities were initiated in the fourth quarter of fiscal 2010 and are expected to be substantially complete by the end of fiscal 2012.

### **Liquidity and Capital Resources**

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations and proceeds from the issuance of common stock under our stock option and employee stock purchase plans. Cash, cash equivalents and marketable securities were \$19.1 billion at December 26, 2010, an increase of \$705 million from September 26, 2010. Our cash, cash equivalents and marketable securities at December 26, 2010 consisted of \$6.1 billion held domestically and \$13.0 billion held by foreign subsidiaries. Due to tax and accounting considerations, we derive liquidity for operations primarily from domestic cash flow and investments held domestically. Total cash provided by operating activities decreased to \$48 million during the first quarter of fiscal 2011, compared to \$1.2 billion during the first quarter fiscal 2010. The decrease was primarily due to the payment of \$1.5 billion to the United States tax authorities in the first quarter of fiscal 2011.

At December 26, 2010, approximately \$1.7 billion remained authorized for repurchase under our stock repurchase program. The stock repurchase program has no expiration date. While we did not repurchase any of our common stock during the first quarter of fiscal 2011, we continue to evaluate repurchases under this program subject to capital availability and periodic determinations that such repurchases are in the best interest of our stockholders.

We announced cash dividends totaling \$309 million, or \$0.19 per share, during the first quarter of fiscal 2011, which were paid on December 22, 2010. On January 14, 2011, we announced a cash dividend of \$0.19 per share on our common stock, payable on March 25, 2011 to stockholders of record as of February 25, 2011. We intend to continue to use cash dividends as a means of returning capital to stockholders, subject to capital availability and periodic determinations that cash dividends are in the best interests of our stockholders.

Accounts receivable decreased 10% during the first quarter of fiscal 2011. Days sales outstanding, on a consolidated basis, were 18 days at December 26, 2010, compared to 22 days at September 26, 2010. The decreases in accounts receivable and the related days sales outstanding were primarily due to the effects of timing of shipments and customer payments for receivables related to integrated circuits. Shipments towards the end of the first quarter of fiscal 2011 were lower as a percentage of total shipments as compared to the prior quarter.

We believe our current cash and cash equivalents, marketable securities and our expected cash flow generated from operations will provide us with flexibility and satisfy our working and other capital requirements over the next fiscal year and beyond based on our current business plans. The following working and other capital requirements are anticipated in fiscal 2011:

- Our research and development expenditures were \$671 million in the first quarter of fiscal 2011 and \$2.5 billion in fiscal 2010, and we expect to continue to invest heavily in research and development for new technologies, applications and services for the wireless industry.
- Capital expenditures were \$102 million in the first quarter of fiscal 2011 and \$426 million in fiscal 2010. We anticipate that capital expenditures will be more than three times higher in fiscal 2011 as compared to fiscal 2010, excluding the fiscal 2010 \$1.1 billion advance payment on the BWA spectrum in India, primarily due to estimated capital expenditures of \$975 million related to the construction of a new manufacturing facility in Taiwan for our QMT division, which is expected to be operational in fiscal 2012. Future capital expenditures may also be impacted by transactions that are currently not forecasted.
- Our purchase obligations for the first quarter of fiscal 2011, some of which relate to research and development activities and capital expenditures, totaled \$1.4 billion at December 26, 2010.
- We anticipate incurring cash expenditures associated with the shut down of our FLO TV business and network and our MediaFLO Technologies division in the range of \$135 million to \$185 million, primarily related to lease exit costs and other contract termination costs. Restructuring activities were initiated in the fourth quarter of fiscal 2010 and are expected to be substantially complete by the end of fiscal 2012. We expect the majority of the cash payments associated with this restructuring plan to be made by the end of fiscal 2012.
- Cash used for strategic investments and acquisitions, net of cash acquired, was \$66 million in the first quarter of fiscal 2011 and \$94 million in fiscal 2010. On January 5, 2011, we announced that we had entered into a definitive agreement under which we intend to acquire Atheros Communications, Inc. for \$45 per share in cash, which represented an enterprise value of approximately \$3.1 billion on that date.

We plan to use existing cash, cash equivalents and marketable securities to effect this transaction, and we expect the transaction to close in the first half of calendar 2011. We expect to continue making strategic investments and acquisitions to open new markets for our technology, expand our technology, obtain development resources, grow our patent portfolio or pursue new business opportunities.

- In the first quarter of fiscal 2011, the \$1.1 billion short-term loan related to the BWA spectrum purchase in India was refinanced with new loan agreements that bear interest at an annual rate based on the highest base rate among the bank lenders, which is reset quarterly, plus 0.25% with interest payments due monthly. The new loans are due and payable in full in December 2012. However, each lender has the right to demand prepayment of its portion of the outstanding loans on December 15, 2011 subject to sufficient prior written notice. As a result, the loans are classified as a component of current liabilities.
- Pursuant to the Settlement and Patent License and Non-Assert Agreement with Broadcom, we are obligated to pay a remaining \$432 million ratably through April 2013, including imputed interest, of which \$130 million is payable in the remainder of fiscal 2011.

#### **Contractual Obligations/Off-Balance Sheet Arrangements**

We have no significant contractual obligations not fully recorded on our condensed consolidated balance sheets or fully disclosed in the notes to our condensed consolidated financial statements. Our consolidated balance sheet at December 26, 2010 includes an aggregate of \$1.1 billion in loans that are payable in full in Indian rupees in December 2012. We have no material off-balance sheet arrangements as defined in S-K 303(a)(4)(ii).

Additional information regarding our financial commitments at December 26, 2010 is provided in the notes to our condensed consolidated financial statements. See “Notes to Condensed Consolidated Financial Statements, Note 6 — Income Taxes,” “Note 8 — Commitments and Contingencies” and “Note 11 — Subsequent Event.”

#### **Risk Factors**

You should consider each of the following factors as well as the other information in this Quarterly 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 Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 26, 2010, including our financial statements and the related notes.

#### **Risks Related to Our Businesses**

*Our revenues are dependent on the commercial deployment of our CDMA- and OFDMA-based technologies and upgrades of 3G and 3G/4G multimode wireless communications equipment, products and services based on our technologies.*

We develop, patent and commercialize CDMA- and OFDMA-based technologies. Our revenues are dependent upon the commercial deployment of our technologies and upgrades of 3G and 3G/4G multimode wireless communications equipment, products and services based on our technologies. Our business may be harmed, and our investments in these technologies may not provide us an adequate return if:

- wireless operators delay 3G and/or 3G/4G multimode deployments, expansions or upgrades;
- LTE, an OFDMA-based wireless standard, is not widely deployed or commercial deployment is delayed; or
- wireless operators deploy other technologies.

Our business is dependent on our ability to increase our market share and to continue to drive the adoption of our products and services into 3G, 3G/4G multimode and 4G wireless device markets. We are also dependent on the success of our customers, licensees and CDMA- and OFDMA-based wireless operators, as well as the timing of their deployment of new services. Our licensees and CDMA- or OFDMA-based wireless operators may incur lower gross margins on products or services based on our technologies than on products using alternative technologies as a result of greater competition or other factors. If commercial deployment of our technologies and upgrades to 3G, 3G/4G multimode or 4G wireless communications equipment, products and services based on our technologies do not continue or are delayed, our revenues could be negatively impacted, and our business could suffer.

*Our revenues can be impacted by the deployment of other technologies in place of CDMA- and/or OFDMA-based technologies or by the need to extend certain existing license agreements to cover additional later patents.*

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Although we own a very strong portfolio of issued and pending patents related to GSM, GPRS, EDGE, OFDM, OFDMA and/or Multiple Input, Multiple Output (MIMO) technologies, our patent portfolio licensing program in these areas is less established and might not be as successful in generating licensing income as our CDMA portfolio licensing program. Many wireless operators are investigating or have selected LTE (or to a lesser extent WiMax) as next-generation technologies for deployment in existing or future spectrum bands as complementary to their existing CDMA-based networks. Although we believe that our patented technology is essential and useful to implementation of the LTE and WiMax industry standards and have granted royalty-bearing licenses to nine companies to make and sell products implementing those standards but not implementing 3G standards, we might not achieve the same royalty revenues on such LTE or WiMax products as on CDMA-based or multimode CDMA/OFDMA-based products.

The licenses granted to and from us under a number of our license agreements include only patents that are either filed or issued prior to a certain date and, in a small number of agreements, royalties are payable on those patents for a specified time period. As a result, there are agreements with some licensees where later patents are not licensed by or to us under our license agreements. In order to license any such later patents, we will need to extend or modify our license agreements or enter into new license agreements with such licensees. We might not be able to modify such license agreements in the future to license any such later patents or extend such date(s) to incorporate later patents without affecting the material terms and conditions of our license agreements with such licensees, and such modifications may impact our revenues.

*Global economic conditions that impact the wireless communications industry could negatively affect the demand for our products and our customers' products, which may negatively affect our revenues.*

Despite the improvements in market conditions, a future decline in global economic conditions, particularly in geographic regions with high customer concentrations, could have adverse, wide-ranging effects on demand for our products and for the products of our customers, particularly wireless communications equipment manufacturers or others in the wireless industry, such as wireless operators. Other unexpected negative events may have adverse effects on the economy, on demand for wireless device products or on wireless device inventories at equipment manufacturers and wireless operators. In addition, our direct and indirect customers' ability to purchase or pay for our products and services, obtain financing and upgrade wireless networks could be adversely affected by economic conditions, leading to cancellation or delay of orders for our products.

*Our industry is subject to competition in an environment of rapid technological change that could result in decreased demand for our products and the products of our customers and licensees, declining average selling prices for our licensees' products and our products and/or new specifications or requirements placed upon our products, each of which could negatively affect our revenues and operating results.*

Our industry is subject to rapid technological change, and we must make substantial investments in new products, services and technologies to compete successfully. New technological innovations generally require a substantial investment before they are commercially viable. We intend to continue to make substantial investments in developing new products and technologies, and it is possible that our development efforts will not be successful and that our new technologies will not result in meaningful revenues. Our products, services and technologies face significant competition, and we cannot assure you that the revenues generated or the timing of their deployment, which may be dependent on the actions of others, will meet our expectations. Competition in the telecommunications market is affected by various factors that include, among others: evolving industry standards, evolving methods of transmission for wireless voice and data communications; value-added features that drive replacement rates and selling prices; scalability and the ability of the system technology to meet customers' immediate and future network requirements.

Our future success will depend on, among other factors, our ability to:

- continue to keep pace with technological developments;
- drive adoption of our integrated circuit products across a broad spectrum of wireless devices sold by our customers and licensees;
- develop and introduce new products, services, technologies and enhancements on a timely basis;
- effectively develop and commercialize turnkey, integrated product offerings that incorporate our integrated circuits, software, user interface and applications;
- become a preferred partner for operating system platforms, such as Android and Windows Mobile;

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- focus our service businesses on key platforms that create standalone value or contribute to the success of our other businesses; and
- succeed in significant foreign markets, such as China, India and Europe.

Companies that promote non-CDMA technologies (e.g., GSM, WiMax) and companies that design CDMA-based integrated circuits are generally competitors or potential competitors. Examples (some of whom are strategic partners of ours in other areas) include Broadcom, Freescale, Fujitsu, Icera, Infineon, Intel, Marvell Technology, Mediatek, nVidia, Renesas Electronics, ST-Ericsson (a joint venture between Ericsson Mobile Platforms and ST-NXP Wireless), Texas Instruments and VIA Telecom. Many of these current and potential competitors have advantages over us that include, among others: motivation by our customers in certain circumstances to find alternate suppliers; government support of other technologies; and more extensive relationships with indigenous distribution and original equipment manufacturer (OEM) companies in developing territories (e.g., China).

In addition to the foregoing, we have seen, and believe we will continue to see, an increase in customers requesting that we develop products, including chipsets and associated software, that will incorporate “open source” software elements and operate in an “open source” environment, which may offer accessibility to a portion of a product’s source code and may expose related intellectual property to adverse licensing conditions. Developing open source products, with regard to adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome under certain circumstances, thereby placing us at a competitive disadvantage for new product designs.

Competition may reduce average selling prices for our chipset products and the products of our customers and licensees. Reductions in the average selling prices of our licensees’ products, unless offset by an increase in volumes, generally result in reduced royalties payable to us. 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.

*We derive a significant portion of our consolidated revenues from a small number of customers and licensees. If revenues derived from these customers or licensees decrease, our operating results could be negatively affected.*

Our QCT segment derives a significant portion of revenues from a small number of customers. The loss of any one of our QCT segment’s significant 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 deferral or cancellation and harm our ability to achieve or sustain expected levels of operating results. Accordingly, unless and until our QCT segment diversifies and expands its customer base, our future success will largely depend upon the timing and size of any future purchase orders from these customers.

Although we have more than 190 licensees, our QTL segment derives a significant portion of royalty revenues from a limited number of licensees. Our future success depends upon the ability of our licensees to develop, introduce and deliver high-volume products that achieve and sustain market acceptance. We have little or no control over the sales efforts of our licensees, and our licensees might not be successful. Reductions in the average selling price of wireless communications devices sold by our major licensees, without a sufficient increase in the volumes of such devices sold, could have a material adverse effect on our revenues.

*Efforts by some telecommunications equipment manufacturers to avoid paying fair and reasonable royalties for the use of our intellectual property may create uncertainty about our future business prospects, may require the investment of substantial management time and financial resources, and may result in legal decisions and/or actions by foreign governments, Standards Development Organizations (SDOs) or other industry groups that harm our business.*

A small number of companies have initiated various strategies in an attempt to renegotiate, mitigate and/or eliminate their need to pay royalties to us for the use of our intellectual property in order to negatively affect our business model and that of our other licensees. These strategies have included (i) litigation, often alleging infringement of patents held by such companies, patent misuse, patent exhaustion and patent and license unenforceability, or some form of unfair competition, (ii) taking positions contrary to our understanding of their contracts with us, (iii) appeals to governmental authorities, (iv) collective action, including working with carriers, standards bodies, other like-minded companies and other organizations, on both formal and informal bases, to adopt intellectual property policies and practices that could have the effect of limiting returns on intellectual property innovations, and (v) lobbying with governmental regulators and elected officials for the purpose of seeking the

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imposition of some form of compulsory licensing and/or to weaken a patent holder's ability to enforce its rights or obtain a fair return for such rights. Some companies have proposed significant changes to existing intellectual property policies for implementation by SDOs and other industry organizations, some of which would require a maximum aggregate intellectual property royalty rate for the use of all essential patents owned by all of the member companies to be applied to the selling price of any product implementing the relevant standard. They have further proposed that such maximum aggregate royalty rate be apportioned to each member company with essential patents based upon the number of essential patents held by such company. A number of these strategies are purportedly based on interpretations of the policies of certain standards development organizations concerning the licensing of patents that are or may be essential to industry standards and our alleged failure to abide by these policies. There is a risk that relevant courts or governmental agencies will interpret those policies in a manner adverse to our interests. If such proposals and strategies are successful in the future, our business model would be harmed, either by artificially limiting our return on investment with respect to new technologies or forcing us to work outside of the SDOs or such other industry groups to promote our new technologies, and our results of operations could be negatively impacted. As well, the legal and other costs associated with defending our position have been and continue to be significant. We assume that such challenges regardless of their merits will continue into the foreseeable future and may require the investment of substantial management time and financial resources to explain and defend our position.

*The enforcement and protection of our intellectual property rights may be expensive, could fail to prevent misappropriation or unauthorized use of our proprietary intellectual property rights or could result in the loss of our ability to enforce one or more patents.*

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 and time consuming. We cannot be certain that the steps we have taken, or may take in the future, 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 intellectual property rights as fully or as readily as United States laws. We cannot be certain that the laws and policies of any country, including the United States, or the practices of any of the standards bodies, foreign or domestic, with respect to intellectual property enforcement or licensing, issuance of spectrum licenses or the adoption of standards, will not be changed in a way detrimental to our licensing program or to the sale or use of our products or technology. We may have difficulty in protecting or enforcing our intellectual property rights and/or contracts in a particular foreign jurisdiction, including: challenges to our licensing practices under such jurisdictions' competition laws; adoption of mandatory licensing provisions by foreign jurisdictions (either with controlled/regulated royalties or royalty free); and challenges pending before foreign competition agencies to the pricing and integration of additional features and functionality into our wireless chipset products.

A substantial portion of our patents and patent applications relate to our wireless communications technology and much of the remainder of our patents and patent applications relate to our other technologies and products. We may need to litigate 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 ability to enforce one or more patents or incur substantial unexpected operating costs. Any action we take to enforce our intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results.

*Claims by other companies 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 have asserted, and may again assert, patent, copyright and other intellectual property rights against our products or products using our technologies or other technologies used in our industry. These claims have resulted and may again 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 of our products were found to infringe on another company's intellectual property rights, we could be subject to an injunction or required to redesign our products, which could be costly, or to license such rights and/or pay damages or other compensation to such other company. If we were unable to redesign our products, license such intellectual property rights used in our products or otherwise distribute our products through a licensed supplier, we could be prohibited from making and selling such products. In any potential dispute involving other companies' patents or other intellectual property, our chipset foundries and customers could also become the targets of litigation. We are

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contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by us. Reimbursements under indemnification arrangements could have a material adverse effect on our results of operations. Furthermore, any such litigation could severely disrupt the supply of our products and the business of our chipset customers and their wireless operator customers, which in turn could hurt our relationships with our chipset customers and wireless operators and could result in a decline in our chipset sales and/or a reduction in our licensees' sales to wireless operators, causing a corresponding decline in our chipset and/or licensing revenues. Any claims, regardless of their merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have a material adverse effect upon our operating results.

We expect that we will continue to be involved in litigation and may have to appear in front of administrative bodies (such as the U.S. International Trade Commission) to defend against patent assertions against our products by companies, some of whom are attempting to gain competitive advantage or leverage in licensing negotiations. We may not be successful in such proceedings, and if we are not, the range of possible outcomes includes everything from a royalty payment to an injunction on the sale of certain of our chipsets (and on the sale of our customers' devices using our chipsets) and the imposition of royalty payments that might make purchases of our chipsets less economical for our customers. A negative outcome in any such proceeding could severely disrupt the business of our chipset customers and their wireless operator customers, which in turn could hurt our relationships with our chipset customers and wireless operators and could result in a decline in our share of worldwide chipset sales and/or a reduction in our licensees' sales to wireless operators, causing a corresponding decline in our chipset and/or licensing revenues.

A number of other companies have claimed to own patents essential to various CDMA standards, GSM standards and OFDMA standards or implementations of OFDM and OFDMA systems. If we or 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, GSM, OFDMA or multimode products and technologies, demand for our licensees' products and our profitability.

Other companies or entities also have commenced, and may again commence, actions seeking to establish the invalidity of our patents. In the event that one or more of our patents are challenged, a court may invalidate the patent(s) or determine that the patent(s) is not enforceable, which could harm our competitive position. If 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 such patents. Such adverse decisions could negatively impact our revenues. Even if such a patent challenge is not successful, it could be expensive and time consuming to address, divert management attention from our business and harm our reputation.

*Our earnings and stock price are subject to substantial quarterly and annual fluctuations and to market downturns.*

The stock market in general, and the stock prices of technology-based and wireless communications companies in particular, have experienced volatility that often has been unrelated to the operating performance of any specific public company. 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, among others:

- announcements concerning us or our competitors, including the selection of wireless communications technology by wireless operators and the timing of the roll-out of those systems;
- international developments, such as technology mandates, political developments or changes in economic policies;
- changes in recommendations of securities analysts;
- proprietary rights or product or patent litigation against us or against our customers or licensees;
- strategic transactions, such as spin-offs, acquisitions and divestitures;
- unexpected and/or significant changes in the average selling price of our licensees' products and our products;
- unresolved disputes with licensees that result in non-payment and/or non-recognition of royalty revenues that may be owed to us; or
- rumors or allegations regarding our financial disclosures or practices.



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

Any prolonged financial or economic crisis may result in a downturn in demand for our products or technology; the insolvency of key suppliers resulting in product delays; delays in reporting and/or payments from our licensees and/or customers; and counterparty failures negatively impacting our treasury operations.

Financial market volatility has impacted, and could continue to impact, the value and performance of our marketable securities. Net investment income could vary depending on the gains or losses realized on the sale or exchange of securities, impairment charges related to marketable securities and other investments, changes in interest rates and changes in fair values of derivative instruments. Our cash equivalent and marketable securities investments represent significant assets that may be subject to fluctuating or even negative returns depending upon interest rate movements and financial market conditions in fixed income and equity securities.

These factors affecting our future earnings are difficult to forecast and could harm our quarterly and/or annual operating results. If our earnings fail to meet the financial guidance we provide to investors, or the expectations of investment analysts or investors in any period, securities class action litigation could be brought against us and/or the market price of our common stock could decline.

*We depend upon a limited number of third-party suppliers to manufacture and test component parts, subassemblies and finished goods for our products. If these third-party suppliers do not allocate adequate manufacturing and test capacity in their facilities to produce products on our behalf, or if there are any disruptions in the operations of, or a loss of, any of these third parties, it could harm our ability to meet our delivery obligations to our customers, reduce our revenues, increase our cost of sales and harm our business.*

Our ability to meet customer demand depends, in part, on our ability to obtain timely and adequate delivery of parts and components from our suppliers. A reduction or interruption in our product supply source, an inability of our suppliers to react to shifts in product demand or an increase in component prices could have a material adverse effect on our business or profitability. The loss of a significant supplier or the inability of a supplier to meet performance and quality specifications or delivery schedules could harm our ability to meet our delivery obligations to our customers and negatively impact our revenues and business operations. In the event of a loss of, or a decision to change, a supplier, qualifying a new foundry supplier and commencing volume production or testing could involve delay and expense, resulting in possible loss of customers.

While our goal is to establish alternate suppliers for technologies that we consider critical, we rely on sole- or limited-source suppliers for some products, subjecting us to significant risks, including: possible shortages of manufacturing capacity; poor product performance; and reduced control over delivery schedules, manufacturing capability and yields, quality assurance, quantity and costs. Our arrangements with our suppliers may oblige us to incur costs to manufacture and test our products that do not decrease at the same rate as decreases in pricing to our customers.

*QCT Segment.* Although we have entered into long-term contracts with our suppliers, most of these contracts do not provide for long-term capacity commitments, except as may be provided in a particular purchase order that has been accepted by our supplier. To the extent that we do not have firm commitments from our suppliers over a specific time period, or for any specific quantity, our suppliers may allocate, and in the past have allocated, capacity to the production and testing of products for their other customers while reducing capacity to manufacture or test our products. Accordingly, capacity for our products may not be available when we need it or available at reasonable prices. We have experienced capacity limitations from our suppliers, which resulted in supply constraints and our inability to meet certain customer demand. There can be no assurance that we will not experience these or other supply constraints in the future, which could result in our failure to meet customer demand. In addition, the timely readiness of our foundry suppliers to support transitions to smaller geometry process technologies could impact our ability to meet customer demand, revenues and cost expectations. The timing of acceptance of the smaller technology designs by our customers may subject us to the risk of excess inventories of earlier designs.

*QMT Division.* Our QMT division needs to form and maintain reliable business relationships with component supply partners to support the manufacture of interferometric modulator (IMOD) displays and/or modules in commercial volumes. All of our current relationships have been for the development and limited production of certain IMOD display panels and/or modules. Some or all of these relationships may not succeed or, even if they are successful, may not result in the component supply partners entering into material supply relationships with us.

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*Our suppliers may also be our competitors, putting us at a disadvantage for pricing and capacity allocation.*

One or more of our suppliers may obtain licenses from us to manufacture CDMA-based integrated circuits that compete with our products. In this event, the supplier could elect to allocate raw materials and manufacturing capacity to their own products and reduce deliveries to us to our detriment. In addition, we may not receive reasonable pricing, manufacturing or delivery terms. We cannot guarantee that the actions of our suppliers will not cause disruptions in our operations that could harm our ability to meet our delivery obligations to our customers or increase our cost of sales.

*Currency fluctuations could negatively affect future product sales or royalty revenues, harm our ability to collect receivables or increase the U.S. dollar cost of the activities of our foreign subsidiaries and international strategic investments.*

Our international customers sell their products to markets throughout the world, including China, India, Japan, South Korea, North America, South America and Europe. Consolidated revenues from international customers as a percentage of total revenues were greater than 90% in the first quarter of fiscal 2011 and in the last three fiscal years. We are exposed to risk from fluctuations in currencies that could negatively affect our operating results. Adverse movements in currency exchange rates may negatively affect our business due to a number of situations, including the following, among others:

- Our products and those of our customers and licensees that are sold into foreign markets may become less price-competitive as a result of adverse currency fluctuations;
- Certain of our revenues, such as royalty revenues, are derived from licensee or customer sales that are denominated in foreign currencies. Weakening of currency values in selected regions could adversely affect our revenues and cash flows;
- We may engage in foreign exchange hedging transactions that could affect our cash flows and earnings because they may require the payment of structuring fees, limit the U.S. dollar value of royalties from licensees' sales that are denominated in foreign currencies, cause earnings volatility if the hedges do not qualify for hedge accounting and expose us to counterparty risk if the counterparty fails to perform;
- Our loans payable are denominated in Indian rupees. If the U.S. dollar significantly weakens, additional cash may be required to settle this obligation and the related interest; and
- Currency exchange rate fluctuations may reduce the U.S. dollar value of our marketable securities that are denominated directly or indirectly in foreign currencies.

*We may engage in acquisitions or strategic transactions or make investments that could result in significant changes or management disruption and fail to enhance stockholder value.*

From time to time, we engage in acquisitions or strategic transactions or make investments with the goal of maximizing stockholder value. We acquire businesses and other assets, including spectrum licenses, enter into joint ventures or other strategic transactions and purchase equity and debt securities, including minority interests in publicly-traded and private companies. Many of our strategic investments are in early-stage companies to support our business, including the global adoption of CDMA- or OFDMA-based technologies and related services. Most of our acquisitions or 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. Our acquisitions or strategic investments (either those we have completed or may undertake in the future) may not generate financial returns or result in increased adoption or continued use of our technologies. In some cases, we may be required to consolidate or record our share of the earnings or losses of companies in which we have acquired ownership interests. Our share of any losses will adversely affect our financial results until we exit from or reduce our exposure to these investments.

Achieving the anticipated benefits of business acquisitions depends in part upon our ability to integrate the acquired businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. The difficulties of integrating companies include, among others: retaining key employees; maintaining important relationships of Qualcomm and the acquired business; minimizing the diversion of management's attention from ongoing business matters; coordinating geographically separate organizations; consolidating research and development operations; and consolidating corporate and administrative infrastructures.

We cannot assure you that the integration of acquired businesses with our business will result in the realization of the full benefits anticipated by us to result from the acquisitions. We may not derive any commercial value from

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acquired technology, products and intellectual property or from future technologies and products based on the acquired technology and/or intellectual property, and we may be subject to liabilities that are not covered by indemnification protection we may obtain.

*Defects or errors in our products and services or in the products of our customers could harm our business. If we experience product liability claims or recalls, we may incur significant expenses and experience decreased demand for our products.*

Our products are inherently complex and may contain defects and errors that are detected only when the products are in use. For example, as our chipset product complexities increase, we are required to migrate to integrated circuit technologies with smaller geometric feature sizes. The design process interface issues are more complex as we enter into these new domains of technology, which adds risk to yields and reliability. Because our products and services are responsible for critical functions in our customers' products and/or networks, such defects or errors could have an adverse 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, customer or licensee demand for our products or the commitment of financial and/or engineering resources that could reduce operating margins and affect future product release schedules. Additionally, a defect or failure, including those related to security vulnerabilities, in our products or the products of our customers or licensees could lead to liability claims, harm our reputation and/or adversely affect the growth of 3G and 3G/4G multimode wireless markets.

Manufacturing, testing, marketing and use of our products and those of our licensees and customers entail the risk of product liability. The use of wireless devices containing our products to access untrusted content creates a risk of exposing the system software in those devices to viral or malicious attacks. We continue to expand our focus on this issue and take measures to safeguard the software from this threat. However, this issue carries the risk of general product liability claims along with the associated impacts on reputation and demand. In addition, a product liability claim or recall, whether against our licensees, customers or us, could harm our reputation and result in decreased demand for our products.

*Our Firethorn business does not currently generate operating income and may not succeed or its operating results may not meet our expectations.*

If our Firethorn business does not succeed, our investment in its technology may not provide us an adequate return, and our business could be harmed. Consumer acceptance of our Firethorn service offerings will continue to be affected by competition, technology-based differences and by the operational performance, quality and reliability of our services platforms. Our Firethorn business had \$184 million in assets (including \$154 million in goodwill) at December 26, 2010. If we do not expect to achieve adequate market penetration with our mobile commerce products, our assets may become impaired, which could negatively affect our operating results.

*Our QMT division's business does not currently generate operating income and may not succeed or its operating results may not meet our expectations.*

While we continue to believe our QMT division's IMOD displays will offer compelling advantages to users of displays, there can be no assurance that our IMOD product development efforts will be successful, that we will be able to cost-effectively manufacture these new products, that we will be able to successfully market these products or that other technologies will not continue to improve in ways that reduce the advantages we anticipate from our IMOD displays. Sales of flat panel displays are currently dominated, and we believe will likely continue to be dominated for some time, by displays based on liquid crystal display (LCD) technology. Numerous companies are making substantial investments in, and conducting research to improve characteristics of, LCDs. Additionally, several other flat panel display technologies have been, or are being, developed, including technologies for the production of organic light-emitting diode (OLED), field emission, inorganic electroluminescence, gas plasma and vacuum fluorescent displays. In each case, advances in LCD or other flat panel display technologies could result in technologies that are more cost effective, have fewer display limitations or can be brought to market faster than our IMOD technology. These advances in competing technologies might cause device manufacturers to avoid entering into commercial relationships with us or to not renew planned or existing relationships with us. Our QMT division had \$379 million in assets (including \$128 million in goodwill) at December 26, 2010. If we do not expect to achieve adequate market penetration with our IMOD display technology, our assets may become impaired, which could negatively impact our operating results.

*Potential tax liabilities could adversely affect our results.*

We are subject to income taxes in the United States and in numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes. Although we believe that our tax estimates are reasonable, the final determination of tax audits and any related litigation could materially differ from amounts reflected in historical income tax provisions and accruals. In such case, our income tax provision and net income in the period or periods in which that determination is made could be negatively affected. In addition, tax rules may change that may adversely affect our future reported financial results or the way we conduct our business. For example, we consider the operating earnings of certain non-United States subsidiaries to be indefinitely invested outside the United States based on estimates that future domestic cash generation will be sufficient to meet future domestic cash needs. No provision has been made for United States federal and state or foreign taxes that may result from future remittances of undistributed earnings of our foreign subsidiaries. Our future financial results and liquidity may be adversely affected if accounting rules regarding unrepatriated earnings change, if domestic cash needs require us to repatriate foreign earnings, or if the United States international tax rules change as part of comprehensive tax reform or other tax legislation.

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

Concerns over the effects of radio frequency emissions may have the effect of discouraging the use of wireless devices, which may decrease demand for our products and those of our licensees and customers. 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. Concerns have also been expressed over the possibility of safety risks due to a lack of attention associated with the use of wireless devices while driving. Any legislation that may be adopted in response to these concerns 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 operations would suffer in the event of system failures.*

Despite system redundancy, 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, energy blackouts and telecommunication failures, among other factors. Any system failure, accident or security breach that causes interruptions in our operations, or in our vendors', customers' or licensees' 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.

From time to time, we install new or upgraded business management systems. To the extent such systems fail or are not properly implemented, we may experience material disruptions to our business, delays in our external financial reporting or failures in our system of internal controls, that could have a material adverse effect on our results of operations.

*We are subject to government regulation pertaining to environmental and safety laws, to our industry, products and services, to corporate governance and public disclosure and to health care.*

National, state and local environmental laws and regulations affect our operations around the world. These laws may make it more expensive to manufacture, have manufactured and sell products. It may also be difficult to comply with laws and regulations in a timely manner, and we may not have compliant products available in the quantities requested by our customers, which may have an adverse impact on our results of operations. There is also the potential for higher costs driven by climate change regulations. Our costs could increase if our vendors (e.g., third-party manufacturers or utility companies) pass on their costs to us.

As part of the development and commercialization of our IMOD display technology, we are operating both a development and a production fabrication facility. The development and commercialization of IMOD display prototypes is a complex and precise process involving restricted materials subject to environmental and safety regulations. Our failure or inability to comply with existing or future environmental and safety regulations could result in significant remediation liabilities, the imposition of fines and/or the suspension or termination of development and production activities.

Our products and services, and those of our customers and licensees, are subject to various regulations, including FCC regulations in the United States and other international regulations, as well as the specifications of national,

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regional and international standards bodies. The adoption of new laws or regulations, changes in the regulation of our activities, or exclusion or limitation of our technology or products by a government or standards body, could have a material adverse effect on our business, including, among other factors, changes in laws, policies, practices or enforcement affecting trade, foreign investments, licensing practices, spectrum license issuance, adoption of standards, the provision of wireless device subsidies by wireless operators to their customers, taxation, environmental protection, loans and employment.

We hold licenses to use spectrum in the United States and the United Kingdom, and we expect that licenses to use the BWA spectrum won in the auction in India will be assigned to us in the first half of calendar 2011. All of these licenses are subject to a variety of ongoing regulatory proceedings in these respective countries. Additionally, certain of our licenses in the United States are subject to minimum build-out requirements to be met at various dates beginning in June 2013. On December 20, 2010, we announced that we have agreed to sell substantially all of our licenses in the United States, subject to the satisfaction of customary closing conditions, including approval by the FCC and clearance from the U.S. Department of Justice. If we do not receive approval to sell these licenses pursuant to this agreement, there is no assurance that we would be able to obtain a comparable price from another party or that we would be able to meet the applicable build-out requirements for those licenses. The BWA spectrum licenses will be subject to minimum build-out requirements to be met within five years of the effective date of the license. If we do not meet these requirements, the relevant government authorities could impose a fine or could rescind the license in the area(s) in which the build-out requirements are not met. Changes in the allocation of available spectrum by the countries in which we hold licenses could have a material adverse risk on our business and the value of our assets.

Changing laws, regulations and standards relating to corporate governance, public disclosure and health care may create uncertainty regarding compliance matters. New or changed laws, regulations and standards are subject to varying interpretations in many cases. As a result, their application in practice may evolve over time. We are committed to maintaining high standards of corporate governance and public disclosure and complying with laws and regulations. Evolving interpretations of new or changed legal requirements may cause us to incur higher costs as we revise current practices, policies, procedures, and/or health plans and may divert management time and attention to compliance activities. Our efforts to comply with new or changed laws, regulations and standards may fail, particularly if there is ambiguity as to how such new or changed laws, regulations and standards should be applied in practice. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified board members and executive officers, which could harm our business.

*We may not be able to attract and retain qualified employees.*

Our future success depends largely upon the continued service of our board members, 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. In addition, implementing our product and business strategy requires specialized engineering and other talent, and our revenues are highly dependent on technological and product innovations. The market for such specialized engineering and other talented employees in our industry is extremely competitive. In addition, existing immigration laws make it more difficult for us to recruit and retain highly skilled foreign national graduates of U.S. universities, making the pool of available talent even smaller. Key employees represent a significant asset, and the competition for these employees is intense in the wireless communications industry. We do not have employment agreements with our key management personnel. In the event of a labor shortage, or in the event of an unfavorable change in prevailing labor and/or immigration laws, we could experience difficulty attracting and retaining qualified employees. We continue to anticipate increases in human resource needs, particularly in engineering. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Financial market risks related to interest rates, foreign currency exchange rates and equity prices are described in our 2010 Annual Report on Form 10-K. At December 26, 2010, there have been no other material changes to the market risks described at September 26, 2010 except as described below. Additionally, we do not anticipate any other near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures.

**Interest Rate Risk.** The following table provides information about our interest-bearing cash and cash equivalents, marketable securities and loans payable that are sensitive to changes in interest rates. The table presents

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principal cash flows, weighted-average yield at cost and contractual maturity dates. Additionally, we have assumed that the interest-bearing securities are similar enough within the specified categories to aggregate the securities for presentation purposes.

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

	2011	2012	2013	2014	2015	Thereafter	No Single Maturity	Total
<b>Fixed interest-bearing securities:</b>								
Cash and cash equivalents	\$2,984	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$2,984
Interest rate	0.2%							
<b>Available-for-sale securities:</b>								
Investment grade	\$1,392	\$ 705	\$638	\$566	\$ 163	\$ 297	\$1,138	\$4,899
Interest rate	1.2%	3.1%	2.7%	3.8%	3.6%	7.3%	1.9%	
Non-investment grade	\$ 10	\$ 16	\$ 21	\$ 79	\$ 179	\$ 945	\$ 13	\$1,263
Interest rate	13.0%	10.1%	9.8%	9.7%	10.4%	8.5%	1.0%	
<b>Floating interest-bearing securities:</b>								
Cash and cash equivalents	\$1,311	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,311
Interest rate	0.1%							
<b>Available-for-sale securities:</b>								
Investment grade	\$ 578	\$ 499	\$293	\$128	\$ 29	\$ 425	\$ 529	\$2,481
Interest rate	1.1%	1.4%	0.9%	1.2%	4.4%	8.9%	2.4%	
Non-investment grade	\$ 2	\$ 26	\$109	\$290	\$ 205	\$ 617	\$1,102	\$2,351
Interest rate	7.3%	6.5%	6.2%	6.6%	7.3%	6.6%	4.0%	
Loans payable <sup>(1)</sup>	\$ —	\$1,089	\$ —	\$ —	\$ —	\$ —	\$ —	\$1,089
Floating interest rate		9.3%						

(1) Denominated in Indian rupees.

Cash and cash equivalents and available-for-sale securities are recorded at fair value. The loans payable approximate fair value.

**Foreign Exchange Risk.** We manage our exposure to foreign exchange market risks, when deemed appropriate, through the use of derivative financial instruments, including foreign currency forward and option contracts with financial counterparties. At December 26, 2010, we had a liability of \$2 million related to a foreign currency forward contract that was designated as a net investment hedge of our investment in a wholly-owned subsidiary in Australia. We are subject to market risk on such contract. If the exchange rates relevant to that contract were to change unfavorably by 20%, we would incur a loss of \$19 million.

At December 26, 2010, we had variable-rate long-term loans in the aggregate of \$1.1 billion, which are payable in full in Indian rupees in December 2012. The loans are payable in the functional currency of our consolidated subsidiaries that are party to the loans, however, we are subject to foreign currency translation risk, which may impact our liability for principal repayment and interest expense that we will record in the future. If the foreign currency exchange rate were to change unfavorably by 20%, we would incur additional principal and interest expense of \$272 million and \$50 million, respectively, through the remainder of the contractual terms of the loans.

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

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures.** Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(c) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report.

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**Changes in Internal Control over Financial Reporting.** There have been no changes in our internal control over financial reporting during the first quarter of fiscal 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

A review of our current litigation is disclosed in the notes to our condensed consolidated financial statements. See “Notes to Condensed Consolidated Financial Statements, Note 8 — Commitments and Contingencies.” We are also 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 results of operations, liquidity or financial position.

### **ITEM 1A. RISK FACTORS**

We have provided updated Risk Factors in the section labeled “Risk Factors” in Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations. To reflect the anticipated sale of certain 700 MHz spectrum related to our decision to shut down the FLO TV business and network, we revised the risk factor entitled:

- “We are subject to government regulation pertaining to environmental and safety laws, to our industry, products and services, to corporate governance and public disclosure and to health care.”

Other than with respect to that revision, we do not believe the updates to the Risk Factors have materially changed the type or magnitude of the risks we face in comparison to the disclosure provided in our most recent Annual Report on Form 10-K.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On March 1, 2010, we announced that we had been authorized to repurchase up to \$3.0 billion of our common stock with no expiration date. At December 26, 2010, approximately \$1.7 billion remained authorized for repurchase. While we did not repurchase any of our common stock during the first quarter of fiscal 2011, we continue to evaluate repurchases under this program subject to capital availability and periodic determinations that such repurchases are in the best interest of our stockholders.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

### **ITEM 4. [REMOVED AND RESERVED]**

### **ITEM 5. OTHER INFORMATION**

Not applicable.

### **ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Restated Certificate of Incorporation. (1)
3.2	Certificate of Amendment of Certificate of Designation. (2)
3.4	Amended and Restated Bylaws. (3)
10.91	2006 Long-Term Incentive Plan, as amended. (4)
10.92	Executive Retirement Matching Contribution Plan, as amended. (4)
10.93	Agreement and Plan of Merger, dated as of January 5, 2011, among QUALCOMM Incorporated, T Merger Sub, Inc. and Atheros Communications, Inc. (5)
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Paul E. Jacobs.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William E. Keitel.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Paul E. Jacobs.

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<b>Exhibit Number</b>	<b>Description</b>
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for William E. Keitel.
101.INS	XBRL Instance Document. (6)
101.SCH	XBRL Taxonomy Extension Schema. (6)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. (6)
101.LAB	XBRL Taxonomy Extension Labels Linkbase. (6)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. (6)
101.DEF	XBRL Taxonomy Extension Definition Linkbase. (6)

- 
- (1) Filed as an exhibit to the Registrant's Quarterly Report on Form 10Q for the quarter ended December 27, 2009.
  - (2) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on September 30, 2005.
  - (3) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on September 25, 2009.
  - (4) Indicates management or compensatory plan or arrangement required to be identified pursuant to Item 15(a).
  - (5) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on January 6, 2011.
  - (6) Furnished, not filed.



**SIGNATURES**

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

/s/ William E. Keitel

William E. Keitel  
Executive Vice President and  
Chief Financial Officer

Dated: January 26, 2011

**QUALCOMM Incorporated**  
**2006 Long-Term Incentive Plan**

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**QUALCOMM Incorporated**  
**2006 Long-Term Incentive Plan**

**1. Establishment, Purpose and Term of Plan**

1.1 **Establishment.** The QUALCOMM Incorporated 2006 Long-Term Incentive Plan (the "**Plan**") was adopted December 5, 2005, and approved by the stockholders of the Company on March 7, 2006 (the date of such approval, the "**Effective Date**"). The Plan is a restatement of the Company's 2001 Stock Option Plan. The Plan is also a successor to the Company's 1991 Stock Option Plan and the Company's 2001 Non-Employee Directors' Stock Option Plan and its predecessor plan (the "**Prior Plans**") and the source of shares for the Company's Executive Retirement Matching Contribution Plan ("**ERMCP**"). This amendment and restatement of the Plan is hereby adopted December 13, 2010, subject to approval by the stockholders of the Company.

1.2 **Purpose.** The purpose of the Plan is to advance the interests of the Participating Company Group and its stockholders by providing an incentive to attract and retain the best qualified personnel to perform services for the Participating Company Group, by motivating such persons to contribute to the growth and profitability of the Participating Company Group, by aligning their interests with interests of the Company's stockholders, and by rewarding such persons for their services by tying a significant portion of their total compensation package to the success of the Company. The Plan seeks to achieve this purpose by providing for Awards in the form of Options, Stock Appreciation Rights, Restricted Stock Awards, Performance Shares, Performance Units, Restricted Stock Units, Deferred Compensation Awards and other Stock-Based Awards as described below. The Plan is also a source for the issuance of shares pursuant to the ERMCP.

1.3 **Term of Plan.** The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Awards granted under the Plan have lapsed. However, Awards shall not be granted later than ten (10) years from the Effective Date. The Company intends that the Plan comply with Section 409A of the Code (including any amendments to or replacements of such section), and the Plan shall be so construed.

**2. Definitions and Construction.**

2.1 **Definitions.** Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "**Affiliate**" means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly, or indirectly through one or more intermediary entities. For this purpose, the term "control" (including the term "controlled by") means the possession, direct or indirect, of the power to

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direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

(b) “**Award**” means any Option, SAR, Restricted Stock Award, Performance Share, Performance Unit, Restricted Stock Unit or Deferred Compensation Award or other Stock-Based Award granted under the Plan or an award of shares pursuant to the ERMCP.

(c) “**Award Agreement**” means a written agreement between the Company and a Participant setting forth the terms, conditions and restrictions of the Award granted to the Participant.

(d) “**Board**” means the Board of Directors of the Company.

(e) A “**Change in Control**” shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a “**Transaction**”) wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company’s voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or, in the case of a Transaction described in Section 2.1(z)(iii), the corporation or other business entity to which the assets of the Company were transferred (the “**Transferee**”), as the case may be. The Board shall determine in its discretion whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related. Notwithstanding the preceding sentence, a Change in Control shall not include a Spinoff Transaction.

(f) “**Code**” means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(g) “**Committee**” means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. If no committee of the Board has been appointed to administer the Plan, the Board shall exercise all of the powers of the Committee granted herein, and, in any event, the Board may in its discretion exercise any or all of such powers. The Committee shall have the exclusive authority to administer the Plan and shall have all of the powers granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law.

(h) “**Company**” means QUALCOMM Incorporated, a Delaware corporation, or any Successor.

(i) “**Consultant**” means a person engaged to provide consulting or advisory services (other than as an Employee or a member of the Board) to a Participating Company.

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(j) “*Deferred Compensation Award*” means an Award of Stock Units granted to a Participant pursuant to Section 11 of the Plan.

(k) “*Director*” means a member of the Board or of the board of directors of any Participating Company.

(l) “*Disability*” means the Participant has been determined by the long-term disability insurer of the Participating Company Group as eligible for disability benefits under the long-term disability plan of the Participating Company Group or the Participant has been determined eligible for Supplemental Security Income benefits by the Social Security Administration of the United States of America; provided, however that with respect to Nonemployee Director Awards, “Disability” means the Participant has been determined eligible for Supplemental Security Income benefits by the Social Security Administration of the United States of America and also means the inability of the Participant, in the opinion of a qualified physician acceptable to the Company, to perform the duties of the Participant’s position with the Participating Company Group because of sickness or other physical or mental incapacity.

(m) “*Dividend Equivalent*” means a credit, made at the discretion of the Committee or as otherwise provided by the Plan, to the account of a Participant in an amount equal to the cash dividends paid on one share of Stock for each share of Stock represented by an Award held by such Participant.

(n) “*Employee*” means any person treated as an employee (including an Officer or a member of the Board who is also treated as an employee) in the records of a Participating Company and, with respect to any Incentive Stock Option granted to such person, who is an employee for purposes of Section 422 of the Code; provided, however, that neither service as a member of the Board nor payment of a director’s fee shall be sufficient to constitute employment for purposes of the Plan. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee and the effective date of such individual’s employment or termination of employment, as the case may be. For purposes of an individual’s rights, if any, under the Plan as of the time of the Company’s determination, all such determinations by the Company shall be final, binding and conclusive, notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

(o) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

(p) “*Fair Market Value*” means, as of any date, the value of a share of Stock or other property as determined by the Committee, in its discretion, or by the Company, in its discretion, if such determination is expressly allocated to the Company herein, subject to the following:

(i) Except as otherwise determined by the Committee as permitted under this Section 2.1(p), if, on such date, the Stock is listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be the closing price of a share of Stock as quoted on such national or regional securities exchange or

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market system constituting the primary market for the Stock, as reported in *The Wall Street Journal* or such other source as the Company deems reliable, and, if there is no such closing price on the day of determination, the Fair Market Value of a share of Stock under this Section 2.1(p)(i) shall be the closing price of a share of Stock on the next trading day following the day of determination.

(ii) Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value on the basis of the closing, high, low or average sale price of a share of Stock or the actual sale price of a share of Stock received by a Participant, on such date, the preceding trading day, the next succeeding trading day or an average determined over a period of trading days; provided, however, that, for purposes of determining the exercise price of Options (under Section 6.1) or SARs (under Section 7.2), the Fair Market Value shall not be less than the Fair Market Value determined under Section 2.1(p)(i). The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan.

(iii) If, on such date, the Stock is not listed on a national or regional securities exchange or market system, the Fair Market Value of a share of Stock shall be as determined by the Committee in good faith without regard to any restriction other than a restriction which, by its terms, will never lapse.

(q) “**Incentive Stock Option**” means an Option intended to be (as set forth in the Award Agreement) and which qualifies as an incentive stock option within the meaning of Section 422(b) of the Code.

(r) “**Insider**” means an Officer, a Director or any other person whose transactions in Stock are subject to Section 16 of the Exchange Act.

(s) “**Non-Control Affiliate**” means any entity in which any Participating Company has an ownership interest and which the Committee shall designate as a Non-Control Affiliate.

(t) “**Nonemployee Director**” means a Director who is not an Employee.

(u) “**Nonstatutory Stock Option**” means an Option not intended to be (as set forth in the Award Agreement) an incentive stock option within the meaning of Section 422(b) of the Code.

(v) “**Normal Retirement Age**” means the date on which a Participant has attained the age of sixty (60) years and has completed ten years of continuous Service; provided, however, that with respect to Nonemployee Director Awards, “Normal Retirement Age” means the date on which a Participant has attained the age of seventy (70) years and has completed nine years of continuous Service.

(w) “**Officer**” means any person designated by the Board as an officer of the Company.

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(x) “**Option**” means the right to purchase Stock at a stated price for a specified period of time granted to a Participant pursuant to Section 6 of the Plan. An Option may be either an Incentive Stock Option or a Nonstatutory Stock Option.

(y) “**Option Expiration Date**” means the date of expiration of the Option’s term as set forth in the Award Agreement.

(z) An “**Ownership Change Event**” shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all, as determined by the Board in its discretion, of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(aa) “**Parent Corporation**” means any present or future “parent corporation” of the Company, as defined in Section 424(e) of the Code.

(bb) “**Participant**” means any eligible person who has been granted one or more Awards.

(cc) “**Participating Company**” means the Company or any Parent Corporation, Subsidiary Corporation or Affiliate.

(dd) “**Participating Company Group**” means, at any point in time, all entities collectively which are then Participating Companies.

(ee) “**Performance Award**” means an Award of Performance Shares or Performance Units.

(ff) “**Performance Award Formula**” means, for any Performance Award, a formula or table established by the Committee pursuant to Section 9.3 of the Plan which provides the basis for computing the value of a Performance Award at one or more threshold levels of attainment of the applicable Performance Goal(s) measured as of the end of the applicable Performance Period.

(gg) “**Performance Goal**” means a performance goal established by the Committee pursuant to Section 9.3 of the Plan.

(hh) “**Performance Period**” means a period established by the Committee pursuant to Section 9.3 of the Plan at the end of which one or more Performance Goals are to be measured.

(ii) “**Performance Share**” means a bookkeeping entry representing a right granted to a Participant pursuant to Section 9 of the Plan to receive a payment equal to the value of a Performance Share, as determined by the Committee, based on performance.

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(jj) "**Performance Unit**" means a bookkeeping entry representing a right granted to a Participant pursuant to Section 9 of the Plan to receive a payment equal to the value of a Performance Unit, as determined by the Committee, based upon performance.

(kk) "**Restricted Stock Award**" means an Award of Restricted Stock.

(ll) "**Restricted Stock Unit**" or "**Stock Unit**" means a bookkeeping entry representing a right granted to a Participant pursuant to Section 10 or Section 11 of the Plan, respectively, to receive a share of Stock on a date determined in accordance with the provisions of Section 10 or Section 11, as applicable, and the Participant's Award Agreement.

(mm) "**Restriction Period**" means the period established in accordance with Section 8.4 of the Plan during which shares subject to a Restricted Stock Award are subject to Vesting Conditions.

(nn) "**Rule 16b-3**" means Rule 16b-3 under the Exchange Act, as amended from time to time, or any successor rule or regulation.

(oo) "**SAR**" or "**Stock Appreciation Right**" means a bookkeeping entry representing, for each share of Stock subject to such SAR, a right granted to a Participant pursuant to Section 7 of the Plan to receive payment in any combination of shares of Stock or cash of an amount equal to the excess, if any, of the Fair Market Value of a share of Stock on the date of exercise of the SAR over the exercise price.

(pp) "**Section 162(m)**" means Section 162(m) of the Code.

(qq) "**Securities Act**" means the Securities Act of 1933, as amended.

(rr) "**Service**" means

(i) a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. A Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, only to such extent as may be provided by the Company's leave policy, a Participant's Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other leave of absence approved by the Company. Notwithstanding the foregoing, a leave of absence shall be treated as Service for purposes of vesting only to such extent as may be provided by the Company's leave policy. The Participant's Service shall be deemed to have terminated either upon an actual termination of Service or upon the entity for which the Participant performs Service ceasing to be a Participating Company; except, and only for purposes of this Plan, if the entity for which Participant performs Service is a Subsidiary Corporation and ceases to be a Participating Company as a result of the distribution of the voting stock of such Subsidiary Corporation to the shareholders of the Company, Service shall not be deemed to have terminated as a result of such

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distribution. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

(ii) Notwithstanding any other provision of this Section, a Participant's Service shall not be deemed to have terminated merely because the Participating Company for which the Participant renders Service ceases to be a member of the Participating Company Group by reason of a Spinoff Transaction, nor shall Service be deemed to have terminated upon resumption of Service from the Spinoff Company to a Participating Company. For all purposes under this Plan, and only for purposes of this Plan, a Participant's Service shall include Service, whether in the capacity of an Employee, Director or a Consultant, for the Spinoff Company provided a Participant was employed by the Participating Company Group immediately prior to the Spinoff Transaction.

In the event that the Participating Company for which Participant renders Service ceases to be a member of the Participating Company Group by reason of a Spinoff Transaction, the Company shall have the authority to impose any restrictions, including but not limited to, with respect to the method of payment of the exercise price of the Options held by such individuals, if the Company determines that such restrictions are necessary to comply with applicable local laws.

Further, notwithstanding the foregoing, if the Participant resides outside the United States and the Participating Company for which the individual renders Service ceases to be a member of the Participating Company Group by reason of a Spinoff Transaction, the Company may consider such individual to have terminated his or her Service if it determines that there are material adverse tax, securities law or other regulatory consequences to the Participant, the Company or the former Participating Company as a result of the Spinoff Transaction. In this circumstance, the Company will, in its discretion, (i) equitably adjust the Participant's Option to ensure that he or she maintains equivalent Option rights over the shares of common stock of the Spinoff Company for which he or she is employed following the Spinoff Transaction, or (ii) determine that the Participant's Options shall fully vest and be fully exercisable and shall terminate if not exercised prior to such Spinoff Transaction or (iii) take any other action that, in its discretion, does not impair the rights of such Participant with respect to the Option.

(ss) "**Spinoff Company**" means a Participating Company which ceases to be such as a result of a Spinoff Transaction.

(tt) "**Spinoff Transaction**" means a transaction in which the voting stock of an entity in the Participating Company Group is distributed to the shareholders of a parent corporation as defined by Section 424(e) of the Code, of such entity.

(uu) "**Stock**" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2 of the Plan.

(vv) "**Stock-Based Awards**" means any Award that is valued in whole or in part by reference to, or is otherwise based on, the Stock, including dividends on the Stock, but not limited to those Awards described in Sections 6 through 11 of the Plan.

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(ww) “**Subsidiary Corporation**” means any present or future “subsidiary corporation” of the Company, as defined in Section 424(f) of the Code.

(xx) “**Successor**” means a corporation into or with which the Company is merged or consolidated or which acquires all or substantially all of the assets of the Company and which is designated by the Board as a Successor for purposes of the Plan.

(yy) “**Ten Percent Owner**” means a Participant who, at the time an Option is granted to the Participant, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of a Participating Company (other than an Affiliate) within the meaning of Section 422(b)(6) of the Code.

(zz) “**Vesting Conditions**” mean those conditions established in accordance with Section 8.4 or Section 10.2 of the Plan prior to the satisfaction of which shares subject to a Restricted Stock Award or Restricted Stock Unit Award, respectively, remain subject to forfeiture or a repurchase option in favor of the Company upon the Participant’s termination of Service.

2.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

### 3. **Administration.**

3.1 **Administration by the Committee.** The Plan shall be administered by the Committee. All questions of interpretation of the Plan or of any Award shall be determined by the Committee, and such determinations shall be final and binding upon all persons having an interest in the Plan or such Award.

3.2 **Authority of Officers.** Any Officer shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, determination or election.

3.3 **Administration with Respect to Insiders.** With respect to participation by Insiders in the Plan, at any time that any class of equity security of the Company is registered pursuant to Section 12 of the Exchange Act, the Plan shall be administered in compliance with the requirements, if any, of Rule 16b-3.

3.4 **Committee Complying with Section 162(m).** While the Company is a “publicly held corporation” within the meaning of Section 162(m), the Board may establish a Committee of “outside directors” within the meaning of Section 162(m) to approve the grant of any Award which might reasonably be anticipated to result in the payment of employee remuneration that would otherwise exceed the limit on employee remuneration deductible for income tax purposes pursuant to Section 162(m).

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**3.5 Powers of the Committee** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its discretion:

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock or units to be subject to each Award;
  - (b) to determine the type of Award granted and to designate Options as Incentive Stock Options or Nonstatutory Stock Options;
  - (c) to determine the Fair Market Value of shares of Stock or other property;
  - (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares purchased pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;
  - (e) to determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;
  - (f) to approve one or more forms of Award Agreement;
  - (g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;
  - (h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;
  - (i) without the consent of the affected Participant and notwithstanding the provisions of any Award Agreement to the contrary, to unilaterally substitute at any time a Stock Appreciation Right providing for settlement solely in shares of Stock in place of any outstanding Option, provided that such Stock Appreciation Right covers the same number of shares of Stock and provides for the same exercise price (subject in each case to adjustment in accordance with Section 4.2) as the replaced Option and otherwise provides substantially equivalent terms and conditions as the replaced Option, as determined by the Committee;
  - (j) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan,
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including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards;

(k) to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award Agreement and to make all other determinations and take such other actions with respect to the Plan or any Award as the Committee may deem advisable to the extent not inconsistent with the provisions of the Plan or applicable law; and

(l) to delegate to any proper Officer the authority to grant, amend, modify, extend, cancel or renew one or more Awards, without further approval of the Committee, to any person eligible pursuant to Section 5, other than a person who, at the time of such grant, is an Insider; provided, however, that (i) the exercise price per share of each such Option shall be equal to the Fair Market Value per share of the Stock on the effective date of grant, and (ii) each such Award shall be subject to the terms and conditions of the appropriate standard form of Award Agreement approved by the Committee and shall conform to the provisions of the Plan and such other guidelines as shall be established from time to time by the Committee.

**3.6 Indemnification.** In addition to such other rights of indemnification as they may have as members of the Board or the Committee or as officers or employees of the Participating Company Group, members of the Board or the Committee and any officers or employees of the Participating Company Group to whom authority to act for the Board, the Committee or the Company is delegated shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any right granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct in duties; provided, however, that within sixty (60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same.

**3.7 Arbitration.** Any dispute or claim concerning any Awards granted (or not granted) pursuant to this Plan and any other disputes or claims relating to or arising out of the Plan shall be fully, finally and exclusively resolved by binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association in San Diego, California. By accepting an Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

**3.8 Repricing Prohibited.** Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the

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cancellation of outstanding Options or SARs and the grant in substitution thereof of new Options or SARs having a lower exercise price or (b) the amendment of outstanding Options or SARs to reduce the exercise price thereof. This paragraph shall not be construed to apply to the issuance or assumption of an Award in a transaction to which Code section 424(a) applies, within the meaning of Section 424 of the Code.

#### **4. Shares Subject to Plan.**

**4.1 Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be **483,284,432** and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. The share reserve, determined at any time, shall be reduced by the number of shares subject to Prior Plan Options and shares issued under the ERMCP. Any shares of Stock subject to Prior Plan Option shall again be available for issuance under the Plan only if the Prior Plan Option is terminated or cancelled but not if it expires. Any shares of Stock that are subject to Awards of Options or SARs without a related Dividend Equivalent shall be counted against the limit as one (1) share for every one (1) share granted. Any shares of Stock that are subject to Awards (other than Options or SARs without a related Dividend Equivalent) granted on or after March 8, 2011, shall be counted against this limit as two (2) shares for every one (1) share granted. If an outstanding Award, excluding Prior Plan Options, for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase, and shares issued under the ERMCP, are forfeited to the Company, the shares of Stock allocable to the terminated portion of such Award or such forfeited shares of Stock shall again be available for issuance under the Plan. Any shares of Stock that again become available for issuance pursuant to this Section 4.1 shall be added back as one (1) share if such shares were subject to Options without a Dividend Equivalent or SARs granted under the Plan or under a Prior Plan and, with respect to any shares, as two (2) shares if such shares were subject to Awards (other than Options without a Dividend Equivalent or SARs) granted under the Plan or a Prior Plan and again become available pursuant to this Section 4.1 on or after March 8, 2011. Notwithstanding anything to the contrary contained herein: (i) shares of Stock tendered in payment of an Option shall not be added to the aggregate plan limit described above; (ii) shares of Stock withheld by the Company to satisfy any tax withholding obligation shall not be added to the aggregate plan limit described above; (iii) shares of Stock that are repurchased by the Company with Option proceeds shall not be added to the aggregate plan limit described above; and (iv) all shares of Stock covered by an SAR, to the extent that it is exercised and settled in shares of Stock, and whether or not shares of Stock are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan.

**4.2 Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock,

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appropriate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, in the Award limits set forth in Section 5.4, and in connection with the ERMCP, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "*New Shares*"), the Committee may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number. The Committee in its sole discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section 4.2 shall be final, binding and conclusive.

#### **5. Eligibility and Award Limitations.**

**5.1 Persons Eligible for Awards.** Awards may be granted only to Employees, Consultants and Directors. For purposes of the foregoing sentence, "Employees," "Consultants" and "Directors" shall include prospective Employees, prospective Consultants and prospective Directors to whom Awards are offered to be granted in connection with written offers of an employment or other service relationship with the Participating Company Group; provided, however, that no Stock subject to any such Award shall vest, become exercisable or be issued prior to the date on which such person commences Service.

**5.2 Participation.** Eligible persons may be granted more than one Award. However, eligibility in accordance with this Section shall not entitle any person to be granted an Award, or, having been granted an Award, to be granted an additional Award.

#### **5.3 Incentive Stock Option Limitations.**

(a) **Persons Eligible.** An Incentive Stock Option may be granted only to a person who, on the effective date of grant, is an Employee of the Company, a Parent Corporation or a Subsidiary Corporation (each being an "*ISO-Qualifying Corporation*"). Any person who is not an Employee of an ISO-Qualifying Corporation on the effective date of the grant of an Option to such person may be granted only a Nonstatutory Stock Option. An Incentive Stock Option granted to a prospective Employee upon the condition that such person become an Employee of an ISO-Qualifying Corporation shall be deemed granted effective on the date such person commences Service with an ISO-Qualifying Corporation, with an exercise price determined as of such date in accordance with Section 6.1.

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(b) **Fair Market Value Limitation.** To the extent that Options designated as Incentive Stock Options (granted under all stock option plans of the Participating Company Group, including the Plan) become exercisable by a Participant for the first time during any calendar year for stock having a Fair Market Value greater than One Hundred Thousand Dollars (\$100,000), the portion of such Options which exceeds such amount shall be treated as Nonstatutory Stock Options. For purposes of this Section, Options designated as Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted. If the Code is amended to provide for a limitation different from that set forth in this Section, such different limitation shall be deemed incorporated herein effective as of the date and with respect to such Options as required or permitted by such amendment to the Code. If an Option is treated as an Incentive Stock Option in part and as a Nonstatutory Stock Option in part by reason of the limitation set forth in this Section, the Participant may designate which portion of such Option the Participant is exercising. In the absence of such designation, the Participant shall be deemed to have exercised the Incentive Stock Option portion of the Option first. Upon exercise, shares issued pursuant to each such portion shall be separately identified.

#### 5.4 Award Limits.

(a) **Maximum Number of Shares Issuable Pursuant to Incentive Stock Options.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall not exceed 226,239,821 shares. The maximum aggregate number of shares of Stock that may be issued under the Plan pursuant to all Awards other than Incentive Stock Options shall be the number of shares determined in accordance with Section 4.1, subject to adjustment as provided in Section 4.2 and further subject to the limitation set forth in Section 5.4(b) below.

(b) **Limits on Full Value Awards.** Except for shares granted under the Executive Retirement Matching Contribution Plan, any Restricted Stock Awards, Restricted Stock Unit Awards, Performance Awards or Stock-Based Awards based on the full value of shares of Stock ("Full Value Awards"), which vest on the basis of the Participant's continued Service, shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period and any Full Value Awards which vest upon the Participant's attainment of Performance Goals shall provide for a Performance Period of at least twelve (12) months. There shall be no acceleration of vesting of such Full Value Awards at a rate more rapid than annual pro rata vesting over a three (3) year period, except in connection with death, Disability, retirement at or after Normal Retirement Age or a Change in Control. Notwithstanding any contrary provision of the Plan, a maximum of two percent (2%) of the shares authorized for issuance under the Plan may be issued as Awards to Non-Employee Directors without regard to the limitations of this Section 5.4(b).

(c) **Section 162(m) Award Limits.** The following limits shall apply to the grant of any Award if, at the time of grant, the Company is a "publicly held corporation" within the meaning of Section 162(m).

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(i) **Options and SARs.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Options or Freestanding SARs which in the aggregate are for more than 3,000,000 shares of Stock reserved for issuance under the Plan.

(ii) **Restricted Stock and Restricted Stock Unit Awards.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted within any fiscal year of the Company one or more Restricted Stock Awards or Restricted Stock Unit Awards, subject to Vesting Conditions based on the attainment of Performance Goals, for more than 1,000,000 shares of Stock reserved for issuance under the Plan.

(iii) **Performance Awards.** Subject to adjustment as provided in Section 4.2, no Employee shall be granted (1) Performance Shares which could result in such Employee receiving more than 1,000,000 shares of Stock reserved for issuance under the Plan for each full fiscal year of the Company contained in the Performance Period for such Award, or (2) Performance Units which could result in such Employee receiving more than \$8,000,000 for each full fiscal year of the Company contained in the Performance Period for such Award. No Participant may be granted more than one Performance Award for the same Performance Period.

#### **6. Terms and Conditions of Options.**

Options shall be evidenced by Award Agreements specifying the number of shares of Stock covered thereby, in such form as the Committee shall from time to time establish. No Option or purported Option shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Options may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**6.1 Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

#### **6.2 Exercisability and Term of Options**

(a) **Option Vesting and Exercisability.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the

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expiration of five (5) years after the effective date of grant of such Option, (c) no Option shall become fully vested in a period of less than three (3) years from the date of grant, other than in connection with a termination of Service or a Change in Control or in the case of an Option granted to a Nonemployee Director, and (d) no Option offered or be granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions, or the terms of the Plan.

(b) **Participant Responsibility for Exercise of Option.** Each Participant is responsible for taking any and all actions as may be required to exercise any Option in a timely manner, and for properly executing any documents as may be required for the exercise of an Option in accordance with such rules and procedures as may be established from time to time. By signing an Option Agreement each Participant acknowledges that information regarding the procedures and requirements for the exercise of any Option is available upon such Participant's request. The Company shall have no duty or obligation to notify any Participant of the expiration date of any Option.

### 6.3 Payment of Exercise Price.

(a) **Forms of Consideration Authorized.** Except as otherwise provided below, payment of the exercise price for the number of shares of Stock being purchased pursuant to any Option shall be made (i) in cash, by check or in cash equivalent, (ii) by tender to the Company, or attestation to the ownership, of shares of Stock owned by the Participant having a Fair Market Value not less than the exercise price, (iii) provided that the Participant is an Employee, and not an Officer or Director (unless otherwise not prohibited by law, including, without limitation, any regulation promulgated by the Board of Governors of the Federal Reserve System) and in the Company's sole and absolute discretion at the time the Option is exercised, by delivery of the Participant's promissory note in a form approved by the Company for the aggregate exercise price, provided that, if the Company is incorporated in the State of Delaware, the Participant shall pay in cash that portion of the aggregate exercise price not less than the par value of the shares being acquired, (iv) by such other consideration as may be approved by the Committee from time to time to the extent permitted by applicable law, or (v) by any combination thereof. The Committee may at any time or from time to time grant Options which do not permit all of the foregoing forms of consideration to be used in payment of the exercise price or which otherwise restrict one or more forms of consideration.

#### (b) **Limitations on Forms of Consideration.**

(i) **Tender of Stock.** Notwithstanding the foregoing, an Option may not be exercised by tender to the Company, or attestation to the ownership, of shares of Stock to the extent such tender or attestation would constitute a violation of the provisions of any law, regulation or agreement restricting the redemption of the Company's Stock.

(ii) **Payment by Promissory Note.** No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any

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law. Any permitted promissory note shall be on such terms as the Committee shall determine. The Committee shall have the authority to permit or require the Participant to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Committee, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Participant shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

#### **6.4 Effect of Termination of Service.**

(a) **Option Exercisability.** Subject to earlier termination of the Option as otherwise provided herein and unless otherwise provided by the Committee, an Option shall be exercisable after a Participant's termination of Service only during the applicable time periods provided in the Award Agreement.

(b) **Extension if Exercise Prevented by Law.** Notwithstanding the foregoing, unless the Committee provides otherwise in the Award Agreement, if the exercise of an Option within the applicable time periods is prevented by the provisions of Section 14 below, the Option shall remain exercisable until three (3) months (or such longer period of time as determined by the Committee, in its discretion) after the date the Participant is notified by the Company that the Option is exercisable, but in any event no later than the Option Expiration Date.

(c) **Extension if Participant Subject to Section 16(b).** Notwithstanding the foregoing, if a sale within the applicable time periods of shares acquired upon the exercise of the Option would subject the Participant to suit under Section 16(b) of the Exchange Act, the Option shall remain exercisable until the earliest to occur of (i) the tenth (10th) day following the date on which a sale of such shares by the Participant would no longer be subject to such suit, (ii) the one hundred and ninetieth (190th) day after the Participant's termination of Service, or (iii) the Option Expiration Date.

**6.5 Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. Prior to the issuance of shares of Stock upon the exercise of an Option, the Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 Registration Statement under the Securities Act.

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## **7. Terms and Conditions of Stock Appreciation Rights.**

Stock Appreciation Rights shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. No SAR or purported SAR shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing SARs may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**7.1 Types of SARs Authorized.** SARs may be granted in tandem with all or any portion of a related Option (a "**Tandem SAR**") or may be granted independently of any Option (a "**Freestanding SAR**"). A Tandem SAR may be granted either concurrently with the grant of the related Option or at any time thereafter prior to the complete exercise, termination, expiration or cancellation of such related Option.

**7.2 Exercise Price.** The exercise price for each SAR shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share subject to a Tandem SAR shall be the exercise price per share under the related Option and (b) the exercise price per share subject to a Freestanding SAR shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the SAR.

### **7.3 Exercisability and Term of SARs.**

(a) **Tandem SARs.** Tandem SARs shall be exercisable only at the time and to the extent, and only to the extent, that the related Option is exercisable, subject to such provisions as the Committee may specify where the Tandem SAR is granted with respect to less than the full number of shares of Stock subject to the related Option.

(b) **Freestanding SARs.** Freestanding SARs shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such SAR; provided, however, that no Freestanding SAR shall be exercisable after the expiration of ten (10) years after the effective date of grant of such SAR. No SAR shall become fully vested in a period of less than three (3) years from the date of grant, other than in connection with a termination of Service or a Change in Control or the case of an SAR granted to a Nonemployee Director.

**7.4 Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

**7.5 Effect of Termination of Service.** Subject to earlier termination of the SAR as otherwise provided herein and unless otherwise provided by the Committee in the grant of an SAR and set forth in the Award Agreement, an SAR shall be exercisable after a Participant's termination of Service only as provided in the Award Agreement.

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**7.6 Nontransferability of SARs.** During the lifetime of the Participant, an SAR shall be exercisable only by the Participant or the Participant's guardian or legal representative. Prior to the exercise of an SAR, the SAR shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution.

**8. Terms and Conditions of Restricted Stock Awards.**

Restricted Stock Awards shall be evidenced by Award Agreements specifying the number of shares of Stock subject to the Award, in such form as the Committee shall from time to time establish. No Restricted Stock Award or purported Restricted Stock Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Restricted Stock Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**8.1 Types of Restricted Stock Awards Authorized.** Restricted Stock Awards may or may not require the payment of cash compensation for the Stock. Restricted Stock Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 9.4. If either the grant of a Restricted Stock Award or the lapsing of the Restriction Period is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 9.3 through 9.5(a).

**8.2 Purchase Price.** The purchase price, if any, for shares of Stock issuable under each Restricted Stock Award and the means of payment shall be established by the Committee in its discretion.

**8.3 Purchase Period.** A Restricted Stock Award requiring the payment of cash consideration shall be exercisable within a period established by the Committee; provided, however, that no Restricted Stock Award granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service.

**8.4 Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may or may not be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 9.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award. During any Restriction Period in which shares acquired pursuant to a Restricted Stock Award remain subject to Vesting Conditions, such shares may not be sold, exchanged, transferred, pledged, assigned or otherwise disposed of other than as provided in the Award Agreement or as provided in Section 8.7. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder.

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**8.5 Voting Rights; Dividends and Distributions.** Except as provided in this Section, Section 8.4 and any Award Agreement, during the Restriction Period applicable to shares subject to a Restricted Stock Award, the Participant shall have all of the rights of a stockholder of the Company holding shares of Stock, including the right to vote such shares and to receive all dividends and other distributions paid with respect to such shares. However, in the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant is entitled by reason of the Participant's Restricted Stock Award shall be immediately subject to the same Vesting Conditions as the shares subject to the Restricted Stock Award with respect to which such dividends or distributions were paid or adjustments were made.

**8.6 Effect of Termination of Service.** Unless otherwise provided by the Committee in the grant of a Restricted Stock Award and set forth in the Award Agreement, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or Disability), then the Participant shall forfeit to the Company any shares acquired by the Participant pursuant to a Restricted Stock Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service in exchange for the payment of the purchase price, if any, paid by the Participant. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company.

**8.7 Nontransferability of Restricted Stock Award Rights.** Prior to the issuance of shares of Stock pursuant to a Restricted Stock Award, rights to acquire such shares shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or the laws of descent and distribution. All rights with respect to a Restricted Stock Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**9. Terms and Conditions of Performance Awards.**

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. No Performance Award or purported Performance Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

**9.1 Types of Performance Awards Authorized.** Performance Awards may be in the form of either Performance Shares or Performance Units. Each Award Agreement evidencing a Performance Award shall specify the number of Performance Shares or Performance Units subject thereto, the Performance Award Formula, the Performance Goal(s) and Performance Period applicable to the Award, and the other terms, conditions and restrictions of the Award.

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**9.2 Initial Value of Performance Shares and Performance Units.** Unless otherwise provided by the Committee in granting a Performance Award, each Performance Share shall have an initial value equal to the Fair Market Value of one (1) share of Stock, subject to adjustment as provided in Section 4.2, on the effective date of grant of the Performance Share. Each Performance Unit shall have an initial value determined by the Committee. The final value payable to the Participant in settlement of a Performance Award determined on the basis of the applicable Performance Award Formula will depend on the extent to which Performance Goals established by the Committee are attained within the applicable Performance Period established by the Committee.

**9.3 Establishment of Performance Period, Performance Goals and Performance Award Formula.** In granting each Performance Award, the Committee shall establish in writing the applicable Performance Period, Performance Award Formula and one or more Performance Goals which, when measured at the end of the Performance Period, shall determine on the basis of the Performance Award Formula the final value of the Performance Award to be paid to the Participant. To the extent compliance with the requirements under Section 162(m) with respect to "performance-based compensation" is desired, the Committee shall establish the Performance Goal(s) and Performance Award Formula applicable to each Performance Award no later than the earlier of (a) the date ninety (90) days after the commencement of the applicable Performance Period or (b) the date on which 25% of the Performance Period has elapsed, and, in any event, at a time when the outcome of the Performance Goals remains substantially uncertain. Once established, the Performance Goals and Performance Award Formula shall not be changed during the Performance Period. The Company shall notify each Participant granted a Performance Award of the terms of such Award, including the Performance Period, Performance Goal(s) and Performance Award Formula.

**9.4 Measurement of Performance Goals.** Performance Goals shall be established by the Committee on the basis of targets to be attained ("**Performance Targets**") with respect to one or more measures of business or financial performance (each, a "**Performance Measure**"), subject to the following:

(a) **Performance Measures.** Performance Measures may be one or more of the following, as determined by the Committee: (i) revenues; (ii) gross margin; (iii) operating margin; (iv) operating income; (v) earnings before tax; (vi) earnings before interest, taxes and depreciation and amortization; (vii) net income; (viii) expenses; (ix) the market price of the Stock; (x) earnings per share; (xi) return on stockholder equity; (xii) return on capital; (xiii) return on net assets; (xiv) economic value added; (xv) market share; (xvi) customer service; (xvii) customer satisfaction; (xviii) safety; (xix) total stockholder return; (xx) free cash flow; or (xxi) such other measures as determined by the Committee consistent with this Section 9.4(a).

(b) **Performance Targets.** Performance Targets may include a minimum, maximum, target level and intermediate levels of performance, with the final value of a Performance Award determined under the applicable Performance Award Formula by the level attained during the applicable Performance Period. A Performance Target may be stated as an absolute value or as a value determined relative to a standard selected by the Committee.

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#### 9.5 Settlement of Performance Awards.

(a) **Determination of Final Value.** As soon as practicable following the completion of the Performance Period applicable to a Performance Award, the Committee shall certify in writing the extent to which the applicable Performance Goals have been attained and the resulting final value of the Award earned by the Participant and to be paid upon its settlement in accordance with the applicable Performance Award Formula.

(b) **Discretionary Adjustment of Award Formula.** In its discretion, the Committee may, either at the time it grants a Performance Award or at any time thereafter, provide for the positive or negative adjustment of the Performance Award Formula applicable to a Performance Award that is not intended to constitute “qualified performance based compensation” to a “covered employee” within the meaning of Section 162(m) (a “**Covered Employee**”) to reflect such Participant’s individual performance in his or her position with the Company or such other factors as the Committee may determine. With respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee, the Committee shall have the discretion to reduce some or all of the value of the Performance Award that would otherwise be paid to the Covered Employee upon its settlement notwithstanding the attainment of any Performance Goal and the resulting value of the Performance Award determined in accordance with the Performance Award Formula.

(c) **Payment in Settlement of Performance Awards.** As soon as practicable following the Committee’s determination and certification in accordance with Sections 9.5(a) and (b), payment shall be made to each eligible Participant (or such Participant’s legal representative or other person who acquired the right to receive such payment by reason of the Participant’s death) of the final value of the Participant’s Performance Award. Payment of such amount shall be made in cash, shares of Stock, or a combination thereof as determined by the Committee.

**9.6 Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Performance Share Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which the Performance Shares are settled or forfeited. Such Dividend Equivalents, if any, shall be credited to the Participant in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock. The number of additional Performance Shares to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalents may be paid currently or may be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalents may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 9.5, except that fractional

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shares shall be paid in cash within thirty (30) days following the date of settlement of the Performance Share Award. Dividend Equivalents shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

**9.7 Effect of Termination of Service.** Unless otherwise provided by the Committee in the grant of a Performance Award and set forth in the Award Agreement, the effect of a Participant's termination of Service on the Performance Award shall be as follows:

(a) **Death or Disability.** If the Participant's Service terminates because of the death or Disability of the Participant before the completion of the Performance Period applicable to the Performance Award, the final value of the Participant's Performance Award shall be determined by the extent to which the applicable Performance Goals have been attained with respect to the entire Performance Period and shall be prorated based on the number of months of the Participant's Service during the Performance Period. Payment shall be made following the end of the Performance Period in any manner permitted by Section 9.5.

(b) **Other Termination of Service.** If the Participant's Service terminates for any reason except death or Disability before the completion of the Performance Period applicable to the Performance Award, such Award shall be forfeited in its entirety; provided, however, that in the event of an involuntary termination of the Participant's Service, the Committee, in its sole discretion, may waive the automatic forfeiture of all or any portion of any such Award.

**9.8 Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**10. Terms and Conditions of Restricted Stock Unit Awards.**

Restricted Stock Unit Awards shall be evidenced by Award Agreements specifying the number of Restricted Stock Units subject to the Award, in such form as the Committee shall from time to time establish. No Restricted Stock Unit Award or purported Restricted Stock Unit Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Restricted Stock Units may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

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**10.1 Grant of Restricted Stock Unit Awards.** Restricted Stock Unit Awards may be granted upon such conditions as the Committee shall determine, including, without limitation, upon the attainment of one or more Performance Goals described in Section 9.4. If either the grant of a Restricted Stock Unit Award or the Vesting Conditions with respect to such Award is to be contingent upon the attainment of one or more Performance Goals, the Committee shall follow procedures substantially equivalent to those set forth in Sections 9.3 through 9.5(a).

**10.2 Vesting.** Restricted Stock Units may or may not be made subject to Vesting Conditions based upon the satisfaction of such Service requirements, conditions, restrictions or performance criteria, including, without limitation, Performance Goals as described in Section 9.4, as shall be established by the Committee and set forth in the Award Agreement evidencing such Award.

**10.3 Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which Restricted Stock Units held by such Participant are settled. Such Dividend Equivalents, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time (or as soon thereafter as practicable) as the Restricted Stock Units originally subject to the Restricted Stock Unit Award, except that fractional shares may be settled in cash within thirty (30) days following the date of settlement of the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

**10.4 Effect of Termination of Service.** Unless otherwise provided by the Committee in the grant of a Restricted Stock Unit Award and set forth in the Award Agreement, if a Participant's Service terminates for any reason, whether voluntary or involuntary (including the Participant's death or Disability), then the Participant shall forfeit to the Company any Restricted Stock Units pursuant to the Award which remain subject to Vesting Conditions as of the date of the Participant's termination of Service.

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**10.5 Settlement of Restricted Stock Unit Awards.** The Company shall issue to a Participant on the date on which Restricted Stock Units subject to the Participant's Restricted Stock Unit Award vest or on such other date determined by the Committee, in its discretion, and set forth in the Award Agreement one (1) share of Stock (and/or any other new, substituted or additional securities or other property pursuant to an adjustment described in Section 10.3) for each Restricted Stock Unit then becoming vested or otherwise to be settled on such date, subject to the withholding of applicable taxes. Notwithstanding the foregoing, if permitted by the Committee and set forth in the Award Agreement, the Participant may elect in accordance with terms specified in the Award Agreement to defer receipt of all or any portion of the shares of Stock or other property otherwise issuable to the Participant pursuant to this Section.

**10.6 Nontransferability of Restricted Stock Unit Awards.** Prior to the issuance of shares of Stock in settlement of a Restricted Stock Unit Award, the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Restricted Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

**11. Deferred Compensation Awards.**

**11.1 Establishment of Deferred Compensation Award Programs.** This Section 11 shall not be effective unless and until the Committee determines to establish a program pursuant to this Section. The Committee, in its discretion and upon such terms and conditions as it may determine, may establish one or more programs pursuant to the Plan under which:

(a) Participants designated by the Committee who are Insiders or otherwise among a select group of highly compensated Employees may irrevocably elect, prior to a date specified by the Committee, to reduce such Participant's compensation otherwise payable in cash (subject to any minimum or maximum reductions imposed by the Committee) and to be granted automatically at such time or times as specified by the Committee one or more Awards of Stock Units with respect to such numbers of shares of Stock as determined in accordance with the rules of the program established by the Committee and having such other terms and conditions as established by the Committee.

(b) Participants designated by the Committee who are Insiders or otherwise among a select group of highly compensated Employees may irrevocably elect, prior to a date specified by the Committee, to be granted automatically an Award of Stock Units with respect to such number of shares of Stock and upon such other terms and conditions as established by the Committee in lieu of:

- (i) shares of Stock otherwise issuable to such Participant upon the exercise of an Option;
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(ii) cash or shares of Stock otherwise issuable to such Participant upon the exercise of an SAR; or

(iii) cash or shares of Stock otherwise issuable to such Participant upon the settlement of a Performance Award or Performance Unit.

**11.2 Terms and Conditions of Deferred Compensation Awards.** Deferred Compensation Awards granted pursuant to this Section 11 shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. No such Deferred Compensation Award or purported Deferred Compensation Award shall be a valid and binding obligation of the Company unless evidenced by a fully executed Award Agreement. Award Agreements evidencing Deferred Compensation Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

(a) ***Vesting Conditions.*** Deferred Compensation Awards shall not be subject to any vesting conditions.

(b) ***Terms and Conditions of Stock Units.***

(i) ***Voting Rights; Dividend Equivalent Rights and Distributions.*** Participants shall have no voting rights with respect to shares of Stock represented by Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, a Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to date on which Stock Units held by such Participant are settled. Such Dividend Equivalents shall be paid by crediting the Participant with additional whole and/or fractional Stock Units as of the date of payment of such cash dividends on Stock. The method of determining the number of additional Stock Units to be so credited shall be specified by the Committee and set forth in the Award Agreement. Such additional Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time (or as soon thereafter as practicable) as the Stock Units originally subject to the Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Stock Unit Award so that it represent the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award.

(ii) ***Settlement of Stock Unit Awards.*** A Participant electing to receive an Award of Stock Units pursuant to this Section 11 shall specify at the time of such election a settlement date with respect to such Award. The Company shall issue to the Participant as soon as practicable following the earlier of the settlement date elected by the Participant or the date of termination of the Participant's Service, a number of whole shares of Stock equal to the number of whole Stock Units subject to the Stock Unit Award. Such shares of Stock shall be fully vested, and the Participant shall not be required to pay any additional

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consideration (other than applicable tax withholding) to acquire such shares. Any fractional Stock Unit subject to the Stock Unit Award shall be settled by the Company by payment in cash of an amount equal to the Fair Market Value as of the payment date of such fractional share.

(iii) **Nontransferability of Stock Unit Awards.** Prior to their settlement in accordance with the provision of the Plan, no Stock Unit Award shall be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Stock Unit Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

#### **12. Other Stock-Based Awards.**

In addition to the Awards set forth in Sections 6 through 11 above, the Committee, in its sole discretion, may carry out the purpose of this Plan by awarding Stock-Based Awards as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems necessary and appropriate.

#### **13. Effect of Change in Control on Options and SARs**

13.1 **Accelerated Vesting.** The Committee, in its sole discretion, may provide in any Award Agreement or, in the event of a Change in Control, may take such actions as it deems appropriate to provide for the acceleration of the exercisability and vesting in connection with such Change in Control of any or all outstanding Options and SARs and shares acquired upon the exercise of such Options and SARs upon such conditions and to such extent as the Committee shall determine. The previous sentence notwithstanding such acceleration shall not occur to the extent an Option or SAR is assumed or substituted with a substantially similar award in connection with a Change in Control.

13.2 **Assumption or Substitution.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the "**Acquiring Corporation**"), may, without the consent of the Participant, either assume the Company's rights and obligations under outstanding Options and SARs or substitute for outstanding Options and SARs substantially equivalent options or stock appreciation rights for the Acquiring Corporation's stock. Any Options or SARs which are neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control. Notwithstanding the foregoing, shares acquired upon exercise of an Option or SAR prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such shares shall continue to be subject to all applicable provisions of the Award Agreement evidencing such Award except as otherwise provided in such Award Agreement. Furthermore, notwithstanding the foregoing, if the corporation the stock of which is subject to the outstanding Options or SARs immediately prior to an Ownership Change Event described in Section 2.1(z)(i) constituting a Change in Control is the surviving or continuing corporation and immediately after such Ownership Change Event less than fifty percent (50%) of the total combined voting power of its

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voting stock is held by another corporation or by other corporations that are members of an affiliated group within the meaning of Section 1504(a) of the Code without regard to the provisions of Section 1504(b) of the Code, the outstanding Options and SARs shall not terminate unless the Board otherwise provides in its discretion.

**13.3 Effect of Change in Control on Awards Other Than Options and SARs.** The Committee may, in its discretion, provide in any Award Agreement evidencing any Award other than an Option or SAR that, in the event of a Change in Control, the lapsing of any applicable Vesting Condition, vesting restriction, Restriction Period, Performance Goal or other limitation applicable to the Award or the Stock subject to such Award held by a Participant whose Service has not terminated prior to the Change in Control shall be accelerated and/or waived, effective immediately prior to the consummation of the Change in Control, to such extent as specified in such Award Agreement; provided, however, that such acceleration or waiver shall not occur to the extent an Award is assumed or substituted with a substantially equivalent Award in connection with the Change in Control. Any acceleration, waiver or the lapsing of any restriction that was permissible solely by reason of this Section 13.3 and the provisions of such Award Agreement shall be conditioned upon the consummation of the Change in Control.

**14. Compliance with Securities Law.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

**15. Tax Withholding.**

**15.1 Tax Withholding in General.** The Company shall have the right to deduct from any and all payments made under the Plan, or to require the Participant, through payroll withholding, cash payment or otherwise, including by means of a cashless exercise or net exercise of an Option, to make adequate provision for, the federal, state, local and foreign taxes, if any, required by law to be withheld by the Participating Company Group with respect to an Award or the shares acquired pursuant thereto. The Company shall have no obligation to deliver shares of Stock, to release shares of Stock from an escrow established pursuant to an Award

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Agreement, or to make any payment in cash under the Plan until the Participating Company Group's tax withholding obligations have been satisfied by the Participant.

15.2 **Withholding in Shares.** The Company shall have the right, but not the obligation, to deduct from the shares of Stock issuable to a Participant upon the exercise or settlement of an Award, or to accept from the Participant the tender of, a number of whole shares of Stock having a Fair Market Value, as determined by the Company, equal to all or any part of the tax withholding obligations of the Participating Company Group. The Fair Market Value of any shares of Stock withheld or tendered to satisfy any such tax withholding obligations shall not exceed the amount determined by the applicable minimum statutory withholding rates.

**16. Amendment or Termination of Plan.**

The Board or the Committee may amend, suspend or terminate the Plan at any time. However, without the approval of the Company's stockholders, there shall be (a) no increase in the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.2), (b) no change in the class of persons eligible to receive Incentive Stock Options, and (c) no other amendment of the Plan that would require approval of the Company's stockholders under any applicable law, regulation or rule. No amendment, suspension or termination of the Plan shall affect any then outstanding Award unless expressly provided by the Board or the Committee. In any event, no amendment, suspension or termination of the Plan may adversely affect any then outstanding Award without the consent of the Participant unless necessary to comply with any applicable law, regulation or rule.

**17. Miscellaneous Provisions.**

17.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee in its discretion at the time the Award is granted. The Company shall have the right to assign at any time any repurchase right it may have, whether or not such right is then exercisable, to one or more persons as may be selected by the Company. Upon request by the Company, each Participant shall execute any agreement evidencing such transfer restrictions prior to the receipt of shares of Stock hereunder and shall promptly present to the Company any and all certificates representing shares of Stock acquired hereunder for the placement on such certificates of appropriate legends evidencing any such transfer restrictions.

17.2 **Provision of Information.** Each Participant shall be given access to information concerning the Company equivalent to that information generally made available to the Company's common stockholders.

17.3 **Rights as Employee, Consultant or Director.** No person, even though eligible pursuant to Section 5, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. Nothing in the Plan or any Award granted under the Plan shall confer on any Participant a right to remain an Employee, Consultant or Director or interfere with or limit in any way any right of a Participating Company to terminate the Participant's Service at any time. To the extent that an Employee of a Participating Company

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other than the Company receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that the Company is the Employee's employer or that the Employee has an employment relationship with the Company.

**17.4 Rights as a Stockholder.** A Participant shall have no rights as a stockholder with respect to any shares covered by an Award until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 4.2 or another provision of the Plan.

**17.5 Fractional Shares.** The Company shall not be required to issue fractional shares upon the exercise or settlement of any Award.

**17.6 Severability.** If any one or more of the provisions (or any part thereof) of this Plan shall be held invalid, illegal or unenforceable in any respect, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions (or any part thereof) of the Plan shall not in any way be affected or impaired thereby.

**17.7 Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

**17.8 Unfunded Obligation.** Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974. No Participating Company shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Committee or any Participating Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of any Participating Company. The Participants shall have no claim against any Participating Company for any changes in the value of any assets which may be invested or reinvested by the Company with respect to the Plan. Each Participating Company shall be responsible for making benefit payments pursuant to the Plan on behalf of its Participants or for

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reimbursing the Company for the cost of such payments, as determined by the Company in its sole discretion. In the event the respective Participating Company fails to make such payment or reimbursement, a Participant's (or other individual's) sole recourse shall be against the respective Participating Company, and not against the Company. A Participant's acceptance of an Award pursuant to the Plan shall constitute agreement with this provision.

**QUALCOMM INCORPORATED**

**EXECUTIVE RETIREMENT  
MATCHING CONTRIBUTION PLAN**

**Amended and Restated Generally Effective: January 1, 2011  
Amendment No. 1, dated October 29, 2010 (Fractional Dividends)  
Amendment No. 2, dated December 17, 2010 (Dividends Invested in Money Market)**

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**ARTICLE I**  
**INTRODUCTION**

1.1 History. Qualcomm Incorporated (the “Company”) previously established the Qualcomm Incorporated Voluntary Executive Retirement Contribution Plan (the “ERC”) and the Qualcomm Incorporated Executive Retirement Matching Contribution Plan (the “Plan”), both non-qualified deferred compensation plans for a select group of management or highly compensated employees of the Employer, and both originally effective as of December 1, 1995.

1.2 Consolidation, Amendment and Restatement. The Company consolidated the ERC and the Plan as set forth in this document and amended and restated the Plan effective as of October 1, 2008. The Company has amended and restated the Plan in its entirety effective as of December 30, 2008, April 1, 2009, and, most recently, January 1, 2011 (except as otherwise provided herein).

**ARTICLE II**  
**DEFINITIONS**

2.1 “**Account(s)**” means the book entry account(s) established under the Plan for each Participant to which are credited the Participant’s Basic Deferrals, Bonus Deferrals, Performance-Based Compensation Deferrals, Matching Contributions, Discretionary Company Contributions and any Investment Returns with respect thereto. Account balances shall be reduced by any distributions made to the Participant or the Participant’s Beneficiary(ies) from the Plan and any charges that may be imposed on such Account(s) pursuant to the terms of the Plan. Separate Subaccounts may be established under the Plan as set forth herein. As the context may require, “Account” shall also refer to such Subaccounts.

2.2 “**Affiliate**” means any entity which controls, is controlled by or is under common control with the Company.

2.3 “**Base Salary**” means the annual base salary to be paid by the Employer, without regard to Basic Deferrals hereunder. Base Salary shall not include, unless specifically authorized by the Committee, bonuses, overtime, distributions from this Plan, commissions, the value of any proceeds from the exercise of any qualified or non-qualified stock option, the proceeds from any stock purchase right under the Company’s employee stock purchase plans, incentive payments, non-monetary awards, auto allowances or any other form of compensation, whether taxable or non-taxable.

2.4 “**Basic Deferral(s)**” means the percentage of a Participant’s Base Salary and/or Director Fees which the Participant elects to defer pursuant to Section 4.1 of the Plan.

2.5 “**Benchmark Fund(s)**” means one or more of the mutual funds or contracts selected by the Committee pursuant to Article 6 of the Plan.

2.6 “**Beneficiary(ies)**” means the beneficiary(ies) designated by the Participant who are entitled to receive any distributions from the Plan payable upon the death of the Participant.

2.7 **“Benefit(s)”** means the total of the vested amount(s) credited to a Participant’s Account.

2.8 **“Board of Directors”** or **“Board”** means the Company’s Board of Directors.

2.9 **“Bonus”** means the annual cash incentive bonus normally paid to an Eligible Employee after the end of the fiscal year or such other amounts payable under the bonus policies maintained by the Employer determined without regard to any Bonus Deferral.

2.10 **“Bonus Deferral”** means the percentage of a Participant’s Bonus which the Participant defers pursuant to Section 4.2 of the Plan.

2.11 **“Cause”** means any of the following: (i) theft, dishonesty, or falsification of any Company documents or records; (ii) improper use or disclosure of the Company’s confidential or proprietary information; (iii) any action which has a detrimental effect on the Company’s reputation or business; (iv) failure or inability to perform any reasonable assigned duties after written notice from the Company of, and a reasonable opportunity to cure, such failure or inability; (v) any material breach of any employment or service agreement between the Participant and the Company, which breach is not cured pursuant to the terms of such agreement; (vi) conviction (including any plea of guilty or nolo contendere) of any criminal act which impairs the Participant’s ability to perform his or her duties; or (vii) violation of a material Company policy.

2.12 **“Change in Control”** means an Ownership Change Event or a series of related Ownership Change Events, as defined below (collectively, a “Transaction”), wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company’s voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or, in the case of a Transaction described in clause (iii) below, the corporation or other business entity to which the assets of the company were transferred (the “Transferee”), as the case may be. The Board shall determine in its discretion whether multiples sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related. Notwithstanding the preceding sentence, a Change in Control shall not include a Spinoff Transaction, as defined in Section 2.1 of the LTIP. For purposes of the foregoing, an “Ownership Change Event” shall be deemed to have occurred if any of the following occurs with respect to the company: (i) the direct or indirect sale or exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange or transfer of all or substantially all, as determined by the Board in its discretion, of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

2.13 **“Code”** means the Internal Revenue Code of 1986, as amended.

2.14 **“Committee”** means the Committee composed of such individuals who may be appointed by the Compensation Committee, and which shall function as the administrator of the Plan.

2.15 **“Common Stock”** means the common stock of the Company, par value \$0.0001 per share.

2.16 **“Company”** means Qualcomm Incorporated, a Delaware corporation, and any successor thereto.

2.17 **“Compensation Committee”** means the Compensation Committee of the Company’s Board of Directors.

2.18 **“Deferrals”** means, as applicable to a Participant, Basic Deferrals, Bonus Deferrals and/or Performance-Based Compensation Deferrals made pursuant to the terms of the Plan.

2.19 **“Deferral Subaccount”** means a Subaccount under the Participant’s Account to which Deferrals are credited for a given Plan Year.

2.20 **“Director Fees”** shall mean all fees and retainers, including meeting fees, paid in cash to Non-Employee Directors of the Company, and specifically excludes any annual board retainer paid in stock units.

2.21 **“Disability”** means, to the extent applicable, a determination of disability in accordance with the Company’s long-term disability insurance policy covering the Participant, or, if none, “Disability” under this Plan shall mean the Participant is unable to engage in any substantial activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months.

2.22 **“Discretionary Company Contribution”** means a Company contribution awarded to an Eligible Employee pursuant to Section 4.6 of the Plan.

2.23 **“Distribution Date”** means the date on which distribution of a Participant’s Benefits is made or commences pursuant to Article 9 of the Plan.

2.24 **“Effective Date”** means January 1, 2011, except that Section 6.1.3 and Article VIII are effective as of September 27, 2010.

2.25 **“Election(s)”** means the form or forms on which a Participant: (i) elects to make Deferrals, (ii) elects a Distribution Date for Plan Benefits, (iii) elects the method by which his or her Benefits will be distributed; and (iv) specifies his or her Beneficiary(ies) under the Plan. An Election shall be in such form or forms as may be prescribed by the Committee, including specifically an electronic form.



2.26 “**Eligible Employee**” means an employee of the Employer who is a member of a select group of management or highly compensated employees and who has been designated as eligible to participate in the Plan in accordance with Article 3 of the Plan.

2.27 “**Employer**” means the Company and any other Affiliate of the Company that has adopted the Plan.

2.28 “**Fair Market Value**” shall have the same meaning given such term in the LTIP.

2.29 “**Good Reason**” means any one or more of the following: (i) without the Participant’s express written consent, the assignment of any duties, or any limitation of responsibilities, substantially inconsistent with the Participant’s positions, duties, responsibilities and status with the Company immediately prior to the date of a Change in Control; (ii) without the Participant’s express written consent, the relocation of his or her principal place of employment or service to a location that is more than fifty (50) miles from the principal place of employment or service immediately prior to the date of a Change in Control, or the imposition of travel requirements substantially more demanding than those existing immediately prior to the date of a Change in Control; (iii) any failure by the Company to pay, or any material reduction by the Company of, (A) base salary in effect immediately prior to the date of a Change in Control (unless reductions comparable in amount and duration are concurrently made for all other employees of the Company with comparable responsibilities, organizational level and title, or (B) bonus compensation, if any, in effect immediately prior to the date of a Change in Control (subject to applicable performance requirements with respect to the actual amount of bonus compensation earned); any failure by the Company to (A) continue to provide the Participant with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee or service provider group which customarily includes a person holding the employment or service provider position or a comparable position with the Company then held by the Participant, in any benefit or compensation plans and programs, including, but not limited to, the Company’s life, disability, health, dental, medical, savings, profit sharing, stock purchase and retirement plans, if any, in which the Participant was participating immediately prior to the date of the Change in Control, or their equivalent, or (B) provide the Participant with all other fringe benefits (or their equivalent) from time to time in effect for the benefit of any employee group which customarily includes a person holding the employment or service provider position or a comparable position with the Company then held by the Participant; any breach by the Company of any material agreement between the Participant and the Company concerning the Participant’s employment; or any failure by the Company to obtain the assumption of any material agreement between the Participant and the Company concerning the Participant’s employment by a successor or assign of the Company.

2.30 “**In-Service Distribution Date**” means the date prior to a Separation from Service on which the distribution of a Participant’s Deferral Subaccount(s) is made or commences pursuant to an Election made under Article 9 of the Plan.

2.31 “**Investment Return**” means the investment return or loss determined in accordance with Article 6 of the Plan, which shall be credited to Participants’ applicable Subaccounts pursuant to the terms of the Plan.

2.32 **“LTIP”** shall mean the Qualcomm Incorporated 2006 Long-Term Incentive Plan, as amended, or any successor thereto.

2.33 **“Matching Contributions”** means the Company’s matching contributions denominated in shares of its Common Stock to the Plan on behalf of an Eligible Employee who is a Participant, as determined in accordance with Section 4.5 of the Plan.

2.34 **“Non-Employee Director”** means a director who is not an Employee.

2.35 **“Open Enrollment Period”** means such period as the Committee may specify for Participants to submit an Election to make Deferrals under the Plan. The Open Enrollment Period shall begin on the date selected by the Committee and end no later than (i) with respect to Basic Deferrals for any Plan Year, the first day of such Plan Year; (ii) with respect to Bonus Deferrals, the first day of the period for which the Bonus may be earned; (iii) with respect to Performance-Based Compensation Deferrals, the date that is six months before the end of the applicable performance period, provided the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date the Deferral Election is made and, provided, further that in no event may a Performance-Based Compensation Deferral Election be made after such Performance Based Compensation has become readily ascertainable within the meaning of Section 1.409A-2(a)(8) of the Treasury Regulations; and (iv) with respect to an Eligible Employee or Non-Employee Director who first becomes eligible to participate in the Plan, the date that is no later than thirty (30) days after first becoming an Eligible Employee or Non-Employee Director, with respect to compensation paid for services performed after the Election and, provided further, that where a Performance-Based Compensation Deferral Election is made in the first year of eligibility but after the beginning of the applicable performance period, the Election must apply only to the compensation paid for services performed after the Election.

2.36 **“Participant”** means an Eligible Employee or Non-Employee Director who becomes a Participant in the Plan as provided in Article 3.

2.37 **“Performance-Based Compensation”** means any cash compensation paid to an Eligible Employee which is contingent on the satisfaction of pre-established organizational or individual performance criteria relating to a performance period of at least 12 consecutive months, determined without regard to any Performance-Based Compensation Deferral.

2.38 **“Performance-Based Compensation Deferral”** means the percentage of a Participant’s Performance-Based Compensation which the Participant defers pursuant to Section 4.2 of the Plan.

2.39 **“Plan”** means this Qualcomm Incorporated Executive Retirement Matching Contribution Plan, effective as of October 1, 2008, as amended from time to time.

2.40 **“Plan Year”** means the 12 consecutive month period beginning on each January 1 and ending on the following December 31.

2.41 **“Retirement”** means the Participant’s Separation from Service with the Employer after obtaining the earlier of: (i) age sixty-five (65) or (ii) age sixty-two and one-half (62 1/2) with at least ten (10) Years of Service.

2.42 **“Separation from Service”** means separation from Service with the Employer whether by termination of employment or Board service. A Participant will be presumed to have had a Separation from Service where the level of bona fide services performed by such individual decreases to a level that is 20% less than the average level of bona fide services performed in the 12-month period immediately preceding the Separation from Service. Subject to the foregoing and the requirements of Section 409A of the Code and the regulations issued thereunder, the Committee, in its discretion, shall determine whether a Participant has had a Separation from Service and the effects thereof.

2.43 **“Service”** means an Eligible Employee’s employment or service with the Employer in the capacity of an employee or a member of the Board. An Eligible Employee’s Service shall include periods of employment or service with the Company and any subsidiary, regardless of whether the Company has determined that such a subsidiary will not be an Employer for purposes of the Plan.

2.44 **“Specified Employee”** means any Participant who, as of the date of Separation from Service, is a key employee of the Employer by reason of meeting the requirements of Section 416(j)(1)(A)(i), (ii) or (iii) of the Code (applied in accordance with the regulations thereunder and disregarding Section 416(i)(5)) at any time during the 12-month period ending on the last day of the Plan Year, or such other date as may be established by the Committee in a separate document applicable to all deferred compensation plans sponsored by the Company.

2.45 **“Subaccount(s)”** means the subaccount(s) established within a Participant’s Account with respect to the various types of Deferrals and Company contributions made under the Plan.

2.46 **“Total Compensation”** for a Plan Year means wages as defined in Section 3401(a) of the Code, any annual cash incentive bonus which is normally paid by the Employer to an Eligible Employee after the end of the fiscal year, and all other payments of compensation to an Eligible Employee by the Employer (in the course of the Employer’s trade or business) for which the Employer is required to furnish the Eligible Employee a written statement under Section 6041(d) or Section 6051(a)(3) of the Code for such Plan Year, excluding the following items: any bonus other than an annual cash incentive bonus which is normally paid by the Employer to an Eligible Employee after the end of the fiscal year, commissions, the value of a qualified, incentive or non-qualified stock option granted to the Eligible Employee by the Company to the extent such value is includable in the Eligible Employee’s taxable income, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Eligible Employee under a salary reduction agreement by reason of the application of Section 125, 402(e)(3), 402(h), or 403(b) of the Code or by reason of an election of the Eligible Employee to defer amounts of Base Salary under this Plan. Total Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment

or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code).

2.47 “**Trust**” means the legal entity created by the Trust Agreement(s).

2.48 “**Trust Agreement**” means the trust agreement entered into between the Company and the Trustee(s) to hold assets with respect to this Plan.

2.49 “**Trustee(s)**” means the person(s) or entity named as Trustee(s) in the Trust Agreement established to hold assets with respect to this Plan and any duly appointed and acting successor Trustee(s) appointed by the Employer pursuant to the terms of the Trust Agreement.

2.50 “**Year of Service**” means each 12 consecutive month period of completed Service.

### ARTICLE III

#### ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Participation in the Plan shall be limited to Eligible Employees and Non-Employee Directors. Eligible Employees shall be notified as to their eligibility to participate in the Plan. Until changed by the Committee, an Eligible Employee shall be an employee designated by the Executive Vice President, Human Resources, of the Company; provided, however, that the Compensation Committee shall approve participation by any Eligible Employee whose transactions under the Plan are subject to Section 16 of the Securities Exchange Act of 1934, as amended. The Committee, in its discretion, may also limit the ability of Participants to make certain types of Deferrals or be credited with Company contributions under the Plan.

3.2 Commencement of Participation. Participation in the Plan is voluntary. An Eligible Employee or Non-Employee Director may begin participation in the Plan upon the execution and submission of an Election during the applicable Open Enrollment Period.

### ARTICLE IV

#### DEFERRALS AND CONTRIBUTIONS

##### 4.1 Basic Deferrals.

4.1.1. An Eligible Employee or Non-Employee Director may elect to reduce his or her Base Salary or Director Fees, as applicable, by the percentage of Base Salary or Director Fees, as applicable, set forth in an Election filed with the Committee, subject to the provisions of this Article 4. Basic Deferrals shall not be paid to the Participant, but shall be withheld from amounts otherwise payable to the Participant, and an amount equal to the Basic Deferrals for the Plan Year shall be credited to the Participant’s Basic Deferral Subaccount under the Plan.

4.1.2. The Election to make Basic Deferrals must be filed with the Committee during the Open Enrollment Period for the Plan Year to which such Election applies. A Participant’s

Election with respect to Basic Deferrals shall remain in effect until changed by the Participant during a subsequent Open Enrollment Period. Each Election to make Basic Deferrals shall apply only to Base Salary or Director Fees, as applicable, earned after the effective date of such Election. Elections with respect to Basic Deferrals, once made, shall be irrevocable for the Plan Year.

#### 4.2 Bonus Deferrals and Performance-Based Compensation Deferrals

4.2.1 An Eligible Employee may elect to defer a percentage of any Bonus and/or Performance-Based Compensation by filing a written Election with the Committee, subject to the provisions of this Article 4. Such Bonus Deferrals and/or Performance-Based Compensation Deferrals shall not be paid to the Participant, but shall be withheld from the amounts otherwise payable to the Participant and credited to the Participant's applicable Deferral Subaccount under the Plan.

4.2.2 The Bonus Deferral Election and/or Performance-Based Compensation Deferral Election must be filed with the Committee during the applicable Open Enrollment Period. A Bonus and/or Performance-Based Compensation Deferral Election shall remain in effect until changed by the Participant during a subsequent Open Enrollment Period. Elections with respect to Bonus Deferrals and Performance-Based Compensation Deferrals, once made, shall be irrevocable for the applicable fiscal year or performance period.

#### 4.3 Maximum Deferrals: Cash Deferrals Only. Subject to such further limits as the Committee may establish in its sole discretion:

(a) An Eligible Employee may not defer Base Salary in an amount that exceeds Base Salary reduced by the sum of (i) applicable employment tax withholding amounts (including, but not limited to, FICA and FUTA taxes); (ii) the applicable dollar amount that may be contributed to the Company's 401(k) Plan for the Plan Year in accordance with Section 402(g)(B) of the Code (without regard to "catch-up contributions" pursuant to Code Section 402(g)(C)); (iii) the maximum amount that may be contributed to the Company's employee stock purchase plan(s) for the Plan Year; and (iv) the actual amounts contributed under the Company's Code Section 125 plan and all other ERISA welfare benefit plans for the Plan Year.

(b) An Eligible Employee may not defer Bonus and/or Performance-Based Compensation in an amount that exceeds Bonus and/or Performance-Based Compensation reduced by applicable employment tax withholding amounts (including, but not limited to, FICA and FUTA taxes) attributable to such Bonus and/or Performance Based Compensation; as applicable.

(c) A Director may elect to defer up to 100% of his or her cash Director Fees.

(d) Notwithstanding anything herein to the contrary, no Participant shall be permitted to defer stock-based compensation under the Plan.

4.4 No Withdrawal. Except as otherwise set forth herein, amounts credited to a Participant's Account may not be withdrawn by a Participant and shall be paid only in accordance with the provisions of this Plan.

**4.5 Matching Contributions.** The Company will credit Matching Contributions to the Matching Contribution Subaccount of an Eligible Employee for a Plan Year if (a) the Eligible Employee is actively employed by the Employer on the first day following the end of such Plan Year, or (b) the Eligible Employee's employment with the Employer is terminated during the Plan Year by the Employer without Cause. The Matching Contribution shall be equal to fifty percent (50%) of the Eligible Employee's Deferrals credited to his or her Account for the Plan Year; provided, however, that the total Matching Contribution credited to the Matching Contribution Subaccount of any Eligible Employee for any Plan Year shall not exceed the remainder of (i) 10% of such Eligible Employee's Total Compensation for the applicable Plan Year, reduced by (ii) 50% of the maximum 401(k) plan contribution limit established under Section 402(g) of the Code for the Plan Year, determined without regard to "catch-up contributions" pursuant to Section 414(v) of the Code (the "401(k) Maximum Deferral"). With respect to the determination of Matching Contributions for an Eligible Employee who is employed for less than the entire Plan Year, the 401(k) Maximum Deferral shall be calculated on a pro-rated basis by multiplying the 401(k) Maximum Deferral as defined in the preceding sentence by a fraction, the numerator of which shall be the number of whole and partial months the Eligible Employee is actively employed by the Employer during the Plan Year, and the denominator of which shall be twelve (12).

All Matching Contributions to the Plan shall be credited to an Eligible Employee's Matching Contribution Subaccount solely in the form of whole shares of the Company's Common Stock, subject to the provisions of 6.1.2. For purposes of converting a Company Matching Contribution from a dollar value to a number of whole shares of the Company's Common Stock, the Fair Market Value of the Company's Common Stock shall be the average of the Fair Market Value of the Company's Common Stock over the two hundred (200) trading days immediately preceding the last day of the applicable calendar year or, with respect to an Eligible Employee whose employment is terminated without Cause during the Plan Year, the average of the Fair Market Value of the Company's Common Stock over the two hundred (200) trading days immediately preceding the last day of his or her employment. Notwithstanding any other Plan provision to the contrary, the Company's Matching Contribution for a given Eligible Employee for a specific contribution period shall be rounded up to the next whole number of shares of the Company's Common Stock.

**4.6 Discretionary Company Contributions.** From time to time the Company may, as recommended by the Compensation Committee and approved by the Board in its complete discretion, credit to an Eligible Employee's Account a Discretionary Company Contribution, in such amounts and at such times as the Company may determine. Such Discretionary Company Contributions may be denominated in cash or shares of Company Common Stock, as determined by the Board. The Company shall be under no obligation to continue to make Discretionary Company Contributions and may discontinue such contributions at any time.

**4.7 Adjustments.** Shares to be issued under the Plan are reserved for issuance under the LTIP, and shall be subject to adjustment in the event of a change in the Company's capital structure, in accordance with Section 4.2 of the LTIP.

**ARTICLE V**  
**ACCOUNTS**

Accounts; Subaccounts. Separate Accounts and Subaccounts shall be established and maintained for each Participant in accordance with the terms of the Plan. Each Participant's applicable Subaccounts shall be credited with the Participant's Basic Deferrals, Bonus and/or Performance-Based Compensation Deferrals, Matching Contributions and Discretionary Company Contributions, if any. Participants' Accounts shall be credited (or debited) with the applicable Investment Return as set forth in Article 6. Participants' Accounts shall be reduced by losses, distributions and any other charges which may be imposed on the Accounts pursuant to the terms of the Plan.

**ARTICLE VI**  
**PLAN INVESTMENTS AND EARNINGS ON PARTICIPANTS' ACCOUNTS**

6.1 Investment of Matching Contributions and Discretionary Company Contributions Credited in Stock

6.1.1 As set forth in Article 4, each Participant's Matching Contributions and Discretionary Company Contributions Subaccount (to the extent a contribution is denominated in Company Common Stock) shall be credited to the Participant's Account in shares of the Company's Common Stock, and shall be accounted for and reported in terms of whole shares of the Company's Common Stock.

6.1.2 In the event that the Trust established with respect to Matching Contributions or Discretionary Company Contributions in the form of the Company's Common Stock for any reason holds cash or other property sufficient to purchase a whole share of the Company's Common Stock, the Trustee shall first arrange to acquire additional shares of the Company's Common Stock, either by purchasing such shares in the public market or by acquiring such shares directly from the Company, unless the Committee, in its discretion, determines to credit such cash or other property to Participants' Accounts. In the event that the Trust for any reason holds cash or other property in an amount insufficient to purchase a whole share of the Company's Common Stock, such amount shall be held in cash or a cash equivalent determined by the Committee. Notwithstanding any other provision of the Plan to the contrary, in the event there are insufficient shares of the Company's Common Stock reserved and available for issuance to make Matching or Discretionary Company Contributions in the form of Company Common Stock, the Company may credit cash amounts in lieu of shares of Company Common Stock to the applicable Subaccounts of one or more Participants for some or all of the Matching and Discretionary Company Contribution amounts.

6.1.3 If the Board declares a cash dividend on the shares of the Company's Common Stock, as of the first business day following the dividend payment date with respect to such cash dividend, the Company shall credit a cash amount equal to such per-share cash dividend with respect to each share of Company Common Stock credited to a Participant's Matching Contributions and/or Discretionary Contributions Subaccount as of the dividend

declaration date for such cash dividend. All such cash amounts shall be credited to the Subaccount and be subject to the same terms and conditions relating to vesting and payment as the corresponding shares of Company Common Stock credited to that Subaccount and be deemed to be invested in the Fidelity Institutional Money Market Portfolio as of the first trading day after the dividend payment date with respect to such cash dividend, provided, however, that a Participant may at any time elect to reinvest any such amounts deemed invested in the Fidelity Institutional Money Market Portfolio in any other Benchmark Fund specified under Section 6.2.2, but only after the fund is added to the Fidelity recordkeeping system.

6.2 Investment of Deferrals and Discretionary Company Contributions Denominated in Cash.

6.2.1 The Committee may designate the particular funds or contracts which shall constitute the Benchmark Funds with respect to Basic Deferrals, Bonus and/or Performance-Based Compensation Deferrals and Discretionary Company Contributions awarded in cash and the Company may, in its sole discretion, change or add to the Benchmark Funds; provided, however, that the Committee shall notify Participants of any such change prior to the effective date of the change.

6.2.2 Each Participant may select among the Benchmark Funds and specify the manner in which each of his or her applicable Subaccounts shall be deemed to be invested, solely for purposes of determining the Participant's Investment Return. The Committee shall establish and communicate the rules, procedures and deadlines for making and changing Benchmark Fund selections. The Company shall have no obligation to acquire investments corresponding to the Participant's Benchmark Fund selections.

6.2.3 The Investment Return is based on the asset unit value, net of administrative fees and investment management fees and other applicable fees or charges, of the Benchmark Fund(s) designated by the Committee. The Investment Return may be negative if the applicable Benchmark Fund(s) sustain a loss. The Investment Return shall be credited (or debited) monthly, or more frequently as the Committee may specify.

**ARTICLE VII**  
**BENEFICIARIES**

A Participant shall have the right to designate on an Election prescribed by the Committee one or more Beneficiaries to receive any Benefits due under the Plan in the event of the Participant's death.

If the Participant has not properly designated a Beneficiary, or if for any reason such designation shall not be legally effective, or if said designated Beneficiary shall predecease the Participant, then the Participant's Beneficiary shall be the Participant's surviving spouse. In the event there is no surviving spouse, the Participant's Beneficiary shall be the Participant's estate.

The Participant shall have the right at any time to revoke a previous Beneficiary designation and to substitute one or more other Beneficiary(ies); provided, however, that the



most recent Beneficiary Designation received prior to a Participant's death shall supersede all prior Beneficiary designations made under the Plan.

## ARTICLE VIII

### VESTING

8.1 Vesting of Deferrals. All Deferrals credited to a Participant's Account shall always be 100% vested.

8.2 Vesting of Matching and Discretionary Company Contributions. A Participant's Matching and Discretionary Company Contribution Subaccounts shall vest in accordance with whichever one of the following vesting schedules results in the largest vested balance in the Participant's Account.

8.2.1 One hundred percent (100%) shall be vested upon the Participant's death, Disability, attainment of age 65 while employed by the Employer, or completion of two (2) continuous Years of Service. All Participants who have completed at least two (2) continuous Years of Service as of the Effective Date shall be one hundred percent (100%) vested as of the Effective Date.

8.2.2 A Participant shall be partially or fully vested in the discretion of the Compensation Committee, so long as no acceleration of vesting results in an acceleration of payment prohibited under Section 409A of the Code.

8.2.3 A Participant shall be one hundred percent (100%) vested upon involuntary termination of employment without Cause or voluntary termination of employment for Good Reason, in either case at any time within twenty-four (24) months following a Change in Control.

8.3 Amounts credited to a Participant which are not vested at the time that the Participant has a Separation from Service with the Employer shall be forfeited. A Participant who forfeits any such amounts shall have no rights to the restoration of such amounts in the event that he or she once again becomes eligible to participate in the Plan.

## ARTICLE IX

### BENEFIT DISTRIBUTIONS

9.1 Benefit Amount. The value of a Participant's Benefit shall equal the vested value of the Participant's Subaccount(s) on the applicable Distribution Date. Distributions from a Participant's Matching Contributions or Discretionary Company Contributions Subaccount credited as shares of Company Common Stock shall be paid in whole shares of the Company's Common Stock, except as provided in Section 6.1.3 with respect to any fractional shares.

9.2 Timing of Distributions. In accordance with the Participant's Election made at the time of the original deferral (or a permissible later election, if applicable), Benefits shall be paid (or payments shall commence) within sixty (60) days following the earliest of:

- 9.2.1 The date of the Participant's Separation from Service (including due to Retirement);
- 9.2.2 The In-Service Distribution Date designated by the Participant (solely with respect to distributions of Deferral Subaccounts);
- 9.2.3 The date of the Participant's death or Disability; or
- 9.2.4 The date of a Change in Control of the Company.

Notwithstanding anything herein to the contrary, Participants shall not be entitled to elect an In-Service Distribution Date with respect to their Matching and Discretionary Company Contribution Subaccounts. Any Matching Contribution or Company Discretionary Contribution that vests pursuant to Section 8.2.3 of the Plan after the date of a Change of Control shall be distributed upon the Participant's subsequent Separation from Service.

9.3. Methods of Distribution.

9.3.1 Distribution Methods. A Participant's Benefit shall be paid in a single lump sum payment, unless the Participant specifies in an Election that (1) a distribution of Deferrals made pursuant to such Election and any Matching Contributions credited with respect to such Election in the event of Retirement or Disability or (2) a distribution of Deferrals made pursuant to such Election (but not any Matching Contributions credited with respect to such Election) upon an In-Service Distribution Date shall be paid in quarterly or annual installment payments of substantially equal amounts over a period as provided below:

<u>Reason for Distribution</u>	<u>Installment Period</u>
Retirement	5 or 10 Years
Disability	5 or 10 Years
In-Service Distribution Date	2/3/4/5 Years

9.3.2 A Participant may amend a previous lump sum payment Election to take a distribution upon Retirement, Disability or an In-Service Distribution Date in installments, by filing an amended Election at least twelve (12) months in advance of the date specified in the original Election. With respect to a distribution upon Retirement or an In-Service Distribution Date, the new Distribution Date must be at least five (5) years after the date of the first distribution specified in the original Election. No such amendment may accelerate the date that any distribution would be made from the Plan.

9.3.3 The Participant's method of distribution selected in his or her Election shall remain in effect for all future similar Deferrals until changed by the Participant during a subsequent Open Enrollment Period. The Participant's method of distribution may be changed only in accordance with the requirements of Section 9.3.2.

9.3.4 Failure to Properly Specify Form of Distribution. If, at the time of his or her Distribution Date, a Participant has failed to elect a form of distribution or a Participant who elects an installment distribution does not satisfy the requirements for the installment term elected, then such Participant's Benefits shall be distributed in a single lump sum payment.

9.3.5 Installment Amounts. For purposes of this Section 9.3, installment distributions shall commence within sixty (60) days following a Participant's Retirement or Disability, and shall thereafter be paid within the thirty (30) day period beginning on the last business day of each calendar quarter beginning with the calendar quarter next following the quarter in which the initial payment date occurred (for quarterly installments) or on a date that is within 30 days of each anniversary of the initial payment date (for annual installments). Installment distributions with respect to an In-Service Distribution Date shall commence on the business day corresponding with or immediately following the date elected by the Participant and be paid within the 30-day period beginning on the last business day of each calendar quarter beginning with the calendar quarter next following the quarter in which the initial payment date occurred (for quarterly installments) or on a date that is within 30 days of each subsequent anniversary of the In-Service Distribution Date (for annual installments).

9.3.6 Reemployed After Installments Begin. If a former Participant is reemployed after having begun to receive installment distributions from the Plan, then such former Participant, upon once again becoming an Eligible Employee, may begin a new period of participation in the Plan; provided, however, that the installment distributions previously commenced will continue to be paid to the Participant over the specified installment period.

9.3.7 Minimum Account Balance Necessary for Installments. Notwithstanding anything in the Plan to the contrary, if a Participant's Account balance is less than \$50,000 at the time elected to begin installment distributions, the Participant's Benefit will automatically be distributed in a single lump sum.

#### 9.4 Election of In-Service Distribution Date.

9.4.1 Initial Election. Upon filing an Election to make Deferrals for any Plan Year, a Participant may specify an In-Service Distribution Date for the Subaccount to which such Deferrals are credited, subject to the following:

9.4.1.1 A Participant must elect an In-Service Distribution Date for all of the Deferrals credited to such Subaccounts for the Plan Year.

9.4.1.2 The In-Service Distribution Date elected for any Deferral Subaccount must be at least two (2) years after the end of the Plan Year for which the Deferrals to such Subaccount are made.

9.4.1.3 Benefits shall be paid (or payments shall commence in accordance with Section 9.3.5) on the elected In-Service Distribution Date elected for such Deferral Subaccount.

9.4.2 Revocation or Amendment of In-Service Distribution Election. A Participant who has elected an In-Service Distribution Date may revoke and/or amend the In-

Service Distribution Date Election by filing a revocation or an amended Election at least twelve (12) months in advance of the In-Service Distribution Date specified in the Election being revoked or amended. The amended In-Service Distribution Date must be in a Plan Year that is at least five (5) years after the In-Service Distribution Date specified in the prior Election. An In-Service Distribution Date Election for any Deferral Subaccount may be amended only once. Nothing in this Section 9.4.2 shall preclude a Participant from amending his or her Election as to the method of distribution in accordance with Section 9.3.3, above.

9.4.3 Separation from Service Before the Planned In-Service Distribution Date. If the Participant has a Separation from Service with the Employer before his In-Service Distribution Date for any reason (other than Retirement or Disability, to the extent of a valid Retirement or Disability election), distribution of the Participant's Account shall be made in a single lump sum payment within sixty (60) days after the Participant's Separation from Service.

9.4.4 Separation from Service After Commencement of Installment In-Service Distributions Notwithstanding any prior Election, if the Participant has a Separation from Service with the Employer for any reason (other than Retirement or Disability, to the extent of a valid Retirement or Disability election) while receiving In-Service Distributions in the form of installments, distribution of the Participant's remaining installments shall be made in a single lump sum payment within sixty (60) days after the Participant's Separation from Service.

9.5 Distribution Upon Death of Participant. If a Participant dies before his or her Benefit payments have commenced, then such Participant's Benefits shall be paid to his or her designated Beneficiary in a single lump sum cash payment within sixty (60) days following the date of the Participant's death. If a Participant dies after installment payments have commenced, his or her remaining Account balance shall be paid to the Beneficiary in a single lump sum payment within sixty (60) days after the Participant's death.

9.6 Specified Employees. In the event of a distribution to a Specified Employee based upon such individual's Separation from Service, no distributions will be made, irrespective of any Election or provision of this Plan to the contrary, before the date which is six (6) months and ten (10) days after the date of Separation from Service, or if earlier, the date of death of the Specified Employee.

9.7 Limitation on Distributions to Covered Employees. Notwithstanding any other provision of this Article 9, and subject to the requirements of Section 409A of the Code, in the event the Participant is a "covered employee" as that term is defined in Section 162(m)(3) of the Code, or would be a covered employee if Benefits were distributed in accordance with his or her Election, the maximum amount which may be distributed from the Participant's Account in any Plan Year shall not exceed one million dollars (\$1,000,000), less the amount of compensation paid to the Participant in such Plan Year which is not "performance-based" (as defined in Code Section 162(m)(4)(C)), which amount shall be reasonably determined by the Committee at the time of the proposed distribution. Any amount which is not distributed to the Participant in a Plan Year as a result of this limitation shall be distributed to the Participant during the first Plan Year in which the Company reasonably anticipates that the deduction will not be barred by application of Section 162(m) of the Code, subject to compliance with the foregoing limitations set forth in this Section 9.7.

9.8 Tax Withholding. Distributions under this Article 9 shall be subject to all applicable withholding requirements for federal, state and local income or other taxes. Amounts required to be withheld pursuant to this Section 9.8 shall be taken first from distributions of cash and second, to the extent necessary to satisfy the minimum tax withholding requirements, from the proceeds of the sale of shares of Company Common Stock distributed to the Participant, which sale the Participant authorizes as a condition of participation in the Plan.

9.9 Section 280G Parachute Payment. In the event that any distribution from the Plan received or to be received by a Participant (a "Distribution") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this Section 9.9, cause the Participant to become subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax") or increase such Participant's Excise Tax liability, then such Distribution may be reduced to the largest amount which the Participant, in his or her sole discretion, determines would result in no portion of the Distribution being subject to the Excise Tax. The determination by a Participant of any reduction shall be conclusive and binding upon the Employer, the Company, and the Committee. The Committee shall reduce a Distribution and/or shall accept the return of some or all of a Distribution previously made to a Participant only upon written notice by the Participant indicating the amount of such reduction. Any amounts returned to the Plan pursuant to this Section 9.9 shall be treated as a forfeiture and shall be used to reduce the Company's future contributions to the Plan or to pay costs associated with the operation and administration of the Plan.

9.10 409A Transition Rule Elections. The Plan Committee, in its sole discretion and to the extent it deems appropriate, may permit Participants to make changes to existing payment elections to be made prior to December 31, 2008 or such earlier date as the Committee may specify. Any election changes made pursuant to this Section 9.10 may not defer into later years amounts that would have been payable in 2008 or cause payment of amounts payable in later years to be accelerated into 2008. Elections under this Section 9.10 shall comply in all respects with the provisions of IRS Notice 2007-86 and other applicable IRS and Treasury guidance. In addition, notwithstanding anything in this Plan to the contrary, deferral elections may be made prior to January 1, 2009, pursuant to the rules specified in IRS Notice 2007-86. Any deferral or election changes made after January 1, 2009 shall be required to comply with the requirements set forth in this Plan.

## ARTICLE X

### ADMINISTRATION

10.1 Committee Structure. The initial number of Committee members shall be three (3), until such number is changed by the approval of the majority of the Compensation Committee. A member of the Committee must be an employee of the Employer or a member of the Board and shall continue to serve until such member (i) resigns, (ii) is removed or (iii) terminates employment with the Employer and no longer serves on the Board for any reason. The approval of at least two-thirds (2/3) of the members of the Compensation Committee shall be required to remove a member of the Committee. A majority of the remaining members of the Committee may fill one or more vacancies on the Committee. The Committee may allocate and delegate some or all of its responsibilities described in this Article 10 and otherwise as set forth

in the Plan. The Committee's authority under this Article 10 shall at all times be subject to the ability of the Compensation Committee to remove any or all of the members of the Committee for any reason, change the number of members of the Committee, fill vacancies on such committee, and establish rules and procedures for the Committee.

10.2 Committee Powers and Responsibilities. The Committee shall have control of the administration of the Plan, with all powers necessary to enable it properly to carry out its duties in that respect, including, but not limited to, the power and authority to:

10.2.1 Construe the Plan and any Trust Agreement(s) to determine all questions that shall arise as to interpretations of the Plan's provisions, including determinations of which individuals are Eligible Employees and the extent of their eligibility to participate in the Plan, which individuals are Specified Employees, and determinations related to the amounts credited to a Participant's Account and the appropriate timing and method of Benefit payments;

10.2.2 Establish reasonable rules and procedures which shall be applied to Elections, the establishment of Accounts and Subaccounts, and all other discretionary provisions of the Plan;

10.2.3 Establish rules, procedures and formats for the electronic administration of the Plan, including specifically the distribution of Participant communications, Elections and tax information;

10.2.4 Establish the rules and procedures by which the Plan will operate that are consistent with the terms of the Plan documents and Code Section 409A;

10.2.5 Compile and maintain all records it determines to be necessary, appropriate or convenient in connection with the administration of the Plan;

10.2.6 Adopt amendments to the Plan which are deemed necessary or desirable to facilitate administration of the Plan and/or to bring Plan-related documents into compliance with all applicable laws and regulations; provided, however, that the Committee shall not have the authority to adopt any Plan amendment that will result in substantially increased costs to the Company unless such amendment is contingent upon ratification by the Compensation Committee before becoming effective;

10.2.7 Employ such persons or organizations to perform services with respect to the administrative responsibilities of the Committee under the Plan as the Committee determines to be necessary and appropriate, including, but not limited to, attorneys, accountants, and benefit, financial and administrative consultants;

10.2.8 Select, review and retain or change the Benchmark Funds which are used for determining the Investment Return under the Plan;

10.2.9 Direct the investment of the assets of the Trust(s);

10.2.10 Review the performance of the Trustee(s) with respect to the Trustee's duties, responsibilities and obligations under the Plan and the Trust Agreement(s); and

10.2.11 Take such other actions as may be necessary or appropriate to the management and investment of the assets held with respect to this Plan.

10.3 Decisions of the Committee. Decisions of the Committee made in good faith upon any matter within the scope of its authority shall be final, conclusive and binding upon all persons, including Participants and their legal representatives or Beneficiaries. Any discretion granted to the Committee shall be exercised in accordance with rules and policies established by the Committee.

10.4 Indemnification. To the extent permitted by law, the Company shall indemnify each member of the Committee, and any other Employee or member of the Board with duties under the Plan, against losses and expenses (including any amount paid in settlement) reasonably incurred by such person in connection with any claims against such person by reason of such person's conduct in the performance of his or her duties under the Plan, except in relation to matters as to which such person has acted fraudulently or in bad faith in the performance of his or her duties. Notwithstanding the foregoing, the Company shall not indemnify any person for any expense incurred through any settlement or compromise of any action unless the Company consents in writing to the settlement or compromise.

10.5 Claims Procedure. Benefits shall be provided from this Plan through procedures initiated by the Committee, and the Participant need not file a claim. However, if a Participant or Beneficiary believes he or she is entitled to a Benefit different from the one received, then the Participant or Beneficiary may file a claim for the Benefit by writing a letter to the Committee.

10.5.1 If any claim for Benefits under the Plan is wholly or partially denied, the claimant shall be given notice in writing of such denial within 90 days of the date the letter claiming benefits is received by the Committee. If special circumstances require an extension of time, written notice of the extension shall be furnished to the claimant within the initial 90-day period.

10.5.2 Notice of the denial shall set forth the following information: (a) the specific reason or reasons for the denial; (b) specific references to pertinent Plan provisions on which the denial is based; (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; (d) an explanation that a full review by the Committee of the decision denying the claim may be requested by the claimant or his or her authorized representative by filing with the Company, within 60 days after such notice has been received, a written request for such review; and (e) if such request is so filed, the claimant or his or her authorized representative may review pertinent documents and submit issues and comments in writing within the same 60 day period.

10.5.3 The decision of the Committee upon review shall be made promptly, and not later than 60 days after the Committee's receipt of the request for review, unless special circumstances require an extension of time for processing, in which case the claimant shall be so notified and a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If the claim is denied, wholly or in part, the claimant shall be promptly given a copy of the decision. The decision shall be in writing and shall include specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is

based and shall be written in a manner calculated to be understood by the claimant. No further legal action may be initiated claiming benefits under this Plan until the claims procedure set forth in this Article 10 is complete.

10.6 Plan Expenses. The Company shall pay all costs and expenses related to the operation and administration of the Plan.

## ARTICLE XI

### AMENDMENT AND TERMINATION

11.1 Right to Amend. The Committee shall have the right to amend the Plan, at any time and with respect to any of its provisions, and all parties claiming any interest under the Plan shall be bound by such amendment; provided, however, that no such amendment shall deprive a Participant of a right accrued under the Plan prior to the date of the amendment, unless such an amendment is required by applicable law or deemed necessary to preserve the preferred tax treatment of the Plan. Notwithstanding anything herein to the contrary, only the Compensation Committee shall have the authority to adopt amendments that result in a change to the matching contribution formula under Section 4.5 of the Plan.

11.2 Amendments to Ensure Proper Characterization of Plan. Notwithstanding the provisions of Section 11.1, the Plan may be amended by the Committee or the Compensation Committee at any time, and retroactively if required, if found necessary, in the opinion of the Committee or the Compensation Committee, in order to conform the Plan to the provisions and requirements of applicable law (including, but not limited to, Section 409A of the Code, and other applicable portions of ERISA and the Code). No such amendment shall be considered prejudicial to any interest of a Participant hereunder.

11.3 Plan Termination or Plan Suspension. The Company reserves the right, by action of the Compensation Committee, to terminate the Plan at any time, to suspend the operation of the Plan for a fixed or indeterminate period of time, or to terminate the Plan and provide for all amounts to be distributed in a lump sum, to the extent permitted under Section 409A of the Code and the regulations issued thereunder.

11.4 Successor to Company. Any corporation or other business organization which is a successor to the Company by reason of a consolidation, merger or purchase of all or substantially all of the assets of the Company, or any other Change in Control, shall have the right to become a party to the Plan by means of a resolution of the entity's board of directors or other appropriate governing body.

## ARTICLE XII

### PLAN TRANSFERS

12.1 Transfers to Other Plans. In the event that a Participant becomes employed by any affiliated company, subsidiary corporation, parent corporation or unrelated corporation with which the Company enters into a transaction to acquire the assets or stock of such unrelated corporation, the Committee shall have the right, but not the obligation, to direct the Trustee to



transfer funds in an amount equal to the amount credited to such Participant's Account (the "Transferred Account") to a trust established under a Transferee Plan. The Committee shall determine, in its sole discretion, whether such transfer shall be made and the timing of such transfer. Such transfer shall be made if, and only to the extent that, approval of such transfer is obtained from the Trustee.

12.1.1 Transferee Plan. For purposes of this Section 12.1, "Transferee Plan" shall mean an unfunded, nonqualified deferred compensation plan described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA maintained by any of the Company's affiliated entities, subsidiary corporations, parent corporations or any corporation unrelated to the Company with which the Company has successfully closed a transaction in which the Company acquired the assets or the outstanding stock of such unrelated corporation.

12.2 Transfers in from Other Plans. There may be transferred directly from the trustee of another nonqualified, funded, deferred compensation plan (an "Other Plan") to the Trustee, subject to the approval of the transferor corporation maintaining the Other Plan and the Committee, funds in an amount not to exceed the amounts credited to the Other Plan accounts maintained for the benefit of that Eligible Employee. Amounts transferred pursuant to this Section 12.2, and any gains or losses allocable thereto, (i) shall be accounted for separately ("Transfer Account") from amounts otherwise allocable to the Eligible Employee under this Plan, and (ii) the Transfer Account shall be distributed in accordance with the Eligible Employee's deferral election under the Other Plan, as such election may be amended pursuant to the terms of the Other Plan. Subsequent earnings on the amount in the Transfer Account shall be credited to a separate Account for the Eligible Employee established pursuant to this Plan and shall be determined under the Plan's investment procedures in Article 6.

12.3 Effect of Section. This Section 12 shall only be operable to the extent the Committee determines and in its sole and absolute discretion at the time of any proposed transfer that such transfer will not impact the Plan and any deferred amounts in a tax disadvantageous manner under Section 409A of the Code.

### ARTICLE XIII

#### MISCELLANEOUS

13.1 No Assignment. The right of any Participant, any Beneficiary or any other person to the payment of any benefits under this Plan shall not be assigned, transferred, pledged or encumbered, including pursuant to domestic relations orders.

13.2 No Secured Interest. The obligations of the Company to Participants under this Plan shall not be funded or otherwise secured, and shall be paid out of the general assets of the Company. Participants are general unsecured creditors of the Company with respect to the Company's contributions hereunder and shall have no legal or equitable interest in the assets of the Company, including any assets the Company may set aside or reserve against its obligations under this Plan.

13.3 Successors. This Plan shall be binding upon and inure to the benefit of the Employer, its successors and assigns and the Participant and his or her heirs, executors, administrators and legal representatives.

13.4 No Employment Agreement. Nothing contained herein shall be construed as conferring upon any Participant the right to continue in the Service of the Company or any Affiliate.

13.5 Attorneys' Fees. If the Employer, the Participant, any Beneficiary and/or successor in interest to any of the foregoing, brings legal action to enforce any of the provisions of this Plan, the prevailing party in such legal action shall be reimbursed by the other party for the prevailing party's legal costs, including, without limitation, reasonable fees of attorneys, accountants and similar advisors and expert witnesses.

13.6 Entire Agreement. This Plan constitutes the entire understanding and agreement with respect to the subject matter contained herein, and supersedes any and all agreements, understandings, restrictions, representations or warranties among any Participant and the Employer other than those set forth or provided for in this Plan.

13.7 Severability. If any provision of this Plan is held to be invalid, illegal or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provision of this Plan, and the Plan shall be construed and enforced as if such provision had not been included. In addition, if such provision is invalid, illegal or unenforceable due to changes in applicable law or accounting requirements, the Company may amend the Plan, without the consent and without providing any advance notice to any Participant, as may be necessary or desirable to comply with changes in the applicable law or financial accounting of deferred compensation plans.

13.8 Governing Law. This Plan shall be construed under the laws of the State of California, except to the extent preempted by federal law.

IN WITNESS WHEREOF, this Plan has been adopted by the Company effective as of the Effective Date.

QUALCOMM INCORPORATED

Dated: \_\_\_\_\_, 2010

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul E. Jacobs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QUALCOMM Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 26, 2011

/s/ Paul E. Jacobs

Paul E. Jacobs,  
Chief Executive Officer and Chairman

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William E. Keitel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QUALCOMM Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 26, 2011

/s/ William E. Keitel

William E. Keitel,

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of QUALCOMM Incorporated (the Company) on Form 10-Q for the fiscal quarter ended December 26, 2010 (the Report), I, Paul E. Jacobs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 26, 2011

/s/ Paul E. Jacobs

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Paul E. Jacobs,  
Chief Executive Officer and Chairman

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of QUALCOMM Incorporated (the Company) on Form 10-Q for the fiscal quarter ended December 26, 2010 (the Report), I, William E. Keitel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 26, 2011

/s/ William E. Keitel

William E. Keitel,  
Executive Vice President and  
Chief Financial Officer