# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 10-Q

**(Mark one)**

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

**For the quarterly period ended June 27, 2004**

**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**<br>**(State or other jurisdiction of incorporation or organization)** | **95-3685934**<br>**(I.R.S. Employer Identification No.)** |
| **5775 Morehouse Dr., San Diego, California**<br>**(Address of principal executive offices)** | **92121-1714**<br>**(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 [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] 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 July 19, 2004, were as follows:

| Class | Number of Shares |
|---|---|
| Common Stock, $0.0001 per share par value | 813,880,548 |

**INDEX**

## PART I. FINANCIAL INFORMATION

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

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

| | June 27, 2004 | September 28, 2003 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 2,008,744 | $ 2,045,094 |
| Marketable securities | 3,494,383 | 2,516,003 |
| Accounts receivable, net | 897,616 | 483,793 |
| Inventories, net | 109,489 | 110,351 |
| Deferred tax assets | 503,751 | 611,536 |
| Other current assets | 89,185 | 181,987 |
| Total current assets | 7,103,168 | 5,948,764 |
| Marketable securities | 1,508,273 | 810,654 |
| Property, plant and equipment, net | 590,683 | 622,265 |
| Goodwill, net | 355,567 | 346,464 |
| Deferred tax assets | 246,181 | 406,746 |
| Other assets | 417,712 | 687,543 |
| Total assets | $10,221,584 | $ 8,822,436 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Trade accounts payable | $ 239,818 | $ 195,065 |
| Payroll and other benefits related liabilities | 158,046 | 141,000 |
| Unearned revenue | 159,628 | 174,271 |
| Current portion of long-term debt | — | 102,625 |
| Other current liabilities | 248,528 | 195,241 |
| Total current liabilities | 806,020 | 808,202 |
| Unearned revenue | 176,901 | 236,732 |
| Long-term debt | — | 123,302 |
| Other liabilities | 97,412 | 55,628 |
| Total liabilities | 1,080,333 | 1,223,864 |
| Commitments and contingencies (Notes 2, 3 and 7) | | |
| Stockholders' equity (Note 6): | | |
| Preferred stock, $0.0001 par value; issuable in series; 8,000 shares authorized; none outstanding at June 27, 2004 and September 28, 2003 | — | — |
| Common stock, $0.0001 par value; 3,000,000 shares authorized; 812,322 and 798,353 shares issued and outstanding at June 27, 2004 and September 28, 2003 | 82 | 81 |
| Paid-in capital | 6,686,866 | 6,324,971 |
| Retained earnings | 2,430,747 | 1,297,289 |
| Accumulated other comprehensive income (loss) | 23,556 | (23,769) |
| Total stockholders' equity | 9,141,251 | 7,598,572 |
| Total liabilities and stockholders' equity | $10,221,584 | $ 8,822,436 |

See Notes to Condensed Consolidated Financial Statements.

**QUALCOMM Incorporated**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003* | June 27, 2004 | June 29, 2003* |
| Revenues: | | | | |
| Equipment and services | $ 887,901 | $ 652,558 | $2,560,433 | $2,244,682 |
| Licensing and royalty fees | 452,625 | 239,034 | 1,202,315 | 732,301 |
| | 1,340,526 | 891,592 | 3,762,748 | 2,976,983 |
| Operating expenses: | | | | |
| Cost of equipment and services revenues | 369,189 | 286,293 | 1,074,054 | 978,975 |
| Research and development | 193,608 | 135,690 | 512,569 | 379,970 |
| Selling, general and administrative | 161,799 | 115,506 | 422,080 | 353,851 |
| Amortization of acquisition-related intangible assets | 407 | 1,951 | 4,163 | 5,887 |
| Asset impairment charges | — | 34,113 | — | 34,113 |
| Other | (6,344) | (30,356) | (16,937) | (30,356) |
| Total operating expenses | 718,659 | 543,197 | 1,995,929 | 1,722,440 |
| Operating income | 621,867 | 348,395 | 1,766,819 | 1,254,543 |
| Investment income (expense), net (Note 4) | 46,186 | 42,635 | 114,650 | (37,080) |
| Income from continuing operations before income taxes | 668,053 | 391,030 | 1,881,469 | 1,217,463 |
| Income tax expense | (181,629) | (149,958) | (543,227) | (442,395) |
| Income from continuing operations | 486,424 | 241,072 | 1,338,242 | 775,068 |
| Discontinued operations (Note 9): | | | | |
| Loss from discontinued operations before income taxes | — | (20,539) | (9,672) | (242,847) |
| Income tax (expense) benefit | — | (28,844) | (1,416) | 3,818 |
| Loss from discontinued operations | — | (49,383) | (11,088) | (239,029) |
| Net income | $ 486,424 | $ 191,689 | $1,327,154 | $ 536,039 |
| Basic earnings per common share from continuing operations | $ 0.60 | $ 0.30 | $ 1.66 | $ 0.98 |
| Basic loss per common share from discontinued operations | — | (0.06) | (0.01) | (0.30) |
| Basic earnings per common share | $ 0.60 | $ 0.24 | $ 1.65 | $ 0.68 |
| Diluted earnings per common share from continuing operations | $ 0.58 | $ 0.30 | $ 1.60 | $ 0.95 |
| Diluted loss per common share from discontinued operations | — | (0.07) | (0.01) | (0.29) |
| Diluted earnings per common share | $ 0.58 | $ 0.23 | $ 1.59 | $ 0.66 |
| Shares used in per share calculations: | | | | |
| Basic | 810,882 | 790,511 | 805,843 | 787,606 |
| Diluted | 841,118 | 815,856 | 834,633 | 816,563 |
| Dividends per share announced | $ — | $ 0.05 | $ 0.24 | $ 0.10 |

See Notes to Condensed Consolidated Financial Statements.

* As adjusted (Note 9).

**QUALCOMM Incorporated**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Nine Months Ended | |
|---|---|---|
| | June 27, 2004 | June 29, 2003* |
| **Operating Activities:** | | |
| Income from continuing operations | $ 1,338,242 | $ 775,068 |
| Depreciation and amortization | 120,341 | 105,858 |
| Asset impairment and related charges | — | 34,113 |
| Net realized gains on marketable securities and other investments | (33,031) | (39,407) |
| Change in fair values of derivative instruments | (7,604) | 1,261 |
| Other-than-temporary losses on marketable securities and other investments | 1,538 | 100,333 |
| Equity in losses of investees | 54,710 | 97,504 |
| Non-cash income tax expense | 496,272 | 364,447 |
| Other non-cash charges | 27,301 | 250 |
| Proceeds from trading securities | — | 2,085 |
| Increase (decrease) in cash resulting from changes in: | | |
| Accounts receivable, net | (431,977) | (68,409) |
| Inventories, net | (5,861) | (31,786) |
| Other assets | 52,356 | (24,119) |
| Trade accounts payable | 105,886 | (48,527) |
| Payroll, benefits and other liabilities | 57,750 | 9,335 |
| Unearned revenue | (64,355) | 12,357 |
| Net cash provided by operating activities | 1,711,568 | 1,290,363 |
| **Investing Activities:** | | |
| Capital expenditures | (193,591) | (157,565) |
| Purchases of available-for-sale securities | (5,774,487) | (2,902,169) |
| Proceeds from sale of available-for-sale securities | 4,100,243 | 1,709,970 |
| Purchases of held-to-maturity securities | (204,857) | (185,273) |
| Maturities of held-to-maturity securities | 194,219 | 205,925 |
| Issuance of finance receivables | (455) | (149,061) |
| Collection of finance receivables | 195,491 | 810,862 |
| Issuance of notes receivable | (35,188) | (17,233) |
| Collection of notes receivable | 38,364 | — |
| Other investments and acquisitions | (66,367) | (33,800) |
| Other items, net | 7,085 | 7,369 |
| Net cash used by investing activities | (1,739,543) | (710,975) |
| **Financing Activities:** | | |
| Proceeds from issuance of common stock | 200,698 | 132,676 |
| Repurchase and retirement of common stock | — | (165,624) |
| Proceeds from put options | 5,103 | 7,136 |
| Payments on long-term debt | — | (229) |
| Dividends paid | (193,696) | (79,007) |
| Net cash provided (used) by financing activities | 12,105 | (105,048) |
| Net cash used by discontinued operations | (20,257) | (84,192) |
| Effect of exchange rate changes on cash | (223) | (2,027) |
| **Net (decrease) increase in cash and cash equivalents** | (36,350) | 388,121 |
| **Cash and cash equivalents at beginning of period** | 2,045,094 | 1,406,704 |
| **Cash and cash equivalents at end of period** | $ 2,008,744 | $ 1,794,825 |

See Notes to Condensed Consolidated Financial Statements.

*As adjusted (Note 9).

**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 (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 28, 2003 is derived from the audited consolidated balance sheet at that date which is not presented herein. The Company operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. The three and nine month periods ended on both June 27, 2004 and June 29, 2003 included 13 weeks and 39 weeks, respectively.

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 presentation. 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 28, 2003. 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 financial statements and the accompanying notes. Actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation.

*Principles of Consolidation*

The Company's condensed consolidated financial statements include the assets, liabilities and operating results of majority-owned subsidiaries and other subsidiaries controlled by the Company. The ownership of other interest holders of consolidated subsidiaries, if any, is reflected as minority interest. All significant intercompany accounts and transactions are eliminated. The Company deconsolidated the Vésper Operating Companies during the first quarter of fiscal 2004 as a result of their sale in December 2003 and TowerCo during the second quarter of fiscal 2004 as a result of its sale in March 2004 (Note 9). Results of operations and cash flows related to the Vésper Operating Companies and TowerCo are presented as discontinued operations. The Company's statements of operations and cash flows for all prior periods have been adjusted to present the discontinued operations. The balance sheet as of September 28, 2003 was not adjusted to present assets and liabilities related to discontinued operations separately.

Effective as of the beginning of the second quarter of fiscal 2004, the Company adopted the revised interpretation of Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," (FIN 46-R). FIN 46-R requires that certain variable interest entities be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company does not have any investments in entities it believes are variable interest entities for which the Company is the primary beneficiary.

*Royalty Revenues*

The Company earns royalties on Code Division Multiple Access (CDMA) products sold worldwide by its licensees in the period that the licensees' sales occur. The Company's licensees, however, do not report and pay royalties owed until the subsequent quarter and, in some instances, payment is on a semi-annual basis. Therefore, the Company estimates royalty revenues from certain licensees (the Estimated Licensees) in the current quarter when reliable estimates of such amounts can be made. Not all royalties earned are estimated. Royalties for licensees for which the Company has minimal history and certain licensees that do not buy the Company's integrated circuit products are recorded one quarter in arrears when they are reported to the Company by those licensees. Once royalty reports are received from the Estimated Licensees, the variance between such reports and the estimate is recorded in royalty revenue in the period the reports are received. The recognition of this variance in most cases lags the royalty estimate by one quarter.

**QUALCOMM Incorporated**

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

The following table summarizes royalty related data for external licensees (in millions). The three- and nine-month periods presented are referred to as the Reporting Periods:

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003 | June 27, 2004 | June 29, 2003 |
| Estimate for Estimated Licensees for quarter prior to the Reporting Period (Prior Quarter) | $ 237 | $ 155 | $ 151 | $ 150 |
| Royalties reported in Reporting Period by Estimated Licensees for Prior Quarter | 264 | 178 | 208 | 167 |
| Prior Quarter variance included in Reporting Period | 27 | 23 | 57 | 17 |
| Other royalties reported in Reporting Period | 109 | 45 | 731 | 479 |
| Estimate for Estimated Licensees for current quarter | 253 | 135 | 253 | 135 |
| Total Reporting Period royalty revenues from external licensees | $ 389 | $ 203 | $ 1,041 | $ 631 |

*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 stock-based compensation plans and shares subject to written put options, and the weighted average number of common shares outstanding during the reporting period. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three months and nine months ended June 27, 2004 were 30,236,000 and 28,790,000 respectively. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three months and nine months ended June 29, 2003 were 25,345,000 and 28,957,000, respectively.

Employee stock options to purchase approximately 16,184,000 and 23,790,000 shares of common stock during the three months and nine months ended June 27, 2004, respectively, and employee stock options to purchase approximately 50,188,000 and 44,557,000 shares of common stock during the three months and nine months ended June 29, 2003, respectively, were outstanding but not included in the computation of diluted earnings per common share because the option exercise price was greater than the average market price of the common stock, and therefore, the effect on dilutive earnings per common share would be anti-dilutive. Put options outstanding to purchase 3,000,000 shares of common stock were not included in the earnings per share computation for the three months and nine months ended June 27, 2004 because the put options' exercise prices were less than the average market price of the common stock during the period, and therefore, the effect on diluted earnings per common share would be anti-dilutive (Note 6).

*Stock-Based Compensation*

The Company records compensation expense for employee stock options based upon their intrinsic value on the date of grant pursuant to Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees." Because the Company establishes the exercise price based on the fair market value of the Company's stock at the date of grant, the options have no intrinsic value upon grant, and therefore no expense is recorded. Each quarter, the Company reports the potential dilutive impact of stock options in its diluted earnings per common share using the treasury stock method. Out-of-the-money stock options (i.e., the average stock price during the period is below the strike price of the option) are not included in diluted earnings per common share.

As required under Statement of Financial Accounting Standards No. 123 (FAS 123), "Accounting for Stock-Based Compensation," and Statement of Financial Accounting Standards No. 148 (FAS 148), "Accounting for Stock-Based Compensation – Transition and Disclosure," the pro forma effects of stock-based compensation on net income and net earnings per common share have been estimated at the date of grant using the Black-Scholes option-pricing model.

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no restrictions and are fully transferable and negotiable in a free trading market. The Black-Scholes model does not consider the employment, transfer or vesting restrictions that are inherent in the Company's employee options. Use of an option valuation model, as required by FAS 123, includes highly subjective assumptions based on long-term predictions, including the expected stock price volatility and average life of each option grant. Because the

QUALCOMM Incorporated

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Company's employee stock options have characteristics significantly different from those of freely traded options, and because changes in the subjective input assumptions can materially affect the Company's estimate of the fair value of those options, in the Company's opinion, existing valuation models, including Black-Scholes, are not reliable single measures and may misstate the fair value of the Company's employee stock options. The Black-Scholes weighted average estimated fair values of stock options granted during the three months and nine months ended June 27, 2004 were $33.77 and $27.66 per share, respectively. The Black-Scholes weighted average estimated fair values of stock options granted during the three months and nine months ended June 29, 2003 were $17.40 and $19.31 per share, respectively. The Black-Scholes weighted average estimated fair values of purchase rights granted pursuant to the Employee Stock Purchase Plans during the nine months ended June 27, 2004 and June 29, 2003 were $13.14 and $10.37 per share, respectively.

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003 | June 27, 2004 | June 29, 2003 |
| Net income, as reported | $486,424 | $191,689 | $1,327,154 | $ 536,039 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax benefits | 26 | 155 | 27 | 620 |
| Deduct: Stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects | (70,755) | (66,808) | (206,439) | (196,338) |
| Pro forma net income | $415,695 | $125,036 | $1,120,742 | $ 340,321 |
| Earnings per common share: | | | | |
| Basic - as reported | $ 0.60 | $ 0.24 | $ 1.65 | $ 0.68 |
| Basic - pro forma | $ 0.51 | $ 0.16 | $ 1.39 | $ 0.43 |
| Diluted - as reported | $ 0.58 | $ 0.23 | $ 1.59 | $ 0.66 |
| Diluted - pro forma | $ 0.49 | $ 0.15 | $ 1.34 | $ 0.42 |

*Guarantees and Product Warranties*

Changes in the Company's warranty liability were as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003 | June 27, 2004 | June 29, 2003 |
| Balance at beginning of the period | $ 3,206 | $ 7,793 | $ 3,547 | $15,670 |
| Charges to expense | 324 | 550 | 1,221 | 2,136 |
| Release of warranty reserves | (186) | (1,654) | (1,160) | (6,274) |
| Usage | (177) | (417) | (441) | (5,260) |
| Balance at end of the period | $ 3,167 | $ 6,272 | $ 3,167 | $ 6,272 |

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

*Comprehensive Income*

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

| | June 27, 2004 | September 28, 2003 |
|---|---|---|
| Foreign currency translation | $(30,067) | $ (82,987) |
| Unrealized gain on marketable securities, net of income taxes | 53,623 | 59,218 |
| | $ 23,556 | $ (23,769) |

Total comprehensive income consisted of the following (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003 | June 27, 2004 | June 29, 2003 |
| Net income | $486,424 | $191,689 | $1,327,154 | $536,039 |
| Other comprehensive income: | | | | |
| Foreign currency translation | (6,222) | 5,832 | 6,881 | (12,895) |
| Unrealized (losses) gains on marketable securities, net of income taxes | (14,053) | 33,360 | 13,712 | 59,347 |
| Reclassification adjustment for foreign currency translation included in net income (Note 9) | — | — | 46,039 | — |
| Reclassification adjustment for other-than- temporary losses on marketable securities included in net income, net of income taxes | — | 368 | 661 | 66,295 |
| Reclassification adjustment for net realized gains included in net income, net of income taxes | (10,556) | (15,650) | (19,968) | (22,732) |
| Total other comprehensive (loss) income | (30,831) | 23,910 | 47,325 | 90,015 |
| Total comprehensive income | $455,593 | $215,599 | $1,374,479 | $626,054 |

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

**Note 2 – Composition of Certain Financial Statement Items**

*Marketable Securities*

Marketable securities were comprised as follows (in thousands):

| | Current | | Noncurrent | |
|---|---|---|---|---|
| | June 27, 2004 | September 28, 2003 | June 27, 2004 | September 28, 2003 |
| Held-to-maturity: | | | | |
| Certificates of deposit | $ — | $ 5,073 | $ — | $ — |
| U.S. Treasury and federal agency securities | 1,210 | 489 | 70,080 | 129,988 |
| Corporate bonds and notes | 229,314 | 161,416 | 69,983 | 70,111 |
| | 230,524 | 166,978 | 140,063 | 200,099 |
| Available-for-sale: | | | | |
| U.S. Treasury and federal agency securities | 460,134 | 695,454 | — | — |
| Foreign government bonds | 7,488 | — | — | — |
| Corporate bonds and notes | 1,570,505 | 1,117,968 | 6,776 | 22,099 |
| Mortgage and asset-backed securities | 1,157,101 | 485,859 | — | — |
| Non-investment grade debt securities | 30,800 | 39,316 | 639,132 | 458,768 |
| Equity mutual funds | — | — | 301,294 | — |
| Equity securities | 37,831 | 10,428 | 421,008 | 129,688 |
| | 3,263,859 | 2,349,025 | 1,368,210 | 610,555 |
| | $3,494,383 | $ 2,516,003 | $1,508,273 | $ 810,654 |

*Accounts Receivable*

| | June 27, 2004 | September 28, 2003 |
|---|---|---|
| | (in thousands) | |
| Trade, net of allowance for doubtful accounts of $9,373 and $12,352, respectively | $883,737 | $ 460,477 |
| Long-term contracts: | | |
| Billed | 4,042 | 10,047 |
| Unbilled | 7,772 | 6,898 |
| Other | 2,065 | 6,371 |
| | $897,616 | $ 483,793 |

Accounts receivable were reduced by $22 million from September 28, 2003 as a result of discontinued operations (Note 9).

*Finance Receivables*

Finance receivables, which are included in other assets, result from arrangements in which the Company has agreed to provide its customers or certain CDMA customers of Telefonaktiebolaget LM Ericsson (Ericsson) with long-term interest bearing debt financing for the purchase of equipment and/or services.

The Company had an equipment loan facility with Pegaso Comunicaciones y Sistemas S.A. de C.V., a wholly owned subsidiary of Pegaso Telecomunicaciones, S.A. de C.V., a CDMA wireless operator in Mexico (collectively referred to as Pegaso). On December 15, 2003, Pegaso prepaid $193 million, including accrued interest, in full satisfaction of the equipment loan facility. As a result, the financing and related agreements were terminated. The Company recognized $12 million in interest income related to Pegaso during the nine months ended June 27, 2004, including $10 million of deferred interest income recorded as a result of the prepayment.

A long-term financing commitment for $346 million under an arrangement with Ericsson expired on November 6, 2003. At June 27, 2004, the Company had a remaining commitment to extend up to $118 million in long-term

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

financing to certain CDMA customers of Ericsson. The funding of this commitment, if it occurs, is not subject to a fixed expiration date and is subject to the CDMA customers meeting conditions prescribed in the financing arrangement and, in certain cases, to Ericsson also financing a portion of such sales and services. Financing under this arrangement is generally collateralized by the related equipment. The commitment represents the maximum amount to be financed; actual financing may be in lesser amounts.

*Inventories*

| | June 27, 2004 | September 28, 2003 |
|---|---|---|
| | (in thousands) | |
| Raw materials | $ 20,959 | $ 18,512 |
| Work-in-process | 3,769 | 3,000 |
| Finished goods | 84,761 | 88,839 |
| | $109,489 | $ 110,351 |

Inventories were reduced by $8 million from September 28, 2003 as a result of discontinued operations (Note 9).

*Property, Plant and Equipment*

| | June 27, 2004 | September 28, 2003 |
|---|---|---|
| | (in thousands) | |
| Land | $ 46,887 | $ 47,214 |
| Buildings and improvements | 377,253 | 338,424 |
| Computer equipment | 407,086 | 378,983 |
| Machinery and equipment | 362,903 | 449,181 |
| Furniture and office equipment | 22,917 | 22,152 |
| Leasehold improvements | 49,161 | 42,750 |
| | 1,266,207 | 1,278,704 |
| Less accumulated depreciation and amortization | (675,524) | (656,439) |
| | $ 590,683 | $ 622,265 |

Depreciation and amortization expense from continuing operations related to property, plant and equipment for the three months and nine months ended June 27, 2004 was $34 million and $96 million, respectively, as compared to $30 million and $84 million for the three months and nine months ended June 29, 2003, respectively. The gross and net carrying values of property, plant and equipment were reduced by $170 million and $103 million, respectively, from September 28, 2003 as a result of discontinued operations (Note 9).

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

*Intangible Assets*

The components of purchased intangible assets, which are included in other assets, were as follows (in thousands):

| | June 27, 2004 | | September 28, 2003 | |
|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Wireless licenses | $ 74,485 | $ (9,545) | $ 174,480 | $ (7,858) |
| Marketing-related | 21,174 | (7,440) | 20,683 | (7,411) |
| Technology-based | 53,810 | (35,192) | 35,558 | (27,341) |
| Customer-related | 15,006 | (12,219) | 16,652 | (15,563) |
| Other | 7,002 | (527) | 8,502 | (1,089) |
| Total intangible assets | $ 171,477 | $ (64,923) | $ 255,875 | $ (59,262) |

The gross carrying values of wireless licenses, customer-related intangible assets and marketing-related intangible assets were reduced by $105 million, $5 million and $1 million, respectively, from September 28, 2003 as a result of discontinued operations (Note 9).

Amortization expense from continuing operations for the three months and nine months ended June 27, 2004 was $3 million and $14 million, respectively, as compared to $5 million and $13 million for the three months and nine months ended June 29, 2003, respectively. Amortization expense related to these intangible assets is expected to be $3 million for the remainder of fiscal 2004, $12 million in fiscal 2005, $12 million in fiscal 2006, $11 million in fiscal 2007 and $8 million in fiscal 2008.

During the first quarter of fiscal 2004, a European subsidiary of the Company acquired certain assets and assumed certain liabilities of Alcatel Mobicom for approximately $12 million. The acquisition resulted in $1 million, $3 million and $5 million increases in marketing-related intangible assets, customer-related intangible assets and goodwill, respectively. The purchase price was allocated based on the estimated fair values of acquired assets and assumed liabilities. Goodwill was increased by $4 million in the first nine months of fiscal 2004 due to contingent consideration paid by the Company. Pro forma results have not been presented because the effect of this acquisition is not material.

Capitalized software development costs, which are included in other assets, were $42 million and $36 million at June 27, 2004 and September 28, 2003, respectively. Accumulated amortization on capitalized software was $36 million and $26 million at June 27, 2004 and September 28, 2003, respectively. Amortization expense from continuing operations related to capitalized software for the three months and nine months ended June 27, 2004 was $3 million and $10 million, respectively, as compared to $3 million and $9 million for the three months and nine months ended June 29, 2003, respectively.

**Note 3 – Investments in Other Entities**

*Inquam Limited*

The Company has invested $200 million in the convertible preferred shares of Inquam Limited (Inquam) for an approximate 42% ownership interest in Inquam. Inquam owns, develops and manages wireless communications systems, either directly or indirectly, with the intent of deploying CDMA-based technology, primarily in Europe. Starting in the third quarter of fiscal 2003, the Company and another investor (the Other Investor) have also extended $115 million in bridge loan financings to Inquam, including a new $5 million bridge loan put in place during the third quarter of fiscal 2004. The Company has funded its approximate $57 million share of these bridge loans and had no remaining funding commitment at June 27, 2004. The Other Investor had funded approximately $55 million under these bridge loans through June 27, 2004 and funded the remaining $2 million commitment on July 7, 2004. Inquam is a variable interest entity. The Company does not consolidate Inquam because it is not the primary beneficiary. The Company uses the equity method to account for its investment in Inquam. The Company recorded its equity in losses of Inquam of $17 million and $51 million for the three months and nine months ended June 27, 2004, respectively, as compared to $31 million and $85 million for the three months and nine months ended June 29,

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

2003, respectively. At June 27, 2004, the Company's equity and debt investments in Inquam totaled $49 million, net of equity in losses.

On September 22, 2003, the Company agreed, along with the Other Investor, to guarantee the payment of amounts due by Inquam under a bank credit agreement. On June 15, 2004, the Company and the Other Investor agreed to extend the guarantee and increase the maximum amount subject to the guarantee to $55 million. The Company's maximum liability under the guarantee is limited to an amount equal to 50% of the amounts outstanding under Inquam's credit agreement, up to a maximum of approximately $28 million. Amounts outstanding under the bank credit agreement totaled $32 million as of June 27, 2004. The guarantee expires on November 30, 2004.

While the Company has no other obligations to provide funding to Inquam, the Company continues to have active discussions with Inquam and the Other Investor concerning the necessary funding for all or a part of Inquam's business plan. While it is likely that the Company will provide some additional funding and/or credit support in furtherance of Inquam's plan, the amount and form of such support is unclear, and none will be provided without commensurate support or consideration being provided by the Other Investor.

*Other*

Other strategic investments as of June 27, 2004 totaled $128 million, including $48 million accounted for using the cost method. At June 27, 2004, effective ownership interests in these investees ranged from less than 1% to 50%. Funding commitments related to these investments totaled $21 million at June 27, 2004, which the Company expects to fund through fiscal 2009. Such commitments are subject to the investees meeting certain conditions; actual equity funding may be in lesser amounts. An investee's failure to develop and provide competitive products and services due to lack of financing, market demand or an unfavorable economic environment could adversely affect the value of the Company's investment in the investee. There can be no assurance that the investees will be successful in their efforts.

**Note 4 – Investment Income (Expense)**

Investment income (expense) was comprised as follows (in thousands):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003* | June 27, 2004 | June 29, 2003* |
| Interest income | $ 40,260 | $ 58,187 | $131,617 | $124,612 |
| Net realized gains on marketable securities and other investments | 17,462 | 28,139 | 33,031 | 39,407 |
| Other-than-temporary losses on marketable securities | — | (616) | (1,095) | (73,965) |
| Other-than-temporary losses on other investments | (18) | (9,166) | (443) | (26,368) |
| Change in fair values of derivative investments | 6,673 | (1,381) | 7,604 | (1,261) |
| Equity in losses of investees | (17,741) | (32,258) | (54,710) | (97,504) |
| Interest expense | (450) | (270) | (1,354) | (2,001) |
| | $ 46,186 | $ 42,635 | $114,650 | $ (37,080) |

*As adjusted (Note 9).

Interest income of approximately $6 million was recorded during the nine months ended June 27, 2004 as a result of a refund from the United States Internal Revenue Service.

**Note 5 – Income Taxes**

The Company currently estimates its annual effective income tax rate for continuing operations to be approximately 29% for fiscal 2004, as compared to the actual 34% effective income tax rate for continuing operations in fiscal 2003. The reduction in the estimated rate for fiscal 2004 resulted from higher expected foreign earnings taxed at less than the United States federal rate and the Company's forecast of its ability to utilize capital losses generated in fiscal 2004. Foreign earnings taxed at less than the United States federal rate are higher in fiscal 2004 primarily due to the adjustment of an intercompany royalty agreement and an increase in foreign earnings. The estimated annual effective tax rate for continuing operations for fiscal 2004 is 6% lower than the United States federal statutory rate due primarily to a benefit of approximately 10% related to research and development tax credits and foreign earnings taxed at less than the United States federal rate, partially offset by state taxes of 5%. The prior fiscal year rate for continuing operations was lower than the United States federal statutory rate as a result of research and development credits, the deduction of certain losses related to foreign subsidiaries, and foreign earnings taxed at less than the United States federal rate, partially offset by state taxes and foreign and capital losses for which no tax benefit was recorded. The Company's estimated effective tax rate from continuing operations for fiscal 2004 decreased from 30% in the second quarter to 29% in the third quarter, which resulted in a 27% effective tax rate from continuing operations in the third quarter of fiscal 2004. The Company reduced its income tax expense by approximately $26 million in the third quarter of fiscal 2004 to record adjustments related to the filing of its 2003 federal tax return in June 2004, partially offset by a $14 million adjustment to the Company's forecast of its ability to utilize capital losses.

The Company has not provided for United States income taxes and foreign withholding taxes on a cumulative total of approximately $1.4 billion of undistributed earnings of certain non-United States subsidiaries permanently invested outside the United States. Should the Company decide to repatriate foreign earnings, the Company would have to adjust the income tax provision in the period management determined that the Company would repatriate the earnings.

The Company believes, more likely than not, that it will have sufficient taxable income after stock option related deductions to utilize its net deferred tax assets. As of June 27, 2004, the Company has provided a valuation allowance on net capital losses and foreign tax credit carryforwards in the amounts of $162 million and $54 million, respectively. The valuation allowance related to capital losses reflects the uncertainty surrounding the Company's ability to generate sufficient capital gains to utilize all capital losses. Based on the Company's current estimates of future taxable income, the Company expects that approximately $54 million of foreign tax credits will expire unutilized by the end of fiscal year 2005. The valuation allowance for these foreign tax credits was recorded in the first quarter of fiscal 2004 as a charge to paid-in capital because the expected expiration of foreign tax credits will result from deductions related to stock options.

The net deferred tax assets decreased by approximately $268 million from September 28, 2003 to June 27, 2004 because of the foreign tax credit valuation allowance and the use of deferred tax assets to offset the current tax liability that otherwise would have resulted from current operations. Gross deferred tax assets and an equal amount of valuation allowance each decreased by approximately $495 million from September 28, 2003 to June 27, 2004, primarily as a result of the disposition of the Vésper Operating Companies (Note 9), with no net effect on net deferred tax assets.

**Note 6 – Stockholders' Equity**

Changes in stockholders' equity for the nine months ended June 27, 2004 were as follows (in thousands):

| | |
|---|---|
| Balance at September 28, 2003 | $7,598,572 |
| Net income | 1,327,154 |
| Tax benefit from the exercise of stock options | 215,345 |
| Other comprehensive income | 47,325 |
| Net proceeds from the issuance of common stock | 200,698 |
| Dividends | (193,696) |
| Valuation allowance provided on certain deferred tax assets (Note 5) | (54,190) |
| Other | 43 |
| Balance at June 27, 2004 | $9,141,251 |

*Stock Repurchase Program*

On February 11, 2003, the Company authorized the investment of up to $1 billion to repurchase shares of the Company's common stock over a two year period. During the three months and nine months ended June 29, 2003, the Company bought 1,300,000 and 4,915,000 shares, respectively, at a net aggregate cost of $42 million and $158 million, respectively. While the Company did not repurchase any of the Company's common stock under this program during the nine months ended June 27, 2004, the Company continues to evaluate repurchases under this program. At June 27, 2004, $834 million remains authorized for repurchases under the program.

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

In connection with the Company's stock repurchase program, the Company sold put options under three separate contracts with independent third parties during the three months ended March 28, 2004 that may require the Company to purchase 3,000,000 shares of its common stock upon exercise. The Company accounts for the written put options in accordance with Statement of Financial Standards No. 150 (FAS 150), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." In the event the put options are exercised, the contracts require that the options be physically settled in cash. The Company has determined that the put options should be classified as liabilities in accordance with FAS 150. As such, the Company recorded the $5 million in premiums received as additions to other current liabilities, and changes in the fair values of the put options are recognized in the Company's statement of operations. At June 27, 2004, all three contracts, with expiration dates ranging from September 1, 2004 to September 9, 2004, were outstanding, and the recorded values of the option liabilities were less than $1 million. If the options are exercised, the Company's effective repurchase prices for its shares (the strike prices less the option premiums received) will be below $52 per share. Any shares repurchased upon exercise of the put options will be retired.

During the three months ended March 30, 2003, the Company sold put options under three separate contracts with independent third parties that required the Company to purchase 3,000,000 shares of its common stock upon exercise. All of these put options expired unexercised. The Company classified the put options as permanent equity in accordance with Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," which was subsequently amended by FAS 150. As such, the Company recorded the $7 million in premiums received as paid-in capital.

*Dividends*

On June 25, 2004, the Company paid a cash dividend of $0.10 per share on the Company's common stock to stockholders of record as of the close of the business on May 28, 2004. During the nine months ended June 27, 2004, dividends charged to retained earnings were $194 million. During the three months and nine months ended June 29, 2003, dividends charged to retained earnings were $40 million and $79 million, respectively. On July 13, 2004, the Company announced a cash dividend (Note 11).

**Note 7 – Commitments and Contingencies**

*Litigation*

*Schwartz, et al v. QUALCOMM*: 87 former QUALCOMM employees filed a lawsuit against the Company in the District Court for Boulder County, Colorado, alleging claims for intentional misrepresentation, nondisclosure and concealment, violation of C.R.S. Section 8-2-104 (obtaining workers by misrepresentation), breach of contract, breach of the implied covenant of good faith and fair dealing, promissory estoppel, negligent misrepresentation, unjust enrichment, violation of California Labor Code Section 970, violation of California Civil Code Sections 1709-1710, rescission, violation of California Business & Professions Code Section 17200 and violation of California Civil Code Section 1575. The complaint seeks economic, emotional distress and punitive damages and unspecified amounts of interest. On November 29, 2001, the Court granted the Company's motion to dismiss 17 of the plaintiffs from the lawsuit. Subsequently, the Court dismissed three other plaintiffs from the lawsuit. On November 18, 2002, the Court granted the Company's motion to dismiss 61 of the remaining 67 plaintiffs from the lawsuit. The Company subsequently resolved the matters with the remaining plaintiffs. Those plaintiffs whose claims were dismissed have appealed.

*Hanig et al. v. QUALCOMM, Boesel, et al v. QUALCOMM, Stone v. QUALCOMM, Ortiz et al v. QUALCOMM, Shannon et al. v. QUALCOMM, Deshon et al v. QUALCOMM, Earnhart et al. v. QUALCOMM*: These cases were filed in San Diego County Superior Court by over 100 former employees, alleging claims for declaratory relief, breach of contract, intentional/negligent fraud, concealment, rescission, specific performance, work, labor and services, breach of the implied covenant of good faith and fair dealing, violation of California Business & Professions Code Section 17200 and unjust enrichment, claiming that they were entitled to full vesting of unvested stock options as a result of the sale of the Company's infrastructure business to Ericsson in 1999. The Company has answered the complaints, which have been consolidated, and discovery is ongoing. On July 16, 2004, the Court granted the Company's summary adjudication motion, dismissing plaintiffs' breach of contract claims.

*Durante, et al v. QUALCOMM*: On February 2, 2000, three former QUALCOMM employees filed a putative class action against the Company, ostensibly on behalf of themselves and those former employees of the Company whose employment was terminated in April 1999. Virtually all of the purported class of plaintiffs received severance

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

packages at the time of the termination of their employment, in exchange for a release of claims, other than federal age discrimination claims, against the Company. The complaint was filed in California Superior Court in and for the County of Los Angeles and purports to state ten causes of action including breach of contract, age discrimination, violation of Labor Code Section 200, violation of Labor Code Section 970, unfair business practices, intentional infliction of emotional distress, unjust enrichment, breach of the covenant of good faith and fair dealing, declaratory relief and undue influence. The complaint seeks an order accelerating all unvested stock options for the members of the class, plus economic and liquidated damages of an unspecified amount. On June 27, 2000, the case was ordered transferred from Los Angeles County Superior Court to San Diego County Superior Court. On July 3, 2000, the Company removed the case to the United States District Court for the Southern District of California, and discovery commenced. On May 29, 2001, the Court dismissed all plaintiffs' claims except for claims arising under the federal Age Discrimination in Employment Act. On July 16, 2001, the Court granted conditional class certification on the remaining claims, to be revisited by the Court at the end of the discovery period. On April 15, 2003, the Court granted the Company's summary judgment motions as to all remaining class members' disparate impact claims. On June 18, 2003, the Court ordered decertification of the class and dismissed the remaining claims of the opt-in plaintiffs without prejudice. Plaintiffs have filed an appeal. On June 20, 2003, 76 of the opt-in plaintiffs filed an action in Federal District Court for the Southern District of California, alleging violations of the Age Discrimination in Employment Act as a result of their layoffs in 1999. To date, the complaint has not been served.

*Zoltar Satellite Alarm Systems, Inc. v. QUALCOMM, Inc. and SnapTrack, Inc.*: On March 30, 2001, Zoltar Satellite Alarm Systems, Inc. (Zoltar) filed suit against QUALCOMM and SnapTrack, Inc. (SnapTrack), a QUALCOMM wholly-owned subsidiary, in the United States District Court for the Northern District of California seeking damages and injunctive relief and alleging infringement of three patents. On August 27, 2001, Zoltar filed an amended complaint adding Sprint Corp. as a named defendant and narrowing certain infringement claims against QUALCOMM and SnapTrack. Since then, Zoltar has dismissed Sprint Corp. as a defendant. Trial of this matter commenced on February 24, 2004. On March 25, 2004, the jury reached a unanimous verdict of no infringement in favor of the Company on six of the seven patent claims asserted by Zoltar. The jury was unable to reach a unanimous decision as to the seventh claim and as to certain issues relating to the invalidity and enforceability of the patents. The court now has under submission motions by the parties, including QUALCOMM and SnapTrack's motions for non-infringement as to the seventh claim and motions seeking the court's determination as to the invalidity and enforceability of certain of the patents and patent claims.

*Texas Instruments Incorporated v. QUALCOMM Incorporated:* On July 25, 2003, the Company filed an action in Delaware Superior Court against Texas Instruments Incorporated for breach of a patent portfolio license agreement between the parties, seeking damages and other relief. On September 23, 2003, Texas Instruments filed an action in Delaware Chancery Court against the Company alleging breach of the same agreement, seeking damages and other relief. The Company has since dismissed its case in Superior Court and refiled its claims as part of the action in the Chancery Court. In a written order dated July 14, 2004, the Court granted QUALCOMM's summary judgment motion, dismissing all of Texas Instruments' claims against QUALCOMM. In addition, the Court ruled that Texas Instruments had breached the patent portfolio license agreement, though the breach was non-material, and therefore Texas Instruments license under the agreement would not be forfeited. The case is scheduled for a bench trial as to what, if any, damages should be awarded to QUALCOMM for Texas Instruments' breach, currently set for August 16, 2004, in Delaware.

*QUALCOMM Incorporated v. Conexant Systems, Inc. and Skyworks Solutions Inc.*: On October 8, 2002, the Company filed an action in the United States District Court for the Southern District of California against Conexant and Skyworks alleging infringement of five patents and misappropriation of trade secrets and seeking damages and injunctive relief. On December 4, 2003, Skyworks answered and counterclaimed against QUALCOMM, alleging infringement of four patents and misappropriation of trade secrets and seeking damages and injunctive relief. On April 30, 2004, the Court granted the Company's motion to dismiss defendants' inequitable conduct affirmative defenses and counterclaims. The Company filed an amended complaint on June 16, 2004, bringing the total number of the Company's patents at issue to eight. Discovery in the matter is continuing.

*QUALCOMM Incorporated v. Maxim Integrated Products, Inc.:* On December 2, 2002, the Company filed an action in the United States District Court for the Southern District of California against Maxim Integrated Products, Inc. (Maxim) alleging infringement of three patents and seeking damages and injunctive relief. The Company has since amended the complaint, bringing the total number of patents at issue to four. On May 5, 2004, the Court

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

granted Maxim's motion that no indirect infringement arose in connection with defendants' sales of certain products to certain licensees of the Company. Discovery in the matter is continuing. On June 21, 2004, the Court granted the Company's motion to stay all of Maxim's antitrust counterclaims and its patent misuse defense. On July 9, 2004, Maxim filed an Answer and Counterclaims to the Company's Third Amended Complaint. Maxim's amended counterclaims allege violation of antitrust laws and unfair business practices and seek damages and other relief. The Company believes the amended counterclaims are without merit and, if and when the Court's stay is lifted, the Company will seek dismissal of those counterclaims as a matter of law.

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 (In re Wireless Telephone Frequency Emissions Products Liability Litigation, United States District Court for the District of Maryland), and in several individually filed actions, seeking personal injury, economic and/or punitive damages arising out of its sale of cellular phones. On March 5, 2003, the Court granted the defendants motions to dismiss five of the consolidated cases (Pinney, Gimpleson, Gillian, Farina and Naquin) on the grounds that the claims were preempted by federal law. On April 2, 2003, the plaintiffs filed a notice of appeal of this order and the Court's order denying remand. All remaining cases filed against the Company allege personal injury as a result of their use of a wireless telephone. The courts that have reviewed similar claims against other companies to date have held that there was insufficient scientific basis for the plaintiffs' claims in those cases, and the judge responsible for the multi-district litigation proceedings recently made such a ruling in another case to which the Company is not a party.

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

*Operating Leases*

The Company leases certain of its facilities and equipment under noncancelable operating leases, with terms ranging from two to ten years and with provisions for cost-of-living increases. Future minimum lease payments for the remainder of fiscal 2004 and for each of the subsequent four years from fiscal 2005 through fiscal 2008 are $11 million, $39 million, $26 million, $15 million and $4 million, respectively, and $1 million thereafter.

*Purchase Obligations*

The Company has agreements with suppliers to purchase inventory and other goods and services and estimates its noncancelable obligations under these agreements to be approximately $587 million for the remainder of fiscal 2004 and $324 million in fiscal 2005. Of these amounts, commitments to purchase integrated circuit product inventories comprised $560 million and $311 million, respectively. The Company also has commitments to purchase telecommunications services for the remainder of fiscal 2004 and for each of the subsequent four years from fiscal 2005 through fiscal 2008 for approximately $5 million, $20 million, $18 million, $1 million and $2 million, respectively, and $2 million thereafter.

*Letters of Credit and Other Financial Commitments*

In addition to the financing commitments to Ericsson (Note 2) and the Inquam guarantee commitment (Note 3), the Company had outstanding letters of credit and other financial commitments totaling $1 million as of June 27, 2004, none of which were collateralized.

**Note 8 – Segment Information**

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

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

- QUALCOMM CDMA Technologies (QCT) – develops and supplies CDMA-based integrated circuits and system software for wireless voice and data communications and global positioning system products;

- QUALCOMM Technology Licensing (QTL) – grants licenses to use portions of the Company’s intellectual property portfolio, which includes certain patent rights essential to or useful in the manufacture and sale of CDMA products, and collects license fees and royalties in partial consideration for such licenses;

- QUALCOMM Wireless & Internet (QWI) – comprised of:

  - QUALCOMM Internet Services (QIS) - provides technology to support and accelerate the convergence of wireless data, Internet and voice services, including its BREW product and services and QChat and BREWChat, which enable push-to-chat functionality on CDMA-based devices;

  - QUALCOMM Digital Media (QDM) - provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies; and

  - QUALCOMM Wireless Business Solutions (QWBS) - provides satellite and terrestrial-based two-way data messaging, application and position reporting services to transportation companies, private fleets, construction equipment fleets and other enterprise companies.

- QUALCOMM Strategic Initiatives (QSI) - manages the Company’s strategic investment activities. QSI makes strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes (EBT) from continuing operations, excluding certain impairment and other charges that are not allocated to the segments for management reporting purposes. EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Segment data includes intersegment revenues.

As a result of the disposition of the remaining operations and assets related to the Vésper Operating Companies and TowerCo (Note 9), consolidated investees of QSI, the Company determined that the results of operations related to the Vésper Operating Companies and TowerCo should be presented as discontinued operations. QSI revenues and EBT for all prior periods have been adjusted to reflect the reclassification of revenues and EBT related to these consolidated investees to discontinued operations.

During the second quarter of fiscal 2004, the Company reorganized its wholly-owned subsidiary SnapTrack, a developer of wireless position location technology. The Company previously presented all of the revenues and operating results of SnapTrack in the QCT segment. As a result of the reorganization of SnapTrack, revenues and operating results related to SnapTrack’s server software business (software for computer servers that allows operators to offer location-based services and applications) became part of the QIS division in the QWI segment. Revenues and operating results related to SnapTrack’s client business (the gpsOne hybrid assisted global positioning system wireless location technology that is embedded with the integrated circuit products) remain with the QCT segment. Prior period segment information has been adjusted to conform to the new segment presentation.

QUALCOMM Incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The table below presents revenues and EBT from continuing operations for reportable segments (in thousands):

| | QCT* | QTL | QWI* | QSI* | Reconciling Items* | Total* |
|---|---|---|---|---|---|---|
| **For the three months ended:** | | | | | | |
| **June 27, 2004** | | | | | | |
| Revenues | $ 789,978 | $ 436,449 | $149,636 | $ — | $ (35,537) | $1,340,526 |
| EBT | 254,160 | 398,187 | 4,141 | (4,169) | 15,734 | $ 668,053 |
| **June 29, 2003** | | | | | | |
| Revenues | $ 554,081 | $ 242,479 | $118,594 | $ 325 | $ (23,887) | $ 891,592 |
| EBT | 165,195 | 218,363 | 4,315 | (7,024) | 10,181 | $ 391,030 |
| **For the nine months ended:** | | | | | | |
| **June 27, 2004** | | | | | | |
| Revenues | $2,249,613 | $1,180,127 | $432,571 | $ 88 | $ (99,651) | $3,762,748 |
| EBT | 772,593 | 1,084,451 | 13,672 | (22,723) | 33,476 | $1,881,469 |
| **June 29, 2003** | | | | | | |
| Revenues | $1,904,994 | $ 758,012 | $362,450 | $ 974 | $ (49,447) | $2,976,983 |
| EBT | 673,024 | 683,964 | 18,419 | (163,542) | 5,598 | $1,217,463 |

*As adjusted.

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

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003* | June 27, 2004 | June 29, 2003* |
| **Revenues** | | | | |
| Elimination of intersegment revenue | $(42,331) | $(29,957) | $(116,181) | $(99,905) |
| Other products | 6,794 | 6,070 | 16,530 | 50,458 |
| Reconciling items | $(35,537) | $(23,887) | $ (99,651) | $(49,447) |
| **Earnings before income taxes** | | | | |
| Unallocated amortization of acquisition-related intangible assets | $ — | $ (1,794) | $ (2,990) | $ (5,416) |
| Unallocated research and development expenses | (11,539) | (7,990) | (37,815) | (30,288) |
| Unallocated selling, general and administrative expenses | (8,214) | (9,940) | (29,148) | (31,821) |
| Unallocated investment income, net | 50,840 | 37,168 | 139,164 | 96,727 |
| Unallocated interest expense | (267) | (102) | (822) | (1,627) |
| EBT from other products | (11,993) | (3,825) | (26,938) | (13,848) |
| Intracompany profit | (3,093) | (3,336) | (7,975) | (8,129) |
| Reconciling items | $ 15,734 | $ 10,181 | $ 33,476 | $ 5,598 |

*As adjusted.

Generally, revenues between operating segments are based on prevailing market rates for substantially similar products and services or an approximation thereof. Certain charges are allocated to the corporate functional department in the Company's management reports based on the decision that those charges should not be used to evaluate the segments' operating performance. Unallocated charges include amortization of acquisition-related intangible assets, research and development expenses and marketing expenses related to the development of the CDMA market that were not deemed to be directly related to the businesses of the operating segments.

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

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

| | QCT* | QTL | QWI* | QSI* |
|---|---|---|---|---|
| **For the three months ended:** | | | | |
| **June 27, 2004** | | | | |
| Revenues from external customers | $ 789,456 | $ 403,356 | $140,920 | $ — |
| Intersegment revenues | 522 | 33,093 | 8,716 | — |
| **June 29, 2003** | | | | |
| Revenues from external customers | $ 553,695 | $ 218,133 | $113,368 | $325 |
| Intersegment revenues | 386 | 24,346 | 5,226 | — |
| **For the nine months ended:** | | | | |
| **June 27, 2004** | | | | |
| Revenues from external customers | $2,248,007 | $1,085,070 | $413,053 | $ 88 |
| Intersegment revenues | 1,606 | 95,057 | 19,518 | — |
| **June 29, 2003** | | | | |
| Revenues from external customers | $1,903,718 | $ 675,404 | $346,428 | $974 |
| Intersegment revenues | 1,276 | 82,608 | 16,022 | — |

*As adjusted.

Segment assets are comprised of accounts receivable, finance receivables and inventory for QCT, QTL and QWI. The QSI segment assets include marketable securities, notes receivable, wireless licenses and other investments. Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of cash, cash equivalents, certain marketable securities, property, plant and equipment, and goodwill. Segment assets were as follows (in thousands):

| | June 27, 2004 | September 28, 2003* |
|---|---|---|
| QCT | $ 453,169 | $ 308,939 |
| QTL | 425,428 | 154,887 |
| QWI | 117,870 | 94,456 |
| QSI | 427,473 | 839,156 |
| Assets not allocated to segments | 8,787,644 | 7,424,998 |
| Total consolidated assets | $10,211,584 | $ 8,822,436 |

*As adjusted.

QSI assets decreased by $265 million from September 28, 2003 as a result of discontinued operations (Note 9).

**Note 9 – Discontinued Operations in the QSI Segment**

In fiscal 1999, the Company acquired ownership interests in Vésper São Paulo S.A. and Vésper S.A. (the Vésper Operating Companies). The Vésper Operating Companies were formed by a consortium of investors to provide fixed wireless and wireline telephone services in the northern, northeast and eastern regions of Brazil and in the state of São Paulo. In November 2001, the Company consummated a series of transactions resulting in an overall financial restructuring of the Vésper Operating Companies, which resulted in its holding direct and indirect controlling ownership interests in the Vésper Operating Companies. As a result, the Vésper Operating Companies were consolidated in the Company's QSI segment.

On December 2, 2003 (the Closing Date), Embratel Participações S.A. (Embratel) acquired the Company's direct and indirect ownership interests in the Vésper Operating Companies (the Embratel sale transaction) for no consideration. The Vésper Operating Companies' existing communication towers and related interests in tower site property leases (Vésper Towers) were not included in the Embratel sale transaction, and as such, the Company effectively retained, through a new wholly-owned subsidiary (TowerCo), ownership and control of the Vésper Towers. The Vésper Towers had a net book value of approximately $5 million on the Closing Date. Concurrent with the closing, the Vésper Operating Companies entered into a 10-year agreement (renewable at the Vésper Operating

Companies' option for up to two successive 5-year terms) whereby the Vésper Operating Companies would pay a monthly fee to the Company for use of aerial and ground space on the tower sites. The Company provided approximately $6 million to fund operations of the Vésper Operating Companies during the first quarter of fiscal 2004 prior to their sale and additionally provided approximately $39 million in aggregate funding to or for the benefit of the Vésper Operating Companies on or before the Closing Date to facilitate the Embratel sale transaction. Such funding enabled the Vésper Operating Companies to completely extinguish their existing local bank debt (at an agreed discount) to allow the Company to retain ownership of the Vésper Towers free and clear of any local bank security interest. The major classes of assets and liabilities sold in the Embratel sale transaction included: $25 million in accounts receivable, $5 million in inventory, $24 million in other current assets, $95 million in property, plant and equipment, $6 million in other assets, $52 million in accounts payable, $5 million in payroll and other benefits related liabilities, $6 million in unearned revenue, $1 million in other current liabilities, $14 million in long-term debt and $3 million in other liabilities. The Company realized a net loss of $52 million on the Embratel sale transaction during the first quarter of fiscal 2004, including a $74 million loss on the net assets sold to Embratel and a $46 million loss related to the recognition of cumulative foreign currency translation losses previously included in stockholders' equity, partially offset by $68 million in gains related to the extinguishment of local bank debt and the settlement of other liabilities.

On November 19, 2002, the Company won bids to acquire personal mobile service (SMP) licenses in certain regions of Brazil. Approximately $8 million of the approximate $82 million purchase price for the SMP licenses was paid in December 2002. The remaining Brazilian real-denominated obligation was financed by the Brazilian government at an interest rate of 12% per annum, plus an adjustment for inflation. These SMP licenses were not included in the Embratel sale transaction. In December 2003, the Company initiated a waiver and return of the SMP licenses to Anatel, the telecommunications regulatory agency in Brazil. In February 2004, the waiver and return of the SMP licenses was approved by Anatel, and the license debt was extinguished. The Company realized a net gain of $19 million as a result of the removal of the $104 million SMP licenses and the related $123 million debt and accrued interest during the second quarter of fiscal 2004.

On March 2, 2004, the Company sold TowerCo to Embratel in a separately negotiated transaction (the TowerCo sale transaction) for $45 million in cash. TowerCo's assets were primarily comprised of $5 million in property, plant and equipment. The Company realized a net gain of $40 million on the TowerCo sale transaction during the second quarter of fiscal 2004. As a result of the disposition of the remaining operations and assets related to the Vésper Operating Companies, the Company determined that the results of operations and cash flows related to the Vésper Operating Companies, including the results related to TowerCo and the SMP licenses and the gains and losses realized on the Embratel and TowerCo sales transactions, should be presented as discontinued operations in its condensed consolidated statements of operations and cash flows. The Company's statements of operations and cash flows for all prior periods have been adjusted to present the discontinued operations.

For the nine months ended June 27, 2004, revenues of $36 million were reported in the loss from discontinued operations. For the three months and nine months ended June 29, 2003, revenues of $30 million and $85 million, respectively, were reported in the loss from discontinued operations. At June 27, 2004, the Company had no remaining assets or liabilities related to the Vésper Operating Companies, TowerCo or the SMP licenses recorded on its condensed consolidated balance sheet.

**Note 10 — Auction Discount Voucher**

The Company was awarded a $125 million Auction Discount Voucher (ADV) by the Federal Communications Commission (FCC) in June 2000 as the result of a legal ruling. The ADV is fully transferable and may, subject to certain conditions, be used in whole or in part by any entity in any FCC spectrum auction over a period of three years, including those in which the Company is not a participant. During November 2002, the FCC amended the terms of the ADV to allow the Company to use the ADV to satisfy existing FCC debt of other companies. The FCC agreed to extend the ADV twice, most recently in June 2004. The ADV expires in September 2004. The Company used approximately $77 million of the ADV's value prior to fiscal 2004.

During the first nine months of fiscal 2004, the Company recorded $4 million in other operating income and $4 million in selling, general and administrative expenses in the QSI segment for cooperative marketing expenses incurred, with no effect on net income, related to an arrangement under which a portion of the ADV was transferred to a wireless operator prior to fiscal 2004.

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

During the first nine months of fiscal 2004, the Company transferred approximately $12 million of the ADV's value to a wireless operator for approximately $11 million in cash. As a result of this transfer, the Company recorded an additional $11 million in other operating income in the QSI segment during the first nine months of fiscal 2004. The Company also used approximately $30 million of the ADV during the first nine months of fiscal 2004 as final payment for wireless licenses granted in fiscal 2004 in which the Company was the highest bidder in a FCC auction held during fiscal 2003. On a cumulative basis, the Company used $38 million of the ADV as payment for these wireless licenses, for which the Company had no cost basis at June 27, 2004. The remaining value of the ADV at June 27, 2004 was approximately $6 million. The Company had no cost basis in the ADV at June 27, 2004.

**Note 11 — Subsequent Events**

On July 13, 2004, the Company announced a two-for-one stock split, to be effected in the form of a stock dividend, and a cash dividend. Stock will be distributed on August 13, 2004 to stockholders of record as of July 23, 2004 to effect the stock split. The cash dividend of $0.14 per share of common stock pre-split ($0.07 per share post-split) will be paid on September 24, 2004 to stockholders of record as of the close of business on August 27, 2004. Pro forma earnings (loss) per common share, giving retroactive effect to the stock split, are as follows (in thousands, except for earnings per common share):

| | Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | June 27, 2004 | June 29, 2003 | June 27, 2004 | June 29, 2003 |
| Basic earnings per common share from continuing operations | $ 0.30 | $ 0.15 | $ 0.83 | $ 0.49 |
| Basic loss per common share from discontinued operations | — | (0.03) | (0.01) | (0.15) |
| Basic earnings per common share | $ 0.30 | $ 0.12 | $ 0.82 | $ 0.34 |
| Diluted earnings per common share from continuing operations | $ 0.29 | $ 0.15 | $ 0.80 | $ 0.47 |
| Diluted loss per common share from discontinued operations | — | (0.03) | — | (0.14) |
| Diluted earnings per common share | $ 0.29 | $ 0.12 | $ 0.80 | $ 0.33 |
| Shares used in per share calculations: | | | | |
| Basic | 1,621,764 | 1,581,022 | 1,611,686 | 1,575,211 |
| Diluted | 1,682,236 | 1,631,712 | 1,669,266 | 1,633,126 |

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

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 28, 2003 contained in our 2003 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

**Quarterly Highlights**

Revenues for the third quarter of fiscal 2004 were $1.3 billion, with net income of $486 million. During this quarter, the following developments occurred with respect to key elements of our business:

- Strong CDMA market growth throughout the world drove demand for our products and the products of our licensees. The popularity of color screens, imbedded cameras and the introduction of camcorder and other multimedia applications increased CDMA phone sales. CDMA2000 1xEV-DO (Evolution Data Optimized) continued to attract new subscribers in Korea and Japan, increasing phone replacement sales. Improved competitive positioning of CDMA operators in North America, Latin America and Japan, plus local number portability initiatives in South Korea and North America, also contributed to growth. Network expansions continued in developing regions including India, China and smaller southeast Asia countries. We shipped approximately 35 million Mobile Station Modem (MSM) integrated circuits for mobile phones, nearly all of which were third generation (3G), including CDMA2000 1X, 1xEV-DO and WCDMA (UMTS).

- WCDMA (UMTS) networks grew to over six million subscribers, mostly in Japan and Europe, by the end of the quarter (according to the EMC World Cellular Information Service, a researcher and publisher of wireless industry market intelligence), due to expanded network coverage, improved network and phone interoperability, and new phone models. Several leading manufacturers announced the selection of our WCDMA (UMTS) integrated circuits for their WCDMA (UMTS) phone products. Eleven subscriber licensees and eleven infrastructure licensees reported sales of WCDMA (UMTS) products, and WCDMA (UMTS) royalties contributed approximately 25% of royalties reported in the third fiscal quarter for licensee sales during the second fiscal quarter. Currently, average WCDMA phone prices are significantly higher than worldwide average CDMA2000 phone prices.

- Our integrated circuits business continued to experience supply constraints which resulted in our inability to meet certain customer demands. To enable better supply of integrated circuit products, we have increased and extended firm orders to our foundry suppliers and are working with them to increase capacity. We are also evaluating potential new suppliers to augment our future needs.

**Our Business and Operating Segments**

We design, manufacture and market digital wireless telecommunications products and services based on our CDMA technology and other technologies. We derive revenue principally from sales of integrated circuit products, from license fees and royalties for use of our intellectual property, from services and related hardware sales and from software development and related services. Operating expenses primarily consist of cost of equipment and services, research and development, selling, general and administrative, amortization of acquisition-related intangible assets, asset impairment charges and other expenses.

We conduct business through four operating 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 integrated circuits and system software for wireless voice and data communications, multimedia functions and global positioning. QCT's integrated circuit products and software are used in wireless phones and infrastructure equipment. The wireless phone integrated circuits include the Mobile

Station Modem (MSM), Radio Frequency (RF) and Power Management (PM) devices. The wireless phone integrated circuits and software perform voice and data communication, multimedia and global positioning functions, radio conversion between radio and baseband signals and power management. The infrastructure equipment integrated circuits provide the core baseband CDMA modem functionality in the operator's equipment. QCT software products are the operating systems that control the phone and the functionality imbedded in our integrated circuit products. QCT revenues comprised 59% and 62% of total consolidated revenues in the third quarter of fiscal 2004 and 2003, respectively. QCT revenues comprised 60% and 64% of total consolidated revenues in the first nine months of fiscal 2004 and 2003, respectively.

QTL grants licenses to use portions of our intellectual property portfolio, which includes certain patent rights essential to and/or useful in the manufacture and sale of CDMA (including, without limitation, cdmaOne, CDMA2000 1X/1xEV-DO/1xEV-DV, TD-SCDMA and WCDMA (UMTS)) products. QTL receives license fees as well as ongoing royalties based on worldwide sales by licensees of products incorporating our intellectual property. QTL revenues comprised 33% and 27% of total consolidated revenues in the third quarter of fiscal 2004 and 2003, respectively. QTL revenues comprised 31% and 25% of total consolidated revenues in the first nine months of fiscal 2004 and 2003, respectively.

QWI, which includes QUALCOMM Wireless Business Solutions (QWBS), QUALCOMM Internet Services (QIS) and QUALCOMM Digital Media (QDM), generates revenue primarily through mobile communication products and services, software and software development aimed at support and delivery of wireless applications. QWBS provides satellite and terrestrial-based two-way data messaging and position reporting services to transportation companies, private fleets, construction equipment fleets and other enterprise companies. QIS provides the BREW product and services for the development and over-the-air deployment of data services on wireless devices. QIS also provides QChat and BREWChat, which enable push-to-chat functionality on CDMA-based wireless devices, and QPoint, which enables operators to offer E-911 and location-based applications and services. The QDM division is comprised of the Government Systems and Digital Cinema businesses. The Government Systems business provides development, hardware and analytical expertise to United States government agencies involving wireless communications technologies. In June 2004, QDM was notified that a competing digital cinema compression technology was selected by the studio consortium group tasked with technology selection for digital cinema applications. As such, QDM will no longer pursue its Digital Cinema business. Revenues from the Digital Cinema business were $1 million and $2 million in the first nine months of fiscal 2004 and 2003, respectively. QWI revenues comprised 11% and 13% of total consolidated revenues in the third quarter of fiscal 2004 and 2003, respectively. QWI revenues comprised 11% and 12% of total consolidated revenues in the first nine months of fiscal 2004 and 2003, respectively.

QSI makes strategic investments to promote the worldwide adoption of CDMA products and services for wireless voice and Internet data communications. Our strategy is to invest in CDMA operators, licensed device manufacturers and start-up companies that we believe open new markets for CDMA technology, support the design and introduction of new CDMA-based products or possess unique capabilities or technology to promote Internet data communications.

**Looking Forward**

As we look through the end of the next fiscal year, our business is presented with certain key opportunities and risks. Worldwide demand for CDMA phones and devices with increased functionality such as color screens, cameras, camcorders, and multimedia capabilities is increasing, and we believe this trend will continue. The expansion of broadband data services is expected to increase demand for CDMA products. In South Korea, Japan, the United States and Brazil, operators are offering the higher data speeds of 1xEV-DO capable phones and high-speed internet access for laptop computers and other devices. Additional 1xEV-DO launches are expected worldwide, notably nationwide service in the United States by Verizon Wireless and Sprint PCS.

We are working closely with many operators and manufacturers to support rapid and reliable WCDMA (UMTS) deployment and the availability of attractive, feature rich phones and data modules. We expect an acceleration of growth in WCDMA (UMTS) markets in calendar 2004 and 2005 due to service launches, reduced phone pricing and increased multimedia capabilities. Over 30 GSM operators worldwide have begun deployment of WCDMA (UMTS) services, and over the next few years, we expect further expansion of WCDMA (UMTS) services in additional countries outside of Europe and Japan. We expect that average WCDMA phone prices will be higher than average CDMA2000 phone prices for a period of time.

We expect continued CDMA growth in Asia. In South Korea, local number portability and 1xEV-DO services are contributing to strong CDMA phone sales and more than seven million 1xEV-DO subscribers at the end of June 2004, based on data compiled from operator websites. In Japan, CDMA2000 and WCDMA (UMTS) networks continue to attract new subscribers and phone upgrades by existing subscribers. We anticipate 3G wireless licenses will be granted in China in calendar 2005. When the licenses are granted, we expect operators in China will be authorized to upgrade and deploy third generation CDMA based networks.

BREW is expected to play an increasingly important role in generating consumer demand for wireless phones. BREW offers operators new capabilities for their products, as well as increased data revenues. We expect more operators to launch BREW services and greater volumes of BREW software downloads to drive increasing revenues for us.

Although we have taken action to mitigate shortages of integrated circuits that we supply, the effects of such shortages have caused some customer frustration and could negatively affect our future business. We expect that the costs of certain integrated circuit products could increase as a result of our efforts to increase the availability of products in short supply. While we work closely with customers to expedite their processes for evaluating products from our new foundry suppliers, in some instances, transition to new product supply may cause a temporary decline in shipments of specific products to individual customers. As a result of our efforts to increase capacity at our current suppliers combined with the potential to bring on additional suppliers, we expect recent channel inventory shortages of integrated circuits to be alleviated in the future.

We are dependent upon the adoption and commercial deployment of 3G wireless communications equipment, products and services based on our CDMA technology to increase our revenues and market share. We face significant competition in our markets, which may result in reduced average selling prices for our products and reduced average royalties.

We expect to continue expanding our workforce, including talented engineers to develop new products. As a result, we expect labor-related expenses to increase.

You should also refer to the Risk Factors included in this Quarterly Report for further discussion of these and other risks related to our business.

**Revenue Concentrations**

Revenues from customers in South Korea, the United States and Japan comprised 43%, 21% and 19%, respectively, of total consolidated revenues in the first nine months of fiscal 2004 as compared to 46%, 22% and 16%, respectively, in the first nine months of fiscal 2003. We distinguish revenue from external customers by geographic areas based on customer location. The increase in revenues from customers in Japan, as a percentage of the total, is primarily attributed to higher royalties from licensees in Japan resulting from the growth of CDMA and WCDMA (UMTS) in Japan as well as their success in exporting products worldwide. The decrease in revenues from customers in South Korea and the United States, as a percentage of the total, is primarily attributed to overall increases in revenues in geographic regions other than South Korea and the United States.

**Developments Related to Certain Strategic Investments in the QSI Segment**

Key developments in our strategic investments during the first nine months of fiscal 2004 included the sale of the Vésper Operating Companies and related assets which are presented as discontinued operations, our receipt from Pegaso of prepayment of our $193 million loan facility, and ongoing investment in Inquam.

*Discontinued Operations*

In fiscal 1999, we acquired ownership interests in Vésper São Paulo S.A. and Vésper S.A. (the Vésper Operating Companies). In November 2001, we consummated a series of transactions resulting in an overall financial restructuring of the Vésper Operating Companies, which resulted in our holding direct and indirect controlling ownership interests in the Vésper Operating Companies.

On December 2, 2003 (the Closing Date), Embratel Participações S.A. (Embratel) acquired our direct and indirect ownership interests in the Vésper Operating Companies (the Embratel sale transaction) for no consideration. The Vésper Operating Companies’ existing communication towers and related interests in tower site property leases (Vésper Towers) were not included in the Embratel sale transaction, and as such, we effectively retained, through a new wholly-owned subsidiary (TowerCo), ownership and control of the Vésper Towers. The Vésper Towers had a net book value of approximately $5 million at December 28, 2003. Concurrent with the closing, the Vésper Operating Companies entered into a 10-year agreement (renewable at the Vésper Operating Companies’ option for up to two successive 5-year terms) whereby the Vésper Operating Companies would pay a monthly fee to us for use of aerial and ground space on the tower sites. We provided approximately $6 million to fund operations of the Vésper Operating Companies during the first quarter of fiscal 2004 prior to their sale and additionally provided approximately $39 million in aggregate funding to or for the benefit of the Vésper Operating Companies on or before the Closing Date to facilitate the Embratel sale transaction. Such funding enabled the Vésper Operating Companies to completely extinguish their existing local bank debt (at an agreed discount) to allow us to retain ownership of the Vésper Towers free and clear of any local bank security interest. The major classes of assets and liabilities sold in the Embratel sale transaction included: $25 million in accounts receivable, $5 million in inventory, $24 million in other current assets, $95 million in property, plant and equipment, $6 million in other assets, $52 million in accounts payable, $5 million in payroll and other benefits related liabilities, $6 million in unearned revenue, $1 million in other current liabilities, $14 million in long-term debt and $3 million in other liabilities. We realized a net loss of $52 million on the Embratel sale transaction during the first quarter of fiscal 2004, including a $74 million loss on the net assets sold to Embratel and a $46 million loss related to the recognition of cumulative foreign currency translation losses previously included in stockholders' equity, partially offset by $68 million in gains related to the extinguishment of local bank debt and the settlement of other liabilities.

On November 19, 2002, we won bids to acquire personal mobile service (SMP) licenses in certain regions of Brazil. Approximately $8 million of the approximate $82 million purchase price for the SMP licenses was paid in December 2002. The remaining Brazilian real-denominated obligation was financed by the Brazilian government at an interest rate of 12% per annum, plus an adjustment for inflation. These SMP licenses were not included in the Embratel sale transaction. In December 2003, we initiated a waiver and return of the SMP licenses to Anatel, the telecommunications regulatory agency in Brazil. In February 2004, the waiver and return of the SMP licenses was approved by Anatel, and the license debt was extinguished. We realized a net gain of $19 million as a result of the removal of the $104 million SMP licenses and the related $123 million debt and accrued interest during the second quarter of fiscal 2004.

On March 2, 2004, we sold TowerCo to Embratel in a separately negotiated transaction (the TowerCo sale transaction) for $45 million in cash. TowerCo's assets were primarily comprised of $5 million in property, plant and equipment. We realized a net gain of $40 million on the TowerCo sale transaction during the second quarter of fiscal 2004. As a result of the disposition of the remaining operations and assets related to the Vésper Operating Companies, we determined that the results of operations and cash flows related to the Vésper Operating Companies, including the results related to TowerCo and the SMP licenses and the gains and losses realized on the Embratel and TowerCo sales transactions, should be presented as discontinued operations in our condensed consolidated statements of operations and cash flows. Our statements of operations and cash flows for all prior periods have been adjusted to present the discontinued operations.

For the nine months ended June 27, 2004, revenues of $36 million were reported in the loss from discontinued operations. For the three and nine months ended June 29, 2003, revenues of $30 million and $85 million, respectively, were reported in the loss from discontinued operations. At June 27, 2004, we had no remaining assets or liabilities related to the Vésper Operating Companies, TowerCo or the SMP licenses recorded on our condensed consolidated balance sheet.

*Prepayment of the Pegaso Telecomunicaciones, S.A. de C.V. Loan Facility*

We had an equipment loan facility with Pegaso Comunicaciones y Sistemas S.A. de C.V., a wholly owned subsidiary of Pegaso Telecomunicaciones, S.A. de C.V., a CDMA wireless operator in Mexico (collectively referred to as Pegaso). On December 15, 2003, Pegaso prepaid $193 million, including accrued interest, in full satisfaction of the equipment loan facility. As a result, the financing and related agreements were terminated. We recognized $12 million in interest income related to Pegaso during the nine months ended June 27, 2004, including $10 million of deferred interest income recorded as a result of the prepayment.

*Investment in Inquam Limited*

We have invested $200 million in the convertible preferred shares of Inquam Limited (Inquam) for an approximate 42% ownership interest in Inquam. Inquam owns, develops and manages wireless communications systems, either directly or indirectly, with the intent of deploying CDMA-based technology, primarily in Europe. Starting in the third quarter of fiscal 2003, we and another investor (the Other Investor) have also extended $115 million in bridge loan financings to Inquam, including a new $5 million bridge loan put in place during the third quarter of fiscal 2004. We have funded our approximate $57 million share of these bridge loans and had no remaining funding commitment at June 27, 2004. The Other Investor had funded approximately $55 million under these bridge loans through June 27, 2004 and funded the remaining $2 million commitment on July 7, 2004. Inquam is a variable interest entity. We do not consolidate Inquam because we are not the primary beneficiary. We use the equity method to account for our investment in Inquam. We recorded our equity in losses of Inquam of $17 million and $51 million for the three months and nine months ended June 27, 2004, respectively, as compared to $31 million and $85 million for the three months and nine months ended June 29, 2003, respectively. At June 27, 2004, our equity and debt investments in Inquam totaled $49 million, net of equity in losses.

On September 22, 2003, we agreed, along with the Other Investor, to guarantee the payment of amounts due by Inquam under a bank credit agreement. On June 15, 2004, we and the Other Investor agreed to extend the guarantee and increase the maximum amount subject to the guarantee to $55 million. Our maximum liability under the guarantee is limited to an amount equal to 50% of the amounts outstanding under Inquam's credit agreement, up to a maximum of approximately $28 million. Amounts outstanding under the bank credit agreement totaled $32 million as of June 27, 2004. The guarantee expires on November 30, 2004.

Inquam recently transferred certain of its non-CDMA operations to the Other Investor and is currently evaluating the prospects for the other operations. Inquam is expected to use approximately $40 million to $60 million in cash through the second half of calendar 2004. Inquam's management does not expect Inquam to be cash flow positive until calendar 2006 with its current business plan. While we have no other obligations to provide funding to Inquam, we continue to have active discussions with Inquam and the Other Investor concerning the necessary funding for all or a part of Inquam's business plan. While it is likely that we will provide some additional funding and/or credit support in furtherance of Inquam's plan, the amount and form of such support is unclear, and none will be provided without commensurate support or consideration being provided by the Other Investor. If the Inquam operating companies cannot raise debt financing as expected or new investors cannot be found, Inquam's growth potential and the value of our investment in Inquam may be negatively affected.

**Third Quarter of Fiscal 2004 Compared to Third Quarter of Fiscal 2003**

*Revenues*

Total revenues for the third quarter of fiscal 2004 were $1,341 million, compared to $892 million for the third quarter of fiscal 2003.

Revenues from sales of equipment and services for the third quarter of fiscal 2004 were $888 million, compared to $653 million for the third quarter of fiscal 2003. Revenues from sales of integrated circuit products increased $223 million, resulting primarily from an increase of $330 million related to higher unit shipments of MSM and accompanying RF integrated circuits, partially offset by a decrease of $106 million related to the effects of reductions in average sales prices and changes in product mix.

Revenues from licensing and royalty fees for the third quarter of fiscal 2004 were $453 million, compared to $239 million for the third quarter of fiscal 2003. The increase resulted primarily from higher QTL segment royalties, resulting primarily from an increase in phone and infrastructure equipment sales by our licensees at higher average selling prices.

*Cost of Equipment and Services*

Cost of equipment and services revenues for the third quarter of fiscal 2004 was $369 million, compared to $286 million for the third quarter of fiscal 2003. Cost of equipment and services revenues as a percentage of equipment and services revenues was 42% for the third quarter of fiscal 2004, compared to 44% in the third quarter of fiscal 2003. The improvement in margin percentage in the third quarter of fiscal 2004 compared to the third quarter of fiscal 2003 was primarily due to an improvement in certain integrated circuit product margin percentages resulting from the effect of cost reductions, partially offset by the effects of reductions in average sales prices and changes in product mix. Cost of equipment and services revenues as a percentage of equipment and services revenues may 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 third quarter of fiscal 2004, research and development expenses were $194 million or 14% of revenues, compared to $136 million or 15% of revenues for the third quarter of fiscal 2003. The dollar increase in research and development expenses was primarily due to a $55 million increase in costs related to integrated circuit products and corporate initiatives to support multimedia applications, high-speed wireless Internet access and multimode, multiband, multinetwork products, including CDMA2000 1xEV-DO/1xEV-DV and WCDMA (UMTS).

*Selling, General and Administrative Expenses*

For the third quarter of fiscal 2004, selling, general and administrative expenses were $162 million or 12% of revenues, compared to $116 million or 13% of revenues for the third quarter of fiscal 2003. The dollar increase was primarily due to a $17 million increase in employee-related expenses, a $12 million increase in professional fees and outside services and an $11 million increase related to a charitable grant to an educational institution for the primary purpose of furthering the study of engineering and math.

*Asset Impairment and Related Charges*

There were no asset impairment charges in the third quarter of fiscal 2004. During the third quarter of fiscal 2003, we recorded a $34 million impairment loss on our wireless licenses in Australia due to developments that affected potential strategic alternatives for using the spectrum. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values.

*Other Operating Income*

For the third quarter of fiscal 2004, other operating income was $6 million, compared to $30 million for the third quarter of fiscal 2003. Other operating income during the third quarter of fiscal 2004 resulted primarily from the transfer of a portion of an Auction Discount Voucher (ADV) awarded to us by the FCC in fiscal 2000 to a wireless operator. Other operating income during the third quarter of fiscal 2003 resulted from $43 million of other income related to the transfers of portions of the ADV to two wireless operators, partially offset by a $13 million charge related to the write down of a note receivable from an early stage CDMA wireless operator.

*Net Investment Income (Expense)*

Net investment income was $46 million for the third quarter of fiscal 2004, compared to $43 million for the third quarter of fiscal 2003. The change was primarily comprised as follows (in millions):

| | Three Months Ended | | |
|---|---|---|---|
| | **June 27, 2004** | **June 29, 2003** | **Change** |
| Interest income: | | | |
| Corporate and other segments | $ 38 | $ 29 | $ 9 |
| QSI | 2 | 29 | (27) |
| Net realized gains on investments: | | | |
| Corporate | 10 | 10 | — |
| QSI | 7 | 18 | (11) |
| Other-than-temporary losses on marketable securities | — | (1) | 1 |
| Other-than-temporary losses on other investments | — | (9) | 9 |
| Change in fair values of derivative investments | 7 | (1) | 8 |
| Equity in losses of investees | (18) | (32) | 14 |
| | $ 46 | $ 43 | $ 3 |

The increase in interest income on cash and marketable securities held by corporate and other segments was a result of higher average cash and marketable securities balances, partially offset by the impact of lower interest rates earned on these balances. The decrease in QSI interest income was primarily the result of the prepayment on the Pegaso debt facility in the first quarter of fiscal 2004. The other-than-temporary losses on other investments during the third quarter of fiscal 2003 primarily related to a $9 million impairment of our investment in a development stage CDMA wireless operator. The increase in the fair values of derivative instruments is primarily related to put options we sold in the second quarter of fiscal 2004. Equity in losses of investees decreased primarily due to a decrease in losses incurred by Inquam, of which our share was $17 million for the three months ended June 27, 2004, as compared to $31 million for the three months ended June 29, 2003.

*Income Tax Expense*

Income tax expense from continuing operations was $182 million for the third quarter of fiscal 2004, compared to $150 million for the third quarter of fiscal 2003. The 27% third quarter fiscal 2004 tax rate from continuing operations was reduced by approximately $26 million related to the filing of our 2003 federal tax return in June 2004, partially offset by a $14 million adjustment to our forecast of our ability to utilize capital losses. The 27% third quarter tax rate from continuing operations for fiscal 2004 is lower than the 38% tax rate from continuing operations recorded in the third quarter of fiscal 2003 primarily because of our ability to utilize capital losses generated in fiscal 2004 and higher foreign earnings taxed at less than the United States federal tax rate.

The expected 2004 effective tax rate for continuing operations of 29% is lower than the actual 2003 effective tax rate for continuing operations of 34%, as anticipated foreign earnings taxed at less than the United States federal tax rate are greater in fiscal 2004 and estimated foreign and capital losses for which no tax benefit will be recorded are less than those realized for fiscal 2003, partially offset by the effect of the deduction of certain losses related to foreign subsidiaries in fiscal 2003. Foreign earnings taxed at less than the United States federal rate are higher in fiscal 2004 primarily due to the adjustment of an intercompany royalty agreement and an increase in foreign earnings. The estimated annual effective tax rate for continuing operations for fiscal 2004 is 6% lower than the United States federal statutory rate due primarily to a benefit of approximately 10% related to research and development tax credits and foreign earnings taxed at less than the United States federal rate, partially offset by state taxes of 5%.

As of June 27, 2004, we had a valuation allowance of approximately $162 million on previously incurred capital losses due to uncertainty as to our ability to generate sufficient capital gains to utilize all capital losses. We will continue to assess the realizability of capital losses. The amount of the valuation allowance on capital losses may be adjusted in the future as our ability to utilize capital losses changes. A change in the valuation allowance may impact the provision for income taxes in the period the change occurs. We are currently considering actions that may result in our ability to utilize some of the capital loss currently reserved, which may result in a reduction of our valuation allowance and tax expense in subsequent quarters.

**First Nine Months of Fiscal 2004 Compared to First Nine Months of Fiscal 2003**

*Revenues*

Total revenues for the first nine months of fiscal 2004 were $3,763 million, compared to $2,977 million for the first nine months of fiscal 2003. Revenues from Samsung, LG Electronics, Motorola and Kyocera, customers of our QCT, QTL and other nonreportable segments, comprised an aggregate of 15%, 15%, 10% and 8% of total consolidated revenues, respectively, in the first nine months of fiscal 2004, as compared to 18%, 13%, 13% and 10% of total consolidated revenues, respectively, in the first nine months of fiscal 2003. The percentage for Kyocera in the first nine months of fiscal 2003 included 1% related to services provided to Kyocera by employees from our terrestrial-based CDMA wireless consumer phone business which was sold to Kyocera in February 2000. This arrangement expired in February 2003.

Revenues from sales of equipment and services for the first nine months of fiscal 2004 were $2,560 million, compared to $2,245 million for the first nine months of fiscal 2003. Revenues from sales of integrated circuit products increased $318 million, resulting primarily from an increase of $571 million related to higher unit shipments of MSM and accompanying RF integrated circuits, partially offset by a decrease of $240 million related to the effects of reductions in average sales prices and changes in product mix.

Revenues from licensing and royalty fees for the first nine months of fiscal 2004 were $1,202 million, compared to $732 million for the first nine months of fiscal 2003. The increase resulted from higher QTL segment royalties, resulting primarily from an increase in phone and infrastructure equipment sales by our licensees at higher average selling prices and a $40 million increase in the prior period variance (royalties reported in excess of estimated royalties) included in current period revenues.

*Cost of Equipment and Services*

Cost of equipment and services revenues for the first nine months of fiscal 2004 was $1,074 million, compared to $979 million for the first nine months of fiscal 2003. Cost of equipment and services revenues as a percentage of equipment and services revenues was 42% for the first nine months of fiscal 2004, compared to 44% in the first nine months of fiscal 2003. The improvement in margin percentage in the first nine months of fiscal 2004 compared to the first nine months of fiscal 2003 was primarily due to an improvement in certain integrated circuit product margin percentages resulting from the effect of cost reductions, partially offset by the effects of reductions in average sales prices and changes in product mix. Cost of equipment and services revenues as a percentage of equipment and services revenues may 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 nine months of fiscal 2004, research and development expenses were $513 million or 14% of revenues, compared to $380 million or 13% of revenues for the first nine months of fiscal 2003. The dollar and percentage increases in research and development expenses primarily resulted from a $126 million increase in costs related to integrated circuit products and corporate initiatives to support multimedia applications, high-speed wireless Internet access and multimode, multiband, multinetwork products, including CDMA2000 1xEV-DO/1xEV-DV and WCDMA (UMTS).

*Selling, General and Administrative Expenses*

For the first nine months of fiscal 2004, selling, general and administrative expenses were $422 million or 11% of revenues, compared to $354 million or 12% of revenues for the first nine months of fiscal 2003. The dollar increase was primarily due to a $41 million increase in employee-related expenses, a $20 million increase in professional fees and outside services and a $10 million increase related to a charitable grant to an educational institution for the primary purpose of furthering the study of engineering and math.

*Asset Impairment and Related Charges*

There were no asset impairment charges in the first nine months of fiscal 2004. During the third quarter of fiscal 2003, we recorded a $34 million impairment loss on our wireless licenses in Australia due to developments that affected potential strategic alternatives for using the spectrum. The impairment loss recognized was the difference between the assets' carrying values and their estimated fair values.

*Other Operating Income*

For the first nine months of fiscal 2004, other operating income was $17 million, compared to $30 million for the first nine months of fiscal 2003. Other operating income during the first nine months of fiscal 2004 resulted primarily from the transfers of portions of the ADV to a wireless operator. Other operating income during the first nine months of fiscal 2003 resulted from $43 million of other income related to the transfers of portions of the ADV to two wireless operators, partially offset by a $13 million charge related to the write down of a note receivable from an early stage CDMA wireless operator.

*Net Investment Income (Expense)*

Net investment income was $115 million for the first nine months of fiscal 2004, compared to net investment expense of $37 million for the first nine months of fiscal 2003. The change was primarily comprised as follows (in millions):

| | Nine Months Ended | | |
|---|---|---|---|
| | **June 27, 2004** | **June 29, 2003** | **Change** |
| Interest income: | | | |
| Corporate and other segments | $ 118 | $ 84 | $ 34 |
| QSI | 14 | 41 | (27) |
| Net realized gains on investments: | | | |
| Corporate | 21 | 16 | 5 |
| QSI | 12 | 23 | (11) |
| Other-than-temporary losses on marketable securities | (1) | (74) | 73 |
| Other-than-temporary losses on other investments | — | (26) | 26 |
| Change in fair values of derivative investments | 7 | (1) | 8 |
| Equity in losses of investees | (55) | (98) | 43 |
| Interest expense | (1) | (2) | 1 |
| | $ 115 | $ (37) | $ 152 |

The increase in interest income on cash and marketable securities held by corporate and other segments was a result of higher average cash and marketable securities balances, partially offset by the impact of lower interest rates earned on these balances, and $6 million in interest income recorded as a result of a refund from the United States

Internal Revenue Service. The decrease in QSI interest income was primarily the result of the prepayment on the Pegaso debt facility in the first quarter of fiscal 2004. The other-than-temporary losses on marketable securities during the first nine months of fiscal 2003 primarily related to a $55 million impairment of our investment in an operator in South Korea and a $16 million impairment of our investment in a provider of semi-conductor packaging, test and distribution services. The other-than-temporary losses on other investments during the first nine months of fiscal 2003 related to the impairment of our investments in two development stage CDMA wireless operators. The increase in the fair values of derivative instruments is primarily related to put options we sold in the second quarter of fiscal 2004. Equity in losses of investees decreased primarily due to a decrease in losses incurred by Inquam, of which our share was $51 million for the nine months ended June 27, 2004, as compared to $85 million for the nine months ended June 29, 2003.

*Income Tax Expense*

Income tax expense from continuing operations was $543 million for the first nine months of fiscal 2004, compared to $442 million from continuing operations for the first nine months of fiscal 2003. The annual effective tax rate for continuing operations is estimated to be 29% for fiscal 2004, compared to the 36% annual effective tax rate for continuing operations recorded during the first nine months of fiscal 2003.

The expected 2004 effective tax rate for continuing operations of 29% is lower than the actual 2003 effective tax rate for continuing operations of 34%, as anticipated foreign earnings taxed at less than the United States federal tax rate are greater in fiscal 2004 and estimated capital losses for which no tax benefit will be recorded are less than those realized for fiscal 2003, partially offset by the effect of the deduction of certain losses related to foreign subsidiaries in fiscal 2003. Foreign earnings taxed at less than the United States federal rate are higher in fiscal 2004 primarily due to the adjustment of an intercompany royalty agreement and an increase in foreign earnings. The estimated annual effective tax rate for continuing operations for fiscal 2004 is 6% lower than the United States federal statutory rate due primarily to a benefit of approximately 10% related to research and development tax credits and foreign earnings taxed at less than the United States federal rate, partially offset by state taxes of 5%.

As of June 27, 2004, we had a valuation allowance of approximately $162 million on previously incurred capital losses due to uncertainty as to our ability to generate sufficient capital gains to utilize all capital losses. We will continue to assess the realizability of capital losses. The amount of the valuation allowance on capital losses may be adjusted in the future as our ability to utilize capital losses changes. A change in the valuation allowance may impact the provision for income taxes in the period the change occurs. We are currently considering actions that may result in our ability to utilize some of the capital loss currently reserved, which may result in a reduction of our valuation allowance and tax expense in subsequent quarters.

**Our Segment Results for the Third Quarter of Fiscal 2004 Compared to the Third Quarter of Fiscal 2003**

The following should be read in conjunction with the third quarter financial results of fiscal 2003 for each reporting segment. See “Notes to Condensed Consolidated Financial Statements – Note 8 – Segment Information.”

*QCT Segment.* QCT revenues for the third quarter of fiscal 2004 were $790 million, compared to $554 million for the third quarter of fiscal 2003. Equipment and services revenues, primarily from MSM and accompanying RF integrated circuits, were $768 million for the third quarter of fiscal 2004, compared to $545 million for the third quarter of fiscal 2003. The increase in MSM and accompanying RF integrated circuits revenue was comprised of $330 million related to higher unit shipments, partially offset by a decrease of $106 million related to the effects of reductions in average sales prices and changes in product mix. Approximately 35 million MSM integrated circuits were sold during the third quarter of fiscal 2004, compared to approximately 23 million for the third quarter of fiscal 2003.

QCT’s earnings before taxes for the third quarter of fiscal 2004 were $254 million, compared to $165 million for the third quarter of fiscal 2003. QCT’s operating income as a percentage of its revenues (operating margin percentage) was 32% in the third quarter of fiscal 2004, compared to 30% in the third quarter of fiscal 2003. The increase in operating margin percentage in the third quarter of fiscal 2004 as compared to the third quarter of fiscal 2003 primarily resulted from the increase in gross margin percentage, partially offset by a 53% increase in research and development and selling, general and administrative expenses. Research and development and selling, general and administrative expenses were $46 million higher and $24 million higher, respectively, for the third quarter of fiscal 2004 as compared to the third quarter of fiscal 2003 primarily associated with increased investment in new integrated circuit products and technology research, development and marketing initiatives to support multimedia applications, high-speed wireless Internet access and multiband, multimode, multinetwork products, including CDMA2000 1xEV-DO/1xEV-DV and WCDMA (UMTS).

*QTL Segment.* QTL revenues for the third quarter of fiscal 2004 were $436 million, compared to $242 million for the third quarter of fiscal 2003. Royalty revenues from external licensees were $389 million in the third quarter of fiscal 2004, compared to $203 million in the third quarter of fiscal 2003. Revenues from license fees were $15 million in both the third quarter of fiscal 2004 and 2003. Other revenues were comprised of intersegment royalties. During both the third quarter of fiscal 2004 and 2003, we recognized $1 million in revenue related to equity received as consideration for license fees.

We earn royalties on CDMA products sold worldwide by our licensees in the period that the licensees' sales occur. Our licensees, however, do not report and pay royalties owed until the subsequent quarter and, in some instances, payment is on a semi-annual basis. Therefore, we estimate the royalty revenues from certain licensees (the Estimated Licensees) in the current quarter when reliable estimates of such amounts can be made. Not all royalties earned are estimated. Once royalty reports are received from the Estimated Licensees, the variance between such reports and the estimate is recorded in royalty revenue in the period the reports are received. The recognition of this variance in most cases lags the royalty estimate by one quarter. Given our historical position in CDMA, we believe that we have the ability to reliably estimate royalty revenues. As the CDMA market further develops and diversifies, our ability to forecast may decrease, and if so, we may no longer be able to reliably estimate and may change our accounting policy to record royalties as revenue when they are reported by our licensees.

The following table summarizes royalty related data for external licensees (in millions). The three-month periods presented are referred to as the Reporting Periods:

| | Three Months Ended | |
|---|---|---|
| | June 27, 2004 | June 29, 2003 |
| Estimate for Estimated Licensees for quarter prior to the Reporting Period (Prior Quarter) | $ 237 | $ 155 |
| Royalties reported in Reporting Period by Estimated Licensees for Prior Quarter | 264 | 178 |
| Prior Quarter variance included in Reporting Period | 27 | 23 |
| Other royalties reported in Reporting Period | 109 | 45 |
| Estimate for Estimated Licensees for current quarter | 253 | 135 |
| Total Reporting Period royalty revenues from external licensees | $ 389 | $ 203 |

We estimated royalties of $237 million from the Estimated Licensees for the second quarter of fiscal 2004. The actual royalties reported to us by the Estimated Licensees, on a one quarter lag basis, during the three months ended June 27, 2004 were $264 million. The variance of $27 million recorded in royalty revenues in the third quarter of fiscal 2004 was attributable to phone sales at higher average prices by our Estimated Licensees than we had anticipated. Total royalty revenues from licensees for the three months ended June 27, 2004 of $389 million included: 1) the prior period variance of $27 million, 2) other royalties reported in this period of $109 million, and 3) the estimate made for this quarter of $253 million based upon Estimated Licensees' estimated sales during this quarter, which we estimate will be reported by the Estimated Licensees in the fourth quarter of fiscal 2004.

QTL's earnings before taxes for the third quarter of fiscal 2004 were $398 million, compared to $218 million for the third quarter of fiscal 2003. QTL's operating margin percentage was 91% in the third quarter of fiscal 2004, compared to 90% in the third quarter of fiscal 2003. The increase in both revenues and earnings before taxes was primarily due to an increase in sales of CDMA products by licensees, resulting from higher demand for CDMA products across all major regions of CDMA deployment at higher average selling prices. In the third quarter of fiscal 2004, our licensees reported CDMA phone sales for the second quarter of fiscal 2004 of approximately 38 million units, compared to 26 million units reported in the third quarter of fiscal 2003.

*QWI Segment.* QWI revenues for the third quarter of fiscal 2004 were $150 million, compared with $119 million for the third quarter of fiscal 2003. Revenues increased primarily due to a $17 million increase in QWBS revenue and a $12 million increase in QIS revenue. As a result of the adoption of Emerging Issues Task Force Issue No. 00-21 (EITF 00-21) in the fourth quarter of fiscal 2003, QWBS started recording revenue for certain equipment sales upon shipment instead of amortizing the related revenue over a future period. The amortization of QWBS equipment revenue that was deferred in the periods prior to the adoption of EITF 00-21 will continue with a declining impact through 2008. QWBS amortized $18 million in revenue related to such prior period equipment sales in the third quarter of fiscal 2004, compared to $24 million in the third quarter of fiscal 2003.

The net increase in QWBS revenue is primarily attributable to the accounting change for certain equipment sales with a smaller contribution from a $3 million increase in messaging revenue as a result of a larger installed base. QWBS shipped approximately 12,400 OmniTRACS and other related communications systems during the third quarter of fiscal 2004, compared to approximately 8,400 in the third quarter of fiscal 2003. The increase in QIS revenue is primarily attributable to an increase in fees related to our expanded BREW customer base and products.

QWI's earnings before taxes for both the third quarter of fiscal 2004 and 2003 were $4 million. QWI's operating margin percentage was 3% in both the third quarter of fiscal 2004 and 2003. QWI's earnings before taxes remained flat primarily due to a $14 million increase in QWI research and development spending and selling, general and administrative expenses, offset by a $12 million increase in QIS gross margin, primarily due to the increase in fees related to our expanded BREW customer base and products. QWI's operating margin percentage remained flat primarily due to a decline in QWBS gross margin percentage, partially offset by an improvement in QIS gross margin percentage. The decline in QWBS gross margin percentage in the third quarter of fiscal 2004 compared to the third quarter of fiscal 2003 is primarily attributable to an increase in equipment sales, with margins lower than the margins on messaging services, as a percentage of total revenue. The improvement in QIS gross margin percentage is primarily due to the increase in fees related to our expanded BREW customer base and products.

*QSI Segment.* QSI's losses before taxes from continuing operations for the third quarter of fiscal 2004 were $4 million, compared to $7 million for the third quarter of fiscal 2003. Equity in losses of investees decreased by $15 million primarily due to a decrease in losses incurred by Inquam during the third quarter of fiscal 2004 as compared to the third quarter of fiscal 2003, of which our share was $17 million for the three months ended June 27, 2004, as compared to $31 million for the three months ended June 29, 2003. During the third quarter of fiscal 2003, we recorded $9 million in other-than-temporary losses on investments. These improvements to QSI's losses before taxes were partially offset by a $27 million decrease in interest income primarily as a result of the prepayment of the Pegaso debt facility in the first quarter of fiscal 2004.

**Our Segment Results for the First Nine Months of Fiscal 2004 Compared to the First Nine Months of Fiscal 2003**

The following should be read in conjunction with the first nine months financial results of fiscal 2003 for each reporting segment. See "Notes to Condensed Consolidated Financial Statements – Note 8 – Segment Information."

*QCT Segment.* QCT revenues for the first nine months of fiscal 2004 were $2,250 million, compared to $1,905 million for the first nine months of fiscal 2003. Equipment and services revenues, primarily from MSM and accompanying RF integrated circuits, were $2,201 million for the first nine months of fiscal 2004, compared to $1,883 million for the first nine months of fiscal 2003. The increase in MSM and accompanying RF integrated circuits revenue was comprised of $571 million related to higher unit shipments, partially offset by a decrease of $240 million related to the effects of reductions in average sales prices and changes in product mix. Approximately 98 million MSM integrated circuits were sold during the first nine months of fiscal 2004, compared to approximately 79 million for the first nine months of fiscal 2003.

QCT's earnings before taxes for the first nine months of fiscal 2004 were $773 million, compared to $673 million for the first nine months of fiscal 2003. QCT's operating income as a percentage of its revenues (operating margin percentage) was 34% in the first nine months of fiscal 2004, compared to 35% in the first nine months of fiscal 2003. The operating margin percentage in the first nine months of fiscal 2004 as compared to the first nine months of fiscal 2003 decreased slightly primarily as a result of a 38% increase in research and development and selling, general and administrative expenses, partially offset by the increase in gross margin percentage. Research and development and selling, general and administrative expenses were $102 million higher and $40 million higher, respectively, for the first nine months of fiscal 2004 as compared to the first nine months of fiscal 2003 primarily associated with increased investment in new integrated circuit products and technology research, development and marketing initiatives to support multimedia applications, high-speed wireless Internet access and multiband, multimode, multinetwork products including CDMA2000 1xEV-DO/1xEV-DV and WCDMA (UMTS).

*QTL Segment.* QTL revenues for the first nine months of fiscal 2004 were $1,180 million, compared to $758 million for the first nine months of fiscal 2003. Royalty revenues from external licensees were $1,041 million in the first nine months of fiscal 2004, compared to $631 million in the first nine months of fiscal 2003. Revenues from license fees were $45 million in the first nine months of fiscal 2004, compared to $44 million in the first nine months of fiscal 2003. Other revenues were comprised of intersegment royalties. During each of the first nine months of fiscal 2004 and 2003, we recognized $4 million in revenue related to equity received as consideration for license fees.

The following table summarizes royalty related data for external licensees (in millions). The nine-month periods presented are referred to as the Reporting Periods:

| | Nine Months Ended | |
|---|---|---|
| | June 27, 2004 | June 29, 2003 |
| Estimate for Estimated Licensees for quarter prior to the Reporting Period (Prior Quarter) | $ 151 | $ 150 |
| Royalties reported in Reporting Period by Estimated Licensees for Prior Quarter | 208 | 167 |
| Prior Quarter variance included in Reporting Period | 57 | 17 |
| Other royalties reported in Reporting Period | 731 | 479 |
| Estimate for Estimated Licensees for current quarter | 253 | 135 |
| Total Reporting Period royalty revenues from external licensees | $ 1,041 | $ 631 |

We estimated royalties of $151 million from the Estimated Licensees for the fourth quarter of fiscal 2003. The actual royalties reported to us by the Estimated Licensees, on a one quarter lag basis, during the three months ended December 28, 2003 were $208 million. The variance of $57 million recorded in royalty revenues in the first quarter of fiscal 2004 was primarily attributable to greater phone sales at higher average prices by our Estimated Licensees than we had anticipated. To achieve these phone unit volumes, we believe that our Estimated Licensees reduced their inventories in our fourth fiscal quarter. Total royalty revenues from licensees for the nine months ended June 27, 2004 of $1,041 million included: 1) the prior period variance of $57 million, 2) other royalties reported in this period of $731 million, and 3) the estimate made for this quarter of $253 million based upon Estimated Licensees' estimated sales during this quarter, which we estimate will be reported by the Estimated Licensees in the fourth quarter of fiscal 2004.

QTL's earnings before taxes for the first nine months of fiscal 2004 were $1,084 million, compared to $684 million for the first nine months of fiscal 2003. QTL's operating margin percentage was 92% in the first nine months of fiscal 2004, compared to 90% in the first nine months of fiscal 2003. The increase in both revenues and earnings before taxes was primarily due to an increase in sales of CDMA products by licensees, resulting from higher demand for CDMA products across all major regions of CDMA deployment at higher average selling prices.

*QWI Segment.* QWI revenues for the first nine months of fiscal 2004 were $433 million, compared with $362 million for the first nine months of fiscal 2003. Revenues increased primarily due to a $46 million increase in QWBS revenue and a $22 million increase in QIS revenue. As a result of the adoption of EITF 00-21 in the fourth quarter of fiscal 2003, QWBS started recording revenue for certain equipment sales upon shipment instead of amortizing the related revenue over a future period. The amortization of QWBS equipment revenue that was deferred in the periods prior to the adoption of EITF 00-21 will continue with a declining impact through 2008. QWBS amortized $59 million in revenue related to such prior period equipment sales in the first nine months of fiscal 2004, compared to $72 million in the first nine months of fiscal 2003. The net increase in QWBS revenue is primarily attributable to the accounting change for certain equipment sales with a smaller contribution from a $9 million increase in messaging revenue as a result of a larger installed base. QWBS shipped approximately 34,700 OmniTRACS and other related communications systems during the first nine months of fiscal 2004, compared to approximately 27,400 in the first nine months of fiscal 2003. The increase in QIS revenue is primarily attributable to a $38 million increase in fees related to our expanded BREW customer base and products, partially offset by a $17 million decrease in QChat revenue resulting from the wind down of development efforts under the licensing agreement with Nextel.

QWI's earnings before taxes for the first nine months of fiscal 2004 were $14 million, compared to $18 million for the first nine months of fiscal 2003. QWI's operating margin percentage was 3% in the first nine months of fiscal 2004, compared to 5% in the first nine months of fiscal 2003. The decrease in QWI earnings before taxes was primarily due to a $26 million increase in QWI research and development and selling, general and administrative expenses, partially offset by an $18 million increase in QIS gross margin primarily due to the increase in fees related to our expanded BREW customer base and products. The decrease in QWI's operating margin percentage in the first nine months of fiscal 2004 as compared to the first nine months of fiscal 2003 was primarily related to a decline in QWBS gross margin percentage, partially offset by an improvement in QIS gross margin percentage and a decrease in QWI research and development and selling, general and administrative expenses as a percentage of QWI revenue. The decline in QWBS gross margin percentage in the first nine months of fiscal 2004 as compared to the first nine months of fiscal 2003 is primarily attributable to an increase in equipment sales, with margins lower than the margins on messaging services, as a percent of total QWBS revenue. The improvement in QIS gross margin percentage is primarily attributable to the increase in fees related to our expanded BREW customer base and products.

During the second quarter of fiscal 2004, QWBS began the process of moving high volume, standard product manufacturing to Mexico to reduce manufacturing costs. The low volume, prototype and new product manufacturing activities will remain in San Diego. The move is anticipated to be completed by the third quarter of fiscal 2005. QWBS may incur additional costs in the near term as a result of this move. In connection with this activity, we continue to evaluate other low cost manufacturing opportunities.

*QSI Segment.* QSI's losses before taxes from continuing operations for the first nine months of fiscal 2004 were $23 million, compared to $164 million for the first nine months of fiscal 2003. Equity in losses of investees decreased by $43 million primarily due to a decrease in losses incurred by Inquam during the first nine months of fiscal 2004, as compared to the same period in fiscal 2003, of which our share was $51 million for the nine months ended June 27, 2004, as compared to $85 million for the nine months ended June 29, 2003. During the first nine months of fiscal 2003, we recorded $74 million and $26 million in other-than-temporary losses on marketable securities and other-than temporary losses on other investments, respectively. These improvements in QSI's losses before taxes were partially offset by a $27 million decrease in interest income resulting from the prepayment of the Pegaso debt facility in the first quarter of fiscal 2004.

**Liquidity and Capital Resources**

Cash and cash equivalents and marketable securities were $7.0 billion at June 27, 2004, an increase of $1.6 billion from September 28, 2003. The increase was primarily the result of $1.7 billion in cash provided by operating activities, $195 million in net collections on finance receivables, mainly comprised of the prepayment from Pegaso, and $201 million in net proceeds from the issuance of common stock under our stock option and employee stock purchase plans, partially offset by $194 million in capital expenditures, $194 million in dividend payments and $66 million invested in other entities and acquisitions, including the Alcatel acquisition.

Accounts receivable increased by 50% during the third quarter of fiscal 2004. Days sales outstanding on a consolidated basis were 60 days at June 27, 2004 compared to 43 days at March 28, 2004. The increases in accounts receivable and days sales outstanding were primarily due to the contractual timing of cash receipts for royalty receivables, some of which are paid semi-annually, and the timing of shipments of integrated circuits. We expect that days sales outstanding will decrease during the fourth quarter of fiscal 2004.

In February 2003, we authorized the investment of up to $1 billion to repurchase shares of our common stock over a two year period. While we did not repurchase any of our common stock during the nine months ended June 27, 2004, we continue to evaluate repurchases under this program. At June 27, 2004, $834 million remains authorized for repurchases under the program. In connection with our stock repurchase program, we sold put options during the nine months ended June 27, 2004 that may require us to purchase 3,000,000 shares of our common stock upon exercise. We recorded $5 million in premiums received for the put options as additions to other current liabilities. We did not repurchase any shares under the put options during the three months ended June 27, 2004. On June 25, 2004, the Company paid a cash dividend of $0.10 per share on the Company's common stock to stockholders of record as of the close of business on May 28, 2004. On July 13, 2004, we announced a cash dividend of $0.14 per share of common stock pre-split ($0.07 per share post-split), payable on September 24, 2004 to stockholders of record as of the close of business on August 27, 2004.

We believe our current cash and cash equivalents, marketable securities and cash generated from operations will satisfy our expected working and other capital requirements for the foreseeable future based on current business plans, including investments in other companies and other assets to support the growth of our business, financing for customers of CDMA infrastructure products in accordance with the agreements with Ericsson, other commitments, the payment of dividends and possible additional stock repurchases. In fiscal 2003, we began design and construction on two new facilities in San Diego, California totaling one million square feet to partially meet the requirements projected in our business plan. The remaining cost of these new facilities is expected to be approximately $280 million through 2007.

We intend to continue our strategic investment activities to promote the worldwide adoption of CDMA products and the growth of CDMA-based wireless data and wireless Internet products. As part of these investment activities, we may provide financing to facilitate the marketing and sale of CDMA equipment by authorized suppliers. In the event additional needs for cash arise, we may raise additional funds from a combination of sources including potential debt and equity issuance.

**Contractual Obligations**

We have no significant contractual obligations not fully recorded on our Consolidated Condensed Balance Sheets or fully disclosed in the Notes to our Condensed Consolidated Financial Statements. We have no off-balance sheet arrangements as defined in S-K 303(a)(4)(ii).

At June 27, 2004, our outstanding contractual obligations included (in millions):

| | | | Contractual Obligations Payments Due By Period | | | |
|---|---|---|---|---|---|---|
| | Total | Remainder of Fiscal 2004 | Fiscal 2005-2006 | Fiscal 2007-2008 | Beyond Fiscal 2008 | No Expiration Date |
| Long-term financing under Ericsson arrangement [1] | $ 118 | $ — | $ — | $ — | $ — | $ 118 |
| Purchase obligations | 959 | 592 | 362 | 3 | 2 | — |
| Operating leases | 96 | 11 | 65 | 19 | 1 | — |
| Equity investments [1] | 21 | — | — | — | — | 21 |
| Inquam guarantee | 28 | — | 28 | — | — | — |
| Other commitments | 1 | 1 | — | — | — | — |
| Total commitments | 1,223 | 604 | 455 | 22 | 3 | 139 |
| Other long-term liabilities [2] | 95 | — | — | 34 | — | 61 |
| Total recorded liabilities | 95 | — | — | 34 | — | 61 |
| Total | $1,318 | $ 604 | $ 455 | $ 56 | $ 3 | $ 200 |

(1) The majority of these commitments do not have fixed funding dates. Amounts are presented based on the expiration of the commitment, but actual funding may occur earlier or not at all as funding is subject to certain conditions. Commitments represent the maximum amounts to be financed or funded under these arrangements; actual financing or funding may be in lesser amounts.

(2) Certain long-term liabilities reflected on our balance sheet, such as unearned revenue, are not presented in this table because they do not require cash settlement in the future.

Additional information regarding our financial commitments at June 27, 2004 is provided in the Notes to our Condensed Consolidated Financial Statements. See "Notes to Condensed Consolidated Financial Statements, Note 2 – Composition of Certain Financial Statement Items, Finance Receivables, Note 3 – Investments in Other Entities and Note 7 – Commitments and Contingencies."

## 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 28, 2003, including our financial statements and the related notes.

### Risks Related to Our Businesses

*If CDMA technology is not widely deployed, our revenues may not grow as anticipated.*

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

To increase our revenues and market share in future periods, we are dependent upon the commercial deployment of third generation (3G) wireless communications equipment, products and services based on our CDMA technology. Although network operators have commercially deployed CDMA2000 1X and WCDMA (UMTS), we cannot predict the timing or success of further commercial deployments of CDMA2000 1X, WCDMA (UMTS) or other CDMA systems. If existing deployments are not commercially successful, or if new commercial deployments of CDMA2000 1X, WCDMA (UMTS) or other CDMA systems are delayed or unsuccessful, our business and financial results may be harmed. In addition, our business could be harmed if network operators deploy competing technologies or switch existing networks from CDMA to GSM or if network operators introduce new technologies.

Our business and the deployment of CDMA technology are dependent on the success of our customers and licensees. Our customers and licensees may incur lower operating margins on CDMA-based products than on products using alternative technologies due to greater competition in the CDMA-based market, lack of product improvements or other factors. If CDMA handset and/or infrastructure manufacturers exit the CDMA market, the deployment of CDMA technology could be negatively affected, and our business could suffer.

*Our four largest customers as of June 27, 2004 accounted for 47% and 54%, of consolidated revenues in the first nine months of fiscal 2004 and 2003, respectively, and 53% and 50% of consolidated revenues in fiscal 2003 and 2002, respectively. The loss of any one of our major customers or any reduction in the demand for devices utilizing our CDMA technology could reduce our revenues and harm our ability to achieve or sustain desired levels of operating results.*

*QCT Segment*

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 cancellation or deferral and could harm our ability to achieve or sustain desired levels of profitability. Accordingly, unless and until our QCT segment diversifies and expands its customer base, our future success will significantly depend upon the timing and size of future purchase orders, if any, from these customers. Factors that may impact the size and timing of orders from customers of our QCT segment include, among others, the following:

- the product requirements of these customers;
- the financial and operational success of these customers;
- the success of these customers' products that incorporate our products;
- shortages of key products and components;
- fluctuations in channel inventory levels;
- the success of products sold to our customers by licensed competitors;

- the rate of deployment of new technology by the network operators and the rate of adoption of new technology by the end consumers;
- the extent to which certain customers successfully develop and produce CDMA-based integrated circuits and system software to meet their own needs;
- general economic conditions;
- changes in governmental regulations in countries where we or our customers currently operate or plan to operate; and
- widespread illness.

*QTL Segment*

Our QTL segment derives royalty revenues from sales of CDMA products by our licensees. We derive a significant portion of our royalty revenue from a limited number of licensees. Our future success depends upon the ability of our licensees to develop, 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 we cannot assure you that our licensees will be successful or that the demand for wireless communications devices and services offered by our licensees will continue to increase. Any reduction in the demand for or any delay in the development, introduction or delivery of wireless communications devices utilizing our CDMA technology could have a material adverse effect on our business. Weakness in the value of foreign currencies in which our customers' products are sold may reduce the amount of royalties payable to us in U.S. dollars.

*QWI Segment*

Our QIS division derives revenues primarily from fees related to our BREW products, a QChat licensing agreement with Nextel and licensing revenues related to our QPoint product. We derive a significant portion of our QIS revenue from network operators offering BREW services. The future success of our QIS division depends in part upon the ability of network operators, wireless device manufacturers and developers to continue the momentum in wireless data and sustain market acceptance for quality wireless applications and services. We cannot assure you that they will be successful or will not build or buy similar capacity such that they no longer require BREW services. We also cannot assure you that the demand for BREW services will continue to increase. Any reduction in the demand for these services could have a material adverse effect on our business.

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

Our ability to meet customer demands depends, in part, on our ability to obtain timely and adequate delivery of parts and components from our suppliers and our manufacturing capacity. A reduction or interruption in component supply, an inability of our partners to react to rapid shifts in demand or a significant increase in component prices could have a material adverse effect on our business or profitability. Component shortages could adversely affect our ability and that of our customers to ship products on a timely basis and our customers' demand for our products. Any such shipment delays or declines in demand could reduce our revenues and harm our ability to achieve or sustain desired levels of profitability. Additionally, failure to meet customer demand in a timely manner could damage our reputation and harm our customer relationships potentially resulting in reduced market share.

*QCT Segment*

We subcontract all of the manufacturing and assembly, and most of the testing, of our integrated circuits. We depend upon a limited number of third parties to perform these functions, some of which are only available from single sources with which we do not have long-term contracts. IBM, Taiwan Semiconductor Manufacturing Co. and United Microelectronics are the primary foundry partners for our family of baseband integrated circuits. IBM, Motorola and Atmel are the primary foundry partners for our family of radio frequency and analog integrated circuits. Our reliance on a sole-source vendor primarily occurs during the start-up phase of a new product. Once a new product reaches a significant volume level, we typically establish alternative suppliers for technologies that we consider critical. Our reliance on sole or limited-source vendors involves risks. These risks include possible shortages of capacity, product performance shortfalls and reduced controls over delivery schedules, manufacturing capability, quality assurance, quantity and costs. We recently experienced supply constraints which resulted in our inability to meet certain customer demands. To ensure better delivery of parts and components from our suppliers, we have increased and extended our firm orders to our suppliers. Additionally, we continue to add capacity at existing suppliers, as well as evaluate potential new suppliers to augment our needs. We expect costs of certain integrated circuit products could increase as a result of our efforts to increase the availability of components in short supply. We work closely with customers to expedite their processes for evaluating products from our new foundry suppliers; however, in some instances, transition to new product supply may cause a temporary decline in shipments of specific products to individual customers. To the extent that our firm commitments from our manufacturers are insufficient to meet demand over a specific time period or in any specific quantity, our manufacturers may allocate, and in the past have allocated, capacity to the production of other products while reducing deliveries to us on short notice.

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

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

*QWI Segment*

Several of the critical subassemblies and parts used in our QWBS division’s existing and proposed products are currently available only from third-party single or limited sources. These include items such as electronic and radio frequency components, and other sophisticated parts and subassemblies which are used in the OmniTRACS, OmniExpress and GlobalTRACS products. These third parties include companies such as Tyco International (M/A Com), Rakon, Mini-Circuits, Cambridge Tool & Mfg., Andrew Corporation, American Design, Deutsch ECD, PCI Limited, KeyTronic EMS, Seavey Engineering Associates, Symbol Technologies, Navman NZ, Thomson-Airpax Mechatronics, Eagle-Picher Industries, Sony/Ericsson and Sharp Corporation. Our reliance on sole or limited source vendors involves risks. These risks include possible shortages of certain key components, product performance shortfalls, and reduced control over delivery schedules, manufacturing capability, quality and costs. In the event of a long-term supply interruption, alternate sources could be developed in a majority of the cases. The inability to obtain adequate quantities of significant compliant materials on a timely basis could have a material adverse effect on our business, operating results, liquidity and financial position.

*We are subject to the risks of our and our licensees conducting business outside the United States.*

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

Consolidated revenues from international customers as a percentage of total revenues were 79% and 78% in the first nine months of fiscal 2004 and 2003, respectively, and 77% and 69% in fiscal 2003 and 2002, respectively. Because most of our foreign sales are denominated in U.S. dollars, our products and those of our customers and licensees that are sold in U.S. dollars become less price-competitive in international markets if the value of the U.S. dollar increases relative to foreign currencies.

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

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

In addition to general risks associated with our international sales, licensing activities and operations, we are also subject to risks specific to the individual countries in which we do business. Declines in currency values in selected regions may adversely affect our operating results because our products and those of our customers and licensees may become more expensive to purchase in the countries of the affected currencies. During the first nine months of fiscal 2004, 43% and 19% of our revenues were from customers and licensees based in South Korea and Japan, respectively, as compared to 46% and 16%, respectively, during the first nine months of fiscal 2003. During fiscal 2003, 45% and 15% of our revenues were from customers and licensees based in South Korea and Japan, respectively, as compared to 39% and 18% during fiscal 2002. A significant downturn in the economies of Asian countries where many of our customers and licensees are located, particularly the economies of South Korea and Japan, would materially harm our business.

The wireless markets in China and India represent growth opportunities for us. In January 2002, China Unicom launched its nationwide CDMA network, and China Unicom had approximately 23 million CDMA subscribers at the end of May 2004. In May 2003, Reliance Infocomm launched its nationwide CDMA network in India, and Reliance Infocomm had nearly 8 million subscribers at the end of June 2004. If China Unicom or Reliance Infocomm or the governments of China or India make technology deployment or other decisions that result in actions that are adverse to the expansion of CDMA technologies in China or India, our business could be harmed.

We are subject to risks in certain global markets in which wireless operators provide subsidies on phone sales to their customers. Increases in phone prices that negatively impact phone sales can result from changes in regulatory policies related to phone subsidies. Limitations or changes in policy on phone subsidies in South Korea, Japan, China and other countries may have additional negative impacts on our revenues.

We expect that royalty revenues from international licensees based upon sales of their products outside of the United States will continue to represent a significant portion of our total revenues in the future. Our royalty revenues from international licensees are denominated in U.S. dollars. To the extent that such licensees' products are sold in foreign currencies, any royalties that we derive as a result of such sales are subject to fluctuations in currency exchange rates. In addition, if the effective price of products sold by our customers were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for the products could fall, which in turn would reduce our royalty revenues.

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

We are exposed to risk from fluctuations in currencies, which may change over time as our business practices evolve, that could impact our operating results, liquidity and financial condition. We operate and invest globally. Adverse movements in currency exchange rates may negatively affect our business due to a number of situations, including the following:

- Assets or liabilities of our consolidated subsidiaries and our foreign investees that are not denominated in the functional currency of those entities are subject to the effects of currency fluctuations, which may affect our reported earnings. Our exposure to foreign currencies may increase as we expand into new markets.

- Investments in our consolidated foreign subsidiaries and in other foreign entities that use the local currency as the functional currency may decline in value as a result of declines in local currency values.

- Our trade receivables are generally United States dollar denominated. Any significant increase in the value of the dollar against our customers' or licensees' functional currencies could result in an increase in our customers' or licensees' cash flow requirements and could consequently affect our ability to collect receivables.

- Foreign CDMA wireless operators to whom we have provided financing may be unable to pay their debts to us, which are denominated in U.S. dollars, from revenues generated by their projects, which are denominated in local currencies.

- Strengthening of currency values in selected regions may adversely affect our operating results because the activities of our foreign subsidiaries may become more expensive in U.S. dollars.

- Strengthening of currency values in selected regions may adversely affect our cash flows and investment results because strategic investment obligations denominated in foreign currencies may become more expensive, and the U.S. dollar cost of equity in losses of foreign investees may increase.

- Foreign exchange hedging transactions could affect our cash flows and earnings because they may require the payment of structuring fees and they may limit the U.S. dollar value of royalties from licensees' sales that are denominated in foreign currencies.

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

From time to time, we engage in strategic transactions with the goal of maximizing stockholder value. In the past we have acquired businesses, entered into joint ventures and made strategic investments in or loans to CDMA wireless operators, early stage companies, or venture funds to support global adoption of CDMA and the use of the wireless Internet. Most of our strategic investments entail a high degree of risk and will not become liquid until more than one year from the date of investment, if at all. We cannot assure you that our strategic investments (either those we currently hold or future investments) will generate financial returns or that they will result in increased adoption or continued use of CDMA technologies.

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

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

Our products are inherently complex and may contain defects and errors that are detected only when the products are in use. Further, because our products and services are responsible for critical functions in our customers' products and/or networks, such defects or errors could have a serious impact on our customers, which could damage our reputation, harm our customer relationships and expose us to liability. Defects or impurities in our components, materials or software or those used by our customers or licensees, equipment failures or other difficulties could adversely affect our ability and that of our customers and licensees to ship products on a timely basis as well as customer or licensee demand for our products. Any such shipment delays or declines in demand could reduce our revenues and harm our ability to achieve or sustain desired levels of profitability. We and our customers or licensees may also experience component or software failures or defects which could require significant product recalls, reworks and/or repairs which are not covered by warranty reserves and which could consume a substantial portion of the capacity of our third-party manufacturers or those of our customers or licensees. Resolving any defect or failure related issues could consume financial and/or engineering resources that could affect future product release schedules. Additionally, a defect or failure in our products or the products of our customers or licensees could harm our reputation and/or adversely affect the growth of 3G wireless markets.

*Global economic conditions that impact the wireless communications industry could negatively affect our revenues and operating results.*

Global economic weakness can have wide-ranging effects on markets that we serve, particularly wireless communications equipment manufacturers and network operators. The wireless communications industry recently appears to be recovering from an industry-wide recession. We cannot predict whether a recovery will continue, the rate of any such recovery, or what effects negative events, such as war, may have on the economy or on phone inventories at CDMA equipment manufacturers and operators. The continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the global economy and to the wireless communications industry and create further uncertainties. Further, an economic recovery may not benefit us in the near term. If it does not, our ability to increase or maintain our revenues and operating results may be impaired. In addition, because we intend to continue to make significant investments in research and development and to maintain extensive ongoing customer service and support capability, any decline in the rate of growth of our revenues will have a significant adverse impact on our operating results.

*Our industry is subject to competition that could result in decreased demand for our products and the products of our customers and licensees and/or declining average selling prices for our licensees' products and our products, negatively affecting our revenues and operating results.*

We currently face significant competition in our markets and expect that competition will continue. Competition in the telecommunications market is affected by various factors, including:

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

This competition may result in reduced average selling prices for our products and those of our customers and licensees. Reductions in the average selling price of our licensees' products generally result in reduced royalties payable to us. While pricing pressures from competition may, to a large extent, be mitigated by the introduction of new features and functionality in our licensees' products, there is no guarantee that such mitigation will occur. We anticipate that additional competitors will enter our markets as a result of growth opportunities in wireless telecommunications, the trend toward global expansion by foreign and domestic competitors, technological and public policy changes and relatively low barriers to entry in selected segments of the industry.

Our competitors include companies that promote non-CDMA technologies and companies that design competing CDMA integrated circuits, such as Nokia, Motorola, Philips, Ericsson, Texas Instruments, Intel, NEC, Nortel, VIA

Telecom, Samsung, Matsushita and Siemens, all of which are also our licensees with the exception of Intel. With respect to our OmniTRACS, TruckMAIL, OmniExpress, GlobalTRACS, QConnect, OmniOne, EutelTRACS and LINQ products and services, our existing competitors are aggressively pricing their products and services and could continue to do so in the future. In addition, these competitors are offering new value-added products and services similar in many cases to those we have developed or are developing. Emergence of new competitors, particularly those offering low cost terrestrial-based products and current as well as future satellite-based systems, may impact margins and intensify competition in current and new markets. Similarly, some original equipment manufacturers of trucks and truck components are beginning to offer built-in, on-board communications and position location reporting systems that may impact our margins and intensify competition in our current and new markets. Some potential competitors of our QWBS business, if they are successful, may harm our ability to compete in certain markets.

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

- longer operating histories and presence in key markets;
- greater name recognition;
- motivation by our customers in certain circumstances to find alternate suppliers;
- access to larger customer bases; and
- greater sales and marketing, manufacturing, distribution, technical and other resources than we have.

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

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

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

Our future operating results will be affected by many factors, including, but not limited to: our ability to retain existing or secure anticipated customers or licensees, both domestically and internationally; our ability to develop, introduce and market new technology, products and services on a timely basis; management of inventory by us and our customers and their customers in response to shifts in market demand; changes in the mix of technology and products developed, licensed, produced and sold; seasonal customer demand; and other factors described elsewhere in this report and in these risk factors.

These factors affecting our future operating results are difficult to forecast and could harm our quarterly or annual operating results. If our operating results 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.

*Our stock price is volatile.*

The stock market in general, and the stock prices of technology-based and wireless communications companies in particular, have experienced extreme 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:

- 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;
- receipt of substantial orders or order cancellations for integrated circuits and system software products;

- quality deficiencies in services or products;
- announcements regarding financial developments or technological innovations;
- international developments, such as technology mandates, political developments or changes in economic policies;
- lack of capital to invest in 3G networks;
- new commercial products;
- changes in recommendations of securities analysts;
- government regulations, including stock option accounting and tax regulations;
- energy blackouts;
- acts of terrorism and war;
- inflation and deflation;
- widespread illness;
- proprietary rights or product or patent litigation;
- strategic transactions, such as acquisitions and divestitures; or
- rumors or allegations regarding our financial disclosures or practices.

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

From time to time, we may repurchase our common stock at prices that may later be higher than the fair market value of the stock. This could result in a loss of value for stockholders if the shares were reissued at lower prices.

In the past, securities class action litigation has often been brought against a company following periods of volatility in the market price of its securities. Due to the volatility of our stock price, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources. In addition, stock volatility may be precipitated by failure to meet earnings expectations or other factors, such as the potential uncertainty in future reported earnings created by the adoption of option expensing and the related valuation models used to determine such expense.

*Our industry is subject to rapid technological change, and we must keep pace to successfully compete.*

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. In particular, we intend to continue to invest significant resources in developing integrated circuit products to support high-speed wireless Internet access and multimode, multiband, multinetwork operation including CDMA2000 1xEV-DO/1xEV-DV, WCDMA (UMTS) and multimedia applications which encompass development of graphical display, camera and video capabilities, as well as higher computational capability and lower power on-chip computers and signal processors. We will also continue our significant development efforts with respect to our BREW applications development platform, providing applications developers with an open standard platform for wireless devices on which to develop their products. An open standard platform means that BREW can be made to interface with many software applications, including those developed by others. We cannot assure you that the revenues generated from these products will meet our expectations.

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

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

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

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

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

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

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

In addition, as the number of competitors in our market increases and the functionality of our products is enhanced and overlaps with the products of other companies, we may become subject to claims of infringement or misappropriation of the intellectual property rights of others. Any claims, with or without merit, could be time consuming, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have a material adverse effect upon our operating results. In any potential dispute involving our patents or other intellectual property, our licensees could also become the targets of litigation. Any such litigation could severely disrupt the business of our licensees, which in turn could hurt our relations with our licensees and cause our revenues to decrease.

A number of other companies have claimed to own patents essential to various 3G CDMA standards. 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 products and technologies and our profitability.

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

*Potential tax liabilities could adversely affect our results.*

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and accruals. In such case, a material effect on our income tax provision and net income in the period or periods in which that determination is made could result.

*The high amount of capital required to obtain radio frequency licenses and deploy and expand wireless networks could slow the growth of the wireless communications industry and adversely affect our business.*

Our growth is dependent upon the increased use of wireless communications services that utilize our CDMA technology. In order to provide wireless communications services, wireless operators must obtain rights to use specific radio frequencies. The allocation of frequencies is regulated in the United States and other countries throughout the world and limited spectrum space is allocated to wireless communications services. Industry growth may be affected by the amount of capital required to: obtain licenses to use new frequencies; deploy wireless networks to offer voice and data services; and expand wireless networks to grow voice and data services. Over the last several years, the amount paid for spectrum licenses has increased significantly, particularly for frequencies used in connection with 3G technology. In addition, litigation and disputes involving prior and future spectrum auctions has delayed the expansion of wireless networks in the United States and elsewhere, and it is possible that this delay could continue for a significant amount of time. The significant cost of licenses and wireless networks, and delays associated with disputes over new licenses, may slow the growth of the industry if wireless operators are unable to obtain or service the additional capital necessary to implement 3G wireless networks. Our growth could be adversely affected if this occurs.

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

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

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

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

Our OmniTRACS system currently operates in the United States market on leased Ku-band satellite transponders. Our data satellite transponder and position reporting satellite transponder lease runs through October 2006 and includes transponder and satellite protection (back-up capacity in the event of a transponder or satellite failure). Based on system capacity analysis, we believe that the United States OmniTRACS operations will not require additional transponder capacity through fiscal 2005. We believe that in the event additional transponder capacity would be required in fiscal 2005 or in future years, additional capacity will be available on acceptable terms. However, we cannot assure you that we will be able to acquire additional transponder capacity on acceptable terms in a timely manner. A failure to maintain adequate satellite capacity would harm our business, operating results, liquidity and financial position.

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

*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, natural disasters, terrorism, war and telecommunication failures. Any system failure, accident or security breach that causes interruptions in our operations or to our 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.

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

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 that could have a material adverse effect on our results of operations.

*We cannot provide assurance that we will continue to declare dividends at all or in any particular amounts.*

We intend to continue to pay quarterly dividends subject to capital availability and periodic determinations that cash dividends are in the best interest of the stockholders. Our dividend policy may be affected by, among other items, our views on potential future capital requirements, including those related to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs and challenges to our business model. Our dividend policy may change from time to time, and we cannot provide assurance that we will continue to declare dividends at all or in any particular amounts. A change in our dividend policy could have a negative effect on our stock price.

*Government regulation may adversely affect our business.*

Our products 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, regional and international standards bodies. Changes in the regulation of our activities, including changes in the allocation of available spectrum by the United States government and other governments or exclusion or limitation of our technology or products by a government or standards body, could have a material adverse effect on our business, operating results, liquidity and financial position.

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

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

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

*We may not be able to attract and retain qualified 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. Key employees represent a significant asset, and the competition for these employees is intense in the wireless communications industry. We continue to anticipate significant increases in human resources, particularly engineering, through the remainder of fiscal 2004 and through fiscal 2005. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

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

Since our inception, we have used stock options and other long-term equity incentives as a fundamental component of our employee compensation packages. We believe that stock options and other long-term equity incentives directly motivate our employees to maximize long-term stockholder value and, through the use of long-term vesting, encourage employees to remain with us. To the extent that new regulations make it more difficult or expensive to grant options to employees, we may incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, each of which could materially and adversely affect our business.

*Future changes in financial accounting standards or practices or existing taxation rules or practices may cause adverse unexpected revenue fluctuations and affect our reported results of operations.*

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

For example, any changes requiring that we record compensation expense in the statement of operations for employee stock options using the fair value method or changes in existing taxation rules related to stock options could have a significant negative effect on our reported results. Several agencies and entities are considering, and the Financial Accounting Standards Board (FASB) has announced, proposals to change generally accepted accounting principles in the United States that, if implemented, would require us to record charges to earnings for employee stock option grants. This pending requirement would negatively impact our earnings.

*Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.*

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ National Market rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

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

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

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

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

## 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 2003 Annual Report on Form 10-K.

We have fixed income securities consisting of cash equivalents and investments in marketable debt securities. Changes in the general level of United States interest rates can affect the principal values and yields of fixed income investments. The following table provides comparative information about our fixed income securities, including principal cash flows, weighted average yield and contractual maturity dates.

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

| | Remainder of 2004 | 2005 | 2006 | 2007 | 2008 | Thereafter | No Single Maturity | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| June 27, 2004: | | | | | | | | | |
| Cash and cash equivalents | $ 1,175 | $ — | $ — | $ — | $ — | $ — | $ — | $1,175 | $1,175 |
| Interest rate | 1.1% | | | | | | | | |
| Held-to-maturity securities | $ 231 | $ 10 | $ 130 | $ — | $ — | $ — | $ — | $ 371 | $ 370 |
| Interest rate | 1.5% | 1.5% | 1.7% | | | | | | |
| Available-for-sale securities: | | | | | | | | | |
| Investment grade | $ 116 | $652 | $ 734 | $374 | $ 62 | $ 110 | $1,155 | $3,203 | $3,203 |
| Interest rate | 1.6% | 1.8% | 2.1% | 2.1% | 1.7% | 1.8% | 2.1% | | |
| Non-investment grade | $ 15 | $ 2 | $ 6 | $ 9 | $ 32 | $ 606 | $ — | $ 670 | $ 670 |
| Interest rate | 8.5% | 8.4% | 10.7% | 9.2% | 8.3% | 7.8% | | | |

| | 2004 | 2005 | 2006 | 2007 | 2008 | Thereafter | No Single Maturity | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| September 28, 2003: | | | | | | | | | |
| Cash and cash equivalents | $284 | $ — | $ — | $ — | $ — | $ — | $ — | $ 284 | $ 284 |
| Interest rate | 1.1% | | | | | | | | |
| Held-to-maturity securities | $167 | $ 20 | $180 | $ — | $ — | $ — | $ — | $ 367 | $ 368 |
| Interest rate | 3.4% | 1.8% | 2.0% | | | | | | |
| Available-for-sale securities: | | | | | | | | | |
| Investment grade | $177 | $701 | $602 | $239 | $ 98 | $ 20 | $ 484 | $2,321 | $2,321 |
| Interest rate | 3.0% | 2.0% | 2.4% | 2.9% | 3.3% | 7.2% | 3.2% | | |
| Non-investment grade | $ 11 | $ 2 | $ 8 | $ 11 | $ 41 | $ 425 | $ — | $ 498 | $ 498 |
| Interest rate | 8.7% | 7.7% | 9.2% | 9.6% | 8.9% | 8.3% | | | |

We hold a diversified portfolio of marketable securities, equity mutual fund shares and derivative investments subject to equity price risk. The recorded values of marketable equity securities increased to $459 million at June 27, 2004 from $140 million at September 28, 2003. As of June 27, 2004, one equity position constituted approximately 17% of the fair value of the marketable equity securities portfolio. The recorded value of equity mutual fund shares at June 27, 2004 was $301 million. The recorded value of derivative investment assets, mainly comprised of warrants, subject to Statement of Financial Accounting Standards No. 133 (FAS 133), “Accounting for Derivative Instruments and Hedging Activities,” at June 27, 2004 was $5 million. We generally invest in companies in the high-technology industry, and typically do not attempt to reduce or eliminate our market exposure on these securities. The portfolio’s concentrations in specific companies and industry segments may vary over time, and changes in concentrations may affect the portfolio’s price volatility.

We sold put options that may require us to purchase 3,000,000 shares of our common stock upon exercise. The written put options are classified as other current liabilities. If the fair value of our common stock at June 27, 2004 decreased by 30%, the amount required to physically settle the contracts would exceed the fair value of the shares repurchased by approximately $2 million, net of the $5 million in premiums received.

At June 27, 2004, there have been no other material changes to the market risks described at September 28, 2003. 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.

## ITEM 4. 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(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

A review of the Company's current litigation is disclosed in the Notes to Condensed Consolidated Financial Statements. See "Notes to Condensed Consolidated Financial Statements – Note 7 – 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 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Issuer Purchases of Equity Securities (in thousands except per share data):

| | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| March 29, 2004 to April 25, 2004 | — | $ — | — | $ 834,375 |
| April 26, 2004 to May 23, 2004 | — | $ — | — | $ 834,375 |
| May 24, 2004 to June 27, 2004 | — | $ — | — | $ 834,375 |
| Total | — | $ — | — | $ 834,375 |

(1) On February 11, 2003, the Company announced that the Board of Directors approved a stock repurchase program of up to $1 billion to repurchase shares of the Company's stock over a two year period.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

**(a) Exhibits**

2.1 Restructuring Agreement, dated as of November 9, 2001, by and among the Company, Vésper São Paulo S.A., Vésper S.A., Vésper Holding São Paulo S.A., Vésper Holding S.A., VeloCom Cayman Brasil Holdings, QUALCOMM do Brasil Ltda., Bell Canada International (Brazil Telecom I) Limited, Bell Canada International (Megatel) Limited, VeloCom Inc., Nortel Networks Limited, Lucent Technologies Inc., Telefonaktiebolaget LM Ericsson (Publ.), Harris Corporation, VeloCom do Brasil Ltda., Vésper São Paulo Cayman and Vésper Holding, Ltd. (1)

2.2 The Subscription and Shareholders Agreement, dated as of November 9, 2001, by and among the Company, VeloCom Inc., Bell Canada International (Brazil Telecom I) Limited, Bell Canada International (Megatel) Limited, Bell Canada International (Espelho Sul) Limited, Nortel Networks Limited, Lucent Technologies Inc., Telefonaktiebolaget LM Ericsson (Publ.), Harris Corporation and Vésper Holding, Ltd. (1)

2.5 Embratel Share Purchase Agreement dated as of September 25, 2003, by and among Vésper Holding, Ltd., QUALCOMM do Brasil Ltda. and Embratel Participações S.A. (2)

| | |
|---|---|
| 3.1 | Restated Certificate of Incorporation. (3) |
| 3.2 | Certificate of Amendment of Restated Certificate of Incorporation. (3) |
| 3.3 | Certificate of Designation of Preferences. (3) |
| 3.4 | Bylaws. (3) |
| 3.5 | Amendment of the Bylaws. (3) |
| 10.2 | 1991 Stock Option Plan, as amended |
| 10.4 | Forms of Stock Option Grant under the 1991 Stock Option Plan |
| 10.21 | Executive Retirement Matching Contribution Plan, as amended |
| 10.22 | 1996 Non-Qualified Employee Stock Purchase Plan, as amended |
| 10.29 | 1998 Non-Employee Directors' Stock Option Plan, as amended (4) |
| 10.40 | Form of Stock Option Grant Notice and Agreement under the 2001 Stock Option Plan |
| 10.41 | 2001 Employee Stock Purchase Plan, as amended |
| 10.57 | Voluntary Executive Retirement Contribution Plan, as amended |
| 10.58 | Form of Annual Grant under the 1998 Non-Employee Directors' Stock Option Plan |
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Irwin Mark 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 USC. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for Irwin Mark Jacobs. |
| 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. |

(1) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on November 28, 2001.

(2) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 28, 2003.

(3) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended March 30, 2003.

(4) Filed as an Exhibit to the Registrant's Quarterly Report on Form 10-Q filed for the quarter ended March 26, 2000.

**(b) Reports on Form 8-K**

We furnished to the SEC a report on Form 8-K dated April 21, 2004, containing our April 21, 2004 Press Release related to our announcement of second quarter of fiscal 2004 results.

**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: July 21, 2004

EXHIBIT 10.2

QUALCOMM INCORPORATED

1991 STOCK OPTION PLAN

ADOPTED BY THE BOARD OF DIRECTORS AUGUST 19, 1991
AS AMENDED BY THE BOARD OF DIRECTORS ON MAY 4, 1992,
SEPTEMBER 8, 1993, AND NOVEMBER 14, 1994
AS AMENDED BY THE COMPENSATION COMMITTEE ON NOVEMBER 11, 1994
AS AMENDED BY THE BOARD OF DIRECTORS ON NOVEMBER 6, 1995
NOVEMBER 18, 1996, NOVEMBER 17, 1997, AND DECEMBER 18, 1997
AS AMENDED BY THE COMPENSATION COMMITTEE ON APRIL 24, 1998
AS AMENDED BY THE BOARD OF DIRECTORS ON SEPTEMBER 4, 1998
AS AMENDED BY THE BOARD OF DIRECTORS ON DECEMBER 7, 1998
AS AMENDED BY THE STOCK OPTION COMMITTEE EFFECTIVE NOVEMBER 5, 1999

1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to purchase stock of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(c) The Company intends that Options issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either Incentive Stock Options or Non-qualified Stock Options. All Options shall be separately designated Incentive Stock Options or Non-qualified Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option.

2. DEFINITIONS.

(a) "AFFILIATE" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "BOARD" means the Board of Directors of the Company.

(c) "CODE" means the Internal Revenue Code of 1986, as amended.



(d) "COMMITTEE" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(e) "COMPANY" means QUALCOMM Incorporated, a Delaware corporation.

(f) "CONSULTANT" means any person, including an advisor, engaged by the Company or an Affiliate to render services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(g) "CONTINUOUS SERVICE AS AN EMPLOYEE, DIRECTOR OR CONSULTANT" means that the service of an individual to the Company, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Board or the chief executive officer of the Company may determine, in that party's sole discretion, whether Continuous Service as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board or the chief executive officer, including sick leave, military leave, or any other personal leave; or (ii) transfers between the Company or between the Company, Affiliates or their successors. The term of each Option may be extended at the discretion of the Board or the chief executive officer (but not beyond ten (10) years from the date of original grant) for the period of any such approved leave of absence.

(h) "COVERED EMPLOYEE" means the chief executive officer and the four (4) other highest compensated officers of the Company.

(i) "DIRECTOR" means a member of the Board.

(j) "DISABILITY" means total and permanent disability as defined in Section 22(e)(3) of the Code.

(k) "EMPLOYEE" means any person, including Officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(l) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(m) "FAIR MARKET VALUE" means, as of any date, the value of the common stock of the Company determined as follows:

(i) If the common stock is listed on any established stock exchange or traded on the National Market of the Nasdaq Stock Market, the Fair Market Value of a share of common stock shall be the average of the highest and lowest price at which the



common stock was sold on such exchange or national market on the last market trading day prior to the date as of which the determination is to be made;

(ii) If the common stock is quoted on the Nasdaq Stock Market (but not on the National Market thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a share of common stock shall be the mean between the high bid and high asked prices for the common stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(iii) In the absence of an established market for the common stock, the Fair Market Value shall be determined in good faith by the Board.

(n) "INCENTIVE STOCK OPTION" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(o) "NON-EMPLOYEE DIRECTOR" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(p) "NON-QUALIFIED STOCK OPTION" means an Option not intended to qualify as an Incentive Stock Option.

(q) "OFFICER" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(r) "OPTION" means a stock option granted pursuant to the Plan.

(s) "OPTION AGREEMENT" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(t) "OPTIONED STOCK" means the common stock of the Company subject to an Option.



(u) "OPTIONEE" means an Employee or Consultant who holds an outstanding Option.

(v) "OUTSIDE DIRECTOR" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (as defined in the Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an affiliated corporation receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an affiliated corporation at any time, and is not currently receiving direct or indirect remuneration in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(w) "PLAN" means this 1991 Stock Option Plan.

(X) "RULE 16B-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect with respect to the Company when discretion is being exercised with respect to the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Options; when and how the Option shall be granted; whether the Option will be an Incentive Stock Option or a Non-qualified Stock Option; the provisions of each Option granted (which need not be identical), including the time or times such Option may be exercised in whole or in part; and the number of shares for which an Option shall be granted to each such person.

(ii) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Option as provided in Section 11.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company.



(c) The Board may delegate administration of the Plan to a committee composed of not fewer than two (2) members (the "Committee"), all of the members of which Committee shall be, in the discretion of the Board, Non-Employee Directors and/or Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee of two (2) or more Outside Directors any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. Notwithstanding anything in this Section 3 to the contrary, the Board or the Committee may delegate to a committee of one or more members of the Board the authority to grant Options to eligible persons who (1) are not then subject to Section 16 of the Exchange Act and/or (2) are either (i) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Option, or (ii) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 10 relating to adjustments upon changes in stock, the stock that may be sold pursuant to Options shall not exceed in the aggregate seventy-three million eight hundred thousand (73,800,000) shares of the Company's common stock; provided, however, that of such seventy-three million eight hundred thousand (73,800,000) shares, not more than ten million six hundred forty-eight thousand nine hundred sixty (10,648,960) shares of the Company's common stock (after giving effect to the 2:1 split in the Company's common stock effective February 16, 1994 and the 2:1 split in the Company's common stock effective May 10, 1999) shall be issued as a consequence of the assumption of options to acquire common stock of QUALCOMM, Inc., a California corporation, (the "Predecessor Company") pursuant to the Predecessor Company's Stock Option Plan, which plan has been terminated. If any Option shall for any reason become unexercisable, expire or otherwise terminate, in whole or in part, the stock not purchasable under such Option shall again become available for issuance pursuant to the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, whether bought on the market or otherwise.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Non-qualified Stock Options may be granted only to Employees, Directors or Consultants.



(b) No person shall be eligible for the grant of an Incentive Stock Option if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless the exercise price of such Incentive Stock Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Incentive Stock Option is not exercisable after the expiration of five (5) years from the date of grant.

(c) No Employee shall be eligible to be granted in any calendar year Options covering more than two percent (2%) of the total number of shares of the Company's common stock outstanding on the record date for the Company's 1995 Annual Meeting of Stockholders (2,587,720 shares after giving effect to the 2:1 split in the Company's common stock effective May 10, 1999).

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) TERM. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) PRICE. The exercise price of each Option generally shall be not less than one hundred percent (100%) of the fair market value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing: (i) an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code; and (ii) an Option granted to an Employee in The Netherlands may have an exercise price that is less than one hundred percent (100%) of the fair market value of the stock subject to the Option on the date the Option is granted if the exercise price of the Option is no less than one hundred percent (100%) of the fair market value of the stock subject to the Option on the date the offer of the Option is approved by the Board.

(c) CONSIDERATION. The purchase price of stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the option is exercised, or (ii) at the discretion of the Board or the Committee, either at the time of the grant or exercise of the Option, (A) by delivery to the Company of other common stock of the Company or (B) according to a deferred payment arrangement, except that payment of the common stock's "par value" (as defined in the



Delaware General Corporation Law) shall not be made by deferred payment, or other arrangement (which may include, without limiting the generality of the foregoing, the use of other common stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be payable at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) TRANSFERABILITY. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Incentive Stock Option is granted only by such person. A Non-qualified Stock Option shall be transferable by the Optionee only upon such terms and conditions as set forth in the Option Agreement for such Non-qualified Stock Option, as the Board or the Committee shall determine in its discretion. Unless otherwise specified in the Option Agreement, an Optionee may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionee, shall thereafter be entitled to exercise the Option.

(e) VESTING. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. During the remainder of the term of the Option (if its term extends beyond the end of the installment periods), the Option may be exercised from time to time with respect to any shares then remaining subject to the Option. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) SECURITIES LAW COMPLIANCE. The Company may require any Optionee, or any person to whom an Option is transferred under subsection 6(d), as a condition of exercising any such Option, (1) to give written assurances satisfactory to the Company as to the Optionee's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Option for such



person's own account and not with any present intention of selling or otherwise distributing the stock. These requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise of the Option has been registered under a then currently effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws.

(g) TERMINATION OF EMPLOYMENT OR RELATIONSHIP AS A CONSULTANT OR DIRECTOR. In the event an Optionee's Continuous Service as an Employee, Director or Consultant terminates (other than upon the Optionee's death or Disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination, unless the Option Agreement expressly provides that the Option may become exercisable for additional shares after the date of termination), but only within such period of time as is determined by the Board (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the case of an Incentive Stock Option, the Board shall determine such period of time (in no event to exceed ninety (90) days from the date of termination) when the Option is granted.

(h) DISABILITY OF OPTIONEE. In the event an Optionee's Continuous Service as an Employee, Director or Consultant terminates as a result of the Optionee's Disability, then: (i) the Option may continue under its original terms, if so provided in the Option Agreement, or (ii) if the Option Agreement does not provide for the continuation of the Option under its original terms, then the Optionee may exercise his or her Option, but only within twelve (12) months from the date of such termination (or such shorter period specified in the Option Agreement) and only to the extent that the Optionee was entitled to exercise it at the date of such termination (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement).

(i) DEATH OF OPTIONEE. In the event an Optionee's Continuous Service as an Employee, Director or Consultant terminates as a result of Optionee's death or due to the Optionee's Disability and such termination due to Disability is followed by the Optionee's death, then: (i) the vesting of all unvested shares may be accelerated as of the date of the death of the Optionee, if so provided in the Option Agreement, or (ii) if the Option Agreement does not provide for the acceleration of the vesting of all unvested shares, then the Option may be exercised, at any time within twelve (12) months following the date of death (or such shorter period specified in the Option Agreement) (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent that the Optionee was entitled to exercise the Option at the date of death.



(j) EARLY EXERCISE. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased may be subject to a repurchase right in favor of the Company or to any other restriction the Board determines to be appropriate.

(k) WITHHOLDING. To the extent provided by the terms of an Option Agreement, the Optionee may satisfy any federal, state or local tax withholding obligation relating to the exercise of such Option by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the participant as a result of the exercise of the Option; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

7. COVENANTS OF THE COMPANY.

(a) During the terms of the Options, the Company shall keep available at all times the number of shares of stock required to satisfy such Options.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

8. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

9. MISCELLANEOUS.

(a) The Board shall have the power to accelerate the time at which an option may first be exercised or the time during which an Option or any part thereof will vest pursuant to subsection 6(e) only for purposes of allowing early exercise, notwithstanding the provisions in the Option stating the time at which it may first be exercised or the time during which it will vest.



(b) Neither an Optionee nor any person to whom an Option is transferred under subsection 6(d) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such person has satisfied all requirements for exercise of the Option pursuant to its terms.

(c) Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Employee, Director or Consultant or Optionee any right to continue in the service of the Company or any Affiliate or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee, with or without cause, to remove any Director as provided in the Company's By-Laws and the provisions of the General Corporation Law of the State of Delaware, or to terminate the relationship of any Consultant subject to the terms of that Consultant's agreement with the Company or Affiliate to which such Consultant is providing services.

(d) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-qualified Stock Options.

(e) For purposes of interpretation of the Plan as it relates to the offer of an Option in The Netherlands "grant" or "granted" as used in the Plan, with the exception of subsections 6(b) and (c) of the Plan, shall be read as "grant or offer" or "granted or offered" respectively.

10. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any Option (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration of the Company), the Plan will be appropriately adjusted in the type(s) and maximum number of securities subject to the Plan as well as the maximum number of securities subject to award to any Employee during any calendar year pursuant to subsection 5(c), and each outstanding Option will be appropriately adjusted in the type(s), number of securities, and price per share of stock subject to the outstanding Option. Such adjustments shall be made by the Board or Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")



(b) In the event of: (1) a merger or consolidation in which the Company is not the surviving corporation or (2) a reverse merger in which the Company is the surviving corporation but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise then to the extent permitted by applicable law: (i) any surviving corporation shall assume any Options outstanding under the Plan or shall substitute similar Options for those outstanding under the Plan, or (ii) such Options shall continue in full force and effect. In the event any surviving corporation refuses to assume or continue such Options, or to substitute similar options for those outstanding under the Plan, then, with respect to Options held by persons then performing services as Employees, Directors or Consultants for the Company, the time at which such Options may first be exercised shall be accelerated and the Options terminated if not exercised prior to such event. In the event of a dissolution or liquidation of the Company, any Options outstanding under the Plan shall terminate if not exercised prior to such event.

(c) In addition, with respect to any person who was providing Continuous Service as an Employee, Director or Consultant immediately prior to the consummation of the Change in Control, any Options held by such person shall immediately become fully vested and exercisable (and any repurchase right by the Company with respect to shares acquired by such person under an Option shall lapse) if such person is Involuntarily Terminated Without Cause or Constructively Terminated within twenty-four (24) months following the Change in Control. Notwithstanding the preceding sentence, in the event all of the following occurs: (i) such contemplated Change in Control would occur prior to December 18, 1999 (the date two (2) years following the adoption of this Section 10(c)); (ii) such potential acceleration of vesting (and exercisability) would by itself result in a contemplated Change in Control that would otherwise be eligible to be accounted for as a "pooling of interests" accounting transaction to become ineligible for such accounting treatment; and (iii) the potential acquiror of the Company desires to account for such contemplated Change in Control as a "pooling of interests" transaction, then such acceleration shall not occur. Additionally, in the event that the restrictions upon acceleration provided for in the immediately preceding sentence by itself would result in a contemplated Change in Control to become ineligible to be accounted for as a "pooling of interests" accounting transaction, then such restrictions shall be deemed inoperative. Accounting issues shall be determined by the Company's independent public accountants applying generally accepted accounting principles.

For purposes of the Plan, Constructively Terminated shall mean the voluntary termination of employment by Optionee after any of the following are undertaken without Optionee's express written consent: (a) the assignment to Optionee of any duties or responsibilities which result in a material diminution or adverse change of Optionee's position, status or circumstances of employment, but does not include a mere change in title or reporting relationship; (b) reduction by the Company in Optionee's base salary; (c)



any failure by the Company to continue in effect any benefit plan or arrangement, including incentive plans or plans to receive securities of the Company, in which Optionee is participating (hereinafter referred to as "Benefit Plans"), or the taking of any action by the Company which would adversely affect Optionee's participation in or reduce Optionee's benefits under any Benefit Plans or deprive Optionee of any fringe benefit then enjoyed by Optionee, provided, however, that Optionee's termination is not deemed to be Constructively Terminated if the Company offers a range of benefit plans and programs which, taken as a whole, are comparable to the Benefit Plans; (d) a relocation of Optionee or the Company's principal business offices to a location more than fifty (50) miles from the location at which Optionee performs duties, except for required travel by Optionee on the Company's business to an extent substantially consistent with Optionee's business travel obligations; (e) any breach by the Company of any material agreement between Optionee and the Company concerning Optionee's employment; or (f) any failure by the Company to obtain the assumption of any material agreement between Optionee and the Company concerning Optionee's employment by any successor or assign of the Company.

For purposes of the Plan, Involuntarily Terminated Without Cause shall mean dismissal or discharge of Optionee for any reason other than Cause, death or Disability.

For purposes of the Plan, Cause shall mean any of the following: (a) an intentional act which materially injures the Company; (b) an intentional refusal or failure to follow lawful and reasonable directions of the Board or an individual to whom Optionee reports (as appropriate); (c) a willful and habitual neglect of duties; or (d) a conviction of a felony involving moral turpitude which is reasonably likely to inflict or has inflicted material injury on the Company.

11. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 10 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(i) Increase the number of shares reserved for options under the Plan;

(ii) Modify the requirements as to eligibility for participation in the Plan (to the extent such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code); or



(iii) Modify the Plan in any other way if such modification requires stockholder approval in order for the Plan to satisfy the requirements of Section 422 of the Code or to comply with the requirements of Rule 16b-3.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Optionees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(c) Rights and obligations under any Option granted before amendment of the Plan or of such Option shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Option was granted and (ii) such person consents in writing.

(d) The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights and obligations under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the person to whom the Option was granted and (ii) such person consents in writing, and; provided, further, that any repricing of outstanding Options shall in no event apply to Officers as defined in subsection 2(q) or to persons denominated as officers of the Company by the Board.

(e) The Board may in its sole discretion submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations promulgated thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

12. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on August 18, 2001, which shall be within ten (10) years from the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Option granted while the Plan is in effect shall not be altered by suspension or termination of the Plan, except with the consent of the person to whom the Option was granted.

13. EFFECTIVE DATE OF PLAN.



The Plan shall become effective as determined by the Board, but no Options granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company.

PROVISIONS APPLICABLE TO PERSONS SUBJECT TO THE LAWS OF THE REPUBLIC OF FRANCE

Pursuant to its authority to administer and amend the Plan, the Committee has adopted the following provisions so that an Option granted to an Employee who is subject to the laws of the Republic of France will provide the maximum benefits under the provisions of French law (the "French Option"), and to provide incentives for such Employee to exert maximum efforts for the success of the Company. The Company intends that French Options granted pursuant to these provisions shall qualify for the favorable treatment applicable to stock options that comply with sections L 208-1 to L 208-8-2 of the Law n degrees 66-537 of July 24, 1966 (the "French Law"). The terms of the Plan, as adopted and subsequently amended by the Board and the Committee, and as modified by the following provisions, constitute QUALCOMM Inc.'s Stock Option Plan for Employees subject to the laws of the Republic of France ("the French Plan"). Under the French Plan, such Employees will be granted only French Options. In no case will such Employees be granted substitute awards. Except as set forth below, the terms of the Option Agreement for a French Option shall otherwise comply with the other terms of the Plan.

14. ELIGIBILITY FOR FRENCH OPTION.

(a) No person shall be granted a French Option unless such person is an Employee.

(b) No person shall be eligible for the grant of a French Option if, at the time of grant, such person owns (or is deemed to own pursuant to the applicable laws of France) stock possessing more than ten percent (10%) of either (i) the total combined voting power of all classes of stock of the Company or of any of its Affiliates, or (ii) the Company's capital shares (as defined under French law).

15. ADMINISTRATION.

(a) The French Plan, including the determination of the time to grant a French Option, shall be administered in accordance with Section 3 of the Plan.

(b) Except as otherwise provided in the French Plan, terms used in the French Plan shall have the same meanings as set forth under Section 2 of the Plan.



(c) Throughout the term of the Plan, no French Option shall be granted, if by making such grant, the aggregate number of shares subject to outstanding French Options could at any time exceed one-third of the aggregate number of all shares of all classes of stock of the Company authorized for issuance.

16. FRENCH OPTION PROVISIONS.

(a) PRICE. The exercise price of a French Option shall be no less than the higher of: (i) ninety-five percent (95%) of the average closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Company's common stock) for the twenty (20) market trading days immediately preceding the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; or (ii) one hundred percent (100%) of the Fair Market Value of the stock.

(b) TRANSFERABILITY. The terms of a French Option shall provide that during the lifetime of the Optionee, the French Option may be exercised only by the Optionee. The terms of a French Option shall not permit transfer of the French Option, except on death and then only to the extent permitted by French law. In the event of the death of the Optionee during the Optionee's Continuous Service as an Employee, Director or Consultant, such French Option may be transferred to the extent permitted by French law. A French Option so transferred may be exercised (to the extent the Optionee was entitled to exercise such French Option as of the date of death) by the transferee only within the period ending on the earlier of (i) the date six (6) months following the date of death, or (ii) the expiration of the term of such French Option as set forth in the Option Agreement.

(c) VESTING. A French Option shall vest (become exercisable) as provided in the Option Agreement, subject to the condition that on the vesting date, the Optionee is a salaried employee of the Company or its Affiliate, except such condition shall not apply in the event of the Optionee's Disability, or as provided under Section 10 of the French Plan. The Option Agreement for a French Option may, but need not, include a provision whereby the Optionee may elect, at any time while an Employee, to exercise the French Option as to any part or all of the shares subject to such French Option prior to the full vesting of such French Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company until such shares have vested and may be subject to any other restriction the Board determines to be appropriate (e.g., a prohibition on the sale of such unvested shares without the prior written consent of the Company).

(d) DEATH. In the event of the death of an Optionee, the Option Agreement for a French Option shall provide that such Optionee's heirs may only exercise the French Option within a period of time not to exceed six months following such Optionee's death (and in no event after the date on which the French Option would otherwise terminate). If, after the Optionee's death, the French Option is not exercised within the time specified



in the Option Agreement, the French Option shall terminate, and the shares covered by such French Option shall revert to and again become available for issuance pursuant to Options (whether or not a French Option) granted under the Plan.

17. ADJUSTMENTS UPON CHANGES IN STOCK.

Any adjustment pursuant to Section 10 of the Plan, of stock subject to a French Option, shall be made (a) in accordance with the applicable law of the state in which the Company is incorporated at the time the adjustment is made, and (b) in accordance with any applicable rules of the stock exchange (including for this purpose the Nasdaq National Market System) which the Company uses to determine Fair Market Value; provided however, that such adjustments are among those contemplated by section L 208-5 of the French Law (or any successor provision).

18. INTERPRETATION.

It is intended that options granted under the French Plan shall qualify for the favorable tax and social security treatment applicable to stock options granted under sections L 208-1 up to L 208-8-2 of the Law n degrees 66-537 of July 24, 1966 and in accordance with the relevant provisions set forth by French tax law and the French tax administration. The terms of the French Plan shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, as well as the French tax and social security regulations.

19. GOVERNING LAW.

Except as required by French tax and social security laws and regulations, the Plan shall be governed and construed in accordance with the laws of the State of California and the United States of America.

20. ADOPTION

The French Plan was adopted by a meeting of the Committee duly appointed by the Board, held on April 24, 1998.

EXHIBIT 10.4

QUALCOMM INCORPORATED
STOCK OPTION GRANT NOTICE

QUALCOMM INCORPORATED (the "Company"), pursuant to its 1991 Stock Option Plan (the "Plan") hereby grants to the Optionee named below a non-qualified stock option to purchase the number of shares of the Company's common stock set forth below. This non-qualified stock option is not intended to qualify for the federal income tax benefits available to an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. This option is subject to all of the terms and conditions as set forth herein and in Attachment I and the Plan (1) which are incorporated herein in their entirety.

<Table>

| <S> | <C> |
|---|---|
| Optionee/Emp #: ----------------------- | Grant No.: ----------------------- |
| Date of Grant: ----------------------- | Shares Subject to Option: --------- |
| Exercise Price Per Share: ------------ | Expiration Date: ------------------ |

</Table>

VESTING SCHEDULE

<Table>
<Caption>

| Exercisable Shares | Full Vesting Date | Expiration Date |
|---|---|---|
| <S> | <C> | <C> |
| ---------- | ---------- | --------- |
| ---------- | ---------- | --------- |
| ---------- | ---------- | --------- |

</Table>

* These option shares vest on each monthly anniversary date after ----------------------- as to 1/60th of the total shares granted.

ADDITIONAL TERMS/ACKNOWLEDGMENTS: The undersigned Optionee acknowledges receipt of, and understands and agrees to the terms of the following: this Grant Notice, the Stock Option Agreement and the Plan. Optionee further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionee and the Company regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements pertaining to this particular option.

<Table>

| <S> | <C> |
|---|---|
| QUALCOMM INCORPORATED | OPTIONEE: |
| By: --------------------------------- | ------------------------------------ Signature |
| Dated: ------------------------------ | Date: ------------------------------- |

</Table>

Attachment I: Stock Option Agreement

1 A copy of the Plan can be obtained on Stock Admin's website, located on QUALCOMM's internal webpage under Departments and Projects, or you may request a hard copy from the Stock Administration Department.

Please return this Notice to Stock Administration, L-729G Form N8-yc

EXHIBIT 10.21

# QUALCOMM INCORPORATED

# EXECUTIVE RETIREMENT MATCHING CONTRIBUTION PLAN (as amended and restated)

Effective Date: December 1, 1995
Amended and Restated Effective: August 26, 1996
Amended and Restated Effective: December 18, 1997
Amended and Restated Effective: January 19, 1998
Amended and Restated Effective: April 24, 1998
Amended and Restated Effective: August 1, 1998
Amended and Restated Effective: February 20, 1999
Amended and Restated Effective: January 1, 2000
Amended and Restated Effective: January 1, 2003
Amended and Restated Effective November 30, 2003

## ARTICLE 1 INTRODUCTION

WHEREAS, QUALCOMM INCORPORATED (the "Company") has established a supplementary employee retirement plan as set forth herein (the "Plan") to provide deferred compensation for a select group of management or highly compensated employees of the Employer, originally effective December 1, 1995; and

WHEREAS, the Company amended and restated the Plan on August 26, 1996, to refine the definition of "Base Salary;" on December 18, 1997, to limit the instances in which termination of employment following a Change of Control will fully vest the benefits provided to participants in the Plan, on January 19, 1998, to provide for the discretionary allocation of contributions by the Board, to the accounts of Participants, on April 24, 1998, to adjust the formula for Matching Contributions in order to improve the benefits provided to Participants in the Plan and to add additional vesting schedules to allow certain participants to accelerate the vesting in their participant Accounts, on August 1, 1998, to allow the transfer of funds under limited circumstances to or from certain other nonqualified, unfunded, deferred compensation plans and to determine when a termination of employment has occurred, on February 20, 1999 to permit employment with the Company's Affiliate, Wireless Knowledge, Inc. to be considered for purposes of certain types of vesting under the Plan, and effective as of January 1, 2000 to amend the Plan to add an additional alternate vesting schedule, and effective as of January 1, 2003 in order to clarify the treatment of dividends paid on shares of Company common stock held by the Trust; and

WHEREAS, the Company has the legal authority to establish the Plan pursuant to the laws of the State of Delaware and to amend the Plan pursuant to Section 10.1 of the Plan; and

WHEREAS, the Company intends to provide under the Plan that the Company shall pay to Participants and their beneficiaries the entire cost of benefits under the Plan from its general assets and set aside contributions by the Company to meet its obligations under the Plan; and

WHEREAS, the Company intends that the assets of the Plan and its accompanying trust shall at all times be subject to the claims of the general creditors of the Company in the event of the financial insolvency of the Company; and

WHEREAS, the Company intends that any rights of Participants in the Plan and their beneficiaries be unsecured and unfunded for purposes of tax law and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and

WHEREAS, the Company wishes to amend the Plan to provide that, for any contribution made to the Plan on or after November 30, 2003, that the Plan's definition of "Change of Control" be revised as provided in Article 2;

NOW, THEREFORE, the Company does hereby amend and restate the Plan as follows, effective as of November 24, 2003, and does also hereby agree that the assets of the Plan shall be identified, held, invested, and disposed of as follows:



## ARTICLE 2 DEFINITIONS

"AFFILIATE" includes any entity which controls, is controlled by, or is under common control with the Company.

"BENEFICIARY" means the beneficiary or beneficiaries designated by the Participant who are to receive any distributions from the Plan payable upon the death of the Participant.

"BASE SALARY" means wages as defined in Section 3401(a) of the Code, any annual cash incentive bonus which is normally paid by the Employer to a Participant in December, and all other payments of compensation to a Participant by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Participant a written statement under Section 6041(d) or Section 6051(a)(3) of the Code, excluding the following items: any bonus other than an annual cash incentive bonus which is normally paid by the Employer to a Participant in the month of December, commissions, the value of a qualified, incentive, or non-qualified stock option granted to the Participant by the Company to the extent such value is includable in the Participant's taxable income, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, and in-service withdrawals of amounts from the Plan or the Executive Retirement Plan, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 402(a)(8), 402(h), or 403(b) of the Code or by reason of an election of the Participant to defer amounts of base salary under the Executive Retirement Plan. Base Salary 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).

"BOARD" means the Company's Board of Directors.

"CAUSE" means any of the following: (i) an intentional act which materially injures the Company (or any surviving entity following a Change of Control); (ii) an intentional refusal or failure to follow lawful and reasonable directions of the Board (or comparable body of the surviving entity following a Change of Control) or an individual to whom the Participant reports (as appropriate); (iii) a willful and habitual neglect of duties; or (iv) a conviction of a felony involving moral turpitude which is reasonably likely to inflict or has inflicted material injury on Company (or any surviving entity following a Change of Control).

"CHANGE OF CONTROL" shall mean, with respect to any contribution made prior to November 30, 2003, a (i) a merger or consolidation in which the Company is not the surviving corporation, (ii) a reverse merger in which the Company is the surviving corporation, but the shares of the Company's common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash, or otherwise, (iii) a transaction in which beneficial ownership of at least thirty percent (30%) of the shares of the Company's common stock is no longer held by those shareholders (or their affiliates) holding such beneficial ownership immediately prior to such transaction, (iv) the sale of all or



substantially all of the Company's assets, or (v) the acquisition by any person or group of related persons of beneficial ownership of at least thirty percent (30%) of the Company's outstanding voting securities. Notwithstanding the foregoing however, "Change of Control" shall mean, with respect to any contribution made on or after November 30, 2003, 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 the sale, exchange, or transfer of all or substantially all, as determined by the Board in its discretion, of the assets of the Company, 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.

"COMPENSATION COMMITTEE" means the Compensation Committee of the Company's Board of Directors.

"EARLY RETIREMENT AGE" means the time that a Participant attains age 62-1/2 while employed by the Employer and completes ten (10) Years of Service for Vesting (as defined in the Executive Retirement Plan).

"EFFECTIVE DATE" means December 1, 1995.

"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 chosen by the Plan Administrator, in the Plan Administrator's sole discretion, to be eligible to participate in the Plan. For purposes of the Plan, the phrase "select group of management or highly compensated employees" in a given Plan Year shall include those individuals selected by the Plan Administrator from that group of individuals who hold the position of Office of the Chair, Corporate Senior Vice President, Division President, Corporate Vice President, Division Senior Vice President, Division Vice President, or a position of equivalent seniority and responsibility with the Employer.

"EMPLOYER" means QUALCOMM Incorporated, a Delaware corporation, QUALCOMM Investments, QUALCOMM International, any succeeding or continuing corporation of any of the foregoing, and any other parent or subsidiary corporation of the Company which the Compensation Committee permits to adopt the Plan.

"ENROLLMENT AGREEMENT" means the agreement or agreements entered into by a Participant under the Executive Retirement Plan which specifies the Participant's Beneficiary and the Participant's election of form of payment on termination of employment and certain withdrawals during employment.

"EXECUTIVE RETIREMENT PLAN" means the QUALCOMM Incorporated Executive



Retirement Contribution Plan, adopted effective as of December 1, 1995, as amended from time to time.

"FAIR MARKET VALUE" means, with respect to a single day on which the Company's common stock is actively traded on the public market, the closing sales price for the Company's common stock for such day as reported on an established securities exchange or automated quotation system (including NASDAQ) on which the Company's common stock is traded, or if the stock is actively traded on more than one such exchange or system, the one with the highest trading volume for the Company's common stock on such day.

"GOOD REASON" means (i) reduction of Participant's rate of compensation as in effect immediately prior to the occurrence of a Change of Control, (ii) failure to provide a package of welfare benefit plans which, taken as a whole, provide substantially similar benefits to those in which the Participant is entitled to participate immediately prior to the occurrence of a Change of Control (except that employee contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company which would adversely affect Participant's participation or reduce Participant's benefits under any of such plans, (iii) change in Participant's responsibilities, authority, title or office resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith which is remedied by the Employer promptly after notice thereof is given by Participant, (iv) request that Participant relocate to a worksite that is more than 50 miles from his or her prior worksite, unless Participant accepts such relocation opportunity, (v) material reduction in Participant's duties, (vi) failure or refusal of a successor to the Employer to assume the Employer's obligations under the Plan, or (vii) material breach by the Employer or any successor to the Employer of any of the material provisions of the Plan.

"NORMAL RETIREMENT AGE" means the time that a Participant attains age 65 while employed by the Employer.

"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.

"PARTICIPANT" means any Eligible Employee selected by the Plan Administrator and any individual whose benefits under the Plan have not been distributed in their entirety.

"PARTICIPANT'S ACCOUNT" means the individual account maintained for a Participant by the Plan Administrator in accordance with the terms of the Plan and the Trust Agreement.

"PLAN ADMINISTRATOR" means the committee of one or more individuals selected by the Compensation Committee to control and manage the operation and administration of the Plan.

"PLAN YEAR" means the 12 consecutive month period beginning on January 1 and ending



on the following December 31. Notwithstanding the foregoing, the Plan's initial

Plan Year shall commence on December 1, 1995 and end on December 31, 1995.

"TOP HAT PLAN" means a non-qualified deferred compensation plan for a select group of management or highly compensated employees within the meaning of section 401(a)(1) of ERISA.

"TRUST" means the legal entity created by the Trust Agreement.

"TRUST AGREEMENT" means that trust agreement entered into between the Company and the Trustee to hold the assets of the Plan.

"TRUSTEE" means the original Trustee named in the Trust Agreement and any duly appointed and acting successor Trustee(s) which shall be appointed by the Employer and may consist of one or more persons.

ARTICLE 3
CONTRIBUTIONS

3.1 All non-discretionary contributions ("Match Contributions") to the Plan with respect to a given Participant shall be made by the Company in the amount determined under the following formula.

The Company will make a Match Contribution to the Plan with respect to a Participant for a Plan Year in an amount equal to fifty percent (50%) of the amount which such Participant has authorized to be withheld from his or her compensation (as defined in the Executive Retirement Plan) which would have otherwise been paid during such Plan Year and which is contributed to the Executive Retirement Plan on his or her behalf.

For Plan Years prior to Plan Year 1998, the Match Contribution to the Plan with respect to a Participant for a given Plan Year shall not exceed 7.5% (or 50% of 15%) of such Participant's Base Salary for the fiscal year of the QUALCOMM Inc. Employee Savings and Profit Sharing Plan (the "401(k) Plan") which ends with or within the Plan Year, reduced by the lesser of 50% of the limit established under section 402(g) of the Code for the calendar year which ends with or within such Plan Year (i.e., 50% of $9,240 for calendar year 1995) or 50% of the maximum amount which the Plan permits a Participant to contribute to the 401(k) Plan for the fiscal year of the 401(k) Plan which ends with or within such Plan Year (the "401 (k) Annual Matching Contribution Limit").

For Plan Year 1998, the Match Contribution to the Plan with respect to a Participant shall not exceed the sum of 7.5% (or 50% of 15%) of the wages portion of such Participant's Base Salary (excluding all items of compensation listed as being excluded from the definition of Base Salary and also excluding the annual cash incentive bonus that is normally paid by the Employer to the Participant in the month of December) and 10% (or 50% of 20%) of the portion of such Participant's Base Salary that is attributable to the annual cash incentive bonus that is normally paid by the Employer to the Participant in the month of December for the fiscal year of the 401(k)



Plan which ends with or within the Plan Year, reduced by the lesser of 50% of the limit established under section 402(g) of the Code for the calendar year which ends with or within such Plan Year (i. e., 50% of $10,000 for calendar year 1998) or 50% of the 401(k) Annual Matching Contribution Limit.

For Plan Years commencing after Plan Year 1998, the Match Contribution to the Plan with respect to a Participant for a given Plan Year shall not exceed 10% (or 50% of 20%) of such Participant's Base Salary for the fiscal year of the 401(k) Plan which ends with or within the Plan Year, reduced by the lesser of 50% of the limit established under section 402(g) of the Code far the calendar year which ends with or within such Plan Year or 50% of the 401(k) Annual Matching Contribution Limit.

The Company's Match Contribution to the Plan for a given Participant for a specified quarterly contribution period as described in Section 3.4 shall be equal to fifty percent (50%) of the amount which the Participant has authorized to be withheld from his or her compensation (as defined in the Executive Retirement Plan) for contribution to the Executive Retirement Plan which would have otherwise been paid during such quarterly contribution period, subject to a maximum of 2.5% (1.875% for Plan Years prior to Plan Year 1998) of such Participant's Base Salary for the fiscal year of the 401(k) Plan ending with or within the Plan Year with respect to which such quarterly contribution is made, and further reduced by 25% of the 401(k) Annual Matching Contribution Limit for the fiscal year of the 401(k) Plan ending with or within the Plan Year in which such quarterly contribution period falls. Notwithstanding the foregoing, the Company's Match Contribution to the Plan for a given Participant for the final quarterly contribution period for a given Plan Year shall be equal to the annual Match Contribution for such Participant for that Plan Year calculated by applying the rules set forth in the preceding paragraph, reduced by the sum of the Match Contributions made by the Company for the first three quarterly contribution periods of that Plan Year. Furthermore, notwithstanding any other provision of the Plan to the contrary, the Company's Match Contribution for a given Participant for a specified quarterly contribution period shall be rounded up to the next whole number of shares of the Company's common stock. No Participant shall be permitted to make or authorize any contributions to the Plan, whether by means of authorized withholding and deferral of compensation or otherwise.

Notwithstanding the foregoing, the Company shall not make a Match Contribution to the Plan with respect to any amounts a Participant will contribute to the Executive Retirement Plan as a result of the special one time vacation accrual distribution payment, to be paid according to the Company's vacation accrual distribution payment program on April 1, 2002.

No entity which is a part of the Employer other than the Company shall have any obligations to make any contributions to the Plan, pay any benefits to any Participant created by the Plan, or have any other financial obligation or liability as a result of the establishment, operation or termination of the Plan.

3.2 From time to time the Company may, as recommended by the Compensation Committee to the Board, and approved by the Board in its complete discretion, make a



discretionary contribution of less than twenty-five thousand (25,000) shares to a Participant's Account, for one or more Participants, to recruit or retain Participants as employees of the Company.

3.3 All contributions to the Plan shall be made solely in the form of whole shares of the Company's common stock. For purposes of converting the Company's contribution from a dollar value as determined under Section 3.1 to a number of whole shares of the Company's common stock which shall be contributed for a quarterly contribution period as described in Section 3.4, the Fair Market Value of the Company's common stock shall be the average of the closing sales prices for the Company's common stock for a period of the last ten (10) trading days within such quarterly contribution period.

3.4 Match Contributions shall be made to the Plan by the Company for a given Plan Year on a quarterly basis. The first quarterly Match Contribution shall be made as soon as administratively reasonable after March 31 and shall relate to contributions on compensation received or otherwise receivable by Participants on or after January 1 and on or before the next following March 31. The second quarterly Match Contribution shall be made as soon as administratively reasonable after June 30 and shall relate to contributions on compensation received or otherwise receivable by Participants after March 31 and on or before the following June 30. The third quarterly Match Contribution shall be made as soon as administratively reasonable after September 30 and shall relate to contributions on compensation received or otherwise receivable by Participants after June 30 and on or before the following September 30. The fourth quarterly Match Contribution shall be made as soon as administratively reasonable after December 31 and shall relate to contributions on compensation received or otherwise receivable by Participants after September 30 and on or before the last day of such Plan Year. However the Match Contribution for the Plan's initial Plan Year shall be made as soon as reasonable after December 31, 1995 and shall relate to contributions on compensation received or otherwise receivable by Participants during the month of December 1995.

Discretionary contributions made pursuant to Section 3.2 may be made at any time.

3.5 All contributions to the Plan made by the Company shall be held as an asset of the Company, and the Company shall deposit such contributions (less any applicable tax withholding required by law) into the Trust.

3.6 The Company, through the Plan Administrator, has the power to establish rules and from time to time to modify or change such rules governing the manner and method by which contributions are made, but only the Compensation Committee may change the contribution formula set forth in Section 3.1 of the Plan.

3.7 All deposits to the Trust made under the Plan on behalf of a Participant shall be reflected by a credit in the same amount to such Participant's Account. A Participant's Account is a bookkeeping record of all amounts deposited in the Trust on behalf of such Participant, and any earnings allocated to such Account as provided in the Plan, for purposes of determining the Participant's interest in the Trust, and shall be accounted for and reported in terms of whole



shares of the Company's common stock.

3.8 Notwithstanding any other provision of the Plan to the contrary, the maximum number of shares which may be contributed to the Plan shall be one hundred thousand (100,000) shares of the Company's common stock. However, in the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, appropriate adjustments shall be made in the number and class of shares subject to the Plan. If a majority of the shares which are of the same class as the shares that are contributed under the Plan 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 shares under this Plan shall automatically be exchanged for such New Shares. In the event of any such amendment, the number of shares under the Plan shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number.

## ARTICLE 4
## WITHDRAWALS DURING EMPLOYMENT

4.1 A Participant may request a withdrawal of some or all of his or her benefits from the Plan while remaining employed by the Employer, but whether or not such a request is approved shall be in the sole discretion of the Plan Administrator.

## ARTICLE 5
## EARNINGS ON PARTICIPANTS' ACCOUNTS AND PLAN INVESTMENTS

5.1 All contributions will be made in shares of the Company's common stock. In the event that the Trust for any reason holds cash or other property sufficient to purchase a whole share of the Company's common stock, the Trustee shall 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. 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 Plan Administrator.

5.2 All contributions and other amounts governed by the terms of the Plan and Trust Agreement, including all investments purchased with such amounts and all income attributable thereto, shall remain (until distributed to a Participant or Beneficiary) the property of the Company as provided under the Plan and Trust Agreement and shall be subject to the claims of the Company's general creditors in the event of the Company's financial insolvency. No Participant or Beneficiary shall have any secured or beneficial interest in any property, rights or investments held by the Company, the Employer or the Trustee in connection with the Plan.

5.3 Each Participant's Account shall be invested 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.

5.4 Earnings shall be calculated and allocated as of the last day of each Plan Year and such other dates as shall be determined by the Plan Administrator in the Plan Administrator's sole discretion.

5.5 Notwithstanding any other provision of the Plan to the contrary, and intending to elaborate on the other provisions of this Article 5, any transaction which might cause the Trust to hold any property other than a single class of the Company's securities (such as cash) as a result of any transaction (such as the payment of a cash dividend), and after the completion of such transaction that other property does not comprise a majority of the Plan's assets (by value) held by the Trust, then such property after having been properly allocated to Participant's Accounts shall be used to purchase additional whole shares of the Company's common stock pursuant to the provisions of the Trust Agreement. Shares of Company common stock acquired pursuant to this Section 5.5 and the applicable provisions of the Trust Agreement shall be allocated to each Participant's Account in relation to the number of whole shares of Company common stock purchased with the amount of such other property previously allocated to such Participant's Account. Any shares of Company common stock acquired pursuant to this Section 5.5 shall be, unless otherwise determined by the Plan Administrator prior to any such purchase, one hundred percent (100%) vested as of the date of purchase regardless of the vesting percentage otherwise applicable to the Participant's Account as determined in accordance with Article 7.

## ARTICLE 6
## BENEFICIARY

6.1 The Participant's Enrollment Agreement shall designate the Beneficiary who is to receive a distribution of the value of a Participant's Account in the event of such 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 determined by the terms of the Executive Retirement Plan. The other terms and conditions of a Participant's selection of a Beneficiary shall also be determined by the Executive Retirement Plan.

ARTICLE 7
VESTING

7.1 The value of a Participant's Account at the time of vesting (i. e., to the extent not forfeited earlier) shall vest in accordance with whichever one of the following schedules results in e largest vested balance in such Participant's Account:

(a) One hundred percent (100%) shall be vested upon the occurrence of such Participant's death, termination of employment on account of total and permanent disability, or attainment of Normal Retirement Age while employed by the Employer. "Total and permanent



disability" means a medically determinable physical or mental impairment which renders the Participant unable to engage in any substantial gainful activity and which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

(b) One hundred percent (100%) of all contributions (discretionary and nondiscretionary) made on the Participant's behalf for a Plan Year shall be vested on the first day of the eleventh Plan Year that follows such Plan Year, provided that the Participant has not terminated employment with all Employers by that date.

(c) For a Participant who has attained at least age 61 and has completed three (3) Years of Service for Vesting (as defined in the Executive Retirement Plan), then the value of such Participant's Account shall be vested on the day on which the foregoing conditions are satisfied, provided that the Participant has not terminated employment with all Employers by that date (the "Age 61 & 3 Vesting Date"), in an amount determined by multiplying the value of such Participant's Account, on such date, by the product of 20% multiplied by the number of whole years (with fractional years rounded down) by which such Participant's age exceeds 60. On each anniversary of the Age 61 & 3 Vesting Date thereafter, the vested value of such Participant's Account shall be recalculated again by using the formula for calculating the vested value of such Participant's Account on the Age 61 & 3 Vesting Date, provided that the Participant has not terminated employment with all Employers by that date.

(d) In determining the vesting of persons who were Participants in the Plan on o prior to April 24, 1998, the following vesting schedule shall also be considered. Upon satisfaction of the age and service requirements for Early Retirement Age while employed by the Employer, then such a Participant's Account shall become vested in that percentage determined according to the following formula: one hundred percent (100%) reduced by ten percent (10%) for each full six-month period during which the Participant must remain employed with the Employer in order to reach his or her Normal Retirement Age while employed by the Employer. Upon completing each additional six-month period of employment with the Employer after having attained Early Retirement Age while employed by the Employer, such a Participant's Account shall be vested in an additional ten percent (10%).

(e) Partially or fully vested in the complete discretion of the Compensation Committee.

(f) One hundred percent (100%) vested in the event of a Change of Control, if at any time within twenty-four (24) months of the Change of Control, the Participant's employment with the Employer is involuntarily terminated by the Employer without Cause, or if such employment is voluntarily terminated by the Participant with Good Reason (which Good Reason must occur at or after the time of the Change of Control).

(g) Effective January 1, 2000, for determining the vesting of contributions (whenever made) to the account of a person who is a Participant on or after that date the following schedule shall also be considered: twenty-five percent (25%) of the contributions



relating to a given Plan Year (including any earnings thereon) shall vest at the end of each Plan Year thereafter; provided, however, that (i) the Participant is an employee of the Employer for the entire duration of such subsequent Plan Year, and (ii) the Participant is deferring compensation into the Executive Retirement Plan during that subsequent Plan Year. If the Participant takes an unpaid leave of absence that either is approved by the Employer or is legally required to be made available to the Participant, and from which it is anticipated that the Participant will return to service as an employee of the Employer, then the duration of that leave of absence will not be considered for purposes of determining whether the Participant has been employed for the entire duration of a Plan Year (e. g., vacation, sabbatical, paid time off for illness or injury of the Participant or to care for a member of the Participant's family or circle of friends due to that person's illness or injury are instances in which the Participant would be anticipated to return to active service as an employee of the Employer). If the Participant is not an employee of the Employer for the entire duration of a subsequent Plan Year or is not deferring compensation into the Executive Retirement Plan during such subsequent Plan Year, then all further vesting under this provision shall be suspended for that Participant. Suspended vesting installments relating to contributions made to a Participant's Account for a particular Plan Year shall vest as follows: (i) the suspended vesting installment that would have been first to vest if the above conditions had been met shall vest at the end of the next Plan Year following such suspension in which (A) the Participant is an employee of the Employer for the entire duration of such Plan Year, and (B) the Participant is deferring compensation into the Executive Retirement Plan during such Plan Year; and (ii) only one suspended vesting installment of the suspended vesting installments relating to contributions made for a particular Plan Year shall vest in that later Plan Year. The other suspended vesting installments relating to contributions made to a Participant's Account for a particular Plan Year shall vest one at a time in later Plan Years in which the conditions set forth in the preceding sentence are met.

7.2 For purposes of Sections 7.1 (b), (c) and (d) (including the calculation of Years of Service for Vesting), a Participant's service and employment with Leap Wireless International, Inc. (" Leap") shall be treated as service and employment with the Employer if such Participant commenced employment with Leap on or before October 1, 1998 and such employment was immediately subsequent to employment with the Employer.

7.3 For purposes of Sections 7.1(b), (c) and (d) (including the calculation of Years of Service for Vesting), a Participant's service and employment with Wireless Knowledge, Inc. 10. ("WK") shall be treated as service and employment with the Employer if such Participant (i) received a discretionary contribution pursuant to Section 3.2, (ii) commenced employment with WK on or before April 1, 1999 and (iii) such employment was concurrent with, or immediately subsequent to, employment with the Employer or an Affiliate.

7.4 For purposes of Sections 7.1(b), (c) and (d) (including the calculation of Years of Service for Vesting), a Participant's service as a member of the Board shall be treated as service and employment with the Employer if, after such Participant's termination of employment, the Participant continues to provide services to the Employer as a member of the Board, as such Participant shall not be deemed to have terminated employment merely because such Participant ceased to be an Eligible Employee, provided such Participant continues to provide service to the



Employer as a member of the Board.

7.5 Notwithstanding the vesting of some or all of the amounts credited to Participants' Accounts under the Plan, all amounts credited to all Participants' Accounts shall remain available to satisfy the claims of the Company's creditors in the event of the Company's financial insolvency as defined in the Trust Agreement. Amounts credited to a Participant's Account which are not vested at the time that the Participant terminates employment with the Employer shall be forfeited and applied to reduce the Company's future contributions or to pay costs associated with the operation and administration of the Plan. 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 employed by the Employer and is eligible to participate in the Plan.

## ARTICLE 8
## DISTRIBUTION OF BENEFITS

8.1 A Participant shall automatically receive a distribution of his or her vested benefits in the Plan as soon as administratively reasonable following the termination of the Participant's employment with the Employer. The amount of such distribution shall be equal to the final balance of such vested benefits credited to such Participant's Account as of the date of such termination, plus any subsequent contributions. The distribution shall be paid only in whole shares of the Company's common stock or stock of Leap Wireless International, Inc., a Delaware corporation and any succeeding or continuing corporation of the foregoing. A distribution of vested benefits will be made to such Participant based upon the payment option elected by the Participant. The forms of payment options and the terms and conditions for making and changing an election regarding a payment option shall be the same as provided for under the Executive Retirement Plan.

8.2 Any benefits paid upon the death of a Participant must be paid to the Beneficiary designated by such Participant in the Enrollment Agreement. Such death benefits shall be paid in the form of payment determined under the Executive Retirement Plan.

8.3 In the event that a Participant or Beneficiary elects to receive his or her distribution in the form of installment payments in accordance with the terms of the Executive Retirement Plan, the Plan Administrator shall require that all installment payments be made solely in whole shares of the Company's common stock and shall direct the Trustee to make such payments in accordance with that requirement.

8.4 The Plan Administrator shall have the authority to withhold from a distribution to a Participant or Beneficiary or from a Participant's Account any amount needed to satisfy the Employer's income or employment withholding tax obligations with respect to such distribution or upon the vesting of a Participant's Account and may also arrange with the Participant to allow the Participant to make payment to the Employer to satisfy such obligations.

8.5 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 8.5, 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 Plan Administrator. The Plan Administrator shall reduce a Distribution only upon written notice by the Participant indicating the amount of such reduction and/or shall accept the return of some or all of a Distribution previously made to a Participant. Any amounts returned to the Plan pursuant to this Section 8.5 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.

8.6 For purposes of this Article 8, the following shall be deemed to be employment of the Participant with the Employer: (i) employment by an Affiliate, (ii) the provision of consulting services to the Employer or Affiliate, (iii) the provision of services to the Employer as a member of the Board that is simultaneous and immediately after the termination of employment with the Employer or an Affiliate, (iv) employment by Leap Wireless International, Inc. that commences prior to October 1, 1998, and is simultaneous with or immediately after employment with the Employer or an Affiliate, and (v) if the Participant has received a discretionary contribution pursuant to Section 3.2, then employment by WK that commences prior to April 1, 1999, and is simultaneous with or immediately after employment with the Employer or an Affiliate.

8.7 Distributions of benefits in accordance with a Domestic Relations Order:

(a) Notwithstanding anything in this Plan to the contrary, the Plan Administrator, or such other entity as may be designated by the Employer in accordance with Article 9, may, in its sole and absolute discretion, permit an immediate distribution of all or a portion of a Participant's vested benefit the Plan to the former spouse of the Participant if:

(1) the Plan Administrator receives an executed, final order of a state court which grants a divorce or otherwise acts to dissolve a marriage and in accordance with such divorce or dissolution awards the former spouse a portion of the vested benefits of the Participant under this Plan ("Domestic Relations Order");

(2) the Plan Administrator determines, in its sole and absolute discretion, that the Plan shall be subject and abide by the terms of such Domestic Relations Order, that the Domestic Relations Order satisfies all the requirements of this Section 8.7 and that the Plan Administrator deems such Domestic Relations Order to be acceptable in all other respects and in accordance with any and all policies of the Employer and the administration of this Plan;

(3) the Domestic Relations Order only purports to provide benefits to the Participant's former spouse as a result of the divorce or dissolution of marriage of such former spouse from the Participant;



(4) the only individual permitted to receive benefits in lieu of the Participant under the Domestic Relations Order is the former spouse of

such Participant;

(5) the benefits claimed by the former spouse under the Domestic Relations Order only relate to, and shall be made payable only from, that portion of the Participant's vested benefits under this Plan;

(6) the Domestic Relations Order provides for an immediate lump sum only and does not require any benefit to be paid to a former spouse of a Participant at such times and in such amounts as may be otherwise payable to the Participant;

(7) the Participant consents to the distribution of benefits pursuant to the Domestic Relations Order;

(8) the Domestic Relations Order does not require the payment of any benefit in excess of the Participant's vested plan benefit;

(9) the immediate distribution of benefits under the Domestic Relations Order does not violate any applicable federal or state securities laws or result in the imposition of any excise tax or loss of income tax deduction to the Employer; and

(10) the Domestic Relations Order shall only apply to this Plan and the Qualcomm Incorporated Executive Retirement Matching Plan.

(b) If the requirements of Section 8.7(a) are satisfied, and the Plan Administrator has determined in accordance with Section 8.7(a) that the Plan shall accept the Domestic Relations Order, then the Plan Administrator shall direct the Trustee to provide an immediate distribution to the former spouse equal to the former spouse's benefit as set forth in the Domestic Relations Order. The distribution shall be made from the Participant's vested Account and the Participant's vested Account shall be reduced by the amount of the distribution to the Participant's former spouse. In no event shall the Plan establish an Account under the Plan for a former spouse pursuant to a Domestic Relations Order.

(c) The Plan Administrator may adopt any policies and or procedures it deems necessary or appropriate to facilitate the administration of Domestic Relations Orders and to ensure that payments under Domestic Relation Orders do not jeopardize the Plan's non-qualified deferred compensation status or adversely impact the income tax consequences of the Plan.

(d) The Plan Administrator shall, unless provided with a legal opinion to the contrary from counsel for the Participant and/or the former spouse of such Participant, for income tax reporting and withholding purposes treat the payment of benefits to the former spouse under a Domestic Relations Order as a payment made to the Participant. Accordingly, the Plan Administrator will report the payment as income to the Participant and withhold taxes based on such payment.



(e) Any decision by the Plan Administrator, or the lack thereof, regarding any Domestic Relations Order shall only be applicable to benefits provided under this Plan, and any such decision shall not require the Employer to abide by the terms of such a Domestic Relations Order with respect to any other Employer benefit plan, arrangements or policy (including without limitation, any stock option plan, employee stock purchase plan or other unfunded benefit arrangement).

## ARTICLE 9
## ADMINISTRATION

9.1 The Plan Administrator shall be a committee of one or more individuals which has the authority to control and manage the operation and administration of the Plan. The Plan Administrator may also be referred to as the Plan Committee. Administrative concerns of the Plan include, but are not limited to, the enrollment of Eligible Employees as Participants, the maintenance of all records, the direction of the Trustee to distribute benefits to Participants and their Beneficiaries, the interpretation of the Plan, and the establishment of rules and procedures for the operation of the Plan Committee. The initial number of members of the Plan Committee shall be three (3), until such number is changed by the approval of the majority of the Plan Committee. A member of the Plan Committee must be an employee of the Employer or 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 of the members of the Plan Committee shall be required to remove a member of the Plan Committee. A majority of the remaining members of the Plan Committee may fill one or more vacancies on the Plan Committee. The Plan Committee may allocate and delegate some or all of its responsibilities described in this Article 9. The Plan Committee's authority under this Article 9.1 shall at times be subject to the ability of the Compensation Committee to remove any or all of the members of the Plan Committee for any reason, change the number of members of the Plan Committee, fill vacancies on such committee, and establish rules and procedures for such committee.

9.2 Any decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated thereunder or a Participant's Enrollment Agreement shall be final and conclusive and binding upon all persons having any interest in the Plan.

9.3 All costs and expenses related to the operation and administration of the Plan shall be paid by the Company.

ARTICLE 10
MISCELLANEOUS

10.1 AMENDMENT OF PLAN. The Company reserves the right to amend any provisions of the Plan at any time upon an action by a majority of the Plan Committee or the Compensation Committee to the extent that it may deem advisable without the consent of the Participant or any Beneficiary; provided, however, that no such amendment shall impair the rights of any Participant



or Beneficiary with respect to either contributions made or authorized before such amendment or any earnings on such contributions credited to a Participant's Account before such amendment. Notwithstanding the foregoing, the formula for determining the Employer's contributions may only be amended by the Board or the Compensation Committee. Any such amendment to the Plan shall be submitted for the approval of the Company's stockholders if such approval is required to comply with the requirements of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, or the terms of any listing agreement with any established securities exchange or automated quotation system (including NASDAQ) on which the Company's common stock is listed for trading, or for any other reason determined by the Board or the Compensation Committee after consulting with legal counsel.

10.2 TERMINATION OF PLAN. The Company reserves the right to terminate the Plan at any time upon an action by the Board or the Compensation Committee. Distribution of any benefits to a Participant shall generally commence only upon the occurrence of the termination of employment of a Participant; provided, however, that the Plan Administrator shall retain the sole discretion to make payment to a Participant in the form of a single, lump sum distribution at any time following the termination of the Plan.

10.3 TRANSFERS TO OTHER PLANS.

(a) In the event that a Participant employed by the Employer or an Affiliate of the Employer simultaneously or subsequently becomes employed by Leap Wireless International, Inc., the Plan Administrator shall have the right, but no 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 Plan Administrator shall determine, in its sole discretion, whether such transfer shall be made and the timing of such transfer. Such transfer shall be made only if, and to the extent that, approval of such transfer is obtained from the Trustee.

(b) For purposes of this Section 10.3, "Transferee Plan" shall mean an unfunded, nonqualified deferred compensation plan described in Sections 201(2), 301(a)(3) and. 401(a)(l) of the Employee Retirement Income Security Act of 1974 (" ERISA") maintained by Leap Wireless International, Inc.

(c) No transfer shall be made under this Section 10.3 unless the Participant for whose benefit the Transferred Account is held executes a written waiver of all of such Participant's rights and benefits under this Plan in such form as shall be acceptable to the Plan Administrator.

10.4 TRANSFERS IN FROM OTHER PLANS.

There may be transferred directly from the trustee of another nonqualified, funded, deferred compensation plan ("Other Plan") to the Trustee, subject to the approval of the transferor corporation maintaining the Other Plan, the Plan Administrator, and the Eligible Employee, funds in an amount not to exceed the amount credited to the Other Plan accounts



maintained for the benefit of that Eligible Employee. Amounts transferred pursuant to this Section 10.4, 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 5.

10.5 The Plan Administrator may at any time make rules as it determines necessary regarding the administration of the Plan which are not inconsistent with the Plan.

10.6 The Plan Administrator may, from time to time, hire outside consultants, accountants, actuaries, legal counsel, or recordkeepers to perform such tasks as the Plan Administrator may from time to time determine.

10.7 In the event that any Participants are found to be ineligible, that is, not members of a select group of management or highly compensated employees eligible to participate in a Top Hat Plan, according to a determination made by the United States Department of Labor, the Plan Administrator will take whatever steps it deems necessary, in its sole discretion, to equitably protect the interests of the affected Participants.

10.8 Except as set forth in Section 8.7, no benefits under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. The provisions of the Plan shall be binding upon and inure to the benefit of the Company, the Employer and Participants and their respective successors, heirs, personal representatives, executors, administrators, and legatees.

Notwithstanding any other provision in the Plan to the contrary, any amount credited to a Participant's Account shall be paid from the Trust only to the extent that the Company is not financially insolvent at the time of such payment. Whether or not the Company is financially insolvent shall be determined by the Trustee in the Trustee's sole discretion based upon the standard for financial insolvency set forth in the Trust Agreement. Any benefits under the Plan represent an unfunded, unsecured promise by the Company to pay these benefits to the Participants when due. A Participant has no greater right to any assets in the Trust than the general creditors of the Company in the event that the Company shall become financially insolvent. Trust assets can be used to pay only benefits under the Plan or the claims of the Company's general creditors or the expenses of administering the Plan and Trust to the extent permitted under the terms of the Trust Agreement.

10.9 The Plan, the Trust Agreement, and the Participant's Enrollment Agreement, and any subsequently adopted amendment to any of these documents, shall constitute the total agreement or contract between the Company and such Participant regarding the Plan. No oral statement regarding the Plan may be relied upon by the Participant. If there are any conflicts between the terms of the Plan and the Trust Agreement, and a Participant's Enrollment



Agreement, the terms of the Plan and the Trust Agreement shall control.

10.10 The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, with or without cause, unless expressly provided in a written employment agreement or expressly provided by law. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Employer, or to interfere with the right of the Employer to discipline or discharge the Participant at any time.

10.11 If any change is made to the Company's common stock because of a change in the Company's capital structure not involving the receipt of consideration by the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or otherwise, then the class(es) and number of shares held by the Trust will be appropriately adjusted to reflect the impact of such change upon the Company's stockholders. The conversion of any convertible securities issued by the Company shall not be considered a transaction "involving the receipt of consideration by the Company." In the event that such change causes the Trust to hold substantially all of its assets in securities of the Company or a successor corporation to the Company other than the Company's common stock, references in the Plan to the Company's common stock shall mean such securities. After the occurrence of a transaction described in this Section 10.11, the rounding rules set forth in Section 5.5 shall be applied to ensure that each Participant's Account shall be invested in the shares of the Company's common stock (or such other securities) and shall be accounted for and reported in terms of whole shares of the Company's common stock (or such other securities).

10.12 The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan the authority as may be required to contribute and distribute shares of the Company's common stock, provided, however, that this undertaking shall not require the Company to register under the Securities Act of 1933, as amended, or comparable securities law of any other applicable jurisdiction, shares of the Company's common stock or any participation interest in the Plan deemed to be a security. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance of stock to the Plan or distribution of stock from the Plan, the Company shall be relieved from any liability for failure to issue the Company's common stock to the Plan, and the Company, Employer, Plan Administrator and/or the Trustee shall be relieved from any liability for failure to distribute the Company's common stock from the Plan, as applicable, unless and until such authority is owned.

10.13 This Plan shall be construed under the laws of the State of California, except to the extent that the laws of the State are preempted by ERISA.



IN WITNESS WHEREOF, the Plan is hereby adopted by a duly authorized officer of QUALCOMM, Incorporated on this 17 day of July, 2003.

QUALCOMM, INC.

By: /s/ Dan Sullivan

Name: Dan Sullivan

Title: Executive Vice President, Human Resources

By: /s/ Marge Fitch

Name: Marge Fitch

Title: Director of Benefits

By: /s/ Jamie Henson

Name: Jamie Henson

Title: Senior Director, Finance

EXHIBIT 10.22

QUALCOMM INCORPORATED

1996 NON-QUALIFIED EMPLOYEE STOCK PURCHASE PLAN

Adopted by the Board of Directors February 5, 1996
(Note: Stockholder Approval Not Required by Law)

As amended by the Board of Directors on June 26, 1998
As amended by the Compensation Committee of the Board of Directors on May 16, 2001

1. PURPOSE.

(a) The purpose of the QUALCOMM Incorporated 1996 Non-Qualified Employee Stock Purchase Plan (the "NQ Plan") is to provide a means by which selected employees of QUALCOMM International, an Affiliate of QUALCOMM Incorporated, a Delaware corporation (the "Company"), and other Affiliates of the Company, as defined in subparagraph 1(b), or the Company, as designated as provided in subparagraph 2(b), may be given an opportunity to purchase stock of the Company.

(b) The word "Affiliate" as used in the NQ Plan means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended (the "Code").

(c) The Company, by means of the NQ Plan, seeks to retain the services of key employees of designated Affiliates or the Company, to secure and retain the services of new key employees of such Affiliates or the Company, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(d) The Company intends that the rights to purchase stock of the Company granted under the NQ Plan not be considered options issued under an "employee stock purchase plan" as that term is defined in Section 423(b) of the Code.

2. ADMINISTRATION.

(a) The NQ Plan shall be administered by the Board of Directors (the "Board") of the Company unless and until the Board delegates administration to a Committee, as provided in subparagraph 2(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the NQ Plan.

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the NQ Plan:

(i) To determine when and how rights to purchase stock of the Company shall be granted and the provisions of each offering of such rights (which need not be identical).

(ii) To designate from time to time which Affiliates of the Company shall be eligible to participate in the NQ Plan and whether the Company is eligible to participate under the NQ Plan.

(iii) To determine which employees of a designated Affiliate or the Company, if designated, shall be eligible to participate in the NQ Plan.

(iv) To construe and interpret the NQ Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the NQ Plan, in a manner and to the extent it shall deem necessary or expedient to make the NQ Plan fully effective.

(v) To amend the NQ Plan as provided in paragraph 13.



(vi) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company.

(c) The Board may delegate administration of the NQ Plan to a Committee composed of not fewer than two (2) members of the Board (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the NQ Plan, the powers theretofore possessed by the Board, subject, however, to such resolutions, not inconsistent with the provisions of the NQ Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the NQ Plan.

3. SHARES SUBJECT TO THE NQ PLAN.

(a) Subject to the provisions of paragraph 12 relating to adjustments upon changes in stock, the stock that may be sold pursuant to rights granted under the NQ Plan shall not exceed in the aggregate twenty five thousand (25,000) shares of the Company's $0.0001 par value common stock (the "Common Stock"). If any right granted under the NQ Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the NQ Plan.

(b) The stock subject to the NQ Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

4. GRANT OF RIGHTS; OFFERING.

The Board or the Committee may from time to time grant or provide for the grant of rights to purchase Common Stock of the Company under the NQ Plan to eligible employees (an "Offering") on a date or dates (the "Offering Date(s)") selected by the Board or the Committee. Each Offering shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate. If an employee has more than one right outstanding under the NQ Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (1) each agreement or notice delivered by that employee will be deemed to apply to all of his or her rights under the NQ Plan, and (2) a right with a lower exercise price (or an earlier-granted right, if two rights have identical exercise prices), will be exercised to the fullest possible extent before a right with a higher exercise price (or a later-granted right, if two rights have identical exercise prices) will be exercised. The provisions of separate Offerings need not be identical, but each Offering shall include (through incorporation of the provisions of this NQ Plan by reference in the Offering or otherwise) the substance of the provisions contained in paragraphs 5 through 8, inclusive.

5. ELIGIBILITY.

(a) Rights may be granted only to employees of an Affiliate of the Company or the Company designated by the Board or the Committee as provided in subparagraph 2(b). Employees of a designated Affiliate or the Company are eligible to participate in the NQ Plan only if they are selected to participate by the Board or Committee, which selection shall be in the sole discretion of the Board or Committee. Notwithstanding the foregoing, no employee of a designated Affiliate or the Company shall be eligible to participate in the NQ Plan if he or she is an officer or director of the Company subject to the requirements of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the Company's securities.

(b) The Board or the Committee may provide that a person who, during the course of an Offering, is an eligible employee of a designated Affiliate or the Company will receive a right under that Offering during the course of that Offering, which right shall thereafter be deemed to be a part of that Offering. Such right shall have the same characteristics as any rights originally granted under that Offering unless the Board or Committee specifies that such right shall have different characteristics.



6. RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each eligible employee, pursuant to an Offering made under the NQ Plan, shall be granted the right to purchase up to the number of shares of Common Stock of the Company purchasable with a percentage designated by the Board or the Committee not exceeding fifteen percent (15%) of such employee's Earnings (as defined in Section 7(a)) during the period which begins on the Offering Date (or such later date as the Board or the Committee determines with respect to some or all participants in a particular Offering for that Offering) and ends on the date stated in the Offering, which date shall be no more than twenty-seven (27) months after the Offering Date. In connection with each Offering made under this NQ Plan, the Board or the Committee may specify a maximum number of shares which may be purchased by any employee and may also specify a maximum aggregate number of shares which may be purchased by all eligible employees pursuant to such Offering. In addition, in connection with each Offering which contains more than one date on which shares of the Company's stock is purchased (an "Exercise Date"), the Board or the Committee may specify a maximum aggregate number of shares which may be purchased by all eligible employees on any given Exercise Date under the Offering. If the aggregate purchase of shares upon exercise of rights granted under the Offering would exceed any such maximum aggregate number, the Board or the Committee shall make a pro rata allocation of the shares available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable.

(b) The purchase price of stock acquired pursuant to rights granted under the NQ Plan shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Exercise Date.

(c) For purposes of this NQ Plan, "fair market value" means, as of any date, the value of the common stock of the Company determined as follows:

(i) if the common stock is listed on any established stock exchange or a national market system, including without limitation the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation ("Nasdaq") System, the fair market value of a share of common stock shall be the closing price at which the common stock was sold on such exchange or national market system on the last market trading day prior to the date as of which the determination is to be made, as reported in the Wall Street Journal or such other sources as the Board deems reliable;

(ii) if the common stock is quoted on the Nasdaq System (but not on the National Market System thereof) or is regularly quoted by a recognized securities dealer but selling prices are not reported, the fair market value of a share of common stock shall be closing price for the common stock on the last market trading day prior to the date as of which the determination is to be made, as reported in the Wall Street Journal or such other sources as the Board deems reliable;

(iii) in the absence of an established market for the common stock, the fair market value shall be determined in good faith by the Board.

(d) For purposes of this NQ Plan, if the date as of which the "fair market value" is to be determined is not a market trading day, then solely for the purpose of determining "fair market value" such date shall be:

(i) in the case of the Offering Date, the first market trading day following the Offering Date;



(ii) in the case of the Exercise Date, the last market trading day prior to the Exercise Date.

7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An eligible employee may become a participant in an Offering by delivering a participation agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board or the Committee of such employee's Earnings during the Offering. Unless otherwise provided by the Board or Committee in the terms of an Offering, "Earnings" is defined as the total compensation paid to an employee, including all salary, wages (including amounts elected to be deferred by the employee, that would otherwise have been paid, under any cash or deferred arrangement established by the Company), overtime pay, and other remuneration paid directly to the employee, but excluding commissions, bonuses, profit sharing, the cost of employee benefits paid for by the Company, education or tuition reimbursements, imputed income arising under any Company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by the Company under any employee benefit plan, and similar items of compensation. The payroll deductions made for each participant shall be credited to an account for such participant under the NQ Plan and to the extent permitted by applicable law, shall be deposited with the general funds of the Company. A participant may reduce (including to zero), increase or begin such payroll deductions after the beginning of any Offering unless restricted by the Board under the terms of such Offering. A participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the participant has not had the maximum amount withheld during the Offering.

(b) At any time during an Offering a participant may terminate his or her payroll deductions under the NQ Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company provides. Such withdrawal may be elected at any time prior to the end of the Offering except as provided by the Board or the Committee in the Offering. Upon such withdrawal from the Offering by a participant, the Company shall distribute to such participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the participant) under the Offering (and except as otherwise provided in paragraph 11, without interest), and such participant's interest in that Offering shall be automatically terminated. A participant's withdrawal from an Offering will have no effect upon such participant's eligibility to participate in any other Offerings under the NQ Plan but such participant will be required to deliver a new participation agreement in order to participate in subsequent Offerings under the NQ Plan.

(c) Except as otherwise provided in paragraph 7(d), rights granted pursuant to any Offering under the NQ Plan shall terminate immediately upon cessation of any participating employee's employment with the Company and its Affiliates, for any reason or upon becoming ineligible to participate in the NQ Plan pursuant to the last sentence of subparagraph 5(a) of the NQ Plan, and the Company shall distribute to such terminated or ineligible employee all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the employee), under the Offering (and except as otherwise provided in paragraph 11, without interest).

(d) Upon a participating employee's cessation of employment with the Company and its Affiliates as a result of a transaction in which the voting stock of an entity owned by the Company and or any Affiliate is distributed to the stockholders of the Company (a "Spinoff Transaction") which occurs prior to December 31, 2001 then, (a) if such Spinoff Transaction occurs on or prior to September 30, 2001, the corporation whose voting stock is distributed in connection with the Spinoff Transaction may substitute for the participating employee's purchase right a right to purchase shares of such corporation's stock and the participating employee's accumulated payroll deductions under the NQ Plan shall be credited to the participating employee's account under the non-qualified employee stock purchase plan of the corporation spunoff from the Company as a result of the Spinoff Transaction; or (b) if such Spinoff Transaction occurs on or after October 1, 2001, the participating employee's participation in the NQ Plan shall continue, unless such participating employee elects to withdraw from the NQ Plan as provided in paragraph 7(b), for an additional three (3) months; provided however, this paragraph 7(d) shall not apply in the event of the participating employee's death or to any participating employee on a leave of absence.



(e) Rights granted under the NQ Plan shall not be transferable, and shall be exercisable only by the person to whom such rights are granted.

8. EXERCISE.

(a) On each Exercise Date, each participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) will be applied to the purchase of whole shares of stock of the Company, up to the maximum number of shares permitted pursuant to the terms of the NQ Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of rights granted under the NQ Plan. The amount, if any, of accumulated payroll deductions remaining in each participant's account after the purchase of shares shall be refunded in full to the Participant after the Exercise Date.

(b) No rights granted under the NQ Plan may be exercised to any extent unless the NQ Plan (including rights granted thereunder) is covered by an effective registration statement pursuant to the Securities Act of 1933, as amended (the "Securities Act"). If on an Exercise Date of any Offering hereunder the NQ Plan is not so registered, no rights granted under the NQ Plan or any Offering shall be exercised on said Exercise Date and the Exercise Date shall be delayed until the NQ Plan is subject to such an effective registration statement, except that the Exercise Date shall not be delayed more than three (3) months. If on the Exercise Date of any Offering hereunder, as delayed to the maximum extent permissible, the NQ Plan is not registered, no rights granted under the NQ Plan or any Offering shall be exercised and all payroll deductions accumulated during the purchase period (reduced to the extent, if any, such deductions have been used to acquire stock) shall be distributed to the participants, without interest (if permitted by local law).

9. COVENANTS OF THE COMPANY.

(a) During the terms of the rights granted under the NQ Plan, the Company shall keep available at all times the number of shares of stock required to satisfy such rights.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the NQ Plan such authority as may be required to issue and sell shares of stock upon exercise of the rights granted under the NQ Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the NQ Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such rights unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to rights granted under the NQ Plan shall constitute general funds of the Company (to the extent permitted by applicable law).

11. INTEREST.

No interest will accrue on the payroll deductions from a Participant under this NQ Plan, except as otherwise required by applicable law. If such interest is required, all accrued interest will be refunded to the Participant and will not be used to purchase additional shares on the Exercise Date, and such accrued interest shall be refunded to the Participant following such Exercise Date (or, if applicable, the Participant's withdrawal from the NQ Plan or termination of employment or eligibility).

12. RIGHTS AS A STOCKHOLDER.

A participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to rights granted under the NQ Plan unless and until certificates representing such shares shall have been issued.



13. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the NQ Plan, or subject to any rights granted under the NQ Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the NQ Plan and outstanding rights will be appropriately adjusted in the class(es) and maximum number of shares subject to the NQ Plan and the class(es) and number of shares and price per share of stock subject to outstanding rights. Such adjustments shall be made by the Board or Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a "transaction not involving the receipt of consideration by the Company.")

(b) In the event of: (1) a dissolution, or liquidation or sale of all or substantially all of the assets of the Company; (2) a merger or consolidation in which the Company is not the surviving corporation; (3) a reverse merger in which the Company is the surviving corporation but the shares of the Company's Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; or (4) any other capital reorganization, transaction or series of related transactions in which the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than fifty percent (50%) of the shares of the Company entitled to vote changes, then, as determined by the Board in its sole discretion (i) any surviving or acquiring corporation may assume outstanding rights or substitute similar rights for those under the NQ Plan, (ii) such rights may continue in full force and effect, or (iii) participants' accumulated payroll deductions may be used to purchase Common Stock immediately prior to the transaction described above and the participants' rights under the ongoing Offering terminated.

14. AMENDMENT OF THE NQ PLAN.

The Board or Committee at any time, and from time to time, may amend the NQ Plan. However, rights and obligations under any rights granted before amendment of the NQ Plan shall not be impaired by any amendment of the NQ Plan, except with the consent of the person to whom such rights were granted or except as necessary to comply with any laws or governmental regulation.

15. TERMINATION OR SUSPENSION OF THE NQ PLAN.

(a) The Board may suspend or terminate the NQ Plan at any time. No rights may be granted under the NQ Plan while the NQ Plan is suspended or after it is terminated.

(b) Rights and obligations under any rights granted while the NQ Plan is in effect shall not be impaired by suspension or termination of the NQ Plan, except with the consent of the person to whom such rights were granted or except as necessary to comply with any laws or governmental regulation.

16. EFFECTIVE DATE OF NQ PLAN.

The NQ Plan shall become effective as of January 1, 1996.

Exhibit 10.40

QUALCOMM INCORPORATED
STOCK OPTION GRANT NOTICE

QUALCOMM INCORPORATED (the "Company"), pursuant to its 2001 Stock Option Plan (the "Plan") hereby grants to the Optionee named below a non-qualified stock option to purchase the number of shares of the Company's common stock set forth below. This non-qualified stock option is not intended to qualify for the federal income tax benefits available to an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended. This option is subject to all of the terms and conditions as set forth herein and the Stock Option Agreement (attached hereto) and the Plan(1) which are incorporated herein in their entirety.

| | |
|---|---|
| Optionee/Emp #: __________________________ | Grant No.: _______________________ |
| Date of Grant: ___________________________ | Shares Subject to Option: ________ |
| Exercise Price Per Share: ________________ | Expiration Date: _________________ |

VESTING SCHEDULE

| Exercisable Shares | Full Vesting Date | Expiration Date |
|---|---|---|
| ____________________ | _________________ | _____________ |
| ____________________ | _________________ | _____________ |
| ____________________ | _________________ | _____________ |

*These option shares vest on each monthly anniversary date after ______________________ as to 1/60th of the total shares granted.

ADDITIONAL TERMS/ACKNOWLEDGMENTS: The undersigned Optionee acknowledges receipt of, and represents that the Optionee has read, understands, accepts and agrees to the terms of the following: this Grant Notice, the Stock Option Agreement and the Plan (including, but not limited to, the binding arbitration provision in Section 3.8 of the Plan). Optionee hereby accepts the Option subject to all of its terms and conditions and further acknowledges that as of the Date of Grant, this Grant Notice, the Stock Option Agreement and the Plan set forth the entire understanding between Optionee and the Company regarding the acquisition of stock in the Company and supersedes all prior oral and written agreements pertaining to this particular option.

NOTE: THE OPTIONEE IS SOLELY RESPONSIBLE FOR ANY ELECTION TO EXERCISE THE OPTION, AND THE COMPANY SHALL HAVE NO OBLIGATION WHATSOEVER TO PROVIDE NOTICE TO THE OPTIONEE OF ANY MATTER, INCLUDING, BUT NOT LIMITED TO, THE DATE THE OPTION TERMINATES.

QUALCOMM INCORPORATED:

By:
-------------------------------------

Dated: _______________

Attachment: Stock Option Agreement

(1) A copy of the Plan can be obtained from the Stock Administration web site, located on the Company's internal web page, or you may request a hard copy from the Stock Administration Department.

QUALCOMM INCORPORATED
STOCK OPTION AGREEMENT

Pursuant to the Grant Notice and this Stock Option Agreement, QUALCOMM Incorporated (the "Company") has granted you an Option to purchase the number of shares of the Company's common stock ("Stock") indicated in the Grant Notice at the exercise price indicated in the Grant Notice. Defined terms not explicitly defined in this Stock Option Agreement but defined in the QUALCOMM Incorporated 2001 Stock Option Plan (the "Plan") shall have the same definitions as in the Plan.

The details of this Option are as follows:

1. VESTING. Except as otherwise provided in the Plan, this option will vest as provided in the Grant Notice.

2. EXERCISE OF THE OPTION.

2.1 METHOD OF EXERCISE. You may exercise the vested portion of this Option at any time prior to the expiration of the Option by delivering a notice of exercise in such form as may be designated by the Company from time to time together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours and prior to the expiration of the Option, together with such additional documents as the Company may then require pursuant to the terms of the Plan.

2.2 METHOD OF PAYMENT. Payment of the exercise price may be by cash (or check), or pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which, prior to the issuance of Stock, results in either the receipt of cash (or check) by the Company or the receipt of irrevocable instructions to a broker which provides for the payment of the aggregate exercise price to the Company, or a combination of the above methods, as the Company may designate from time to time.

2.3 TAX WITHHOLDING. By exercising this Option you agree that as a condition to any exercise of this Option, the Company may withhold from your pay and any other amounts payable to you, or require you to enter an arrangement providing for the payment by you to the Company of any tax withholding obligation of the Company arising by reason of (1) the exercise of this Option; (2) the lapse of any substantial risk of forfeiture to which the Stock is subject at the time of exercise; or (3) the disposition of Stock acquired upon such exercise.

2.4 RESPONSIBILITY FOR EXERCISE. You are responsible for taking any and all actions as may be required to exercise this Option in a timely manner and for properly executing any such documents as may be required for exercise in accordance with such rules and procedures as may be established from time to time. By signing this Agreement you acknowledge that information regarding the procedures and requirements for this exercise of the Option is available to you on request. The Company shall have no duty or obligation to notify you of the expiration date of this Option.



3. SECURITIES LAW COMPLIANCE. Notwithstanding anything to the contrary contained herein, this Option may not be exercised unless the Stock issuable upon exercise of this Option is then registered under the Securities Act or, if such Stock is not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act.

4. TERMINATION OF THE OPTION. The term of this Option commences on the Date of Grant (as specified in the Grant Notice) and expires and shall no longer be exercisable upon the earliest of:

(a) the Expiration Date indicated in the Grant Notice;

(b) the tenth (10th) anniversary of the Date of Grant;

(c) the last day for exercising the Option following termination of your Service as described in the Plan; or

(d) a Change of Control, to the extent provided in the Plan.

5. OPTION NOT A SERVICE CONTRACT. This Option is not an employment or service contract and nothing in this Stock Option Agreement , the Grant Notice or the Plan shall be deemed to create in any way whatsoever any obligation on your part to continue in the service of the Company, or of the Company to continue your service with the Company. In addition, nothing in your Option shall obligate the Company, its stockholders, Board, Officers or Employees to continue any relationship which you might have as a Director or Consultant for the Company.

6. NOTICES. Any notices provided for in this Stock Option Agreement, the Grant Notice or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

7. ARBITRATION. Any dispute or claim concerning any Options granted (or not granted) pursuant to the 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 by the American Arbitration Association pursuant to the commercial arbitration rules in San Diego, California. By accepting an Option, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

8. AMENDMENT. The Board may amend your Option at any time, provided no such amendment may adversely affect the Option or any unexercised portion of your Option, without your consent unless such amendment is necessary to comply with any applicable law or government regulation. No amendment or addition to this Stock Option Agreement shall be effective unless in writing or, in such electronic form as may be designated by the Company.

9. GOVERNING PLAN DOCUMENT. Your Option is subject to this Stock Option Agreement, the Grant Notice and all the provisions of the Plan, the provisions of which are hereby made a part of this Stock Option Agreement, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this Stock Option Agreement, the Grant Notice and those of the Plan, the provisions of the Plan shall control.

EXHIBIT 10.41

# QUALCOMM INCORPORATED
# 2001 EMPLOYEE STOCK PURCHASE PLAN

AS AMENDED BY THE COMPENSATION COMMITTEE ON MAY 16, 2001
AS AMENDED BY THE COMPENSATION COMMITTEE ON JUNE 27, 2001

## 1. ESTABLISHMENT, PURPOSE AND TERM OF PLAN.

1.1 ESTABLISHMENT. The QUALCOMM Incorporated 2001 Employee Stock Purchase Plan (the "PLAN") is hereby established effective as of February 27, 2001 (the "EFFECTIVE DATE"), subject to the approval by Company stockholders.

1.2 PURPOSE. The purpose of the Plan is to advance the interests of Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed.

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.

## 2. DEFINITIONS AND CONSTRUCTION.

2.1 DEFINITIONS. Any term not expressly defined in the Plan but defined for purposes of Section 423 of the Code shall have the same definition herein. Whenever used herein, the following terms shall have their respective meanings set forth below:

(a) "BOARD" means the Board of Directors of the Company. If one or more Committees have been appointed by the Board to administer the Plan, "BOARD" also means such Committee(s).

(b) "CODE" means the Internal Revenue Code of 1986, as amended, and any applicable regulations promulgated thereunder.

(c) "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. Unless the powers of the Committee have been specifically limited, the Committee shall have all of the powers of the Board 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.



(d) "COMPANY" means QUALCOMM Incorporated, a Delaware corporation, or any Successor.

(e) "COMPENSATION" means, with respect to any Offering Period, all salary, wages (including amounts elected to be deferred by the employee, that would otherwise have been paid, under any cash or deferred arrangement established by the Company) and overtime pay, but excluding commissions, bonuses, payments under the 2-for1 vacation program, profit sharing, the cost of employee benefits paid for by the Company, education or tuition reimbursements, imputed income arising under any Company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by the Company under any employee benefit plan, and similar items of compensation. Compensation shall also include payments while on a leave of absence during which participation continues pursuant to Section 2.1(g) to such extent as may be provided by the Company's leave policy.

(f) "ELIGIBLE EMPLOYEE" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan.

(g) "EMPLOYEE" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave or other leave of absence approved by the Company of ninety (90) days or less. If an individual's leave of absence exceeds ninety (90) days, the individual shall be deemed to have ceased to be an Employee on the ninety-first (91st) day of such leave unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(h) "FAIR MARKET VALUE" means, as of any date:

(i) If the Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or if the stock is traded on more than one exchange or market, the exchange or market with the greatest volume of trading in the Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable. In the absence of such markets for the Stock, the Fair Market Value shall be determined in good faith by the Board.

(ii) For purposes of this Plan, if the date as of which the Fair Market Value is to be determined is not a market trading day, then solely for the purpose of determining Fair Market Value such date shall be: (A) in the case of the Offering Date, the first market trading day following the Offering Date; (B) in the case of the Purchase Date, the last market trading day prior to the Purchase Date.

(i) "OFFERING" means an offering of Stock as provided in Section 6.



(j) "OFFERING DATE" means, for any Offering, the first day of the Offering Period.

(k) "OFFERING PERIOD" means a period established in accordance with Section 6.

(l) "PARENT CORPORATION" means any present or future "parent corporation" of the Company, as defined in Section 424(e) of the Code.

(m) "PARTICIPANT" means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(n) "PARTICIPATING COMPANY" means the Company and any Parent Corporation or Subsidiary Corporation.

(o) "PARTICIPATING COMPANY GROUP" means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(p) "PRIOR PLAN PURCHASE RIGHT" means, a purchase right granted under the Company's 1991 Employee Stock Purchase Plan which is outstanding on or after the date on which the Board adopts the Plan.

(q) "PURCHASE DATE" means, for any Offering, the last day of the Offering Period; provided, however, that the Board in its discretion may establish one or more additional Purchase Dates during any Offering Period.

(r) "PURCHASE PRICE" means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(s) "PURCHASE RIGHT" means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any accumulated payroll deductions of the Participant not previously applied to the purchase of Stock under the Plan and to terminate participation in the Plan during an Offering Period, in accordance with such rules and procedures as may be established by Board.

(t) "SPINOFF TRANSACTION" means a transaction in which the voting stock of an entity in the Participating Company Group is distributed to the stockholders of a parent corporation as defined by Section 424(e) of the Code, of such entity.

(u) "STOCK" means the common stock of the Company, as adjusted from time to time in accordance with Section 4.2.

(v) "SUBSCRIPTION AGREEMENT" means an agreement in such form as specified by the Company which is delivered in written form or by communicating with the Company in such other manner as the Company may authorize, stating an Employee's election



to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation.

(w) "SUBSCRIPTION DATE" means the Offering Date of an Offering Period, or such earlier date as the Company shall establish.

(x) "SUBSIDIARY CORPORATION" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

(y) "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 purpose of the Plan.

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 BOARD. The Plan shall be administered by the Board and its designees. Subject to the provisions of the Plan, the Board shall determine all of the relevant terms and conditions of Purchase Rights; provided, however, that all Participants granted Purchase Rights pursuant to an Offering shall have the same rights and privileges within the meaning of Section 423(b)(5) of the Code in such Offering. All expenses incurred in connection with the administration of the Plan shall be paid by the Company.

3.2 AUTHORITY OF OFFICERS. Any officer of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election that is the responsibility of or that is allocated to the Company herein, provided that the officer has actual authority with respect to such matter, right, obligation, determination or election. Any decision or determination of the Company made by an Officer having actual authority with respect thereto, shall be final, binding and conclusive on the Participating Company Group, any Participant, and all persons having an interest in the Plan, or any Option granted hereunder, unless such Officer's decision or determination is arbitrary or capricious, fraudulent, or made in bad faith.

3.3 POLICIES AND PROCEDURES ESTABLISHED BY THE COMPANY. The Company may, from time to time, consistent with the Plan and the requirements of Section 423 of the Code, establish, interpret change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise



effecting a Participant's election under the Plan or as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan.

The Board's determination of the construction and interpretation of any provision of the Plan, and any actions taken, and any decisions or determinations made pursuant to the terms of the Plan, shall be final, binding and conclusive on the Participating Company Group, any Participant, and any person having an interest in the Plan or any Option granted hereunder unless the Board's action, decision or determination is arbitrary or capricious, fraudulent, or made in bad faith.

3.4 INDEMNIFICATION. In addition to such other rights of indemnification as they may have as members of the Board or Officers or Employees of the Participating Company Group, members of the Board and any Officers or Employees of the Participating Company Group to whom authority to act for the Board 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 and to retain complete control over the litigation and/or settlement of such suit, action or proceeding.

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 Twelve Million, Nine Hundred and Eight Thousand, Three Hundred and Nine (12,908,309), less the number of shares issued pursuant to exercise of a Prior Plan Purchase Right, and shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right or Prior Plan Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right or Prior Plan Purchase Right shall again be available for issuance under the Plan.

4.2 ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, or in the event of any merger (including a merger effected for the purpose of changing the Company's domicile), sale of assets or other reorganization in which the Company is a party, appropriate adjustments shall be made in the number and class of shares subject to the Plan, each Purchase Right, and in the Purchase Price. If a majority of the shares of the same class as the shares subject to outstanding Purchase Rights



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 Board may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the Purchase Price of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner, as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right.

5. ELIGIBILITY.

5.1 EMPLOYEES ELIGIBLE TO PARTICIPATE. Except as otherwise provided in this Section 5, an Employee shall be eligible to participate in an Offering if such Employee, as of the Offering Date, is employed by the Company or any other Participating Company designated by the Board as a corporation whose Employees may participate in the Offering. However, an Employee will not be eligible to participate in an Offering if the Employee, as of the Offering Date, either: (a) is customarily employed by the Participating Company Group for twenty (20) hours or less per week, (b) is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year or (c) has not completed thirty (30) days of service with a Participating Company, or such other service requirement, up to a maximum of 2 years, which the Board may require.

5.2 EXCLUSION OF CERTAIN STOCKHOLDERS. Notwithstanding any provision of the Plan to the contrary, no Employee shall be treated as an Eligible Employee and granted a Purchase Right under the Plan if, immediately after such grant, the Employee would own or hold options to purchase stock of the Company or of any Parent Corporation or Subsidiary Corporation possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of such corporation, as determined in accordance with Section 423(b)(3) of the Code. For purposes of this Section 5.2, the attribution rules of Section 424(d) of the Code shall apply in determining the stock ownership of such Employee.

5.3 DETERMINATION BY COMPANY. 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 or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's eligibility to participate in or other 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, unless the Company's determination is arbitrary or capricious, fraudulent, or made in bad faith notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

6. OFFERINGS.

The Plan shall be implemented by sequential Offerings of approximately six (6) months duration or such other duration as the Board shall determine (an "OFFERING PERIOD"). The first Offering Period (the "INITIAL OFFERING PERIOD") shall commence on July 1, 2001 and end on December 31, 2001. Subsequent Offering Periods shall be established by the Board, in its sole and absolute discretion, and such Offering Periods (including the Initial Offering Period) may have different durations or different commencing or ending dates; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months.

7. PARTICIPATION IN THE PLAN.

7.1 INITIAL PARTICIPATION. An Eligible Employee may become a Participant in an Offering Period by delivering a properly completed Subscription Agreement, in accordance with such rules and procedures as may be specified by the Company. An Eligible Employee who does not deliver a properly completed Subscription Agreement to the Company in the required time period shall not participate in the Plan for that Offering Period. Furthermore, the Eligible Employee may not participate in a subsequent Offering Period unless a properly completed Subscription Agreement is delivered to the Company on or before the Subscription Date for such subsequent Offering Period.

7.2 CONTINUED PARTICIPATION. A Participant shall automatically participate in the next Offering Period commencing immediately after the Purchase Date of each Offering Period in which the Participant participates provided that the Participant remains an Eligible Employee on the Offering Date of the new Offering Period and has not either (a) withdrawn from the Plan pursuant to Section 12.1 or (b) terminated employment as provided in Section 13. A Participant who may automatically participate in a subsequent Offering Period, as provided in this Section, is not required to deliver any additional Subscription Agreement for the subsequent Offering Period in order to continue participation in the Plan. However, a Participant may deliver a new Subscription Agreement for a subsequent Offering Period in accordance with the procedures set forth in Section 7.1 if the Participant desires to change any of the elections contained in the Participant's then effective Subscription Agreement.

8. RIGHT TO PURCHASE SHARES.

8.1 GRANT OF PURCHASE RIGHT.

(a) Except as set forth below (or as otherwise specified by the Board prior to the Offering Date), on the Offering Date of each Offering Period, each Participant in that Offering Period shall be granted automatically a Purchase Right consisting of an option to purchase that number of whole shares of Stock determined by either dividing fifteen percent (15%) of such Participant's Compensation during the Offering Period by the Purchase Price of a share of Stock for such Offering Period or by dividing Twelve Thousand Five Hundred Dollars ($12,500) by the Fair Market Value of a share of Stock on such Offering Date, whichever is less. In connection with any Offering made under this Plan, the Board or the Committee may specify a maximum number of shares of Common Stock which may be purchased by any employee as well as a maximum aggregate number of shares of Common Stock which may be purchased by all eligible employees pursuant to such Offering. In addition, in connection with any Offering which contains more than one Purchase Date, the Board or the Committee may specify a maximum aggregate number of shares which may be purchased by all eligible employees on any given Purchase Date under the Offering.



(b) Notwithstanding the foregoing, the aggregate number of shares for which Purchase Rights may be granted in any Offering Period may not exceed the maximum number of shares which have been, prior to the Offering Date for such Offering Period, reserved for the Plan and approved by the stockholders of the Company and not previously been purchased upon the exercise of Purchase Rights in any prior Offering Period.

(c) If the aggregate purchase of shares of Common Stock upon exercise of rights granted under the Offering would exceed any such maximum aggregate number, the Board or the Committee shall make a pro rata allocation of the shares of Common Stock available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable. No Purchase Right shall be granted on an Offering Date to any person who is not, on such Offering Date, an Eligible Employee.

8.2 SUBSTITUTION OF RIGHTS. The grant of rights under an Offering may be done to carry out the substitution of rights under the Plan for pre-existing rights granted under another employee stock purchase plan, if such substitution is pursuant to a transaction described in Section 424(a) of the Code (or any successor provision thereto) and the characteristics of such substitute rights conform to the requirements of Section 424(a) of the Code (or any successor provision thereto) and will not cause the disqualification of this Plan under Section 423 of the Code. Notwithstanding the other terms of the Plan, such substitute rights shall have the same characteristics as the characteristics associated with such pre-existing rights, including, but not limited to, the following:

(a) the date on which such pre-existing right was granted shall be the "Offering Date" of such substitute right for purposes of determining the date of grant of the substitute right;

(b) the Offering (as defined below) for such substitute right shall begin on its Offering Date and end coincident on the applicable Purchase Date, but no later than the end of the offering (as determined under the terms of such offering) under which the pre-existing right was granted.

8.3 PRO RATA ADJUSTMENT OF PURCHASE RIGHT. If the Board establishes an Offering Period of any duration other than six months, then any limitation on the number of shares of Stock subject to each Purchase Right granted on the Offering Date of such Offering Period set forth in Section 8.1(a) shall be prorated based upon the ratio which the number of months in such Offering Period bears to six (6).

8.4 CALENDAR YEAR PURCHASE LIMITATION. Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars ($25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such



Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

9. PURCHASE PRICE.

The Purchase Price for an Offering Period shall be eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period, or (b) the Fair Market Value of a share of Stock on the Purchase Date. Notwithstanding the foregoing, the Board, in its sole discretion, may establish the Purchase Price at which each share of Stock may be acquired in an Offering Period upon the exercise of all or any portion of a Purchase Right; provided, however, that the Purchase Price shall not be less than eighty-five percent (85%) of the lesser of (a) the Fair Market Value of a share of Stock on the Offering Date of the Offering Period or (b) the Fair Market Value of a share of Stock on the Purchase Date.

10. ACCUMULATION OF PURCHASE PRICE THROUGH PAYROLL DEDUCTION.

Shares of Stock acquired pursuant to the exercise of all or any portion of a Purchase Right may be paid for only by means of payroll deductions from the Participant's Compensation accumulated during the Offering Period for which such Purchase Right was granted, and, if a payroll deduction is not permitted under a statute, regulation, rule of a jurisdiction, or is not administratively feasible, such other payments as may be approved by the Company, subject to the following:

10.1 AMOUNT OF PAYROLL DEDUCTIONS. Except as otherwise provided herein, the amount to be deducted under the Plan from a Participant's Compensation on each payday during an Offering Period shall be determined by the Participant's Subscription Agreement. The Subscription Agreement shall set forth the percentage of the Participant's Compensation to be deducted on each payday during an Offering Period in whole percentages, up to fifteen percent (15%). The Board may change the foregoing limits on payroll deductions effective as of any Offering Date.

10.2 COMMENCEMENT OF PAYROLL DEDUCTIONS. Payroll deductions shall commence on the first payday following the Offering Date and shall continue through the last payday prior to the end of the Offering Period unless sooner altered or terminated as provided herein.

10.3 ELECTION TO CHANGE OR STOP PAYROLL DEDUCTIONS. During an Offering Period, to the extent provided for in the Offering, a Participant may elect to decrease the rate of or to stop deductions from his or her Compensation by delivering to the Company an amended Subscription Agreement, in such form and manner as specified by the Company, authorizing such change on or before the Change Notice Date, as defined below. A Participant who elects, effective following the first payday of an Offering Period, to decrease the rate of his or her payroll deductions to zero percent (0%) shall nevertheless remain a Participant in the current Offering Period unless such Participant withdraws from the Plan as provided in Section 12.1. The "CHANGE NOTICE DATE" shall be the day established in accordance with procedures established by the Company.



10.4 COMPANY'S HOLDING OF DEDUCTION. All payroll deductions from a Participant's Compensation shall be deposited with the general funds of the Company, and to the extent permitted by applicable law, may be used by the

Company for any corporate purpose. No interest will accrue on the payroll deductions from a Participant under this Plan, except as otherwise required by applicable law. If such interest is required, all accrued interest will not be used to purchase additional shares of Stock on a Purchase Date, and such accrued interest shall be refunded to the Participant following such Purchase Date (or, if applicable, the Participant's withdrawal from the Plan pursuant to Section 12.1 or termination of employment or eligibility as described in Section 13).

10.5 VOLUNTARY WITHDRAWAL OF DEDUCTIONS. A Participant may withdraw payroll deductions credited to the Plan and not previously applied toward the purchase of Stock only as provided in Section 12.1.

11. PURCHASE OF SHARES.

11.1 EXERCISE OF PURCHASE RIGHT. On each Purchase Date, each Participant's accumulated payroll deductions and other additional payments specifically permitted by the Plan (without any increase for interest), will be applied to the purchase of whole shares of Stock, up to the maximum number of shares permitted pursuant to the terms of the Plan and the applicable Offering, at the Purchase Price for such Offering. No fractional shares shall be issued upon the exercise of Purchase Rights granted under the Plan. The amount, if any, of each Participant's accumulated payroll deductions remaining after the purchase of shares on the Purchase Date of an Offering shall be refunded in full to the Participant after such Purchase Date.

11.2 PRO RATA ALLOCATION OF SHARES. If the number of shares of Stock which might be purchased by all Participants in the Plan on a Purchase Date exceeds the number of shares of Stock available in the Plan as provided in Section 4.1, the Company shall make a pro rata allocation of the remaining shares in as uniform a manner as practicable and as the Company determines to be equitable. Any fractional share resulting from such pro rata allocation to any Participant shall be disregarded.

11.3 DELIVERY OF SHARES. As soon as practicable after each Purchase Date, the Company shall arrange the delivery to each Participant of the shares acquired by the Participant on such Purchase Date; provided that the Company may deliver such shares to a broker designated by the Company that will hold such shares for the benefit of the Participant. Shares to be delivered to a Participant under the Plan shall be registered, or held in an account, in the name of the Participant, or, if requested by the Participant, such other name or names as the Company may permit under rules established for the operation and administration of the Plan.

11.4 TAX WITHHOLDING. At the time a Participant's Purchase Right is exercised, in whole or in part, or at the time a Participant disposes of some or all of the shares of Stock he or she acquires under the Plan, the Participant shall make adequate provision for the federal, state, local and foreign tax withholding obligations, if any, of the Participating Company Group which arise upon exercise of the Purchase Right or upon such disposition of shares, respectively. The Participating Company Group may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary to meet such withholding obligations.



11.5 EXPIRATION OF PURCHASE RIGHT. A Purchase Right shall expire immediately upon the end of the Offering Period to the extent it exceeds the number of shares of Stock which are purchased with a Participant's accumulated payroll deductions or other permitted contribution during any Offering Period.

11.6 PROVISION OF REPORTS AND STOCKHOLDER INFORMATION TO PARTICIPANTS. Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's account setting forth the total payroll deductions accumulated prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the Company may determine. In addition, each Participant shall be given access to information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

12. WITHDRAWAL FROM PLAN.

12.1 VOLUNTARY WITHDRAWAL FROM THE PLAN. A Participant may withdraw from the Plan by signing and delivering to the Company's designated office a written notice of withdrawal on a form provided by the Company for this purpose or by communicating with the Company in such other manner as the Company may authorize. A Participant who voluntarily withdraws from the Plan is prohibited from resuming participation in the Plan in the same Offering from which he or she withdrew, but may participate in any subsequent Offering by again satisfying the requirements of Sections 5 and 7.1. The Company may impose, from time to time, a requirement that the notice of withdrawal from the Plan be on file with the Company's designated office for a reasonable period prior to the effectiveness of the Participant's withdrawal.

12.2 RETURN OF PAYROLL DEDUCTIONS. Upon a Participant's voluntary withdrawal from the Plan pursuant to Section 12.1, the Participant's accumulated payroll deductions which have not been applied toward the purchase of shares shall be refunded to the Participant as soon as practicable after the withdrawal (and except as otherwise provided in Section 10.4, without the payment of any interest), and the Participant's participation in the Plan shall terminate. Such accumulated payroll deductions to be refunded in accordance with this Section may not be applied to any other Offering under the Plan.

13. TERMINATION OF EMPLOYMENT.

13.1 GENERAL. Upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, the Participant's participation in the Plan shall terminate immediately, except as otherwise provided in Section 2.1(g), Section 13.3 and Section 13.4.

13.2 RETURN OF PAYROLL DEDUCTIONS. Upon termination of participation, the terminated Participant's accumulated payroll deductions which have not been applied toward the purchase of shares shall, as soon as practicable, be returned to the Participant or, in the case of



the Participant's death, to the Participant's legal representative, and all of the Participant's rights under the Plan shall terminate. Except as otherwise provided in Section 10.4, interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in future Offerings under the Plan by satisfying the requirements of Sections 5 and 7.1.

13.3 CONTINUED PARTICIPATION UPON RELEASE OF CLAIMS. Except as otherwise provided in Section 13.4, upon a Participant's ceasing, prior to a Purchase Date, to be an Employee of the Participating Company Group for any reason, the Participant's participation in the Plan shall continue, subject to the Participant's execution of a general release of claims satisfactory to the Company, for an additional three (3) months; provided, however, this Section shall not apply in the event of the Participant's death, a Spinoff Transaction, or to any Participant on a leave of absence governed by Section 2.1(g).

13.4 EFFECT OF SPINOFF TRANSACTION DURING INITIAL OFFERING PERIOD. Upon a Participant's ceasing to be an Employee of the Participating Company Group as a result of a Spinoff Transaction which occurs prior to the conclusion of the Initial Offering Period then, (a) if such Spinoff Transaction occurs on or prior to September 30, 2001, the corporation whose voting stock is distributed in connection with the Spinoff Transaction may substitute for the Participant's Purchase Right a right to purchase shares of such corporation's stock and the Participant's accumulated payroll deductions under the Plan shall be credited to the Participant's account under the employee stock purchase plan of the corporation spunoff from the Company as a result of the Spinoff Transaction; or (b) if such Spinoff Transaction occurs on or after October 1, 2001, the Participant's participation in the Plan shall continue, unless such Participant elects to withdraw from the Plan as provided in Section 12, for an additional three (3) months; provided however, this Section 13.4 shall not apply in the event of the Participant's death or to any Participant on a leave of absence governed by Section 2.1(g).

14. CHANGE IN CONTROL.

14.1 DEFINITIONS.

(a) 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 sole discretion, of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) 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 14.1(a)(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 sole 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 any Transaction in which the voting stock of an entity in the Participating Company Group is distributed to the stockholders of a parent corporation, as defined in Section 424(e) of the Code, of such entity. Any Ownership Change resulting from an underwritten public offering of the Company's Stock or the stock of any Participating Company shall not be deemed a Change in Control for any purpose hereunder.

14.2 EFFECT OF CHANGE IN CONTROL ON PURCHASE RIGHTS. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the "ACQUIRING CORPORATION"), may assume the Company's rights and obligations under the Plan. If the Acquiring Corporation elects not to assume the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Board, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted. All Purchase Rights which are neither assumed 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.

15. NONTRANSFERABILITY OF PURCHASE RIGHTS.

Neither payroll deductions nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

16. COMPLIANCE WITH SECURITIES LAW.

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the Securities Act of 1933, as amended, shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said 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 under the Plan 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 the exercise of a Purchase Right, 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.

17. RIGHTS AS A STOCKHOLDER AND EMPLOYEE.

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of shares purchased pursuant to the exercise of the Participant's Purchase Right (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 share is issued, except as provided in Section 4.2. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

18. DISTRIBUTION ON DEATH.

If a Participant dies, the Company shall deliver any shares or cash credited to the Participant to the Participant's legal representative.

19. NOTICES.

All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

20. AMENDMENT OR TERMINATION OF THE PLAN.

The Board may at any time amend or terminate the Plan, except that (a) such termination shall not affect Purchase Rights previously granted under the Plan, except as permitted under the Plan, and (b) no amendment may adversely affect a Purchase Right previously granted under the Plan (except to the extent permitted by the Plan or as may be necessary to qualify the Plan as an employee stock purchase plan pursuant to Section 423 of the Code or to obtain qualification or registration of the shares of Stock under applicable federal, state or foreign securities laws). In addition, an amendment to the Plan must be approved by the stockholders of the Company within twelve (12) months of the adoption of such amendment if such amendment would increase the maximum aggregate number of shares of Stock that may be issued under the Plan (except by operation of the provisions of Section 4.1 or Section 4.2) or would change the definition of the corporations that may be designated by the Board as Participating Companies.



PLAN HISTORY

<TABLE>

| <S> | <C> |
|---|---|
| December 11, 2000 | Board adopts Plan, with an initial reserve of 12,908,309 shares. |
| February 27, 2001 | Stockholders approve Plan. |
| May 16, 2001 | Compensation Committee amends Plan to (a) change the duration of the Initial Offering Period, (b) provide for subsequent Offering Periods to be at the Board's discretion, (c) provide for the refund of a fractional share amount to a Participant following a purchase of shares instead of the carryover of such amount to the next Offering, (d) to clarify certain provisions involving interest payments and the holding of Plan contributions, and (e) provide for the treatment of Purchase Rights as a result of a Spinoff Transaction which may occur prior to December 31, 2001. |
| June 27, 2001 | Compensation Committee amends Plan to provide for the continued participation in an Offering Period of Eligible Employees whose employment is transferred, during such Offering Period, from a Participating Company the Board has designated to be eligible to participate in the Offering to a Participating Company which was not initially designated for inclusion in such Offering. |

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EXHIBIT 10.57

The CORPORATE plan for Retirement Select Plan

BASIC PLAN DOCUMENT

IMPORTANT NOTE

This document is not an IRS approved Prototype Plan. An adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfounded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" and exempt from parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees may not provide you with legal advice in connection with the execution of this document. This document should be reviewed by your attorney and/or accountant prior to execution.

TABLE OF CONTENTS





TABLE OF CONTENTS
(continued)

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PREAMBLE

It is the intention of the Employer to establish herein an unfounded plan maintained solely for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of ERISA.

ARTICLE 1. ADOPTION AGREEMENT.

ARTICLE 2. DEFINITIONS.

2.01 Definitions.

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Employer for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains or losses included thereon.

(2) "Administrator" means the Employer adopting this Plan, or other person designated by the Employer in Section 1.01(b).

(3) "Adoption Agreement" means Article 1 under which the Employer establishes and adopts or amends the Plan and designates the optional provisions selected by the Employer. The provisions of the Adoption Agreement shall be an integral part of the Plan.

(4) "Beneficiary" means the person or persons entitled under Section 7.02 to receive benefits under the Plan upon the death of a Participant.

(5) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(6) "Compensation" shall mean for purposes of Article 4 (Contributions) wages as defined in Section 3401(a) of the Code and all other payments of compensation to an employee by the employer (in the course of the employers trade or business) for which the employer is required to finish the employee a written statement under Section 6041(d) and 6051(a) (3) of the Code, excluding any items elected by the Employer in Section 1.04, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation, welfare benefits and any in-service withdrawals made pursuant to Section 7.07 or pursuant to the QUALCOMM Executive Retirement Matching Contribution Plan, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 402(a)(8), 402(h), or 403(b) of the Code and Deferred Contributions made under the Plan pursuant to Section 4.0. Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based in the nature of location of the employment or the services performed (such as exception for agricultural labor in Section 3401(a)(2) of the Code.



Compensation shall generally be based on the amount that would have been actually paid to the Participant during the Plan Year but for an election under Section 4.01.

In the case of any Self-Employed Individual or an Owner-Employee Compensation shall mean the Individual's Earned Income.

(7) "Earned Income" means the net earnings of a Self-Employed Individual derived from the trade or business with respect to services of such individual are material income-providing factor, excluding any items not included in gross income and the deductions allocated to such items, except that for taxable years beginning after December 31, 1989 net earnings shall be determined with regard to the deduction allowed under Section 164(f) of the Code, to the extent applicable to the Employer. Net earnings shall be reduced by contributions of the Employer to any qualified plan, to the extent a deduction is allowed to the Employer for such contributions under Section 404 of the Code.

(8) "Employee" means any employee of the Employer,

Self-Employed Individual or Owner-Employee.

(9) "Employer" means the employer named in Section 1.02(a) and any Related Employers designated in Section 1.02(b).

(10) "Employment Commencement Date" means the date on which the Employee first performs an Hour of Service.

(11) "ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(12) "Fidelity Fund" means any Registered Investment Company which is made available to plans utilizing the CORPORATE plan for Retirement Select Plan.

(13) "Fund Share" means the share, unit, or other evidence of ownership in a Fidelity Fund.

(14) "Hour of Service" means, with respect to an Employee,

(A) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period in which the duties were performed;

(B) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer contributes or trust fund or insurer to which the Employer contributes or pays premiums) on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated) due to vacation, holiday, illness, incapacity, disability, layoff, jury duty, military duty, or leave of absence, each such hour to be credited to the Employee for the Eligibility Computation Period in which such period of time occurs, subject to the following rules:



(i) No more than 501 Hours of Service shall be credited under this paragraph (B) on account of any single continuous period during the Employee performs no duties;

(ii) Hours of Service shall not be credited under this paragraph (B) for payment which solely the Employee for medically-related expenses, or reimburses which is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws; and

(iii) If the period during which the Employee performs no duties falls within two or more computation periods and if the payment made on account of such period is not calculated on the basis of units of time, the Hours of Service credited with respect to such period shall be allocated between not more than the first two such computation periods on any reasonable basis consistently applied with respect to similarly situated Employees; and

(C) Each hour counted under paragraph (A) or (B) for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to be paid by the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period to which the award or agreement pertains rather than the computation period in which the award agreement or payment is made.

For purposes of determining Hours of Service, Employees of the Employer and of all Related Employers will be treated as employed by a single employer. For purposes of paragraphs (B) and (C) above, Hours of Service will be calculated in accordance with the provisions of Section 2530.200b-2(b) of the Department of Labor regulations which are incorporated herein by reference.

Solely for purposes of determining whether a break in service for participation purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the hours of service which would other wise been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 hours of service per day of such absence. For purposes of this paragraph, an absence from work for maternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The ours of service credited under this paragraph shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period, or (2) in all other cases, in the following computation period.

(15) "Normal Retirement Age" means the normal retirement age

specified in Section 1.10(b) of the Adoption Agreement.

(16) "Owner-Employee" means, if the Employer is a sole proprietorship, the individual who is the proprietor, or if the Employer is a partnership, a partner



who owns more than 10 percent of either the capital interest of the profits interest of the partnership.

(17) "Participant" means any Employee who participates in the Plan in accordance with Article 3 hereof.

(18) "Plan" means the plan established by the Employer as set for the herein as a new plan or as in amendment to an existing plan, by executing the Adoption Agreement, together which any and all amendments hereto.

(19) "Plan Year" means the 12 consecutive month period designated by the Employer in Section 1.01(d).

(20) "Registered Investment Company" means any one or more corporations, partnerships or trusts registered under the Investment Company Act of 1940 for which Fidelity Management and Research Company serves as investment advisor.

(21) "Related Investment Company" means any one or more corporations, partnerships or trusts registered under the Investment Company Act of 1940 for which Fidelity Management and Research Company serves as investment advisor.

(22) "Related Employer" means any employer other than the Employer named in Section 1.02(a), if the Employer and such other employer are members of a controlled group of corporations (as defined in Section 414(b) of the Code) or an affiliated service group (as defined in Section 414(m)), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Section 414(o).

(23) "Trust" means the trust created by the Employer.

(24) "Trust Agreement" means the agreement between the Employer and the trustee, as set forth in a separate agreement, under which assets are held, administered, and managed subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Plan Participants and their Beneficiaries as specified in the Plan.

(25) "Trust Fund" means the property held in the Trust by the Trustee.

(26) "Trustee" means the corporation or individuals appointed by the Employer to administer the Trust in accordance with the Trust Agreement.

(27) "Years of Service for Vesting" means, with respect to any Employee, the number of whole years of his periods of service with the Employer or a Related Employer (the elapsed time method to compute vesting service), subject to any exclusions elected by the Employer in Section 1.07(b). An Employee will receive credit for the aggregate of all time period(s) commencing with the Employee's Employment Commencement Date and ending on the date a break in service begins, unless any such years are excluded by Section 1.07(b). An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.



In the case of a Participant who has 5 consecutive 1-year breaks in service, all years of service after such breaks in service will be disregarded for the purpose of vesting the Employer-derived account balance that accrued before such breaks, but both pre-break and post-break service will count for the purposes of vesting the Employer-derived account balance that accrues after such breaks. Both accounts will share in the earnings and losses of the fund.

In the case of a Participant who does not have 5 consecutive 1-year breaks in service, both the pre-break and post-break service will count in vesting both the pre-break and post-break employer-derived account balance.

A break in service is a period of severance of at least 12 consecutive months. Period of severance is a continuous period of time during which the Employee is not employed by the Employer. such period begins on the date the Employee retires, quits or is discharged, or is earlier, the 12-month anniversary of the date on which the Employee was otherwise first absent from service.

In the case of an individual who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a break in service. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of the birth of a child by such individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

If the Plan maintained by the Employer is the plan of a predecessor employer, an Employee's Years of Service for Vesting shall include years of service with such predecessor employer. In any case in which the Plan maintained by the Employer is not the plan maintained by a predecessor employer, service for such predecessor shall be treated as service for the Employer to the extent provided in Section 1.08.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicated otherwise.

ARTICLE 3. PARTICIPATION.

3.01 Date of Participation. An eligible Employee (as set forth in Section 1.03(a)) will become a Participant in the Plan on the first Entry Date after which be becomes an eligible Employee if he has filed an election pursuant to Section 4.01. If the eligible Employee does not file an election pursuant to Section 4.01 prior to his first Entry Date, then the eligible Employee will become a Participant in the Plan as of the first day of a Plan Year for which he has filed an election.

3.02 Resumption of Participation Following Re-Employment. If a Participant ceases to be an Employee and thereafter returns to the employ of the Employer he will again become a Participant as of an Entry Date following the date on which he completes an Hour of Service for the Employer following the date on which he completes an Hour of Service for the Employer



following his re-employment, if he is an eligible Employee as defined in Section 1.03(a), and has filed an election pursuant to Section 4.01.

3.03 Cessation or Resumption of Participation Following a Change in Status. If any Participant continues in the employ of the Employer or Related Employer but ceases to be an eligible Employee as defined in Section 1.03(a), the individual shall continue to be a Participant until the entire amount of his benefit is distributed; however, the individual shall not be entitled to make Deferral Contributions or receive an allocation of Matching contributions during the period that he is not an eligible Employee. Such Participant shall continue to receive credit for service completed during the period for purposes of determining his vested interest in his Accounts. In the event that the individual subsequently again becomes an eligible Employee, the individual shall resume full participation in accordance with Section 3.01.

ARTICLE 4. CONTRIBUTIONS.

4.01 Deferral Contributions.

(a) Each Participant may elect to execute a salary reduction agreement with the Employer to reduce his Compensation by a specified percentage not exceeding the percentage set forth in Section 1.05(a) and equal to a whole number multiple of one (1) percent. Such agreement shall become effective on the first day of the period as set forth in the Participant's election. The election will be effective to defer Compensation relating to all services performed in a Plan Year subsequent to the filing of such an election. An election once made will remain in effect until a new election is made. A new election will be effective as of the first day of the following Plan Year and will apply only to Compensation payable with respect to services rendered after such date. Amounts credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with that prior election. the Employer shall credit an amount to the account maintained on behalf of the Participant corresponding to the amount of said reduction. Under no circumstances may a salary reduction agreement be adopted retroactively. A Participant may not revoke a salary reduction agreement for a Plan Year during that year.

(b) Notwithstanding the foregoing, if a Participant wishes to defer receipt of his or her annual bonus to be paid during a Plan Year with respect to the fiscal year of the Company which ends during such Plan year, the Participant shall execute a bonus reduction agreement with the Employer using the form determined by the Administrator to reduce such annual bonus by a specified percentage not exceeding the percentage set forth in Section 1.05(a) and equal to a whole number multiple of one (1) percent. The election shall be made prior to the time the amount of such annual bonus is determined and paid. The election will apply only to the annual bonus that is paid to the Participant during the Plan Year in which such election is made. A Participant may not revoke a bonus reduction agreement for a Plan Year once it is made.

(c) Notwithstanding the foregoing, if a Participant wishes to defer receipt of his or her special one time vacation accrual distribution payment, to be paid according to the Company's vacation accrual distribution payment program (the "Program") on April 1, 2002, according to such procedures and requirements as set forth in the Program, the Participant shall



execute a vacation accrual distribution payment reduction agreement with the Employer using the form determined by the Administrator to reduce such payment under the Program by a specified percentage not exceeding the percentage set forth in Section 1.05(a) and equal to a whole number multiple of one percent (1%). The election shall be made prior to the date specified by the Administrator. The election will apply only to the vacation accrual distribution payment under the Program that is paid to the Participant during the Plan Year following the year in which such election is made. A Participant may not revoke such a vacation accrual distribution payment agreement once such an election is made.

For purposes of this Section 4.01, the term "Compensation" shall have the same meaning as set forth in Section 2.01(a)(6), except that all bonuses (as provided in Section 4.01(b)) and such vacation distribution payments shall be excluded.

Notwithstanding any other provision of the Plan to the contrary, the Administrator may require a Participant to cease deferrals to the Plan for such period of time as the Administrator shall determine in its sole discretion either as a condition of permitting an in-service hardship withdrawal pursuant to Section 7.07 of the Plan or in order to avoid the need for such hardship withdrawal.

4.02 Matching Contributions. If so provided by the Employer in Section 1.05(b), the Employer shall make a Matching Contribution to be credited to the account maintained on behalf of each Participant who had Deferral Contributions made on his behalf during the year and who meets the requirement, if any, of Section 1.05(b)(3). The amount of the Matching Contribution shall be determined in accordance with Section 1.05(b).

4.03 Time of Making Employer Contributions. The Employer will from time to time make a transfer of assets to the Trustee for each Plan Year. The Employer shall provide the Trustee with information on the amount to be credited to the separate account of each Participant maintained under the Trust.

ARTICLE 5. PARTICIPANTS' ACCOUNTS.

5.01 Individual Accounts. The Administrator will establish and maintain an Account for each Participant which will reflect Matching and Deferral Contributions credited to the Account of behalf of the Participant and earnings, expenses, gains and losses credited thereto, and deemed investments made with amounts in the Participant's Account. The Administrator will establish and maintain such other accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan. Participants will be furnished statements of their Account values at least once each Plan Year.

ARTICLE 6. INVESTMENT OF CONTRIBUTIONS.

6.01 Manner of Investment. All amounts credited to the Accounts of Participants shall be treated as though invested and reinvested only in eligible investments selected by the Employer in Section 1.11(b).



6.02 Investment Decisions. Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed by the Employer or by each Participant, or both, in accordance with the Employer's election in Section 1.11(a).

(a) All dividends, interest, gains and distributions of any nature earned in respect of Fund Shares in which the Account is treated as investing shall be credited to the account as though reinvested in additional shares of that Fidelity Fund.

(b) Expenses attributable to the acquisition of investments shall be charged to the Account of the Participant for which such investment is made.

ARTICLE 7. RIGHT TO BENEFITS.

7.01 Normal or Early Retirement. If provided by the Employer in Section 1.07(d), each Participant who attains his Normal Retirement Age or Early Retirement Age will have a nonforfeitable interest in his Account in accordance with the vesting schedule elected in Section 1.07. If a Participant retires on or after attainment of Normal or Early Retirement Age, such retirement is referred to as a normal retirement. On or after his normal retirement, the balance of the Participant's Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06, will be distributed to him in accordance with Article 8.

If provided by the Employer in Section 1.06, a Participant who separates from service before satisfying the age requirements for early retirement, but has satisfied the service requirement will be entitled to the distribution of his Account, subject to the provisions of Section 7.06, in accordance with Article 8, upon satisfaction of such age requirement.

7.02 Death. If a Participant dies before the distribution of his Account has commenced, or before such distribution has been completed, his Account shall become vested in accordance with the vesting schedule elected in Section 1.07 and his designated Beneficiary of Beneficiaries will be entitled to receive the balance or remaining balance of his Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06. Distribution to the Beneficiary or Beneficiaries will be made in accordance wit Article 8.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form.

A copy of the death notice or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no such amount will be paid to his surviving spouse or, if none, to his estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid to the deceased Beneficiary's estate.

7.03 Other Termination of Employment. If provided by the Employer in Section 1.06, if a Participant terminates his employment of any reason other than death or normal retirement,



he will be entitled to a termination benefit equal to (i) the vested percentage(s) of the value of the Matching Contributions to his Account, as adjusted for income, expense, gain, or less, such percentage(s) determined in accordance with the vesting schedule(s) selected by the Employer in Section 1.07, and (ii) the value of the deferral Contributions to his Account as adjusted for income, expense, gain or less. The amount payable under this Section 7.03 will be subject to the provisions of Section 7.06 and will be distributed in accordance with Article 8.

7.04 Separate Account. If a distribution from a Participant's Account has been made to him at a time when he has a nonforfeitable right to less than 100 percent of his Account, the vesting schedule in Section 1.07 will thereafter apply only to amounts in his Account attributable to Matching Contributions allocated after such distribution. The balance of his Account immediately after such distribution will be transferred to a separate account which will be maintained for the propose of determining his interest according to the following provisions.

At any relevant time prior to a forfeiture of any portion thereof under Section 7.05, a Participant's nonforfeitable interest in his Account hale in a separate account described in the preceding paragraph will b equal to $P(AB+(BxD))-(RxD)$, where P is the nonforfeitable percentage at the relevant time determined under Section 7.05; AB is the account balance of the separate account at the relevant time; D is the amount of the distribution; and R is the ratio of the account balance at the relevant time to the account balance after distribution. Following a forfeiture of any portion of such separate account under Section 7.05 below, any balance in the participant's separate account will remain fully vested and nonforfeitable.

7.05 Forfeitures. If a Participant terminates his employment, any portion of his Account (including any amounts credited after his termination of employment) not payable to him under Section 7.03 will be forfeited by him. For purposes of this paragraph, if the value of a Participant's vested account balance is zero, the Participant shall be deemed to have received a distribution of his vested interest immediately following termination of employment. Such forfeitures will be applied to reduce the contributions of the Employer under the Plan (or administrative expenses of the Plan).

7.06 Adjustment for Investment Experience. If any distribution under this Article 7 is not made in a single payment, the amount remaining in the Account after the distribution will be subject to adjustment until distributed to reflect the income and gain or loss on the investments in which such amount is treated as invested and any expenses properly charged under the Plan and Trust to such amounts.

7.07 Hardship Withdrawals. Subject to the provisions of Article 8, a Participant shall not be permitted to withdraw his Account (and earnings thereon) prior to retirement or termination of employment, except if permitted under Section 1.09, a Participant may apply to the Administrator to withdraw some or all of his Account if such withdrawal is made on account of an unforeseeable emergency as determined by the Employer. An unforeseeable emergency is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependant (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of



each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved

(a) through reimbursement or compensation by insurance or otherwise,

(b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or

(c) by cessation of deferrals under the Plan.

ARTICLE 8. DISTRIBUTION OF BENEFITS PAYABLE AFTER TERMINATION OF SERVICE.

8.01 Distribution of Benefits to Participants and Beneficiaries.

(a) Distribution under the Plan to a Participant or to the Beneficiary of the Participant shall be made in a lump sum in cash or, if elected by the Employer in Section 1.10 and specified in the Participant's deferral election, under a systematic withdrawal plan (installment(s)) not exceeding 10 years as soon as administratively reasonable following the Participant's termination of employment.

(b) Distributions under a systematic withdrawal plan must be made in substantially equal quarterly or monthly installments, in cash, over a period certain which does not exceed 10 years.

(c) Distributions may also be made in such other forms as shall be determined by the Employer and expressly provided for under the terms of this Plan.

(d) In the event a Participant ceases to be employed by the Employer in order to become an employee of an affiliate of the Employer, then the Employer, in its sole discretion, may elect to transfer the amount credited to such Participant's Account to an unfunded, nonqualified plan for the deferral of compensation established by such Affiliate.

8.02 Determination of Method of Distribution. The Participant will determine the method of distribution (including, with respect to installments, the frequency and period certain) of benefits to himself and the method of distribution to his Beneficiary. Such determination will be made at the time the Participant first makes a deferral election under the Plan. If the Participant does not determine the method of distribution to him or his Beneficiary, the method shall be a lump sum. A Participant may change his or her election regarding the method of distribution (including with respect to installments, the frequency and period certain) by making a new election. A new election will be effective as of the later of the date that is six (6) months following the date the new election is made or the first day of the Plan Year following the Plan Year in which the new election is made and will apply to the Participant's entire Account. The Participant's election regarding the method of distribution shall not be changed subsequent to the Participant's termination of employment; however, the Beneficiary may request that the Administrator approve a change to the form of distribution, which may not be changed without the Administrator's approval.



8.03 Notice to Trustee. The Administrator will notify the Trustee in writing whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form, amount and frequency of benefits that such participant or Beneficiary shall receive.

8.04 Consulting Services and Employment by an Affiliate. For purposes of Articles 7 and 8 the following shall not be treated as the termination of the Participant's employment with the Employer: (i) employment by an affiliate of the Employer; (ii) the provision of services to the Employer as a member of the Board of Directors of the Employer that is simultaneous and immediately after employment with the Employer or an affiliate of the Employer; or (iii) the provision of consulting services to the Employer or an affiliate of the Employer. For purposes of this Section 8.04, an "affiliate" shall include any entity which controls the employer named in Section 1.02(a) of the Adoption Agreement, which is controlled by such employer, or which is under common control with such employer.

ARTICLE 9. AMENDMENT AND TERMINATION.

9.01 Amendment by Employer. The Employer reserves the authority to amend the Plan by filing with the Trustee an amended Adoption Agreement, executed by the Employer only on which said Employer has indicated a change or changes in provisions previously elected by it. Such changes are to be effective on the effective date of such amended Adoption Agreement. Any such change notwithstanding, no Participant's Account shall be reduced by such change below the amount to which the Participant would have been entitled if he had voluntarily left the employ of the Employer immediately prior to the date of the change. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy the Code or ERISA. The Employer's board of directors or other individual specified in the resolution adopting this Plan shall act on behalf of the Employer for purposes of this Section 9.01.

9.02 Retroactive Amendments. An amendment made by the Employer in accordance with Section 9.01 may be made effective on a date prior to the first day of the Plan Year in which it is adopted if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or ERISA or to conform to the plan to any change in federal law or to any regulations or ruling thereunder. Any retroactive amendment by the Employer shall be subject to the provisions of Section 9.01.

9.03 Termination. The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue contributions under the Plan or terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination.

9.04 Distribution upon Termination of the Plan. Upon termination of the Plan, no further Deferral Contributions or Matching Contributions shall be made under the Plan, but Accounts of Participants maintained under the Plan at the time of termination shall continue to be governed by the terms of the Plan until paid out in accordance with the terms of the Plan;



provided, however, that the Employer shall retain the sole discretion to distribute the Participants' Accounts in a lump sum payment at any time following the termination of the Plan.

ARTICLE 10. MISCELLANEOUS.

10.01 Communication to Participants. The Plan will be communicated to all Participants by the Employer promptly after the Plan is adopted.

10.02 Limitation of Rights. Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; and in no event will the terms of employment or service of any Participant be modified or in any way affected hereby.

10.03 Nonalienability of Benefits. The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law.

10.04 Facility of Payment. In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may direct the Trustee to disburse such payments to a person or institution designated by a court which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments shall be complete acquittance therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

10.05 Information between Employer and Trustee. The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including without limitation information required under the Code or ERISA and any regulations issued or forms adopted thereunder.

10.06 Notices. Any notices or other communication in connection with this Plan shall be deemed delivered in writing if addressed as provided below and if either actually delivered at said address or, in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified:

(a) If to the Employer or Administrator, to it at the address set forth in the Adoption Agreement, to the attention of the person specified to receive notice in the Adoption Agreement;

(b) If to the Trustee, to it at the address set forth in the Trust Agreement; or, in each case at such other address as the addressee shall have specified by written notice delivered in accordance with the foregoing to the addressor's then effective notice address.



10.07 Governing Law. The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to ERISA and to the extent not preempted thereby, the laws of the State of California.

ARTICLE 11. PLAN ADMINISTRATION

11.01 Powers and Responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review the procedures specified in Section 11.03;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To comply with the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;

(i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;

(j) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan;

11.02 Nondiscriminatory Exercise of Authority. Whenever, in the administration of the Plan, any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

11.03 Claims and Review Procedures.

(a) Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any



such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within the initial 90-day period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim.

(b) Review Procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). If the decision on review is not made within such period, the claim will be considered denied.

11.04 Costs of Administration. Unless some or all costs and expenses are paid by the Employer, all reasonable costs and expenses (including legal, accounting, and employee communication fees) incurred by the Administrator and the Trustee in administering the Plan and Trust, which are authorized by the Service Agreement entered into by the Employer and the Trustee or which are approved in writing by the Employer in advance, will be paid first from the forfeitures (if any) resulting under Section 7.05, then from the remaining Trust Fund. All such costs and expenses paid from the Trust Fund will, unless allocable to the Accounts of particular Participants, be charged against the Accounts of all Participants on a prorata basis or in such other reasonable manner as may be directed by the Employer.



CPR SELECT

THE CORPORATE PLAN FOR RETIREMENT
SELECT PLAN

Adoption Agreement

IMPORTANT NOTE

This document is not an IRS approved Prototype Plan. An Adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" and exempt from Parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees may not provide you with legal advice in connection with the execution of this document. This document should be reviewed by your attorney and/or accountant prior to execution.

All sections of this Adoption Agreement must be completed, except where stated as optional. An Employer may only select the options listed. An Employer should consult with its attorney and/or accountant for assistance in completing this Agreement.

1.01. PLAN INFORMATION:

(a) Enter the legal name of the Plan.

(b) Complete only if the Plan Administrator is not the Employer. (Fidelity is not the Plan Administrator). A Committee may be designated to act on behalf of the Plan Administrator. However, in such case, the Employer or other Plan Administrator would still be named in this section.

(c) This is the three digit number assigned to the plan as required by the Internal Revenue Service. For a new plan, if the Employer does not currently or has never maintained another employee benefit pension plan then this Plan Number will be "001." If the Employer currently maintains or has ever maintained another employee benefit pension plan then this Plan will be "002." If the Employer currently maintains or has ever maintained two other employee benefit pension plans then this Plan will be "003," etc. An existing Employer plan that is a conversion from another plan document must use the same three digit plan number currently in effect.

(d) Enter the month and day of the Plan Year end (i.e., December 31). The Plan Year must be the last day of a month.

(e)(1) Select (1) or (2).) If this is a new Plan then enter the Effective Date.

(e)(2) Enter the Effective Date of Amendment to the CPR Select Plan. This is the date that all Plan assets will be wired to Fidelity and when the provisions in this Adoption Agreement will become effective. This date MUST be the first day of a month. The Effective Date must be the same date as the Implementation Date. The Implementation Date is also identified in the Fidelity Service Agreement.

ADOPTION AGREEMENT
ARTICLE I

1.01 PLAN INFORMATION:

(a) Name of Plan:

This is the QUALCOMM Incorporated Executive Retirement Contribution Plan (the "Plan").

(b) Name of Plan Administrator, if not the Employer:

_______________________________________________________________________

Address: _______________________________________________________

Phone Number: _______________________________________________________

The Plan Administrator is the agent for service of legal process for the Plan.

(c) Three Digit Plan Number: __________________________

(d) Plan Year End (month/day): 12/31

(e) Plan Status (check one):

(1) [X] Effective Date of new Plan: 12/1/95

(2) [ ] Amendment Effective Date: _____________________________

The original effective date of the Plan: ________________

1.02. EMPLOYER:

(a) Enter the Employer's legal name, principal address, contact name and phone number. If one or more Related Employers are adopting this Plan then the Employer identified in this section should be the Employer sponsoring the plan.

(a)(1) Enter the Employer's Federal tax identification number. This is not the Federal tax identification number of the Plan.

(a)(2) Select the business form(s) of the Employer. Related Employers under 1.02(b) adopting the CPR Select Plan that have multiple business forms may select more than one business form, if applicable. A sole proprietor, partnership or Subchapter S corporation should consult with its attorney and/or accountant before adopting the plan with respect to the issue of whether the plan can benefit owners or whether it should cover only common-law employees.



(a)(3) Enter the month and day of the Employer's, not the Plan's, fiscal tax year end.

(b) (Optional) If an Employer is part of an affiliated service group or controlled group of employers (collectively defined as "Related Employers") then it may include one or more Related Employers in the definition of "Employer" under this Plan. (Unrelated Employers CANNOT be included as part of the Employer's Plan. Please consult your attorney and/or accountant for assistance on the definition of legally Related Employers.) Each Related Employer must take the appropriate legal action (i.e., Board of Directors' resolution for a corporation) to be included as part of the Employer's Plan.

1.02 EMPLOYER:

(a) The Employer is: QUALCOMM Incorporated

Address: 5775 Morehouse Drive

San Diego, CA 92121

Contact's Name: Marge Fitch

Telephone Number: (858) 651-6092

(1) Employer's Tax Identification Number: 95-3685034

(2) Business form of Employer (check one):

(A) [X] Corporation

(B) [ ] Sole proprietor or partnership

(C) [ ] Subchapter S Corporation

(3) Employer's fiscal year end: Last Sunday of every September

(b) The term "Employer" includes the following Related Employer(s) (as defined in Section 2.01(a)(21)):

QUALCOMM Investments

QUALCOMM International

________________________________________________________________________________

________________________________________________________________________________

________________________________________________________________________________



1.03 COVERAGE:

(a) To be exempt from Parts 2 through 4 of Title 1 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and to comply with Department of Labor rules, the Plan must be "unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees." The Department of Labor has not defined or issued formal guidance on who constitutes a "management or highly compensated employee." Additionally, to avoid current income taxation of amounts deferred, certain IRS rules and regulations must be followed. You must consult your attorney and/or accountant for assistance on (i) compliance with the reporting and disclosure requirements of Part 1 of Title I of ERISA, (ii) whether or not a particular employee or group of employees would be included within the definition of "management or highly compensated employees," and (iii) whether the Plan satisfies all IRS rules and regulations applicable to this type of plan. List the names of employees who will be eligible to participate in the Plan on Attachment A.

(b) (Select one option.) The Entry Date is the date an eligible Employee may actually begin participating in the Plan. Participation may occur only on or after the date an Employee files an election with Employer. Such election will relate only to services to be performed after the election is filed and before the end of the Plan Year. An election once made remains in effect until a participant files a new election for a subsequent Plan Year.

1.03 COVERAGE

(a) Only those Employees listed in Attachment A will be eligible to participate in the Plan. A Eligible Employee shall be any Employee who holds the title of Office of the Chair, Corporate Senior Vice President, Division President, Corporate Vice President, Division Senior Vice President, Division Vice President, or any other position of equal seniority or responsibility.

(b) The Entry Date(s) shall be (check one):

(1) [ ] the first day of each Plan Year.

(2) [ ] the first day of each Plan Year and the date six months later.

(3) [X] the first day of each Plan Year and the first day of the fourth, seventh, and tenth months.

(4) [ ] the first day of each month.

1.04 COMPENSATION (SELECT ONE OPTION):

Compensation is defined under the Plan as total Compensation paid which would be reportable as earnings in the wages, tips and other Compensation box on the annual IRS tax Form W-2 ("W-2 Compensation") but for the election under Section 1.05, subject to any elections in



Section 1.04(a) through (d). For purposes of determining Contributions under Section 1.05, W-2 Compensation is modified as follows:

to include:

- Internal Revenue Code Section 401(k) salary deferrals;

- Internal Revenue Code Section 125 salary deferrals (Employee pre-tax contributions to a "cafeteria plan");

- Elective contributions under Internal Revenue Code Sections 402(h) (Simplified Employee Pension), 403(b) (Tax Sheltered Annuities), other deferred compensation described in Section 457(b) (Plan of State and Local Governments and Tax-Exempt Organizations), or 414(h)(2) Plan of a State or Political Subdivision of the Government), and

to exclude:

- Deferred Compensation other than amounts deferred under this Plan;

- Fringe benefits (cash and non-cash);

- Moving expenses;

- Reimbursements or other expense allowances;

- Welfare benefits.

However, Compensation for purposes of the Internal Revenue Code accrual deferral percentage test and the actual contribution percentage test under an Internal Revenue Code Section 401(k) plan will be based upon the aforementioned definition of Compensation reduced by amounts elected under Section 1.05 and regardless of any items excluded from the definition of Compensation in Section 1.04(a) through (d).

An Employer may exclude overtime pay, bonuses, commissions, and/or the value of a qualified or non-qualified stock option granted from an Employee's Compensation by checking the appropriate options(s) in (a) through (d). If compensation will be deferred as W-2 compensation without any of the exclusions in (a) through (d), then select option (e).

1.04 COMPENSATION

For purposes of determining Contributions under the Plan, Compensation shall be as defined in Section 2.01(a)(6), but excluding (check the appropriate box(es)):

(a) [ ] Overtime Pay.

(b) [ ] Bonuses.

(c) [X] Commissions.



(d) [X] The value of a qualified or a non-qualified stock option granted to an Employee by the Employer to the extent such value is includable in the Employee's taxable income.

(e) [ ] No exclusions.

1.05 EMPLOYER CONTRIBUTIONS:

Complete (a). (b) is optional.

(a) An Employer may allow a Participant to elect to contribute Deferral Contributions in a whole percentage, from 1% to 100%, of Compensation into the Plan. The election will be effective to defer Compensation relating to all services performed in a Plan Year subsequent to the filing of such an election. An election once made is irrevocable for a Plan Year and remains in effect until a Participant makes a new election for a subsequent Plan Year. A new election will be effective as of the first day of the following Plan Year and will apply only to Compensation payable with respect to services rendered after such date. Amounts credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with that prior election.

(b) (Optional) An Employer may elect to match all Employee Deferral

Contributions, subject to any percentage of Compensation and/or dollar limit(s) under Section 1.05(b)(2), based upon 50% (Option (A)), 100% (Option (B)), a specified percentage (Option (C)), or a tiered match (Option (D)), a percentage declared by the Board (Option (E)) or an "other" option to be completed (Option (F)).

An Employer may make Discretionary Matching Contributions, if any, each Plan Year based upon a percentage of Participant Employee Deferral Contributions (Option (E)). This option enables the Employer to vary the Matching Contribution annually without having to amend the CPR Select Plan Adoption Agreement. The amount of Matching Contributions, if any, will be determined annually by the Employer and then communicated to the Participants. The Employer may declare the Matching Contributions at any time during the Plan Year. A corporate Employer must pass a Board of Directors Resolution declaring the Matching Contribution for a particular Plan Year. A Sole Proprietor or a Partnership must write a Letter of Intent declaring the Matching Contribution for a particular Plan Year.

Employer Matching Contributions must be computed based upon the amount of a Participant's Deferral Contributions, subject to any percentage of Compensation and/or dollar limit(s) under Section 1.05(b)(2).

(b)(2)(A)(Optional) An Employer may select to limit the percentage of a Participant's Deferral Contributions that are eligible for the Matching Contributions specified in (b)(1) to a certain percentage of his/her eligible Compensation.

Example: An Employer wants to match 50% of each dollar contributed to the Plan as Deferral Contributions but only on the first six percent of a Participant's eligible Compensation. A



Participant's eligible Compensation for one payroll is $1,000 and he contributes 10% of it into the Plan as Deferral Contributions. The Matching Contribution will be limited to $30 [($1,000 of Compensation) x (6% limit) = $60, $60 x 50% = $30].

If an Employer directs Fidelity to establish a Basic Employee Deferral Contribution and a Supplemental Employee Deferral Contribution source for contributions made pursuant to Section 1.05(b) on the Fidelity Participant Recordkeeping System and the Employer elects a percentage limit on Matching Contributions then the match must be computed based upon each period. A Basic Deferral Contribution represents the portion of a Participant's Deferral Contributions that will be matched by the Employer. A Supplemental Deferral Contribution represents the portion of a Participant's Deferral Contributions that will not be matched by the Employer.

(b)(2)(B) (Optional). An Employer may select to limit the total Matching Contributions to a fixed dollar amount.

Note: An Employer may select (2)(A), (2)(B) or both 2(A) and (2)(B). If the latter is selected then the Matching Contributions will be limited to whichever limit occurs first, either the percentage of Compensation in (A) or the fixed dollar amount in (B).

(b)(3) (Select one or more options.) If Matching Contribution is selected in Section 1.05(b)(1) then the Employer must select one of the Options (A through D) listed in this section. An Employer may specify that a Participant must satisfy certain conditions during a Plan Year to be eligible to receive Matching Contributions. The Employer may require a Participant to be employed on the last day of the Plan Year (Option (A)) and/or either earn at least 500 hours of service during the Plan Year (Option (B)) or earn at least 1,000 hours of service during the Plan Year (Option (C)). Matching Contributions made pursuant to (A), (B) or (C) are referred to as conditional contributions and must be funded after Plan Year end. Participants who die, become disabled or retire during the Plan Year must meet the requirement(s) selected, if any, to receive Matching Contributions on their Deferral Contributions.

NOTE: CONDITIONAL MATCHING CONTRIBUTIONS ELECTED IN OPTION (A), (B) OR (C) THAT ARE FUNDED DURING THE PLAN YEAR WILL BE TREATED AS UNCONDITIONAL MATCHING CONTRIBUTIONS. ADDITIONALLY, IF AN EMPLOYER HAS BEEN MAKING UNCONDITIONAL MATCHING CONTRIBUTIONS AND ELECTS OPTIONS (A), (B) OR (C) DURING A PLAN YEAR THEN SUCH OPTION WILL NOT BECOME EFFECTIVE UNTIL THE FIRST DAY OF THE NEXT PLAN YEAR.

1.05 CONTRIBUTIONS

(a) Deferral Contributions. The Employer shall make a Deferral Contribution in accordance with Section 4.01 on behalf of each Participant who has an executed salary reduction agreement in effect with the Employer for the Plan Year (or portion of the Plan Year) in question, not to exceed 100% of Compensation for that Plan. Year.

For purposes of



the percentage limitation, Compensation shall exclude salary deferrals and all other authorized payroll withholdings to other employee benefit plans maintained by the Employer, applicable income and employment withholding taxes, and all withholding obligations imposed by law. In addition, the Employer shall make a Deferral Contribution in accordance with Section 4.01(b) on behalf of each Participant who has executed a bonus reduction agreement with respect to their annual bonus paid during such Plan Year in an amount up to 100% of such bonus, less all other payroll withholdings either authorized by the Participant or required by law.

(b) [ ] Matching Contributions N/A

(A) [ ] 50%

(B) [ ] 100%

(C) [ ] ____%

(D) [ ] (Tiered Match) _____% of the first ______% of the Participant's Compensation contributed to the Plan,

____% of the next ____% of the Participant's Compensation contributed to the Plan,

____% of the next ____% of the Participant's Compensation contributed to the Plan.

(E) [ ] The percentage declared for the year, if any, by a Board of Director's resolution.

(F) [ ] Other:

_________________________________________________________

_________________________________________________________

_________________________________________________________

(2) [ ] Matching Contribution Limits (check the appropriate box(es)):

(A) [ ] Deferral Contribution in excess of ___% of the Participant's Compensation for the period in question shall not be considered for Matching Contributions.

Note: If the Employer elects a percentage limit in (A) above and requests the Trustee to account separately for matched and unmatched Deferral Contributions, the Matching Contributions allocated to each Participant must be computed, and the percentage limit applied, based upon each period.



(B) [ ] Matching Contributions for each Participant for each Plan Year shall be limited to $_________________.

(3) Eligibility Requirement(s) for Matching Contributions

A Participant who makes Deferral Contributions during the Plan Year under Section 1.05(a) shall be entitled to Matching Contributions for that Plan Year if the Participant satisfies the following requirement(s) (Check the appropriate box(es). Options (B) and (C) may not be elected together):

(A) [ ] Is employed by the Employer on the last day of the Plan Year.

(B) [ ] Earns at least 500 Hours of Service during the Plan Year.

(C) [ ] Earns at least 1,000 Hours of Service during the Plan Year.

(D) [ ] No requirements.

Note: If Option (A), (B) or (C) above is selected then Matching Contributions can only be made by the Employer after the Plan Year ends. Any Matching Contributions made before Plan Year end shall not be subject to the eligibility requirements of this Section 1.05(b)(3)).

1.06 DISTRIBUTION DATES

You may select the date or dates after which a Participant may elect to receive a distribution of his accounts from the Plan in one of the forms selected under Section 1.10. A Participant must elect the time and form of payment when the Deferral Contribution election is made. If the Participant does not elect a time and form of payment, then amounts will be paid in a lump sum at the earliest date selected under Section 1.06. You must select at least one of the following options:

(a) (Optional). An employer may select age 65 (Option 1)), any other age between 55 and 64 (Option 2)), or the later of a specified age between 55 and 65 and the fifth anniversary of the date the Participant commenced employment (Option 3)). A Participant is not required to retire once he/she attains normal retirement age. (Select one option).

(b) (Optional). Specify the early retirement age and required year of service, if applicable.

(c) (Optional). A Participant may elect to receive his accounts upon termination of employment with the Employer.



1.06 DISTRIBUTION DATES

A Participant may elect to receive a distribution or commence distributions from his Account pursuant to Section 8.02 upon the following date(s) (check the appropriate box(es)). If Option (c) is elected, then options (a) and (b) may not be elected):

(a) [ ] Attainment of Normal Retirement Age. Normal Retirement Age under the Plan is (check one):

(1) [ ] age 65.

(2) [ ] age ___(specify from 55 through 64).

(3) [ ] later of the age ___ (cannot exceed 65) or the fifth anniversary of the Participant's Commencement Date.

(b) [ ] Attainment of Early Retirement Age. Early Retirement Age is the first day of the month after the Participant attains age ___ (specify 55 or greater) and completes ___ Years of Service for Vesting.

(c) [X] Termination of employment with the Employer.

1.07 VESTING SCHEDULE

(a) Vesting refers to the nonforfeitable interest of a Participant in Matching Contributions and the earnings thereon. A Participant is always 100% vested in Employee Deferral Contributions and the earnings thereon. Vesting under the CPR Select Plan is based upon the elapsed-time method that is defined under the "Years of Service for Vesting" in Section 2.01(a)(27) of the Plan Document. Participant Years of Service for vesting Matching Contributions includes all years of service subject to any such exclusion in Section 1.07(b). Amounts which are not fully vested when a Participant terminates employment will not be distributed to the Participant.

(Select one.) An Employer electing Matching Contributions in Section 1.05(b) must select only one of the Vesting Schedules Listed in Options (1) through (8). An Employer may create its own vesting scheduled by inserting the elected vesting percentage in the blanks in (7) or electing (8) and attaching a separate page setting forth the vesting schedule.

(b) (Optional.) Years of service for Participant vesting includes all Years of Service for an Employee except an Employer may elect to exclude service prior to the Effective Date of a new plan (Option (1)) or prior to the original Effective Date of a pre-existing plan (Option (2)).

(c) (Optional.) Insert the events that will cause a complete forfeiture of a Participant's Matching Contributions (such as theft, violation of a non-compete agreement, etc.....)



AMOUNTS DEFERRED UNDER THE CPR SELECT PLAN ARE GENERALLY SUBJECT TO FICA TAXES (INCLUDING THE OASDI PORTION ON THE AMOUNT NOT IN EXCESS OF THE SOCIAL SECURITY WAGE BASE, AND THE HOSPITAL INSURANCE PORTION ON THE

ENTIRE AMOUNT) AT THE TIME THE SERVICES ARE PERFORMED. HOWEVER, IF THE MATCHING CONTRIBUTIONS ARE SUBJECT TO A VESTING SCHEDULE OR ARE SUBJECT TO FORFEITURE, THE AMOUNT OF THE MATCHING CONTRIBUTIONS WILL BE SUBJECT TO FICA AS OF THE LATER OF WHEN THE SERVICES ARE PERFORMED OR WHEN THERE IS NO SUBSTANTIAL RISK OF FORFEITURE OF THE RIGHTS TO SUCH AMOUNT.

(d) (Optional.) Insert the events, if any, which result in 100% Vesting other than completion of the required years of service under the Vesting Schedule selected in Section 1.07(a).

1.07 VESTING SCHEDULE

(a) The Participant's vested percentage in Matching Contributions elected in Section 1.05(b) shall be based upon the schedule(s) selected below:

(1) [X] N/A - No Matching Contributions
(2) [ ] 100% Vesting immediately
(3) [ ] 3 year cliff (see C below)
(4) [ ] 5 year cliff (see D below)
(5) [ ] 6 year graduated (see E below)
(6) [ ] 7 year graduated (see F below)
(7) [ ] G below
(8) [ ] Other (Attachment "B")

<TABLE>
<CAPTION>

Vesting Schedule

| Years of Service for Vesting | C | D | E | F | G |
|---|---|---|---|---|---|
| 0 | 0% | 0% | 0% | 0% | -- |
| 1 | 0% | 0% | 0% | 0% | -- |
| 2 | 0% | 0% | 20% | 0% | -- |
| 3 | 100% | 0% | 40% | 20% | -- |
| 4 | 100% | 0% | 60% | 40% | -- |
| 5 | 100% | 100% | 80% | 60% | -- |
| 6 | 100% | 100% | 100% | 80% | -- |
| 7 | 100% | 100% | 100% | 100% | 100% |

</TABLE>

(b) [ ] Years of Service for Vesting shall exclude (check one):

(1) [ ] for new plans, service prior to the Effective Date as defined in Section 1.01(e)(1).

(2) [ ] for existing plans converting from another plan document, service prior to the original Effective Date as defined in Section 1.01(e)(2).



(c) [ ] A Participant will forfeit his Matching Contributions upon the occurrence of the following event(s):________________________

_____________________________________________________________

(d) A Participant will be 100% vested in his Matching Contributions upon (check the appropriate box(es), if any):

N/A

(1) [ ] Normal Retirement Age (as defined in Section 1.06(a)).

(2) [ ] Early Retirement Age (as defined in Section 1.06(b)).

(3) [ ] Death.

1.08 PREDECESSOR EMPLOYER SERVICE

(Optional). An Employer may elect to include an Employee's Years of Service with any predecessor employer(s) listed in (a) through (d) for vesting purposes.

1.08 PREDECESSOR EMPLOYER SERVICE

[ ] Service for purposes of vesting in Section 1.07(a) shall include service with the following employer(s):

(a) _____________________________________________________________

(b) _____________________________________________________________

(c) ________________________________________________________________

(d) ________________________________________________________________

1.09 HARDSHIP WITHDRAWALS (SELECT ONE OPTION):

(a) (Optional). An Employer may elect to make hardship withdrawals available with a set minimum.

A Participant may request a hardship withdrawal from his/her Deferral Contributions subject to the discretion of the Employer. You should consult your attorney and/or accountant for assistance on permissible hardship withdrawals.

(b) An Employer may elect not to make hardship withdrawals available by selecting this option.

1.09 HARDSHIP WITHDRAWALS

Participant withdrawals for hardship prior to termination of employment (check one):



(a) [X] will be allowed in accordance with Section 7.07, subject to a $1,000 minimum amount. (Must be at least $1,000)

(b) [ ] will not be allowed.

1.10 DISTRIBUTIONS

Distributions from the Plan will be paid to a Participant either in lump sum (Option (a)) or in systematic installment withdrawals not to exceed 10 years (Option (b)). Distributions will be made on or after termination of employment with the Employer, as permitted under Section 1.06 and as elected by the Participant at the time the Deferral Contribution election was made. If the Participant does not elect a time and form of payment, his amounts will be paid in a lump sum at the earliest date selected under Section 1.06. An Employer who converted from another plan document that allowed a Participant the right to receive his/her distribution from the Plan in a lump sum and/or installment option(s) must select the same option in this section. (Select one or both options.)

1.10 DISTRIBUTIONS

(a) Subject to Articles 7 and 8, distributions under the Plan will be paid (check the appropriate box(es)):

(1) [X] as a lump sum.

(2) [X] under a systematic withdrawal plan (installments) not to exceed 10 years.

(b) Normal Retirement Age under the Plan is age 65.

(c) Early Retirement Age is the first day of the month after the Participant attains age 62 1/2 and completes 10 Years of Service for Vesting.

Notwithstanding the foregoing, in the event a Participate terminates employment prior to his or her Normal Retirement Age or Early Retirement Age, such distribution will be paid as a lump sum.

1.11 INVESTMENT DECISIONS

This section permits the Employer to designate who directs the selections of investments (Employer, Participants or both) and the Fidelity Mutual Funds in which Participant Accounts shall be treated as invested and reinvested. (Selection one option from (a) and complete Option (b).)

(a)(1) An Employer may direct all Participant account balances between/among the available Fidelity Funds offered under the Plan by election Option (1). The Employer is responsible for sending Fidelity written direction for any exchanges between/among available Funds based upon procedures established by Fidelity.



(a)(2) An Employer may allow each Participant to direct his/her entire account balance between/among the available Fidelity Funds offered under the Plan by selecting Option (2). (A Participant's spouse or a third party may not direct Participant account balances.) Each Participant should receive a prospectus in accordance with Securities and Exchange Commission requirements before investing money in any Fidelity Mutual Fund to Service Agreement.

(a)(3) An Employer may direct Employer Matching Contributions and allow a Participant to direct his/her remaining account balances between/among the available Fidelity Funds by selecting Option (3). The Employer and Participant must select from the available Funds listed in Option (b). The Employer must provide Fidelity with written instructions for the investment of Participant accounts that it will direct between/among Fidelity Funds.

(b) The Employer may only select Fidelity Funds offered under the CPR Select Plan. An additional recordkeeping fee will be charged for each Fidelity Fund selected in excess of five (5).

This document includes two (2) identical signature pages. An authorized officer (if the Employer is incorporated) or an authorized individual(s) (if the Employer is unincorporated) must sign pages ___ and ___ and return page ___ to Fidelity. Only one authorized signature is required to execute this Adoption Agreement, unless the Employer's corporate policy mandates two authorized signatures. The Employer should take the appropriate Board of Director's action to adopt the CPR Select Plan .

THIS AGREEMENT SHOULD BE REVIEWED BY YOUR ATTORNEY AND/OR ACCOUNTANT BEFORE IT IS EXECUTED.

1.11 INVESTMENT DECISIONS

(a) Investment Directions

Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed (check one):

(1) [ ] by the Employer among the options listed in (b) below.

(2) [X] by each Participant among the options listed in (b) below.

(3) [ ] by each Participant with respect to Deferral Contributions and by the Employer with respect to Employer Matching Contributions. The Employer must direct the Employer Matching Contributions among the same investment options made available for Participant directed sources listed in (b) below.

(b) Plan Investment Options

Participant Accounts will be treated as invested among the Fidelity Funds listed below pursuant to Participant and/or Employer directions.



<TABLE>
<CAPTION>

| | Fund Name | Fund Number |
|---|---|---|
| <S> | | <C> |
| (1) | Money Market Portfolio | 0630 |
| (2) | Government Securities Fund | 0054 |
| (3) | Asset Manager Portfolio | 0314 |
| (4) | Growth & Income Portfolio | 0027 |
| (5) | Magellan Fund | 0021 |
| (6) | Contra Fund | 0022 |
| (7) | OTC Fund (effective 1/1/96) | 0093 |
| (8) | __________________________ | ______ |
| (9) | __________________________ | ______ |
| (10) | __________________________ | ______ |

</TABLE>

Note: An additional annual recordkeeping fee will be charged for each fund in excess of five funds.

Note: The method and frequency for change of investments will be determined under the rules applicable to the selected funds. Information will be provided regarding expenses, if any, for changes in investment options.

1.12 RELIANCE ON PLAN

An adopting Employer may not rely solely on this Plan to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" and exempt from Parts 2 through 4 of Title I of the Employee Retirement Income Security Act of 1974 with respect to the Employer's particular situation. This Agreement must be reviewed by your attorney and/or accountant before it is executed.

This Adoption Agreement may be used only in conjunction with the Corporate Plan for Retirement Select Basic Plan Document.



EXECUTION PAGE

IN WITNESS WHEREOF, the Employer has caused this Adoption Agreement to be executed this 6th day of December, 1995.

Employer: QUALCOMM Incorporated

By: Dan Sullivan

Title: VP, Human Resources

Employer: QUALCOMM Incorporated

By: Kathy Marchetta

Title: Benefits Manager



s

EXHIBIT 10.58

QUALCOMM INCORPORATED
1998 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN
NONSTATUTORY STOCK OPTION

_______________________, Optionee:

On _____________, an option to purchase shares of common stock ("Common Stock") was automatically granted to you (the "Optionee") pursuant to the QUALCOMM Incorporated (the "Company") 1998 Non-Employee Directors' Stock Option Plan (the "Plan"). This option is not intended to qualify and will not be treated as an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Capitalized terms not explicitly defined in this agreement shall have the meaning assigned to such terms in the Plan.

The details of your option are as follows:

1. The total number of shares of Common Stock subject to this option is _____________________.

2. The exercise price of this option is ______________ per share, such amount being equal to the Fair Market Value of the Common Stock on the date of grant of this option.

3. Subject to the limitations contained herein, this option shall become exercisable (i.e., vest) in sixty (60) equal, consecutive monthly installments with the first installment becoming exercisable one month after the date of the grant. Notwithstanding the foregoing, this option shall not become fully exercisable with respect to shares represented by the installment vesting on a given vesting date unless you have remained in Continuous Service throughout the period from the date of grant to such vesting date.

4. (a) This option may be exercised, to the extent specified above, by delivering a notice of exercise (in a form designated by the Company) together with the exercise price to the Secretary of the Company, or to such other person as the Company may designate, during regular business hours, together with such additional documents as the Company may then require.

(b) This option may only be exercised for whole shares.

(c) You may elect to pay the exercise price under one of the following alternatives:

(i) In cash (or check) at the time of exercise;

(ii) Payment pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board which results in the receipt of cash (or check) by the Company either prior to the issuance of shares of the Common Stock or pursuant to the terms of irrevocable instructions issued by you prior to the issuance of shares of the Common Stock; or



(iii) Payment by a combination of the methods of payment specified in subparagraphs (i) and (ii) above.

(d) By exercising this option you agree that the Company may require you to enter an arrangement providing for the cash payment by you to the Company of any tax withholding obligation of the Company arising by reason of the exercise of this option.

5. The term of this option is ten (10) years measured from the date of grant, subject, however, to earlier termination upon your termination of service, as set forth in Sections 6(f), (g), (h) and (i) of the Plan.

6. This option is not transferable in any manner (including without limitation, sale, alienation, anticipation, pledge, encumbrance, or assignment) other than, (i) by will or by the laws of descent and distribution, (ii) by written designation of a beneficiary, in a form acceptable to the Company, with such designation taking effect upon your death, (iii) pursuant to a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, or the rules thereunder, or (iv) by delivering written notice to the Company, in a form acceptable to the Company (including such representations, warranties and indemnifications as the Company shall require you to make to protect the Company's interests and ensure that this option has been transferred under the circumstances approved by the Company), by gift to your spouse, former spouse, children, stepchildren, grandchildren, parent, stepparent, grandparent, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, persons having one of the foregoing types of relationship to you due to adoption, any person sharing your household (other than a tenant or employee), a

foundation in which these persons or you control the management of assets, and any other entity in which these persons (or you) own more than fifty percent of the voting interests. A transfer to an entity in which more than fifty percent of the voting interests are owned by these persons (or you) in exchange for an interest in that entity is specifically included as a permissible type of transfer. In addition, a transfer to a trust created solely for the benefit (i.e., you and/or any or all of the foregoing persons hold more than 50 percent of the beneficial interest in the trust) of you and/or any or all of the foregoing persons is also a permissible transferee. During your life this option is exercisable only by you or a transferee satisfying the above conditions. Except in the event of your death, upon transfer of your options to any or all of the foregoing persons, you, as the Optionee, are liable for any and all taxes due upon exercise of those transferred options. At no time will a transferee who is considered an affiliate under Rule 144(a)(1) be able to sell any or all such shares without complying with Rule 144. The right of a transferee to exercise the transferred portion of this option shall terminate in accordance with your right of exercise under this option and is further subject to such representations, warranties and indemnifications from the transferee that the Company requires the transferee to make to protect the Company's interests and ensure that this option has been transferred under the circumstances approved by the Company. Once a portion of this option is transferred, no further transfer may be made of that portion of this option, unless the Company consents in writing to the transfer.

7. Any notices provided for in this option or the Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed



to you at the address specified below or at such other address as you hereafter designate by written notice to the Company.

8. This option is subject to all the provisions of the Plan, a copy of which is attached hereto and its provisions are hereby made a part of this option, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the provisions of this option and those of the Plan, the provisions of the Plan shall control.

Very truly yours,
QUALCOMM Incorporated

By: ---------------------------

___________________________
Duly authorized on behalf
of the Board of Directors

ATTACHMENTS: 1998 Non-Employee Directors' Stock Option Plan

EXHIBIT 31.1

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

I, Irwin Mark 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)) 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) 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

c) 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: July 21, 2004

/s/ Irwin Mark Jacobs
- ---------------------------------------
Irwin Mark Jacobs,
Chief Executive Officer and Chairman

EXHIBIT 31.2

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)) 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) 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

c) 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: July 21, 2004

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

EXHIBIT 32.1

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 June 27, 2004 (the "Report"), I, Irwin Mark Jacobs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) 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: July 21, 2004

/s/ Irwin Mark Jacobs

Irwin Mark Jacobs,
Chief Executive Officer and Chairman

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to QUALCOMM Incorporated and will be retained by QUALCOMM Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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 June 27, 2004 (the "Report"), I, William E. Keitel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) 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: July 21, 2004

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

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to QUALCOMM Incorporated and will be retained by QUALCOMM Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.