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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 10-Q

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(Mark one)

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

For the quarterly period ended December 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-19528

**QUALCOMM Incorporated**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

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

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

92121-1714  
(Zip Code)

(858) 587-1121

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on January 28, 2013, was as follows:

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$0.0001 per share par value	1,718,129,898

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

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

	December 30, 2012	September 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,293	\$ 3,807
Marketable securities	8,982	8,567
Accounts receivable, net	1,647	1,459
Inventories	1,277	1,030
Deferred tax assets	309	309
Other current assets	595	473
Total current assets	17,103	15,645
Marketable securities	15,096	14,463
Deferred tax assets	1,327	1,412
Assets held for sale	1,037	1,109
Property, plant and equipment, net	2,874	2,851
Goodwill	3,929	3,917
Other intangible assets, net	2,826	2,938
Other assets	649	677
Total assets	\$ 44,841	\$ 43,012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,657	\$ 1,298
Payroll and other benefits related liabilities	618	664
Unearned revenues	733	545
Liabilities held for sale	524	1,072
Other current liabilities	1,473	1,723
Total current liabilities	5,005	5,302
Unearned revenues	3,516	3,739
Liabilities held for sale	526	—
Other liabilities	440	426
Total liabilities	9,487	9,467
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Qualcomm stockholders' equity:		
Preferred stock, \$0.0001 par value; 8 shares authorized; none outstanding	—	—
Common stock, \$0.0001 par value; 6,000 shares authorized; 1,716 and 1,706 shares issued and outstanding, respectively	—	—
Paid-in capital	12,282	11,956
Retained earnings	22,172	20,701
Accumulated other comprehensive income	880	866
Total Qualcomm stockholders' equity	35,334	33,523
Noncontrolling interests	20	22
Total stockholders' equity	35,354	33,545
Total liabilities and stockholders' equity	\$ 44,841	\$ 43,012

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	December 30, 2012	December 25, 2011
Revenues:		
Equipment and services	\$ 4,199	\$ 3,167
Licensing	1,819	1,514
Total revenues	<u>6,018</u>	<u>4,681</u>
Operating expenses:		
Cost of equipment and services revenues	2,237	1,754
Research and development	1,106	873
Selling, general and administrative	587	503
Total operating expenses	<u>3,930</u>	<u>3,130</u>
Operating income	2,088	1,551
Investment income, net (Note 3)	239	170
Income from continuing operations before income taxes	2,327	1,721
Income tax expense	(424)	(321)
Income from continuing operations	1,903	1,400
Discontinued operations, net of income taxes	—	(5)
Net income	1,903	1,395
Net loss attributable to noncontrolling interests	3	6
Net income attributable to Qualcomm	<u>\$ 1,906</u>	<u>\$ 1,401</u>
Basic earnings per share attributable to Qualcomm:		
Continuing operations	\$ 1.12	\$ 0.83
Discontinued operations	—	—
Net income	<u>\$ 1.12</u>	<u>\$ 0.83</u>
Diluted earnings per share attributable to Qualcomm:		
Continuing operations	\$ 1.09	\$ 0.81
Discontinued operations	—	—
Net income	<u>\$ 1.09</u>	<u>\$ 0.81</u>
Shares used in per share calculations:		
Basic	<u>1,709</u>	<u>1,684</u>
Diluted	<u>1,751</u>	<u>1,721</u>
Dividends per share announced	<u>\$ 0.250</u>	<u>\$ 0.215</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

**QUALCOMM Incorporated**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>December 30, 2012</b>	<b>December 25, 2011</b>
Net income	\$ 1,903	\$ 1,395
Other comprehensive income, net of income taxes:		
Foreign currency translation	2	(27)
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities	(10)	1
Net unrealized gains on other available-for-sale securities and derivative instruments	50	175
Reclassification of net realized gains on available-for-sale securities and derivative instruments included in net income	(38)	(18)
Reclassification of other-than-temporary losses on available-for-sale securities included in net income	9	9
Total other comprehensive income	13	140
Total comprehensive income	1,916	1,535
Comprehensive loss attributable to noncontrolling interests	4	8
Comprehensive income attributable to Qualcomm	\$ 1,920	\$ 1,543

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	December 30, 2012	December 25, 2011
<b>Operating Activities:</b>		
Net income	\$ 1,903	\$ 1,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	241	208
Revenues related to non-monetary exchanges	(31)	(31)
Income tax provision in excess of income tax payments	195	118
Non-cash portion of share-based compensation expense	283	247
Incremental tax benefits from share-based compensation	(61)	(23)
Net realized gains on marketable securities and other investments	(96)	(44)
Losses (gains) on derivative instruments	1	(45)
Net impairment losses on marketable securities and other investments	10	20
Other items, net	28	6
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(185)	(38)
Inventories	(247)	50
Other assets	(51)	(24)
Trade accounts payable	376	26
Payroll, benefits and other liabilities	(387)	(43)
Unearned revenues	(4)	(43)
Net cash provided by operating activities	<u>1,975</u>	<u>1,779</u>
<b>Investing Activities:</b>		
Capital expenditures	(205)	(359)
Purchases of available-for-sale securities	(3,289)	(2,027)
Proceeds from sales of available-for-sale securities	2,226	1,603
Purchases of trading securities	(970)	(1,137)
Proceeds from sales of trading securities	1,024	148
Acquisitions and other investments, net of cash acquired	(39)	(300)
Other items, net	26	4
Net cash used by investing activities	<u>(1,227)</u>	<u>(2,068)</u>
<b>Financing Activities:</b>		
Proceeds from issuance of common stock	340	228
Incremental tax benefits from share-based compensation	61	23
Repurchases and retirements of common stock	(250)	(99)
Dividends paid	(428)	(362)
Change in obligation under securities lending	3	20
Other items, net	(1)	(1)
Net cash used by financing activities	<u>(275)</u>	<u>(191)</u>
Changes in cash and cash equivalents held for sale	13	—
Effect of exchange rate changes on cash and cash equivalents	—	(18)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>486</b>	<b>(498)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,807</b>	<b>5,462</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ <u>4,293</u></b>	<b>\$ <u>4,964</u></b>

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

**Note 1 - Basis of Presentation**

**Financial Statement Preparation.** These condensed consolidated financial statements have been prepared by QUALCOMM Incorporated (collectively with its subsidiaries, the Company or Qualcomm) in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the interim data includes all normal recurring adjustments necessary for a fair statement of the results for the interim periods. These condensed consolidated financial statements are unaudited and should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The Company operates and reports using a 52-53 week fiscal year ending on the last Sunday in September. The three-month periods ended December 30, 2012 and December 25, 2011 both included 13 weeks.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company's condensed consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

**Earnings Per Common Share.** Basic earnings per common share is computed by dividing net income attributable to Qualcomm by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share is computed by dividing net income attributable to Qualcomm by the combination of dilutive common share equivalents, comprised of shares issuable under the Company's share-based compensation plans and shares subject to written put options, and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money share equivalents, which is calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an award, if any, the amount of compensation cost, if any, for future service that the Company has not yet recognized, and the estimated tax benefits that would be recorded in paid-in capital, if any, when an award is settled are assumed to be used to repurchase shares in the current period. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three months ended December 30, 2012 and December 25, 2011 were 41,463,000 and 37,052,000, respectively.

Employee stock options to purchase approximately 646,000 and 4,471,000 shares of common stock during the three months ended December 30, 2012 and December 25, 2011, respectively, were outstanding but not included in the calculation of diluted earnings per common share because the effect would be anti-dilutive. Put options outstanding during the three months ended December 25, 2011 to purchase 11,800,000 shares of common stock were not included in the earnings per common share computation because the put options' exercise prices were less than the average market price of the common stock while they were outstanding, and therefore, the effect on diluted earnings per common share would be anti-dilutive. No put options were outstanding during the three months ended December 30, 2012. In addition, shares of other common stock equivalents outstanding that were not included in the computation of diluted earnings per common share because the effect would be anti-dilutive were negligible during the three months ended December 30, 2012 and 675,000 during the three months ended December 25, 2011.

**Share-Based Compensation.** Total estimated share-based compensation expense, related to all of the Company's share-based awards, was comprised as follows (in millions):

	Three Months Ended	
	December 30, 2012	December 25, 2011
Cost of equipment and services revenues	\$ 20	\$ 20
Research and development	157	126
Selling, general and administrative	105	101
Share-based compensation expense before income taxes	282	247
Related income tax benefit	(62)	(53)
Share-based compensation expense, net of income taxes	\$ 220	\$ 194



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

The Company recorded \$29 million and \$33 million in share-based compensation expense during the three months ended December 30, 2012 and December 25, 2011, respectively, related to share-based awards granted during those periods.

At December 30, 2012, total unrecognized compensation costs related to non-vested stock options and restricted stock units granted prior to that date were \$206 million and \$1.4 billion, respectively, which are expected to be recognized over weighted-average periods of 1.1 and 1.9 years, respectively. During the three months ended December 30, 2012 and December 25, 2011, net share-based awards granted, after forfeitures and cancellations, represented 0.4% and 0.5%, respectively, of outstanding shares as of the beginning of each fiscal period, and total share-based awards granted represented 0.4% and 0.5%, respectively, of outstanding shares as of the end of each fiscal period.

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

<i>Accounts Receivable (in millions)</i>	<b>December 30, 2012</b>	<b>September 30, 2012</b>
Trade, net of allowances for doubtful accounts of \$1 and \$1, respectively	\$ 1,607	\$ 1,418
Long-term contracts	32	32
Other	8	9
	<u>\$ 1,647</u>	<u>\$ 1,459</u>

  

<i>Inventories (in millions)</i>	<b>December 30, 2012</b>	<b>September 30, 2012</b>
Raw materials	\$ 18	\$ 19
Work-in-process	607	531
Finished goods	652	480
	<u>\$ 1,277</u>	<u>\$ 1,030</u>

  

<i>Other Current Liabilities (in millions)</i>	<b>December 30, 2012</b>	<b>September 30, 2012</b>
Customer incentives and other customer-related liabilities	\$ 970	\$ 1,107
Other	503	616
	<u>\$ 1,473</u>	<u>\$ 1,723</u>

**Note 3 — Investment Income, Net (in millions)**

	<b>Three Months Ended</b>	
	<b>December 30, 2012</b>	<b>December 25, 2011</b>
Interest and dividend income	\$ 165	\$ 130
Interest expense	(8)	(27)
Net realized gains on marketable securities	94	37
Net realized gains on other investments	2	7
Impairment losses on marketable securities	(5)	(14)
Impairment losses on other investments	(5)	(6)
(Losses) gains on derivative instruments	(1)	45
Equity in losses of investees	(3)	(2)
	<u>\$ 239</u>	<u>\$ 170</u>

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

**Note 4 — Income Taxes**

Based on the tax law that was in effect at the end of the first quarter of fiscal 2013, the Company estimated its annual effective income tax rate to be approximately 9% for fiscal 2013, which is consistent with the 19% effective income tax rate for fiscal 2012. The annual effective tax rate for fiscal 2013 consisted of increased tax benefits from higher earnings taxed at rates that are less than the United States federal tax rate, offset by a lower federal research and development tax credit as compared to fiscal 2012. The annual effective tax rate for fiscal 2012 reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit expired. Tax benefits from foreign earnings taxed at rates that are less than the United States federal tax rate are expected to be approximately 17% of earnings before taxes for fiscal 2013 as compared to 15% in fiscal 2012.

The American Taxpayer Relief Act of 2012, which reinstated the United States federal research and development tax credit retroactively from January 1, 2012 through December 31, 2013, was not enacted into law until the second quarter of fiscal 2013. Therefore, the expected tax benefit resulting from such reinstatement for fiscal 2013 will not be reflected in the Company's estimated annual effective tax rate for fiscal 2013 until the second fiscal quarter. Additionally, the Company expects to record a discrete tax benefit in the second quarter of fiscal 2013 related to the reinstatement of the federal research and development tax credit for fiscal 2012. After consideration of both of these items, the Company estimates its annual effective income tax rate for fiscal 2013 will be approximately 16%.

**Note 5 — Stockholders' Equity**

Changes in stockholders' equity for the three months ended December 30, 2012 were as follows (in millions):

	Qualcomm Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at September 30, 2012	\$ 33,523	\$ 22	\$ 33,545
Net income (loss)	1,906	(3)	1,903
Other comprehensive income (loss)	14	(1)	13
Common stock issued under employee benefit plans and the related tax benefits, net of shares withheld for tax	296	—	296
Share-based compensation	283	—	283
Dividends	(435)	—	(435)
Stock repurchases	(250)	—	(250)
Other	(3)	2	(1)
Balance at December 30, 2012	<u>\$ 35,334</u>	<u>\$ 20</u>	<u>\$ 35,354</u>

**Accumulated Other Comprehensive Income.** Components of accumulated other comprehensive income in Qualcomm stockholders' equity consisted of the following (in millions):

	December 30, 2012	September 30, 2012
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities, net of income taxes	\$ 26	\$ 29
Net unrealized gains on other available-for-sale securities, net of income taxes	943	942
Net unrealized gains on derivative instruments, net of income taxes	15	2
Foreign currency translation	(104)	(107)
	<u>\$ 880</u>	<u>\$ 866</u>

At December 30, 2012 and September 30, 2012, accumulated other comprehensive income included \$4 million and \$7 million, respectively, of other-than-temporary losses on certain available-for-sale debt securities related to factors other than credit, net of income taxes.

**Stock Repurchase Program.** During the three months ended December 30, 2012 and December 25, 2011, the Company repurchased and retired 4,295,000 and 2,046,000 shares of the Company's common stock for \$250 million and

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

\$99 million, respectively, before commissions. At December 30, 2012, approximately \$2.5 billion remained available for repurchase under the Company's stock repurchase program. The stock repurchase program has no expiration date.

**Dividends.** Cash dividends announced in the three months ended December 30, 2012 and December 25, 2011 were \$0.25 and \$0.215 per share, respectively. During the three months ended December 30, 2012 and December 25, 2011, dividends charged to retained earnings were \$435 million and \$368 million, respectively. On January 15, 2013, the Company announced a cash dividend of \$0.25 per share on the Company's common stock, payable on March 27, 2013 to stockholders of record as of March 8, 2013.

**Note 6 — Commitments and Contingencies**

**Legal Proceedings.** *Tessera, Inc. v. QUALCOMM Incorporated:* On April 17, 2007, Tessera filed a patent infringement lawsuit in the United States District Court for the Eastern District of Texas and a complaint with the United States International Trade Commission (ITC) pursuant to Section 337 of the Tariff Act of 1930 against the Company and other companies, alleging infringement of two patents. The district court action was stayed pending resolution of the ITC proceeding, including all appeals. On May 20, 2009, the ITC issued a limited exclusion order and a cease and desist order, both of which were terminated when the patents expired on September 24, 2010. During the period of the exclusion order, the Company shifted supply of accused chips for customers who manufacture products that may be imported to the United States to a licensed supplier of Tessera, and the Company continued to supply those customers without interruption. The appeals court affirmed the ITC's orders, and on November 28, 2011, the United States Supreme Court denied the Company's petition for review. On January 18, 2012, pursuant to the parties' stipulation, the District Court in the Eastern District of Texas lifted the stay and ordered that the case be moved to the United States District Court for the Northern District of California. On March 1, 2012, that court consolidated the case with an earlier-filed lawsuit filed by Tessera against multiple parties, including some of the Company's semiconductor chip package suppliers. Trial is scheduled for April 7, 2014. Tessera may continue to seek alleged past damages in the district court, but it cannot obtain injunctive relief due to the expiration of the patents.

*MicroUnity Systems Engineering, Inc. v. QUALCOMM Incorporated, et al.:* MicroUnity filed a total of three patent infringement complaints, on March 16, 2010, June 3, 2010 and January 27, 2011, against the Company and a number of other technology companies, including Texas Instruments, Samsung, Apple, Nokia, Google and HTC, in the United States District Court for the Eastern District of Texas. MicroUnity currently alleges that certain of the Company's Snapdragon products infringe 10 of its patents and seeks unspecified damages and injunctive and other relief. The court consolidated the actions in May 2011. Trial is scheduled for June 3, 2013.

*MOSAID Technologies Incorporated v. Dell, Inc. et al.:* On March 16, 2011, MOSAID filed a complaint against Atheros Communications, Inc., which the Company acquired in May 2011 and renamed Qualcomm Atheros, Inc. (Qualcomm Atheros), and 32 other entities in the United States District Court for the Eastern District of Texas alleging that certain of Atheros' WiFi products infringe six MOSAID patents. MOSAID seeks unspecified damages and injunctive and other relief. The case is in the discovery phase. On March 28, 2012, Qualcomm Atheros and the other defendants filed a motion to transfer the case to the United States District Court for the Northern District of California. A decision on that motion is pending. A claim construction hearing is scheduled for April 16, 2013, and trial is scheduled for January 8, 2014.

*ParkerVision, Inc. v. QUALCOMM Incorporated:* On July 20, 2011, ParkerVision filed a complaint against the Company in the United States District Court for the Middle District of Florida alleging that certain of our products infringe seven of its patents alleged to cover direct-conversion (or Zero-IF/ZIF) receivers. The complaint seeks unspecified damages and injunctive and other relief. On February 28, 2012, ParkerVision filed an amended complaint dropping two patents from the case and adding one new patent. The Company has a motion pending challenging the sufficiency of certain aspects of ParkerVision's complaint. A claim construction hearing was held on August 10, 2012, but the court has not yet issued a claim construction order. Trial is scheduled for October 7, 2013.

*Icera Complaint to the European Commission:* On June 7, 2010, the European Commission (the Commission) notified and provided the Company with a redacted copy of a complaint filed with the Commission by Icera, Inc. alleging that the Company has engaged in anticompetitive activity. The Company was asked by the Commission to submit a preliminary response to the portions of the complaint disclosed to it, and the Company submitted its response in July 2010. On October 19, 2011, the Commission notified the Company that it should provide to the Commission additional documents and information. On January 16, 2012, the Company provided additional documents and

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

information in response to that request. The Company continues to cooperate fully with the Commission's preliminary investigation.

*Korea Fair Trade Commission (KFTC) Complaint.* On January 4, 2010, the KFTC issued a written decision finding that the Company had violated South Korean law by offering certain discounts and rebates for purchases of its CDMA chips and for including in certain agreements language requiring the continued payment of royalties after all licensed patents have expired. The KFTC levied a fine, which the Company paid in the second quarter of fiscal 2010. The Company is appealing that decision in the Korean courts.

*Japan Fair Trade Commission (JFTC) Complaint.* The JFTC received unspecified complaints alleging that the Company's business practices are, in some way, a violation of Japanese law. On September 29, 2009, the JFTC issued a cease and desist order concluding that the Company's Japanese licensees were forced to cross-license patents to the Company on a royalty-free basis and were forced to accept a provision under which they agreed not to assert their essential patents against the Company's other licensees who made a similar commitment in their license agreements with the Company. The cease and desist order seeks to require the Company to modify its existing license agreements with Japanese companies to eliminate these provisions while preserving the license of the Company's patents to those companies. The Company disagrees with the conclusions that it forced its Japanese licensees to agree to any provision in the parties' agreements and that those provisions violate the Japanese Antimonopoly Act. The Company has invoked its right under Japanese law to an administrative hearing before the JFTC. In February 2010, the Tokyo High Court granted the Company's motion and issued a stay of the cease and desist order pending the administrative hearing before the JFTC. The JFTC has held hearings on 16 different dates, with another hearing scheduled for February 28, 2013 and additional hearing dates yet to be scheduled.

*Securities and Exchange Commission (SEC) Formal Order of Private Investigation and Department of Justice (DOJ) Investigation.* On September 8, 2010, the Company was notified by the SEC's Los Angeles Regional office of a formal order of private investigation. The Company understands that the investigation arose from a "whistleblower's" allegations made in December 2009 to the audit committee of the Company's Board of Directors and to the SEC. In 2010, the audit committee completed an internal review of the allegations with the assistance of independent counsel and independent forensic accountants. This internal review into the whistleblower's allegations and related accounting practices did not identify any errors in the Company's financial statements. On January 27, 2012, the Company learned that the U.S. Attorney's Office for the Southern District of California/DOJ (DOJ) had begun a preliminary investigation regarding the Company's compliance with the Foreign Corrupt Practices Act (FCPA). The Company believes that FCPA compliance had also become a focus of the SEC investigation. The audit committee has commenced an internal review into the Company's compliance with the FCPA with the assistance of independent counsel and independent forensic accountants.

The Company has discovered, and as a part of its ongoing cooperation with these investigations has informed the SEC and the DOJ of, instances in which special hiring consideration, gifts or other benefits (collectively, benefits) were provided to several individuals associated with Chinese state-owned companies or agencies. Based on the facts currently known, the Company believes the aggregate monetary value of the benefits in question to be less than \$250,000, excluding employment compensation. The Company is continuing to investigate the circumstances relating to providing these benefits and is attempting to identify whether any other benefits were provided.

The Company is continuing to cooperate with the SEC and the DOJ, but is unable to predict the outcome of their investigations.

The Company will continue to vigorously defend itself in the foregoing actions. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. The Company has not recorded any accrual at December 30, 2012 for contingent losses associated with these matters based on its belief that losses, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time. Nonetheless, the unfavorable resolution of one or more of these matters could have a material adverse effect on the Company's business, results of operations, financial condition or cash flows. The Company is engaged in numerous other legal actions not described above arising in the ordinary course of its business and, while there can be no assurance, believes that the ultimate outcome of these actions will not have a material adverse effect on its business, results of operations, financial condition or cash flows.

*Loans and Debentures.* The Company's subsidiaries in India that were established to operate a wireless network on Broadband Wireless Access (BWA) spectrum (the BWA subsidiaries) have loan and debenture liabilities in

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connection with the BWA spectrum won in India in June 2010 and payment of \$81 million to the India Government's Department of Telecommunications in March 2012. At December 30, 2012 and September 30, 2012, the aggregate carrying value of the loans and debentures, including accrued interest on the debentures, of \$1.0 billion and \$1.1 billion, respectively, were classified as held for sale as a result of the Company's agreement with Bharti Airtel Limited (Bharti), which provides that Bharti's ownership interests in the BWA subsidiaries will increase over time to 100% if certain conditions are met. At December 30, 2012 and September 30, 2012, the loan and debenture liabilities approximated fair value (a Level 2 measurement).

The BWA subsidiaries' loan agreements with multiple lenders are denominated in Indian rupees. In November 2012, the Company and the lenders amended the loan agreements to extend the maturity dates. The majority of the loans (\$451 million at December 30, 2012) are due and payable on May 31, 2014 and bear interest at an annual rate based on the highest rate among the bank lenders, which is reset quarterly, plus 0.25% (10.00% at December 30, 2012) with interest payments due monthly. The remaining loan (\$75 million at December 30, 2012) is due and payable on December 1, 2014 and bears interest at an annual rate based on the highest rate of the bank that is party to the loan or of the other bank lenders, which is reset quarterly, plus 0.25% (10.25% at December 30, 2012) with interest payments due monthly. All of the loans can be prepaid without penalty on certain dates and are guaranteed by QUALCOMM Incorporated and one of its wholly-owned subsidiaries. The loan agreements contain standard covenants, which, among other things, limit actions by the subsidiaries that are party to the loan agreements, including the incurrence of loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. The loan agreements also define certain events of default, including, among other things, if certain government authorizations are revoked, terminated, withdrawn, suspended, modified or withheld.

On May 29, 2012, the same BWA subsidiaries issued redeemable, unlisted, unsecured, non-convertible debentures (the debentures) to multiple purchasers, the proceeds of which were used primarily to prepay a portion of the loans described in the previous paragraph. The debentures are denominated in Indian rupees and bear interest at an agreed-upon annual rate, which is compounded annually and reset semi-annually beginning on June 25, 2013 (10.25% at December 30, 2012) with interest due upon redemption. All of the debentures (\$513 million, including accrued interest, at December 30, 2012) are due and payable in full on June 25, 2017. The debentures can be redeemed by the Company without penalty on certain dates. Additionally, each holder has the right to demand redemption of its portion of the debentures outstanding on June 25, 2013 subject to sufficient prior written notice. The holders are indemnified by QUALCOMM Incorporated and one of its wholly-owned subsidiaries.

**Indemnifications.** With the exception of the practices of its Qualcomm Atheros subsidiary, the Company generally does not indemnify its customers and licensees for losses sustained from infringement of third-party intellectual property rights. However, the Company is contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by the Company. The Company's obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments made by the Company. Under Qualcomm Atheros' indemnification agreements, software license agreements and product sale agreements (including its standard software license agreements and standard terms and conditions of semiconductor sales), Qualcomm Atheros agrees, subject to restrictions and after certain conditions are met, to indemnify and defend its licensees and customers against third-party claims asserting infringement of certain intellectual property rights, which may include patents, copyrights, trademarks or trade secrets, and to pay any judgments entered on such claims against the licensees or customers. Through December 30, 2012, Qualcomm Atheros has received a number of claims from its direct and indirect customers and other third parties for indemnification under such agreements with respect to alleged infringement of third-party intellectual property rights by its products.

These indemnification arrangements are not initially measured and recognized at fair value because they are deemed to be similar to product warranties in that they relate to claims and/or other actions that could impair the ability of the Company's direct or indirect customers to use the Company's products or services. Accordingly, the Company records liabilities resulting from the arrangements when they are probable and can be reasonably estimated. Reimbursements under indemnification arrangements have not been material to the Company's consolidated financial statements. The Company has not recorded any accrual for contingent liabilities at December 30, 2012 associated with these indemnification arrangements, other than insignificant amounts, based on the Company's belief that additional

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liabilities, while possible, are not probable. Further, any possible range of loss cannot be reasonably estimated at this time.

**Purchase Obligations.** The Company has agreements with suppliers and other parties to purchase inventory, other goods and services and long-lived assets. Noncancelable obligations under these agreements at December 30, 2012 for the remainder of fiscal 2013 and for each of the subsequent four years from fiscal 2014 through 2017 were approximately \$3.7 billion, \$445 million, \$127 million, \$33 million and \$5 million, respectively, and \$10 million thereafter. Of these amounts, for the remainder of fiscal 2013 through fiscal 2015, commitments to purchase integrated circuit product inventories comprised \$3.3 billion, \$346 million and \$79 million, respectively.

**Leases.** The future minimum lease payments for all capital leases and operating leases at December 30, 2012 were as follows (in millions):

	Capital Leases	Operating Leases	Total
Remainder of fiscal 2013	\$ 2	\$ 86	\$ 88
2014	3	157	160
2015	2	100	102
2016	3	48	51
2017	3	37	40
Thereafter	55	81	136
Total minimum lease payments	\$ 68	\$ 509	\$ 577
Deduct: Amounts representing interest	36		
Present value of minimum lease payments	32		
Deduct: Current portion of capital lease obligations	1		
Long-term portion of capital lease obligations	\$ 31		

The Company leases certain of its land, facilities and equipment under noncancelable operating leases, with terms ranging from less than one year to 28 years and with provisions in certain leases for cost-of-living increases. The Company leases certain property under capital lease agreements primarily related to site leases that have an initial term of five to seven years with renewal options of up to five additional renewal periods. Capital lease obligations are included in other liabilities.

**Note 7 — Segment Information**

The Company is organized on the basis of products and services. The Company aggregates four of its divisions into the QWI segment and two of its divisions into the QSI segment. Reportable segments are as follows:

- QCT segment — develops and supplies integrated circuits and system software based on CDMA, OFDMA and other technologies for use in voice and data communications, networking, application processing, multimedia and global positioning system products.
- QTL segment — grants licenses or otherwise provides rights to use portions of the Company's intellectual property portfolio, which, among other rights, includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products, including, without limitation, products implementing CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards and their derivatives, and QTL collects license fees as well as royalties based on sales by licensees of products incorporating or using the Company's intellectual property.
- QWI segment — comprised of:
  - QES division — provides fleet management, satellite- and terrestrial-based two-way wireless information and position reporting and other services, software and hardware to transportation and logistics companies;

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- QIS division — provides content enablement services for the wireless industry and push-to-talk and other software products and services for wireless network operators;
- QGOV division — provides development and other services and related products involving wireless communications technologies to government agencies and their contractors; and
- Firethorn division — builds and manages software applications that enable certain mobile commerce services.
- QSI segment — comprised of the Company's Qualcomm Ventures and Structured Finance & Strategic Investments divisions. QSI makes strategic investments that the Company believes will open new opportunities for its technologies, support the design and introduction of new products or services for voice and data communications or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies. QSI also holds wireless spectrum. QSI's FLO TV division was presented as discontinued operations in fiscal 2012.

The Company evaluates the performance of its segments based on earnings (loss) before income taxes (EBT) from continuing operations. Segment EBT includes the allocation of certain corporate expenses to the segments, including depreciation and amortization expense related to unallocated corporate assets. Certain income and charges are not allocated to segments in the Company's management reports because they are not considered in evaluating the segments' operating performance. Unallocated income and charges include certain net investment income; share-based compensation; and certain research and development expenses and other selling and marketing expenses that were deemed to be not directly related to the businesses of the segments. Additionally, unallocated charges include recognition of the step-up of inventories to fair value, amortization and impairment of certain intangible assets and certain other acquisition-related charges. The table below presents revenues and EBT for reportable segments (in millions):

	QCT	QTL	QWI	QSI	Reconciling Items	Total
<b>For the three months ended:</b>						
<b>December 30, 2012</b>						
Revenues	\$ 4,120	\$ 1,757	\$ 146	\$ —	\$ (5)	\$ 6,018
EBT	1,068	1,532	(3)	(17)	(253)	2,327
<b>December 25, 2011</b>						
Revenues	\$ 3,085	\$ 1,440	\$ 152	\$ —	\$ 4	\$ 4,681
EBT	739	1,267	1	(34)	(252)	1,721

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

	Three Months Ended	
	December 30, 2012	December 25, 2011
<b>Revenues</b>		
Nonreportable segments	\$ (4)	\$ 5
Intersegment eliminations	(1)	(1)
	<u>\$ (5)</u>	<u>\$ 4</u>
<b>EBT</b>		
Unallocated cost of equipment and services revenues	\$ (83)	\$ (70)
Unallocated research and development expenses	(186)	(162)
Unallocated selling, general and administrative expenses	(111)	(115)
Unallocated investment income, net	248	190
Nonreportable segments	(121)	(95)
	<u>\$ (253)</u>	<u>\$ (252)</u>

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QCT revenues included intersegment revenues of \$1 million for each of the three months ended December 30, 2012 and December 25, 2011. All other revenues for reportable segments were from external customers for all periods presented.

Reconciling items for the three months ended December 30, 2012 included \$63 million and \$7 million of unallocated cost of equipment and services revenues and unallocated selling, general and administrative expenses, respectively, related to the amortization and impairment of certain intangible assets, contract termination and the recognition of the step-up of inventories to fair value resulting from acquisitions. Reconciling items for the three months ended December 25, 2011 included \$51 million and \$9 million of unallocated cost of equipment and services revenues and unallocated selling, general and administrative expenses, respectively, related to the amortization of certain intangible assets resulting from acquisitions. Nonreportable segments' losses before taxes during the three months ended December 30, 2012 and December 25, 2011 were primarily attributable to the Company's QMT division.

Segment assets are comprised of accounts receivable and inventories for all reportable segments other than QSI. QSI segment assets include marketable securities, notes receivable, wireless spectrum, other investments and all assets of consolidated subsidiaries included in QSI. Reconciling items for total consolidated assets included \$1.1 billion and \$1.2 billion at December 30, 2012 and September 30, 2012, respectively, of property, plant and equipment, goodwill and other assets related to the Company's QMT division. Total segment assets also differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of certain cash, cash equivalents, marketable securities, property, plant and equipment, deferred tax assets, goodwill, other intangible assets and assets of nonreportable segments. Segment assets and reconciling items were as follows (in millions):

	December 30, 2012	September 30, 2012
QCT	\$ 2,711	\$ 2,278
QTL	74	63
QWI	128	129
QSI	1,475	1,424
Reconciling items	40,453	39,118
Total consolidated assets	\$ 44,841	\$ 43,012

**Note 8 — Fair Value Measurements**

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

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

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



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The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at December 30, 2012 (in millions):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents (1)	\$ 1,189	\$ 2,413	\$ —	\$ 3,602
Marketable securities				
U.S. Treasury securities and government-related securities	769	567	—	1,336
Corporate bonds and notes	—	13,049	—	13,049
Mortgage- and asset-backed securities	—	1,335	242	1,577
Auction rate securities	—	—	85	85
Common and preferred stock	1,297	932	—	2,229
Equity funds	987	—	—	987
Debt funds	2,313	2,502	—	4,815
Total marketable securities	5,366	18,385	327	24,078
Derivative instruments	—	38	—	38
Other investments	211	—	—	211
Total assets measured at fair value	\$ 6,766	\$ 20,836	\$ 327	\$ 27,929
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 5	\$ —	\$ 5
Other liabilities	211	—	—	211
Total liabilities measured at fair value	\$ 211	\$ 5	\$ —	\$ 216

(1) Includes cash equivalents of \$42 million that were classified as held for sale at December 30, 2012.

**Cash Equivalents, Time Deposits and Marketable Securities.** The Company considers all highly liquid investments, including repurchase agreements, with original maturities of three months or less to be cash equivalents. Cash equivalents are comprised of money market funds, certificates of deposit, commercial paper, government agencies' securities and repurchase agreements fully collateralized by government agencies' securities.

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

The fair value of U.S. Treasury securities and government-related securities, corporate bonds and notes and common and preferred stock is generally determined using standard observable inputs, including reported trades, quoted market prices, matrix pricing, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets and/or benchmark securities.

The fair value of debt and equity funds is reported at published net asset values. The Company assesses the daily frequency and size of transactions at published net asset values and/or the funds' underlying holdings to determine whether fair value is based on observable or unobservable inputs.

The fair value of highly rated mortgage- and asset-backed securities is derived from the use of matrix pricing (prices for similar securities) or, in some cases, cash flow pricing models with observable inputs such as contractual terms, maturity, credit rating and/or securitization structure to determine the timing and amount of future cash flows. Certain mortgage- and asset-backed securities, principally those rated below AAA, may require the use of significant unobservable inputs to estimate fair value, such as default likelihood, recovery rates and prepayment speed.

The fair value of auction rate securities is estimated by the Company using a discounted cash flow model that incorporates transaction details such as contractual terms, maturity and timing and amount of future cash flows, as well as assumptions related to liquidity, default likelihood and recovery, the future state of the auction rate market and credit valuation adjustments of market participants. Though certain of the securities held by the Company are pools of student loans guaranteed by the U.S. government, prepayment speeds and illiquidity discounts are considered significant

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unobservable inputs. These additional inputs are generally unobservable, and therefore, auction rate securities are included in Level 3.

**Derivative Instruments.** Derivative instruments include foreign currency option and forward contracts to manage foreign exchange risk for certain foreign currency transactions and certain balances denominated in a foreign currency; option, forward and swap contracts to acquire or reduce foreign exchange risk and/or equity, prepayment and credit risks for portfolios of marketable securities classified as trading; and warrants to purchase common stock of other companies at fixed prices. Derivative instruments that are traded on an exchange are valued using quoted market prices and are included in Level 1. Derivative instruments that are not traded on an exchange are valued using conventional calculations/models that are primarily based on observable inputs, such as foreign currency exchange rates, the Company's stock price, volatilities and interest rates, and therefore, such derivative instruments are included in Level 2.

**Other Investments and Other Liabilities.** Other investments and other liabilities included in Level 1 are comprised of the Company's deferred compensation plan liability and related assets, which consist of mutual funds classified as trading securities and included in other noncurrent assets. Other liabilities included in Level 3 in fiscal 2012 were comprised of put rights held by third parties representing interests in certain of the Company's subsidiaries. These put rights were terminated during the third quarter of fiscal 2012 and were previously valued with a conventional option pricing model using significant unobservable inputs.

**Activity between Levels of the Fair Value Hierarchy.** There were no significant transfers between Level 1 and Level 2 during the three months ended December 30, 2012 or December 25, 2011. When a determination is made to classify an asset or liability within Level 3, the determination is based upon the significance of the unobservable inputs to the overall fair value measurement. The following table includes the activity for marketable securities and other liabilities classified within Level 3 of the valuation hierarchy (in millions):

	Three Months Ended December 30, 2012		Three Months Ended December 25, 2011		
	Auction Rate Securities	Other Marketable Securities	Auction Rate Securities	Other Marketable Securities	Other Liabilities
Beginning balance of Level 3	\$ 118	\$ 203	\$ 124	\$ 27	\$ 7
Total realized and unrealized gains or losses:					
Included in investment income, net	—	2	—	—	(1)
Included in other comprehensive income	1	2	(1)	—	—
Purchases	—	41	—	35	—
Sales	—	(1)	—	—	—
Settlements	(34)	(19)	(1)	(5)	—
Transfers into Level 3	—	14	—	—	—
Ending balance of Level 3	\$ 85	\$ 242	\$ 122	\$ 57	\$ 6

The Company recognizes transfers into and out of levels within the fair value hierarchy at the end of the fiscal month in which the actual event or change in circumstances that caused the transfer occurs. Transfers into Level 3 during the three months ended December 30, 2012 and December 25, 2011 primarily consisted of debt securities with significant inputs that became unobservable as a result of an increased likelihood of a shortfall in contractual cash flows or a significant downgrade in credit ratings.

**Nonrecurring Fair Value Measurements.** The Company measures certain assets at fair value on a nonrecurring basis. These assets include cost and equity method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange, and property, plant and equipment and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. During the three months ended December 30, 2012 and December 25, 2011, the Company did not have any significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

**Note 9 — Marketable Securities**

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Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	December 30, 2012	September 30, 2012	December 30, 2012	September 30, 2012
Trading:				
U.S. Treasury securities and government-related securities	\$ 181	\$ 196	\$ 124	\$ 254
Corporate bonds and notes	323	283	190	176
Mortgage- and asset-backed securities	—	—	117	120
Total trading	504	479	431	550
Available-for-sale:				
U.S. Treasury securities and government-related securities	406	362	625	592
Corporate bonds and notes	4,539	4,554	7,997	7,570
Mortgage- and asset-backed securities	1,169	1,157	291	241
Auction rate securities	—	—	85	118
Common and preferred stock	51	57	2,178	2,030
Equity funds	—	—	987	1,126
Debt funds	2,313	1,958	1,971	1,716
Total available-for-sale	8,478	8,088	14,134	13,393
Fair value option:				
Debt fund	—	—	531	520
Total marketable securities	\$ 8,982	\$ 8,567	\$ 15,096	\$ 14,463

The Company holds an investment in a debt fund for which the Company elected the fair value option because the Company is able to redeem its shares at net asset value, which is determined daily. The investment would have otherwise been recorded using the equity method. The debt fund has no single maturity date. At December 30, 2012, the Company had an effective ownership interest in the debt fund of 21%. Increases in fair value of \$10 million and \$5 million associated with this investment were recognized in net investment income during the three months ended December 30, 2012 and December 25, 2011, respectively.

The Company classifies portfolios of debt securities that utilize derivative instruments to acquire or reduce foreign exchange and/or equity, prepayment and credit risk as trading. Net gains recognized on debt securities classified as trading still held at December 30, 2012 were negligible for the three months ended December 30, 2012. Net losses recognized on debt securities classified as trading still held at December 25, 2011 were \$2 million for the three months ended December 25, 2011.

At December 30, 2012, the contractual maturities of available-for-sale debt securities were as follows (in millions):

Years to Maturity					
Less Than One Year	One to Five Years	Five to Ten Years	Greater Than Ten Years	No Single Maturity Date	Total
\$ 536	\$ 7,597	\$ 4,072	\$ 1,362	\$ 5,829	\$ 19,396

Debt securities with no single maturity date included debt funds, corporate bonds and notes, mortgage- and asset-backed securities and auction rate securities.

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

	Gross Realized Gains	Gross Realized Losses	Net Realized Gains
<b>For the three months ended</b>			
December 30, 2012	\$ 84	\$ (5)	\$ 79
December 25, 2011	36	(2)	34

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

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>December 30, 2012</b>				
Equity securities	\$ 2,619	\$ 611	\$ (14)	\$ 3,216
Debt securities (including debt funds)	18,824	594	(22)	19,396
	<u>\$ 21,443</u>	<u>\$ 1,205</u>	<u>\$ (36)</u>	<u>\$ 22,612</u>
<b>September 30, 2012</b>				
Equity securities	\$ 2,599	\$ 628	\$ (14)	\$ 3,213
Debt securities (including debt funds)	17,714	573	(19)	18,268
	<u>\$ 20,313</u>	<u>\$ 1,201</u>	<u>\$ (33)</u>	<u>\$ 21,481</u>

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

	<b>December 30, 2012</b>			
	<u>Less than 12 months</u>		<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds and notes	\$ 1,501	\$ (11)	\$ 165	\$ (6)
Mortgage- and asset-backed securities	177	(1)	5	—
Auction rate securities	—	—	85	(1)
Common and preferred stock	165	(9)	10	(1)
Equity funds	57	(2)	37	(2)
Debt funds	1,382	(3)	4	—
	<u>\$ 3,282</u>	<u>\$ (26)</u>	<u>\$ 306</u>	<u>\$ (10)</u>

	<b>September 30, 2012</b>			
	<u>Less than 12 months</u>		<u>More than 12 months</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
Corporate bonds and notes	\$ 723	\$ (8)	\$ 256	\$ (9)
Mortgage- and asset-backed securities	143	(1)	7	—
Auction rate securities	—	—	115	(1)
Common and preferred stock	105	(5)	9	—
Equity funds	64	(4)	36	(5)
	<u>\$ 1,035</u>	<u>\$ (18)</u>	<u>\$ 423</u>	<u>\$ (15)</u>

At December 30, 2012, the Company concluded that the unrealized losses on its available-for-sale securities were temporary. Further, for common and preferred stock and for equity and debt funds with unrealized losses, the Company has the ability and the intent to hold such securities until they recover, which is expected to be within a reasonable period of time. For debt securities with unrealized losses, the Company does not have the intent to sell, nor is it more likely than not that the Company will be required to sell, such securities before recovery or maturity.

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

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	<b>Three Months Ended</b>	
	<b>December 30, 2012</b>	<b>December 25, 2011</b>
Beginning balance of credit losses	\$ 31	\$ 46
Additional credit losses recognized on securities previously impaired	—	1
Reductions in credit losses related to securities sold	(12)	(1)
Ending balance of credit losses	<u>\$ 19</u>	<u>\$ 46</u>

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

This information should be read in conjunction with the condensed consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 30, 2012 contained in our 2012 Annual Report on Form 10-K.

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

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

### Overview

#### Recent Developments

Revenues for the first quarter of fiscal 2013 were \$6.0 billion, with net income of \$1.9 billion, which were impacted by the following key items:

- We shipped approximately 182 million Mobile Station Modem (MSM) integrated circuits for CDMA- and OFDMA-based wireless devices, an increase of 17%, compared to 156 million MSM integrated circuits in the year ago quarter. <sup>(1)</sup>
- Total reported device sales were approximately \$53.3 billion, an increase of approximately 29% compared to approximately \$41.4 billion in the year ago quarter. <sup>(2)</sup>

Against this backdrop, the following recent developments occurred during the first quarter of fiscal 2013 with respect to key elements of our business or our industry:

- Worldwide wireless connections grew by approximately 1% to reach approximately 6.5 billion. <sup>(3)</sup>
- Worldwide 3G connections (all CDMA-based) grew by approximately 4% to approximately 1.9 billion, which was approximately 29% of total wireless subscriptions, including approximately 523 million CDMA2000 1X/1xEV-DO subscriptions and approximately 1.4 billion WCDMA/HSPA/TD-SCDMA subscriptions. <sup>(3)</sup>

- (1) Some customers built devices that incorporated two MSM integrated circuits. In such cases, which represent approximately 1% of our gross volume, we count only one MSM integrated circuit in reporting the MSM integrated circuit shipments.
- (2) Total reported device sales is the sum of all reported sales in U.S. dollars (as reported to us by our licensees) of all licensed CDMA-based, OFDMA-based and multimode CDMA/OFDMA subscriber devices (including handsets, modules, modem cards and other subscriber devices) by our licensees during a particular period (collectively, 3G/4G devices). Not all licensees report sales the same way (e.g., some licensees report sales net of permitted deductions, such as transportation, insurance and packing costs, while other licensees report sales and then identify the amount of permitted deductions in their reports), and the way in which licensees report such information may change from time to time. Total reported device sales for a particular period may include prior period activity that was not reported by the licensee until such particular period.

- (3) According to Wireless Intelligence estimates as of January 28, 2013, for the quarter ended December 30, 2012. Wireless Intelligence estimates for CDMA2000 1X/1xEV-DO subscribers do not include Wireless Local Loop.

## **Our Business and Operating Segments**

We design, manufacture, have manufactured on our behalf and market digital communications products and services based on CDMA, OFDMA and other technologies. We derive revenues principally from sales of integrated circuit products, fixed license fees (payable in one or more installments) and ongoing royalties for use of our intellectual property, and fees for messaging and other services and related hardware sales, software development and licensing, and related services and software hosting services. Operating expenses primarily consist of cost of equipment and services revenues and research and development and selling, general and administrative expenses.

We conduct business primarily through four reportable segments: QCT, QTL, QWI and QSI. Our reportable segments are operated by QUALCOMM Incorporated and its direct and indirect subsidiaries. At the beginning of fiscal 2013, we completed a corporate reorganization in which certain assets of QUALCOMM Incorporated, as well as the stock of certain of its direct and indirect subsidiaries, were contributed to its wholly-owned subsidiary Qualcomm Technologies, Inc. (QTI). QTL continues to be operated by QUALCOMM Incorporated, which continues to own the vast majority of our patent portfolio. Substantially all of our products and services businesses, including QCT, and substantially all of our engineering, research and development functions, are operated by QTI and its subsidiaries. Neither QTI nor any of its subsidiaries has any right, power or authority to grant any licenses or other rights under or to any patents owned by QUALCOMM Incorporated.

QCT is a leading developer and supplier of integrated circuits and system software based on CDMA, OFDMA and other technologies for use in voice and data communications, networking, application processing, multimedia and global positioning system products. QCT's integrated circuit products and system software are sold to or licensed to manufacturers that use our products in wireless devices, particularly mobile phones, tablets, laptops, data modules, handheld wireless computers and gaming devices, access points and routers, data cards and infrastructure equipment, and in wired devices, particularly broadband gateway equipment, desktop computers, televisions and Blu-ray players. The MSM integrated circuits, which include the Mobile Data Modem, Qualcomm Single Chip and Qualcomm Snapdragon processor-based devices, perform the core baseband modem functionality in wireless devices providing voice and data communications, as well as multimedia applications and global positioning functions. In addition, our Snapdragon processors provide advanced application and graphics processing capabilities. QCT's system software enables the other device components to interface with the integrated circuit products and is the foundation software enabling manufacturers to develop devices utilizing the functionality within the integrated circuits. QCT revenues comprised 68% and 66% of total consolidated revenues in the first quarter of fiscal 2013 and 2012, respectively.

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

QTL grants licenses or otherwise provides rights to use portions of our intellectual property portfolio, which, among other rights, includes certain patent rights essential to and/or useful in the manufacture and sale of certain wireless products, including, without limitation, products implementing CDMA2000, WCDMA, CDMA TDD (including TD-SCDMA), GSM/GPRS/EDGE and/or OFDMA standards and their derivatives. QTL licensing revenues are comprised of license fees as well as royalties based on sales by licensees of products incorporating or using our intellectual property. License fees are fixed amounts paid in one or more installments. Royalties are generally based upon a percentage of the wholesale (i.e., licensee's) selling price of licensed products, net of certain permissible deductions (e.g., certain shipping costs, packing costs, VAT, etc.). QTL revenues comprised 29% and 31% of total consolidated revenues in the first quarter of fiscal 2013 and 2012, respectively. The vast majority of such revenues were generated through our licensees' sales of CDMA2000 and WCDMA subscriber equipment products.

QWI, which includes our QES, QIS, QGOV and Firethorn divisions, generates revenues primarily through sales of products, services (including software development) and software aimed at the support and delivery of wireless

applications. QES sells integrated wireless systems and services to transportation and logistics companies to manage their assets and workforce. QIS provides content enablement services for the wireless industry, including its Brew, Plaza and other products and services. QIS also provides QChat push-to-talk and other software products and services for wireless operators. QGOV provides development and other services and related products involving wireless communications technologies to government agencies and their contractors. Firethorn builds and manages software applications that enable mobile commerce services. QWI revenues comprised 2% and 3% of total consolidated revenues in the first quarter of fiscal 2013 and 2012, respectively.

QSI makes strategic investments that we believe will open new opportunities for our technologies, support the design and introduction of new products and services for voice and data communications or possess unique capabilities or technology. Many of these strategic investments are in early-stage companies. QSI also holds wireless spectrum, including the broadband wireless access (BWA) spectrum held by our subsidiaries (BWA subsidiaries) that were established to operate a wireless network in India. As part of our strategic investment activities, we intend to pursue various exit strategies from each of our QSI investments at some point in the future. The assets and liabilities of the BWA subsidiaries are presented as held for sale at December 30, 2012 as a result of our agreement with Bharti Airtel Limited (Bharti), which provides that Bharti's ownership interest in the BWA subsidiaries will increase over time to 100% if certain conditions are met.

Nonreportable segments are comprised of display and other product and services initiatives, including our QMT division. QMT continues to develop an interferometric modulator (IMOD) display technology based on micro-electro-mechanical-system (MEMS) structure combined with thin film optics.

## Looking Forward

The deployment of 3G networks enables increased voice capacity and higher data rates than prior generation networks, thereby supporting more minutes of use and a wide range of mobile broadband data applications for handsets, 3G connected computing devices and other consumer electronics. According to the Global mobile Suppliers Association (GSA), as of January 2013, to complement their existing 3G networks, more than 140 wireless operators have deployed and more than 325 wireless operators are planning to deploy OFDMA-based technology, often called 4G, in new wireless spectrum to gain additional capacity for data services. As a result, we expect continued growth in the coming years in consumer demand for 3G and 3G/4G multimode products and services around the world. In addition, we expect an increasing number of devices, such as computers, consumer electronics and networking equipment, to require multiple communications technologies to support a variety of connected applications.

As we look forward to the next several months, the following items are likely to have an impact on our business:

- The worldwide transition from 2G to 3G and 3G/4G networks is expected to continue, including the further expansion of 3G in China, India and other emerging regions. We expect that the emergence of lower-end smartphone products will contribute to such expansion.
- We expect consumer demand for advanced 3G and 3G/4G multimode devices, including smartphones and data-centric devices, such as tablets and e-readers, to continue at a strong pace.
- We expect that CDMA-based device prices will continue to vary broadly due to the increased penetration of smartphones combined with active competition throughout the world at all price tiers. Additionally, varying rates of economic growth by region and stronger growth of CDMA-based device shipments in emerging regions, as compared to developed regions, are expected to continue to impact the average and range of selling prices of CDMA-based devices.
- We continue to invest significant resources toward the development of technologies and products for voice and data communications, primarily in the wireless industry, including advancements to 3G and 4G LTE (an OFDMA-based standard) networks, wireless baseband chips, our converged computing/communications (Snapdragon) chips, multimedia products, software and services, as well as our IMOD and other display technologies.
- We expect industry demand for 28 nanometer integrated circuits to continue to be strong. We have worked closely with our suppliers to increase our supply of 28 nanometer integrated circuits and do not anticipate any significant supply shortages, relative to expected customer demand.

In addition to the foregoing business and market-based matters, we continue to devote resources to working with and educating participants in the wireless value chain as to the benefits of our business model in promoting a highly competitive and innovative wireless industry. However, we expect that certain companies may continue to be dissatisfied



with the need to pay reasonable royalties for the use of our technology and not welcome the success of our business model in enabling new, highly cost-effective competitors to their products. We expect that such companies will continue to challenge our business model in various forums throughout the world.

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

#### Our Operating Results for the First Quarter of Fiscal 2013 Compared to the First Quarter of Fiscal 2012

<i>Revenues (in millions)</i>	Three Months Ended		
	December 30, 2012	December 25, 2011	Change
Equipment and services	\$ 4,199	\$ 3,167	\$ 1,032
Licensing	1,819	1,514	305
	<u>\$ 6,018</u>	<u>\$ 4,681</u>	<u>\$ 1,337</u>

The increase in equipment and services revenues was primarily due to an increase in QCT revenues of \$1.04 billion. The increase in licensing revenues was primarily due to an increase in QTL revenues of \$317 million.

<i>Operating Expenses (in millions)</i>	Three Months Ended		
	December 30, 2012	December 25, 2011	Change
Cost of equipment and services (E&S) revenues	\$ 2,237	\$ 1,754	\$ 483
Cost as % of E&S revenues	53%	55%	

The increase in margin percentage in the first quarter of fiscal 2013 compared to the first quarter of fiscal 2012 was primarily attributable to an increase in QCT gross margin percentage. Our margin percentage may fluctuate in future periods depending on the mix of products sold and services provided, competitive pricing, new product introduction costs and other factors.

	Three Months Ended		
	December 30, 2012	December 25, 2011	Change
Research and development	\$ 1,106	\$ 873	\$ 233
% of revenues	18%	19%	
Selling, general, and administrative	587	503	84
% of revenues	10%	11%	

The dollar increase in research and development expenses was primarily attributable to an increase of \$195 million in costs related to the development of CDMA-based 3G, OFDMA-based 4G LTE and other technologies for integrated circuit and related software products and to expand our intellectual property portfolio and a \$31 million increase in share-based compensation. Remaining dollar increases were related to development of our display technologies, other new product initiatives and our services businesses.

The dollar increase in selling, general and administrative expenses was primarily attributable to a \$29 million increase in employee-related expenses and a \$24 million increase in costs related to litigation and other legal matters.

*Net Investment Income (in millions)*

	Three Months Ended		
	December 30, 2012	December 25, 2011	Change
Interest and dividend income:			
Corporate and other segments	\$ 164	126	\$ 38
QSI	1	4	(3)
Interest expense	(8)	(27)	19
Net realized gains on investments:			
Corporate and other segments	91	37	54
QSI	5	7	(2)
Net impairment losses on investments:			
Corporate and other segments	(4)	(14)	10
QSI	(6)	(6)	—
(Losses) gains on derivative instruments	(1)	45	(46)
Equity in losses of investees	(3)	(2)	(1)
	<u>\$ 239</u>	<u>\$ 170</u>	<u>\$ 69</u>

The increase in interest and dividend income on cash and marketable securities held by corporate and other segments was a result of higher average cash and marketable securities balances and adjustments in cash and marketable securities allocations. The decrease in interest expense was the result of capitalizing a portion of interest starting in the third quarter of fiscal 2012 related to the BWA network in India. The increase in net realized gains on investments was primarily due to adjustments in marketable securities allocations in fiscal 2013. Gains on derivative instruments in the first quarter of fiscal 2012 primarily resulted from changes in the fair value of put options sold in connection with our stock repurchase program which expired in fiscal 2012.

*Income Tax Expense (in millions)*

	Three Months Ended		
	December 30, 2012	December 25, 2011	Change
Income tax expense	\$ 424	\$ 321	\$ 103
Effective tax rate	18%	19%	(1)%

The following table summarizes the primary factors that caused our effective tax rates for the first quarter of fiscal 2013 and 2012 to be less than the United States federal statutory rate:

	Three Months Ended	
	December 30, 2012	December 25, 2011
Expected income tax provision at federal statutory tax rate	35%	35%
Benefits from foreign income taxed at other than U.S. rates	(17)%	(15)%
Benefits related to the research and development tax credit	—%	(1)%
Effective tax rate	<u>18%</u>	<u>19%</u>

The effective tax rate for the first quarter of fiscal 2013 is lower than the effective tax rate for the first quarter of fiscal 2012 as a result of increased tax benefits from higher foreign earnings taxed at rates that are less than the United States federal tax rate, partially offset by a lower federal research and development tax credit. The annual effective tax rate for fiscal 2012 reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit expired.

The American Taxpayer Relief Act of 2012, which reinstated the United States federal research and development tax credit retroactively from January 1, 2012 through December 31, 2013, was not enacted into law until the second quarter of fiscal 2013. Therefore, the expected tax benefit resulting from such reinstatement for fiscal 2013 will not be reflected in our estimated annual effective tax rate for fiscal 2013 until the second fiscal quarter. Additionally, the tax benefit resulting from such reinstatement for fiscal 2012 is expected to be recorded as a discrete tax benefit in the second quarter.

of fiscal 2013. After consideration of both of these items, we estimate our annual effective income tax rate for fiscal 2013 will be approximately 16%.

### Our Segment Results for the First Quarter of Fiscal 2013 Compared to the First Quarter of Fiscal 2012

The following should be read in conjunction with the first quarter financial results of fiscal 2013 for each reporting segment. See “Notes to Condensed Consolidated Financial Statements, Note 7 - Segment Information.”

	QCT	QTL	QWI	QSI	Reconciling Items	Total
<b>Three Months Ended December 30, 2012</b>						
Revenues	\$ 4,120	\$ 1,757	\$ 146	\$ —	\$ (5)	\$ 6,018
EBT (1)	1,068	1,532	(3)	(17)	(253)	2,327
EBT as a % of revenues	26%	87%	(2%)			
<b>Three Months Ended December 25, 2011</b>						
Revenues	\$ 3,085	\$ 1,440	\$ 152	\$ —	\$ 4	\$ 4,681
EBT (1)	739	1,267	1	(34)	(252)	1,721
EBT as a % of revenues	24%	88%	1%			

(1) Earnings (loss) before taxes.

**QCT Segment.** The \$1.04 billion increase in QCT revenues was primarily due to an increase in equipment and services revenues. Equipment and services revenues, mostly related to sales of MSM and accompanying RF and PM integrated circuits, were \$4.07 billion and \$3.03 billion in the first quarter of fiscal 2013 and 2012, respectively. The increase in equipment and services revenues resulted primarily from an increase of \$637 million related to the net effects of changes in product mix and lower selling prices of such products and an increase of \$396 million related to higher unit shipments. Approximately 182 million and 156 million MSM integrated circuits were sold during the first quarter of fiscal 2013 and 2012, respectively.

The increase in QCT EBT as a percentage of revenues was due to both an increase in gross margin percentage and the 34% increase in QCT revenues relative to a combined 28% increase in research and development expenses and selling, general and administrative expenses. QCT gross margin percentage increased as a result of the net effects of a decrease in average unit costs and favorable product mix, partially offset by normal price declines and higher product support costs.

QCT inventories increased by 26% to \$1.23 billion in the first quarter of fiscal 2013 from \$973 million at September 30, 2012 primarily due to increases in work-in-process and finished goods related to the timing of inventory receipts and builds and the abatement of 28 nanometer supply constraints at the end of the first quarter of fiscal 2013.

**QTL Segment.** The \$317 million increase in QTL revenues was primarily due to an increase in sales of CDMA-based devices by licensees. The decrease in QTL EBT as a percentage of revenues was attributable to the 22% increase in revenues relative to a 31% increase in operating expenses primarily due to an increased allocation of patent expenses in connection with the corporate reorganization and increased research and development expense from new projects.

**QWI Segment.** The \$6 million decrease in QWI revenues was primarily due to a decrease in QES revenues.

**QSI Segment.** The \$17 million decrease in QSI loss before taxes was primarily due to a \$20 million decrease in interest expense as a result of capitalizing interest starting in the third quarter of fiscal 2012 related to the BWA network in India.

### Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations and proceeds from the issuance of common stock under our stock option and employee stock purchase plans. Cash, cash equivalents and marketable securities were \$28.4 billion at December 30, 2012, an increase of \$1.5 billion from September 30, 2012. This increase included \$340 million in proceeds from the issuance of common stock under our equity compensation plans. Our cash, cash equivalents and marketable securities at December 30, 2012 consisted of \$10.1 billion held domestically and \$18.3 billion held by foreign subsidiaries. Of the amount of cash, cash equivalents and marketable securities held by our foreign subsidiaries at December 30, 2012, \$17.8 billion is held in jurisdictions where our undistributed earnings are indefinitely reinvested and would be subject to material tax effects if

repatriated. Total cash provided by operating activities increased to \$2.0 billion during the first quarter of fiscal 2013, compared to \$1.8 billion during the first quarter of fiscal 2012.

During the first quarter of fiscal 2013, we repurchased and retired 4,295,000 shares of our common stock for \$250 million, before commissions. At December 30, 2012, approximately \$2.5 billion remained available for repurchase under our stock repurchase program. The stock repurchase program has no expiration date. We continue to evaluate repurchases as a means of returning capital to stockholders, subject to our periodic determinations that repurchases are in the best interest of our stockholders.

We paid cash dividends totaling \$428 million, or \$0.25 per share, on December 21, 2012. On January 15, 2013, we announced a cash dividend per share of \$0.25 per share on our common stock, payable on March 27, 2013 to stockholders of record as of March 8, 2013. We intend to continue to use cash dividends as a means of returning capital to stockholders, subject to capital availability and our view that cash dividends are in the best interests of our stockholders.

Accounts receivable increased 13% during the first quarter of fiscal 2013. Days sales outstanding, on a consolidated basis, were 25 days at December 30, 2012, compared to 29 days at September 30, 2012. The increase in accounts receivable and the decrease in the days sales outstanding was primarily due to the effects of timing of shipments and customer payments for receivables related to integrated circuits.

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

- Our research and development expenditures were \$1.1 billion during the first quarter of fiscal 2013 and \$3.9 billion in fiscal 2012, and we expect to continue to invest heavily in research and development for new technologies, applications and services for voice and data communications, primarily in the wireless industry.
- Cash outflows for capital expenditures were \$205 million during the first quarter of fiscal 2013 and \$1.3 billion in fiscal 2012, respectively, including approximately \$480 million in fiscal 2012 related to the construction of a new manufacturing facility in Taiwan for our QMT division. We expect to continue to incur capital expenditures in the future to support our business, including research and development activities. Future capital expenditures may be impacted by transactions that are currently not forecasted.
- Our purchase obligations for the remainder of fiscal 2013 and for fiscal 2014, some of which relate to research and development activities and capital expenditures, totaled \$3.7 billion and \$445 million, respectively, at December 30, 2012.
- We expect to continue making strategic investments and acquisitions, the amounts of which could vary significantly, to open new opportunities for our technologies, obtain development resources, grow our patent portfolio or pursue new business.
- At December 30, 2012, we have loan and debenture liabilities in the aggregate of \$1.0 billion, which were classified as held for sale, related to the BWA spectrum won in India that are denominated in Indian rupees. At December 30, 2012, loans in the aggregate of \$451 million are due and payable in full on May 31, 2014, one loan in the amount of \$75 million is due and payable on December 1, 2014, and \$513 million in debentures, including accrued interest, are due and payable in full on June 25, 2017. Each holder has the right to demand redemption of its portion of the debentures outstanding on June 25, 2013 subject to sufficient prior written notice. The loans bear interest at rates that are reset quarterly (ranging from 10.00% to 10.25% at December 30, 2012); interest payments are due monthly. The debentures bear interest at an agreed-upon annual rate, which is compounded annually and reset semi-annually beginning on June 25, 2013 (10.25% at December 30, 2012) with interest due upon redemption.

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

We have no significant contractual obligations not fully recorded on our condensed consolidated balance sheets or fully disclosed in the notes to our condensed consolidated financial statements. Our consolidated balance sheet at December 30, 2012 included an aggregate of \$451 million and \$75 million in loans and \$513 million in debentures that are payable in full in Indian rupees on May 31, 2014, December 1, 2014 and June 25, 2017, respectively. The debentures can be redeemed by us without penalty on certain dates. Additionally, each holder has the right to demand redemption of its portion of the debentures outstanding on June 25, 2013 subject to sufficient prior written notice. We have no material off-balance sheet arrangements as defined in Regulation S-K 303(a)(4)(ii).

Additional information regarding our financial commitments at December 30, 2012 is provided in the notes to our condensed consolidated financial statements. See “Notes to Condensed Consolidated Financial Statements, Note 4 — Income Taxes” and “Note 6 — 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 30, 2012, including our financial statements and the related notes.

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

***Our revenues are dependent on the commercial deployment of CDMA, OFDMA and other communications technologies and our customers' and licensees' sales of communications equipment, products and services based on these technologies.***

We develop, patent and commercialize technology and products based on CDMA, OFDMA and other communications technologies. Our revenues are dependent upon the commercial deployment of these technologies and our customers' and licensees' sales of wireless communications equipment, products and services based on these technologies. Our business may be harmed, and our substantial investments in these technologies may not provide us an adequate return, if:

- wireless operators delay 3G and/or 3G/4G multimode deployments, expansions or upgrades and/or delay moving 2G customers to 3G or 3G/4G multimode devices;
- LTE, an OFDMA-based 4G wireless standard, is not more widely deployed or commercial deployment is delayed;
- government regulators delay the reallocation of 2G spectrum to allow wireless operators to upgrade to 3G, thereby restricting the expansion of 3G wireless connectivity, primarily outside of major population areas;
- wireless operators are unable to drive improvements in 3G network performance and/or capacity;  
or
- wireless operators and other industries using these technologies deploy other technologies.

Our business is dependent on our ability to increase our share of components sold and to continue to drive the adoption of our products and services into 3G, 3G/4G multimode and 4G wireless devices and networks. We are also dependent on the success of our customers, licensees, operators of CDMA- and OFDMA-based wireless networks and other industries using our technologies, as well as the timing of their deployment of new products and services, and they may incur lower gross margins on products or services based on these technologies than on products using alternative technologies. If commercial deployment or upgrades of these technologies or upgrades of 2G subscribers to 3G, 3G/4G multimode or 4G wireless communications equipment, products or services based on these technologies do not continue or are delayed, our revenues could be negatively impacted, and our business could suffer.

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

Our industry is subject to rapid technological change, and we must make substantial investments in new products, services and technologies to compete successfully. Technological innovations generally require a substantial investment before they are commercially viable. We intend to continue to make substantial investments in developing new products and technologies, and it is possible that our development efforts will not be successful and that our new technologies will not result in meaningful revenues. Our products, services and technologies face significant competition, and the revenues generated or the timing of their deployment, which may be dependent on the actions of others, may not meet our expectations. Competition in the communications industry is affected by various factors that include, among others: evolving industry standards and business models; evolving methods of transmission for voice and data communications; networking; value-added features that drive replacement rates and selling prices; turnkey, integrated product offerings

that incorporate hardware, software, user interface and applications; and scalability and the ability of the system technology to meet customers' immediate and future network requirements.

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

- increase and/or accelerate demand for our integrated circuit products and drive their adoption into the most popular device models and across a broad spectrum of devices, such as smartphones, tablets and other mobile computing devices, and into a new generation of products for consumer electronics and connectivity, including gaming, wireless charging, eHealth and the connected home;
- strengthen our integrated circuit product roadmap for, and develop channel relationships in, emerging geographic regions requiring turnkey product offerings for low-end smartphones;
- be a preferred partner (and sustain preferred relationships) providing products that support Android, Windows Phone/RT and other operating system platforms to the partners that effectively commercialize new devices using these platforms;
- continue to be a leader in 4G technology evolution, including expansion of our OFDMA-based single mode licensing program, and continue our timely introduction of 4G turnkey, integrated products and services;
- be a leader serving original equipment manufacturers, high level operating systems (HLOS) providers, operators and other industry participants as new market entrants and other factors affect the industry landscape;
- become a leading supplier of small cell technology (which allows inexpensive cell sites deployed by users to connect to traditional cellular networks through wired internet connections) to enable significant network capacity expansion to meet anticipated growth in mobile data traffic;
- develop brand recognition as we compete against better known companies in mobile computing and other consumer driven arenas;
- focus our service businesses on key opportunities, such as wireless charging, eHealth and machine-to-machine technologies (allowing both wireless and wired systems to communicate with other devices) that create standalone value and/or contribute to the success of our other businesses; and
- succeed in significant foreign regions, such as China, India and Europe.

Companies that promote standards that are neither CDMA- nor OFDMA-based (e.g., GSM) and companies that design integrated circuits based on CDMA, OFDMA or their derivatives are generally competitors or potential competitors. Examples (some of which are strategic partners of ours in other areas) include Broadcom, CSR plc, Freescale, HiSilicon Technologies, Intel, Lantiq, Marvell Technology, Matsushita, MediaTek, Motorola Mobility, nVidia, Renesas Electronics, Samsung, Spreadtrum Communications, ST-Ericsson (a joint venture between Ericsson Mobile Platforms and ST-NXP Wireless), Texas Instruments and VIA Telecom. Many of these current and potential competitors have advantages over us that include, among others: motivation by our customers in certain circumstances to find alternate suppliers; foreign government support of other technologies; more extensive relationships with local distribution companies and original equipment manufacturers in emerging geographic regions (e.g., China); and/or a more established presence in certain device markets.

Certain of our software and our suppliers' software may contain or may be derived from "open source" software, and we have seen, and believe we will continue to see, an increase in customers requesting that we develop products, including software associated with our integrated circuit products, that incorporate open source software elements and operate in an open source environment, which, under certain open source licenses, may offer accessibility to a portion of a product's source code and may expose related intellectual property to adverse licensing conditions. Licensing of such software may impose certain obligations on us if we were to distribute derivative works of the open source software. For example, these obligations may require us to make source code for the derivative works available to our customers in a manner that allows them to make such source code available to their customers, or license such derivative works under a particular type of license that is different than what we customarily use to license our software. Developing open source products, while adequately protecting the intellectual property rights upon which our licensing business depends, may prove burdensome and time-consuming under certain circumstances, thereby placing us at a competitive disadvantage for new product designs. Also, our use and our customers' use of open source software may subject our products and our customers' products to governmental scrutiny and delays in product certification, which could cause customers to view our products as less desirable than our competitors' products. While we believe we have taken appropriate steps and employed adequate controls to protect our intellectual property rights, our use of open source software presents risks that could have an adverse effect on these rights and on our business.

Competition may reduce average selling prices for our chipset products and the products of our customers and licensees. Total royalties payable to us will generally decrease as a result of reductions in the average selling prices of our licensees' products, unless offset by an increase in volumes. We anticipate that additional competitors will introduce products as a result of growth opportunities in wireless communications, the trend toward global expansion by foreign and domestic competitors, technological and public policy changes and relatively low barriers to entry in selected segments of the industry.

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

Our QCT segment derives a significant portion of revenues from a small number of customers, and we may be unable to further diversify our customer base. In addition, our industry is experiencing and may continue to experience an increasing concentration of device share among a few companies, and this trend may result in an increasing portion of our revenues being derived from a small number of customers. Further, there has been and continues to be litigation among certain of our customers and other industry participants, and the potential outcomes of such litigation, including but not limited to injunctions against devices that incorporate our products, could impact our business. The loss of any one of our significant customers, a reduction in the purchases of our products by such customers, or the delay, even if only temporary, or cancellation of significant purchases from any of these customers would reduce our revenues in the period of the delay or cancellation and harm our ability to achieve or sustain expected operating results. Further, concentration of device share among a few companies, and the corresponding purchasing power of these companies, may result in lower prices for our products which, if not accompanied by a sufficient increase in volume, could have an adverse effect on our revenues. In addition, the timing and size of purchases by our significant customers may be impacted by the timing of such customers' new or next generation product introductions, over which we have little or no control, and the timing of such introductions may cause our operating results to fluctuate. Accordingly, unless and until our QCT segment diversifies and expands its customer base, our future success will largely depend upon and be impacted by future purchases and the timing and size of any such future purchases by these customers.

Further, companies that provide HLOS for devices, including large companies, such as Microsoft and Google, have entered the device market. If we fail to effectively partner with these companies, or their partners or their customers, they may decide not to purchase (either directly or through their contract manufacturers), or to reduce or discontinue their purchases of, our integrated circuit products.

Although we have more than 225 licensees, our QTL segment derives a significant portion of licensing revenues from a limited number of licensees. Our future success depends upon the ability of our licensees to develop, introduce and deliver high-volume products that achieve and sustain customer acceptance. We have little or no control over the sales efforts of our licensees, and our licensees might not be successful. Reductions in the average selling price of wireless devices sold by our major licensees, without a sufficient increase in the volumes of such devices sold, could have an adverse effect on our revenues.

***Our licensing revenues can be impacted by the deployment of other technologies in place of technologies based on CDMA, OFDMA and their derivatives, by the need to extend certain existing license agreements that are expiring and/or to cover additional later patents or by the success of our licensing programs for 4G single mode products and in emerging, machine-to-machine (M2M) services markets.***

Although we own a very strong portfolio of issued and pending patents related to GSM, GPRS, EDGE, OFDM, OFDMA, WLAN, Multiple Input, Multiple Output (MIMO) and other technologies, our patent portfolio licensing program in these areas is less established and might not be as successful in generating licensing income as our CDMA licensing program. Many wireless operators are investigating or have selected LTE (or to a lesser extent WiMAX) as their next-generation 4G technologies for deployment in existing or future wireless spectrum bands as complementary to their existing CDMA-based networks. While multimode 3G/4G products are generally covered by existing 3G licensing agreements, products that implement 4G and do not implement 3G are generally not covered by existing 3G licensing agreements. Although we believe that our patented technology is essential and useful to implementation of the LTE and WiMAX industry standards and have granted royalty-bearing licenses to more than 40 companies (including LG, Nokia, Samsung and ZTE) to make and sell products implementing 4G standards but not implementing 3G standards, the royalty rates for single mode 4G products are generally lower than our royalty rates for 3G and 3G/4G multimode products, and therefore, we might not achieve the same licensing revenues on such LTE or WiMAX products as on 3G-based or multimode 3G/4G-based products. In addition, new connectivity services are emerging that rely on devices that may or may not be used on traditional cellular networks, such as devices used in gaming and the connected home. Standards, even de facto standards, that develop as these technologies mature may impact our ability to obtain royalties

that are equivalent to those that we receive for 3G products used in cellular communications. Although we believe that our patented technology is essential and useful to the commercialization of such services, the royalties we receive may be lower than those we receive from our current licensing program.

The licenses granted to and from us under a number of our license agreements include only patents that are either filed or issued prior to a certain date and, in a small number of agreements, royalties are payable on those patents for a specified time period. As a result, there are agreements with some licensees where later patents are not licensed by or to us and/or royalties are not owed to us under such license agreements after the specified time period. In order to license or to obtain a license to such later patents, or to receive royalties after the specified time period, we will need to extend or modify such license agreements or enter into new license agreements with such licensees. We might not be able to modify those license agreements, or enter into new license agreements, in the future without affecting the material terms and conditions of our license agreements with such licensees, and such modifications or new agreements may impact our revenues. If we are unable to reach agreement on such modifications or new agreements, it could result in patent infringement litigation with such companies.

***Efforts by some communications equipment manufacturers or their customers to avoid paying fair and reasonable royalties for the use of our intellectual property may require the investment of substantial management time and financial resources and may result in legal decisions and/or actions by governments, courts, Standards Development Organizations (SDOs) or other industry organizations that harm our business.***

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

Some companies or entities have proposed significant changes to existing intellectual property policies for implementation by SDOs and other industry organizations, some of which would require a maximum aggregate intellectual property royalty rate for the use of all essential patents owned by all of the member companies to be applied to the selling price of any product implementing the relevant standard. They have further proposed that such maximum aggregate royalty rate be apportioned to each member company with essential patents based upon the number of essential patents held by such company. Others have proposed that injunctions not be an available remedy for infringement of essential patents and/or have made proposals that could severely limit damage awards and other remedies by courts for patent infringement (e.g., by severely limiting the base upon which the royalty percentage may be applied). A number of these strategies are purportedly based on interpretations of the policies of certain SDOs concerning the licensing of patents that are or may be essential to industry standards and our and/or other companies' alleged failure to abide by these policies. There is a risk that relevant courts or governmental agencies will interpret some or all of those proposals in a manner adverse to our interests or that some SDOs may adopt such proposals as so-called clarifications or amendments to their intellectual property policies. If such proposals and strategies continue and are successful in the future, our business model would be harmed, either by artificially limiting our return on investment with respect to new technologies, limiting our ability to seek injunctions against infringers of our standards' essential patents, or forcing us to work outside of the SDOs or such other industry groups to promote our new technologies, and our results of operations could be negatively impacted. As well, the legal and other costs associated with defending our position have been and continue to be significant. We assume that such challenges, regardless of their merits, will continue into the foreseeable future and may require the investment of substantial management time and financial resources to explain and defend our position.

Other companies or entities have commenced, and may again commence, actions seeking to establish the invalidity of one or more of our patents. In the event that one or more of our patents are challenged, a court may invalidate the patent(s) or determine that the patent(s) is not enforceable, which could harm our competitive position. If our key patents are invalidated, or if the scope of the claims in any of these patents is limited by court decision, we could be prevented from licensing the invalidated or limited portion of such patents. Such adverse decisions, depending upon their extent, could negatively impact our revenues. Even if such a patent challenge is not successful, it could be expensive and time consuming to address, divert management attention from our business and harm our reputation.



***The enforcement and protection of our intellectual property rights may be expensive, could fail to prevent misappropriation or unauthorized use of our proprietary intellectual property rights, could result in the loss of our ability to enforce one or more patents or could be adversely affected by changes in patent laws, by laws in certain foreign jurisdictions that may not effectively protect our intellectual property rights or by ineffective enforcement of laws in such jurisdictions.***

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, technologies and proprietary information is difficult and time consuming. We cannot be certain that the steps we have taken, or may take in the future, will prevent the misappropriation or unauthorized use of our proprietary information and technologies, particularly in foreign countries where the laws may not protect our proprietary intellectual property rights as fully or as readily as United States laws or where the enforcement of such laws may be lacking or ineffective. Some industry participants who have a vested interest in devaluing patents generally, or standards essential patents in particular, have mounted attacks on certain patent systems, increasing the likelihood of changes to established patent laws. In the United States, patents laws governing, among other things, the granting of patents and the enforcement of patents will change in March 2013 as a result of the Leahy-Smith America Invents Act. Many observers anticipate that the European Union will adopt a unitary patent system that may broadly impact that region's patent regime in the near future. We cannot predict with certainty the long-term effects of these changes or proposed changes. In addition, we cannot be certain that the laws and policies of any country or the practices of any standards bodies, foreign or domestic, with respect to intellectual property enforcement or licensing or the adoption of standards, will not be changed in the future in a way detrimental to our licensing program or to the sale or use of our products or technology. We may have difficulty in protecting or enforcing our intellectual property rights and/or contracts in a particular foreign jurisdiction due to, among others: challenges to our licensing practices under such jurisdictions' competition laws; adoption of mandatory licensing provisions by foreign jurisdictions (either with controlled/regulated royalties or royalty free); failure of foreign courts to recognize and enforce judgments of contract breach and damages issued by courts in the United States; and challenges pending before foreign competition agencies to the pricing and integration of additional features and functionality into our chipset products.

We may need to litigate in the United States or elsewhere in the world to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights of others. As a result of any such litigation, we could lose our ability to enforce one or more patents or incur substantial unexpected operating costs. Any action we take to enforce our intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results.

***Claims by other companies that we infringe their intellectual property could adversely affect our business.***

From time to time, companies have asserted, and may again assert, patent, copyright and other intellectual property rights against our products or products using our technologies or other technologies used in our industry. These claims have resulted and may again result in our involvement in litigation. We may not prevail in such litigation given the complex technical issues and inherent uncertainties in intellectual property litigation. If any of our products were found to infringe on another company's intellectual property rights, we could be subject to an injunction or required to redesign our products, which could be costly, or to license such rights and/or pay damages or other compensation to such other company. If we were unable to redesign our products, license such intellectual property rights used in our products or otherwise distribute our products through a licensed supplier, we could be prohibited from making and selling such products. In any potential dispute involving other companies' patents or other intellectual property, our chipset foundries, semiconductor assembly and test providers and customers could also become the targets of litigation. We are contingently liable under certain product sales, services, license and other agreements to indemnify certain customers against certain types of liability and/or damages arising from qualifying claims of patent infringement by products or services sold or provided by us. Reimbursements under indemnification arrangements could have an adverse effect on our results of operations. Furthermore, any such litigation could severely disrupt the supply of our products and the businesses of our chipset customers and their customers, which in turn could hurt our relationships with them and could result in a decline in our chipset sales and/or reductions in our licensees' sales, causing a corresponding decline in our chipset and/or licensing revenues. Any claims, regardless of their merit, could be time consuming to address, result in costly litigation, divert the efforts of our technical and management personnel or cause product release or shipment delays, any of which could have an adverse effect upon our operating results.

We expect that we may continue to be involved in litigation and may have to appear in front of administrative bodies (such as the U.S. International Trade Commission) to defend against patent assertions against our products by companies, some of whom are attempting to gain competitive advantage or leverage in licensing negotiations. We may

not be successful in such proceedings, and if we are not, the range of possible outcomes includes everything from royalty payment to an injunction on the sale of certain of our integrated circuit products (and on the sale of our customers' devices using such products). Any imposition of royalty payments might make purchases of our products less economical for our customers. A negative outcome in any such proceeding could severely disrupt the business of our chipset customers and their wireless operator customers, which in turn could harm our relationships with them and could result in a decline in our share of worldwide chipset sales and/or a reduction in our licensees' sales to wireless operators, causing corresponding declines in our chipset and/or licensing revenues.

A number of other companies have claimed to own patents essential to various CDMA standards, GSM standards and OFDMA standards or implementations of systems based on such standards. If we or other product manufacturers are required to obtain additional licenses and/or pay royalties to one or more of such other patent holders, this could have an adverse effect on the commercial implementation of our products and technologies, average sales prices of and demand for our licensees' products and our results of operations.

***We depend on a limited number of third-party suppliers for our procurement, manufacture and testing of product inventories. If we fail to execute supply strategies that provide competitive advantage in terms of supply assurance, technology leadership and cost, our operating results and our business may be harmed.***

Our QCT segment purchases raw materials, component parts, subassemblies and specialized manufacturing equipment from third-party suppliers and contracts with separate suppliers for probe, assembly, test and other services in the manufacture of product inventories. A reduction, interruption, delay or limitation in our product supply source, a failure by our suppliers to provide or allocate adequate manufacturing or test capacity for our products or their inability to react to shifts in product demand or an increase in raw material or component prices could have an adverse effect on our ability to meet customer demands, our business and/or our profitability. The loss of a supplier or the inability of a supplier to meet performance and quality specifications or delivery schedules could harm our ability to meet our delivery obligations to our customers and negatively impact our revenues, business operations and ability to compete for future business. In the event of a loss of or a decision to change a supplier, qualifying a new foundry supplier and commencing volume production or testing could cause us to incur additional expense and production delays, resulting in possible loss of customers.

While we have established alternate suppliers for certain technologies that we consider critical, we rely on sole- or limited-source suppliers for some products, subjecting us to significant risks, including: possible shortages of raw materials or manufacturing capacity; poor product performance; and reduced control over delivery schedules, manufacturing capability and yields, quality assurance, quantity and costs. To the extent we have established alternate suppliers, these suppliers may require significant levels of support to bring complex technologies to production. As a result, we may invest a significant amount of effort and resources in supporting, and incur higher costs to maintain, such alternate suppliers. Our arrangements with our suppliers may oblige us to incur costs to manufacture and test our products that do not decrease at the same rate as decreases in pricing to our customers. The ability of our suppliers to develop or maintain leading process technologies, including transitions to smaller geometry process technologies, and to effectively compete with the manufacturing performance of our competition, could also impact our ability to meet customer demand, increase our operating expenses and subject us to the risk of excess inventories. Our inability to meet customer demand due to sole- or limited-sourcing and/or the additional operating expenses that we incur because of these or other supply constraints or because of the need to support alternate suppliers could negatively impact our business, our revenues and our results of operations.

Although we have long-term contracts with our suppliers, many of these contracts do not provide for long-term capacity commitments. To the extent that we do not have firm commitments from our suppliers over a specific time period, or for any specific quantity, our suppliers may allocate, and in the past have allocated, capacity to the production and testing of products for their other customers while reducing or limiting capacity to manufacture or test our products. Accordingly, capacity for our products may not be available when we need it or at reasonable prices. To the extent we do obtain long-term capacity commitments, we may incur additional costs related to those commitments. As an example, we experienced capacity limitations from our suppliers related to 28 nanometer integrated circuits, resulting in supply constraints and our inability to meet certain customer demand during fiscal 2012 and the first quarter of fiscal 2013.

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

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

A decline in global economic conditions, particularly in geographic regions with high customer concentrations, could have adverse, wide-ranging effects on demand for our products and for the products of our customers, particularly equipment manufacturers or others in the wireless communications industry who buy their products, such as wireless operators. Any prolonged economic crisis may result in a downturn in demand for our products or technology; the insolvency of key suppliers; delays in reporting and/or payments from our licensees and/or customers; failures by counterparties; and negative effects on wireless device inventories. In addition, our direct and indirect customers' ability to purchase or pay for our products and services, obtain financing and upgrade wireless networks could be adversely affected by economic conditions, leading to a reduction, cancellation or delay of orders for our products.

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

Both the market price of our common stock and our earnings have fluctuated in the past and are likely to fluctuate in the future as well. Factors that may have a significant impact on the market price of our stock and/or earnings include, among others:

- volatility of the stock market in general and technology-based companies in particular that is often unrelated to the operating performance of any specific public company;
- announcements concerning us or our competitors, including the selection of wireless communications technology by wireless operators and the timing of the roll-out of those systems;
- international developments, such as technology mandates, political developments or changes in economic policies;
- changes in recommendations of securities analysts;
- earnings (or forecasts) that fail to meet financial guidance that we provided to investors or the expectations of investment analysts or investors;
- proprietary rights, product or patent litigation taken or threatened against us or against our customers or licensees;
- strategic transactions, such as spin-offs, acquisitions and divestitures;
- unexpected and/or significant changes in the average selling price of our licensees' products and our products;
- unresolved disputes with licensees that result in non-payment and/or non-recognition of royalty revenues that may be owed to us;
- declines in the value or performance of our significant marketable securities portfolio, which is subject to financial market volatility and liquidity, interest rate, credit and other risks; or
- inquiries, rumors or allegations regarding our financial disclosures, practices or compliance programs.

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

***We may engage in acquisitions or strategic transactions or make strategic investments that could adversely affect our financial results or fail to enhance stockholder value.***

We engage in acquisitions or strategic transactions or make strategic investments with the goal of maximizing stockholder value. We acquire businesses and other assets, including wireless spectrum, patents and other intangible assets, enter into joint ventures or other strategic transactions and purchase minority equity interests in or make loans to companies that are generally private and early-stage. Our strategic activities are focused on expanding the wireless industry and promoting the global adoption of CDMA, OFDMA or other technologies and related services to enhance our stockholder value. Many of our acquisitions or strategic investments entail a high degree of risk, and investments may not become liquid for several years after the date of the investment, if at all. Our acquisitions or strategic investments (either those we have completed or may undertake in the future) may not generate financial returns or result in increased adoption or continued use of our technologies. In some cases, we may be required to consolidate or record our share of the earnings or losses of companies in which we have acquired ownership interests. In addition, we may record impairment charges related to our strategic investments or other strategic assets, such as wireless spectrum and

other intangible assets. Any losses or impairment charges that we incur related to strategic investments or other transactions will have a negative impact on our financial results, and we may continue to incur new or additional losses related to strategic assets or investments that we have not fully impaired or exited.

Achieving the anticipated benefits of business acquisitions depends in part upon our ability to integrate the acquired businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, including, among others: retaining key employees; successfully integrating new employees, business systems and technology; retaining customers and suppliers of the acquired business; minimizing the diversion of management's attention from ongoing business matters; coordinating geographically separate organizations; consolidating research and development operations; and consolidating corporate and administrative infrastructures. We may not derive any commercial value from acquired technology, products and intellectual property or from future technologies and products based on the acquired technology and/or intellectual property, and we may be subject to liabilities that are not covered by indemnification protection we may obtain or become subject to litigation. Additionally, we may not be successful in expanding into geographic regions and/or categories of products served by or adjacent to an acquired business and in addressing potential new opportunities that may arise out of the combination. Due to our inexperience with products of and/or geographic regions served by acquired businesses, we may overestimate the benefits, including product and other synergies and growth opportunities that we expect to realize, and we may not achieve them. If we do not achieve the anticipated benefits of business acquisitions, our results of operations may be adversely affected, and we may not enhance stockholder value by engaging in these transactions.

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

While we continue to believe our QMT division's next generation IMOD display technology will offer compelling advantages to users of displays, other technologies may continue to improve in ways that reduce the advantages we anticipate. Sales of flat panel displays are currently dominated, and we believe will likely continue to be dominated for some time, by displays based on liquid crystal display (LCD) technology. Numerous companies are making substantial investments in, and conducting research to improve characteristics of, LCDs. Additionally, numerous companies have started investing in another flat panel display technology called organic light-emitting diode (OLED), which provides comparable performance to high end LCDs. In each case, advances in LCD or other flat panel display technologies, such as OLED, could result in technologies that are more cost effective, have fewer display limitations or can be brought to market faster than our IMOD technology. These advances in competing technologies might cause device manufacturers to avoid entering into or continuing licensing and/or commercial relationships with us.

During fiscal 2012, we updated the business plan and related internal forecasts for our QMT division to reflect a focus on licensing our next generation IMOD display technology while directly commercializing only certain IMOD products. We may not evolve our QMT division into a successful licensing business or IMOD product supplier if we are unable to develop our IMOD display technology to meet market demands or to cost-effectively manufacture and commercialize our IMOD products, among other factors. In addition, we have limited experience commercializing IMOD products, and we may be unsuccessful in selling such products. Our QMT division had \$1.1 billion in assets (including \$136 million in goodwill) at December 30, 2012. If we do not expect to achieve or do not achieve the cash flows anticipated in QMT's business plan, our assets may become impaired, negatively impacting our operating results, and we may not meet future earnings projections related to this business.

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

Our international customers sell their products throughout the world in various currencies. Consolidated revenues from international customers as a percentage of total revenues were greater than 90% during the first quarter of fiscal 2013 and in each of the last three fiscal years. Adverse movements in currency exchange rates may negatively affect our business and our operating results due to a number of factors, including, among others:

- Our products and those of our customers and licensees that are sold outside the United States may become less price-competitive;
- Certain of our revenues, such as royalties, that are derived from licensee or customer sales that are denominated in foreign currencies could decrease;

- Foreign exchange hedging transactions that we engage in to reduce the impact of currency fluctuations may require the payment of structuring fees, limit the U.S. dollar value of royalties from licensees' sales that are denominated in foreign currencies, cause earnings volatility if the hedges do not qualify for hedge accounting and expose us to counterparty risk if the counterparty fails to perform;
- We may need additional cash to settle our loan and debenture obligations that are denominated in Indian rupees and the related interest;
- The U.S. dollar value of our marketable securities that are denominated directly or indirectly in foreign currencies may decline; and
- Labor and the cost of goods in currencies other than the U.S. dollar may increase, resulting in higher than expected costs.

***Failures in our products and services or in the products of our customers, including those resulting from security vulnerabilities, defects or errors, could harm our business.***

The use of devices containing our products to access untrusted content creates a risk of exposing the system software in those devices to viral or malicious attacks. While we continue to expand our focus on this issue and are taking measures to safeguard our products from cybersecurity threats, device capabilities continue to evolve in a 3G/4G environment, enabling more data and processes, such as mobile computing, and increasing the risk of security failures. Further, our products are inherently complex and may contain defects or errors that are detected only when the products are in use. For example, as our chipset product complexities increase, we are required to migrate to integrated circuit technologies with smaller geometric feature sizes. The design process interface issues are more complex as we enter into these new domains of technology, which adds risk to manufacturing yields and reliability. Manufacturing, testing, marketing and use of our products and those of our customers and licensees entail the risk of product liability. Because our products and services are responsible for critical functions in our customers' products and/or networks, security failures, defects or errors in our components, materials or software or in our customers' products could have an adverse impact on us, on our customers and on the end users of their products. Such adverse impact could include product liability claims or recalls, a decrease in demand for connected devices and wireless services, damage to our reputation and to our customer relationships and other financial liability or harm to our business.

***Our business and operations could suffer in the event of security breaches.***

Attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. While we have identified several incidents of unauthorized access, none have caused material damage to our business. The theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability. We expect to devote additional resources to the security of our information technology systems.

***Potential tax liabilities could adversely affect our results of operations.***

We are subject to income taxes in the United States and in numerous foreign jurisdictions. Significant judgment is required in determining our provision for income taxes. Although we believe that our tax estimates are reasonable, the final determination of tax audits and any related litigation could materially differ from amounts reflected in historical income tax provisions and accruals. In such case, our income tax provision and results of operations in the period or periods in which that determination is made could be negatively affected.

During the third quarter of fiscal 2012, we established our QCT segment's non-United States headquarters in Singapore. We obtained tax incentives in Singapore, including a tax exemption for the first five years provided that we meet specified employment and incentive criteria in Singapore. Our Singapore tax rate is expected to increase in fiscal 2017 and again in fiscal 2027 as a result of expiration of these incentives. If we do not meet the criteria required to benefit from such incentives, our results of operations may be adversely affected.

Tax rules may change in a manner that adversely affects our future reported financial results or the way we conduct our business. For example, we consider the operating earnings of certain non-United States subsidiaries to be indefinitely invested outside the United States based on current needs for those earnings to be reinvested offshore as well as

estimates that future domestic cash generation will be sufficient to meet future domestic cash needs for the foreseeable future. No provision has been made for United States federal and state or foreign taxes that may result from future remittances of undistributed earnings of these foreign subsidiaries. Our future financial results and liquidity may be adversely affected if tax rules regarding unrepatriated earnings change, if domestic cash needs require us to repatriate foreign earnings, or if the United States international tax rules change as part of comprehensive tax reform or other tax legislation.

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

Concerns over the effects of radio frequency emissions continue. Interest groups have requested that the FCC investigate claims that wireless communications technologies pose health concerns and cause interference with, among other things, airbags, hearing aids and medical devices. Legislation that may be adopted in response to these concerns or adverse news or findings about safety risks could reduce demand for our products and those of our licensees and customers in the United States as well as in foreign countries.

***We are subject to government regulations. Our business may suffer as a result of changes in laws or regulations, our failure or inability to comply with laws or regulations or adverse rulings in enforcement or other proceedings.***

Our products and services, and those of our customers and licensees, are subject to various laws and regulations globally, as well as the specifications of international, national and regional communications standards bodies. The adoption of new laws or regulations or changes in the regulation of our activities by a government or standards body, including, among others, those affecting the use of our technology or products, trade, foreign investments, licensing practices, spectrum availability and license issuance, adoption of standards, the provision of device subsidies by wireless operators to their customers, taxation, environmental protection, loans and employment, could have an adverse effect on our business.

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

One of our subsidiaries in India holds broadband wireless access (BWA) spectrum that will be used to operate a wireless network. Bharti Airtel Limited (Bharti), an Indian wireless network operator, holds a 49% interest in this and other subsidiaries formed to operate the wireless network (the BWA subsidiaries). Our license to use the BWA spectrum is subject to minimum build-out requirements to be met by May 2017. If we do not meet these requirements, the Government of India's Department of Telecommunications could impose a fine or could rescind the license in the area(s) in which the build-out requirements are not met. There are also other contingencies, including unexpected regulatory delays or conditions, which could adversely impact our ability to successfully and timely exit the BWA subsidiaries as anticipated.

The SEC has recently adopted disclosure rules for companies that use conflict minerals in their products, with substantial supply chain verification requirements in the event that the materials come from, or could have come from, the Democratic Republic of the Congo or adjoining countries. These new rules and verification requirements, which will apply to our activities in calendar 2013, will impose additional costs on us and on our suppliers, and may limit the sources or increase the prices of materials used in our products. Further, if we are unable to certify that our products are conflict free, we may face challenges with our customers, which could place us at a competitive disadvantage, and our reputation may be harmed.

Laws, regulations and standards relating to corporate governance, business conduct, public disclosure and health care are complex and changing and may create uncertainty regarding compliance. Laws, regulations and standards are subject to varying interpretations in many cases, and their application in practice may evolve over time. As a result, our efforts to comply may fail, particularly if there is ambiguity as to how they should be applied in practice. New laws, regulations and standards or evolving interpretations of legal requirements may cause us to incur higher costs as we revise current practices, policies and/or procedures and may divert management time and attention to compliance activities.

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

Our future success depends largely upon the continued service of our executive officers and other key management and technical personnel and on our ability to continue to attract, retain and motivate qualified personnel. In addition,

implementing our product and business strategy requires specialized engineering and other talent, and our revenues are highly dependent on technological and product innovations. The market for employees in our industry is extremely competitive. Further, existing immigration laws make it more difficult for us to recruit and retain highly skilled foreign national graduates of universities in the United States, making the pool of available talent even smaller. We continue to anticipate increases in human resource needs, particularly in engineering. If we are unable to attract and retain the qualified employees, our business may be harmed.

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

Financial market risks related to interest rates, foreign currency exchange rates and equity prices are described in our 2012 Annual Report on Form 10-K. At December 30, 2012, there have been no material changes to the market risks described at September 30, 2012 except as described below. Additionally, we do not currently anticipate any other near-term changes in the nature of our market risk exposures or in management's objectives and strategies with respect to managing such exposures.

**Interest Rate Risk.** The following table provides information about our interest-bearing cash and cash equivalents, marketable securities, loans and debentures that are sensitive to changes in interest rates. The table presents principal cash flows, weighted-average yield at cost and contractual maturity dates. Additionally, we have assumed that the interest-bearing securities are similar enough within the specified categories to aggregate the securities for presentation purposes.

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

	2013	2014	2015	2016	2017	Thereafter	No Single Maturity	Total
<b>Fixed interest-bearing securities:</b>								
Cash and cash equivalents	\$ 1,211	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,211
Interest rate	0.5%							
Trading securities	\$ 76	\$ 405	\$ 129	\$ 42	\$ 43	\$ 116	\$ 560	\$ 1,371
Interest rate	1.3%    2.7%    3.5%    5.0%    4.5%    3.6%    3.1%							
Other marketable securities	\$ 1,062	\$ 1,269	\$ 1,942	\$ 1,104	\$ 1,026	\$ 3,169	\$ 3,663	\$ 13,235
Interest rate	1.0%    2.1%    1.6%    2.8%    2.8%    5.6%    1.4%							
Time deposits	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13
Interest rate	1.4%							
Interest rate swaps (receive)	\$ —	\$ 28	\$ —	\$ —	\$ 4	\$ 33	\$ —	\$ 65
Interest rate	3.0%    1.0%    4.4%							
Interest rate swaps (pay)	\$ —	\$ —	\$ —	\$ 4	\$ 16	\$ 9	\$ —	\$ 29
Interest rate	1.0%    3.4%    1.6%							
<b>Floating interest-bearing securities:</b>								
Cash and cash equivalents	\$ 2,391	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,391
Interest rate	0.1%							
Trading securities	\$ —	\$ 4	\$ 1	\$ —	\$ —	\$ 2	\$ 88	\$ 95
Interest rate	1.1%    0.9%    8.3%    2.2%							
Other marketable securities	\$ 487	\$ 1,297	\$ 222	\$ 286	\$ 403	\$ 1,298	\$ 2,168	\$ 6,161
Interest rate	1.1%    1.2%    2.5%    2.5%    5.1%    6.0%    3.6%							
Interest rate swaps (receive)	\$ —	\$ —	\$ —	\$ 4	\$ 16	\$ 9	\$ —	\$ 29
Interest rate	0.0%    0.0%    0.1%							
Interest rate swaps (pay)	\$ —	\$ 28	\$ —	\$ —	\$ 4	\$ 33	\$ —	\$ 65
Interest rate	3.0%    0.0%    2.8%							
Loans and debentures (1)	\$ 513	\$ 451	\$ 75	\$ —	\$ —	\$ —	\$ —	\$ 1,039
Floating interest rate	10.3%    10.0%    10.3%							

(1) Denominated in Indian rupees.

Cash and cash equivalents and marketable securities are recorded at fair value. The loans and debentures approximate fair value. The debentures can be redeemed by us without penalty on certain dates. Additionally, each holder has the right to demand redemption of its portion of the debentures outstanding on June 25, 2013 subject to sufficient prior written notice.

**ITEM 4. CONTROLS AND PROCEDURES**

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



**Changes in Internal Control over Financial Reporting.** There have been no changes in our internal control over financial reporting during the first quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

A review of our material pending legal proceedings is disclosed in the notes to our condensed consolidated financial statements. See “Notes to Condensed Consolidated Financial Statements, Note 6 — Commitments and Contingencies,” in Part I, Item 1. We are also engaged in numerous other legal actions arising in the ordinary course of our business and, while there can be no assurance, we believe that the ultimate outcome of these actions will not have a material adverse effect on our business, results of operations, financial condition or cash flows.

### ITEM 1A. RISK FACTORS

We have provided updated Risk Factors in the section labeled “Risk Factors” in Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations. The “Risk Factors” section provides updated information in certain areas, but we do not believe those updates have materially changed the type or magnitude of the risks we face in comparison to the disclosure provided in our most recent Annual Report on Form 10-K.

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

During the first quarter of fiscal 2013, we repurchased shares of our common stock as follows:

	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
	(In thousands)		(In thousands)	(In millions)
October 1, 2012 to October 28, 2012	1,991	\$ 58.36	1,991	\$ 2,670
October 29, 2012 to November 25, 2012	2,304	58.07	2,304	2,536
November 26, 2012 to December 30, 2012	—	—	—	2,536
Total	<u>4,295</u>	<u>\$ 58.20</u>	<u>4,295</u>	<u>\$ 2,536</u>

(1) Average Price Paid Per Share excludes cash paid for commissions.

(2) On March 6, 2012, we announced that we had been authorized to repurchase up to \$4.0 billion of our common stock. At December 30, 2012, \$2.5 billion remained available for repurchase. The stock repurchase program has no expiration date.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

Not applicable.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Restated Certificate of Incorporation, as amended. (1)
3.2	Certificate of Amendment of Certificate of Designation of Series A Junior Participating Preferred Stock. (2)
3.4	Amended and Restated Bylaws. (3)
4.1	Amended and Restated Rights Agreement dated as of September 26, 2005 between the Company and Computershare Trust Company, N.A., as successor Rights Agent to Computershare Investor Services LLC. (2)
4.2	Amendment dated as of December 7, 2006 to the Amended and Restated Rights Agreement dated as of September 26, 2005 between the Company and Computershare Trust Company, N.A., as successor Rights Agent to Computershare Investor Services LLC. (4)
10.110	Executive Retirement Matching Contribution Plan amended and restated generally effective January 1, 2011, as subsequently amended by Amendment Number 1, Amendment Number 2 and Amendment Number 3. (5)
10.111	Form of Performance Unit Agreements for the Annual Cash Incentive Plan under the 2006 Long-Term Incentive Plan for the fiscal 2013 performance period. (5)
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Paul E. Jacobs.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for William E. Keitel.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for Paul E. Jacobs.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, for William E. Keitel.
101.INS	XBRL Instance Document. (6)
101.SCH	XBRL Taxonomy Extension Schema. (6)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. (6)
101.LAB	XBRL Taxonomy Extension Labels Linkbase. (6)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. (6)
101.DEF	XBRL Taxonomy Extension Definition Linkbase. (6)

- 
- (1) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2012.
  - (2) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on September 30, 2005.
  - (3) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on July 11, 2012.
  - (4) Filed as an exhibit to the Registrant's Current Report on Form 8-K filed on December 12, 2006.
  - (5) Indicates management or compensatory plan or arrangement.
  - (6) Furnished, not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

QUALCOMM Incorporated

/s/ William E. Keitel

William E. Keitel

Executive Vice President and  
Chief Financial Officer

Dated: January 30, 2013

**QUALCOMM Incorporated**

**EXECUTIVE RETIREMENT  
MATCHING CONTRIBUTION PLAN**

**Amended and Restated Generally Effective: January 1, 2011**

**Amendment No. 1, dated July 8, 2012 (designation of Committee members)**

**Amendment No. 2, effective September 30, 2012 (Matching Contribution formula and Match in Cash)**

**Amendment No. 3, dated November 27, 2012 (limit to defer amount of base salary, amend distribution methods and administrative matters)**

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## ARTICLE I

### INTRODUCTION

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

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

## ARTICLE II

### DEFINITIONS

2 . 1 **“Account(s)”** means the book entry account(s) established under the Plan for each Participant to which are credited the Participant's Basic Deferrals, Bonus Deferrals, Performance-Based Compensation Deferrals, Matching Contributions, Discretionary Company Contributions and any Investment Returns with respect thereto. Account balances shall be reduced by any distributions made to the Participant or the Participant's Beneficiary(ies) from the Plan and any charges that may be imposed on such Account(s) pursuant to the terms of the Plan. Separate Subaccounts may be established under the Plan as set forth herein. As the context may require, “Account” shall also refer to such Subaccounts.

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

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

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

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

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

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

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

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

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

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

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

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

2.14 **“Committee”** means the Executive Retirement Contribution Plan Committee composed of such individuals who may be appointed by the Company's Executive Vice President, Human Resources, or such other officer serving in that capacity, and the Committee shall function as the administrator of the Plan.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.46 **“Total Compensation”** for a Plan Year means wages as defined in Section 3401(a) of the Code, any annual cash incentive bonus which is normally paid by the Employer to an Eligible Employee after the end of the fiscal year, and all other payments of compensation to an Eligible Employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the Eligible Employee a written statement under Section 6041(d) or Section 6051(a)(3) of the Code for such Plan Year, excluding the following items: any bonus other than an annual cash incentive bonus which is normally paid by the Employer to an Eligible Employee after the end of the fiscal year, commissions, the value of a qualified, incentive or non-qualified stock option, stock appreciation right, restricted stock award, restricted stock unit, performance share, performance unit, deferred compensation award, or other stock-based award granted to the Eligible Employee by the Company to the extent such value is includable in the Eligible Employee's taxable income, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Eligible Employee under a salary reduction agreement by reason of the application of Section 125, 402(e)(3), 402(h), or 403(b) of the Code or by reason of an election of the Eligible Employee to defer amounts of Base Salary under this Plan.

Total Compensation must be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code).

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

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

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

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

### ARTICLE III

#### ELIGIBILITY AND PARTICIPATION

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

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

### ARTICLE IV

#### DEFERRALS AND CONTRIBUTIONS

##### 4.1 Basic Deferrals.

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

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

4.2 Bonus Deferrals and Performance-Based Compensation Deferrals.

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

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

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

(a) An Eligible Employee may not defer Base Salary in an amount that exceeds 60% of Base Salary determined prior to any reductions for tax withholding amounts (including, but not limited to, FICA and FUTA taxes), contributions to the Company's 401(k) Plan, employee stock purchase plan(s) or Code Section 125 plan or other amounts that may reduce or be subtracted from Base Salary.

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

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

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

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

4.5 Matching Contributions. The Company will credit Matching Contributions to the Matching Contribution Subaccount of an Eligible Employee for a Plan Year if (a) the Eligible Employee is actively employed by the Employer on the first day following the end of such Plan Year, or (b) the Eligible Employee's employment with the Employer is terminated during the Plan Year by the Employer without Cause. The Matching Contribution shall be equal to fifty percent (50%) of the Eligible Employee's Deferrals credited to his or her Account for the Plan Year; provided, however, that the total Matching Contribution credited to the Matching Contribution Subaccount of any Eligible Employee for any Plan Year shall not exceed 8% of such Eligible Employee's Total Compensation for the applicable Plan Year.

All Matching Contributions to the Plan with respect to Plan Years beginning before January 1, 2014, shall be credited to an Eligible Employee's Matching Contribution Subaccount solely in the form of shares of the Company's Common Stock. All Matching Contributions to the Plan with respect to Plan Years beginning on or after January 1, 2014, shall be credited to an Eligible Employee's Matching Contribution Subaccount in the form of cash unless the Compensation Committee, in its sole discretion, determines that Matching Contributions shall be credited in the form of shares of the Company's Common Stock. To the extent the Compensation Committee determines that Matching Contributions will be credited in shares of the Company's Common Stock, for purposes of converting a Company Matching Contribution from a dollar value to a number of shares of the Company's Common Stock, the Fair Market Value of the Company's Common Stock shall be the average of the Fair Market Value of the Company's Common Stock over the two hundred (200) trading days immediately preceding the last day of the applicable calendar year or, with respect to an Eligible Employee whose employment is terminated without Cause during the Plan Year, the average of the Fair Market Value of the Company's Common Stock over the two hundred (200) trading days immediately preceding the last day of his or her employment.

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

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

## ARTICLE V

### ACCOUNTS

Accounts; Subaccounts. Separate Accounts and Subaccounts shall be established and maintained for each Participant in accordance with the terms of the Plan. Each Participant's applicable Subaccounts shall be credited with the Participant's Basic Deferrals, Bonus and/or Performance-Based Compensation Deferrals, Matching Contributions and Discretionary Company

Contributions, if any. Participants' Accounts shall be credited (or debited) with the applicable Investment Return as set forth in Article 6. Participants' Accounts shall be reduced by losses, distributions and any other charges which may be imposed on the Accounts pursuant to the terms of the Plan.

## ARTICLE VI

### PLAN INVESTMENTS AND EARNINGS ON PARTICIPANTS' ACCOUNTS

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

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

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

6.1.3 If the Board declares a cash dividend on the shares of the Company's Common Stock, as of the first business day following the dividend payment date with respect to such cash dividend, the Company shall credit a cash amount equal to such per-share cash dividend with respect to each share of Company Common Stock credited to a Participant's Matching Contributions and/or Discretionary Contributions Subaccount as of the dividend declaration date for such cash dividend. All such cash amounts shall be credited to the Subaccount and be subject to the same terms and conditions relating to vesting and payment as the corresponding shares of Company Common Stock credited to that Subaccount and be deemed to be invested in the Money Market Portfolio as of the first trading day after the dividend payment date with respect to such cash dividend, provided, however, that a Participant may at any time elect to reinvest any such amounts deemed invested in Money Market Portfolio in any other Benchmark Fund specified under Section 6.2.2, but only after the fund is added to the recordkeeping system.

6.2 Investment of Deferrals, Matching Contributions and Discretionary Company Contributions Denominated in Cash

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

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

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

**ARTICLE VII**

**BENEFICIARIES**

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

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

The Participant shall have the right at any time to revoke a previous Beneficiary designation and to substitute one or more other Beneficiary(ies); provided, however, that the most recent Beneficiary Designation received prior to a Participant's death shall supersede all prior Beneficiary designations made under the Plan.



## ARTICLE VIII

### VESTING

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

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

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

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

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

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

## ARTICLE IX

### BENEFIT DISTRIBUTIONS

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

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

9.2.1 The date of the Participant's Separation from Service (including due to Retirement);

9.2.2 The In-Service Distribution Date designated by the Participant (solely with respect to distributions of Deferral Subaccounts);

9.2.3 The date of the Participant's death or Disability; or

9.2.4 The date of a Change in Control of the Company.

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

9.3. Methods of Distribution.

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

<u>Reason for Distribution</u>	<u>Installment Period</u>
Retirement	1 to 10 Years
Disability	1 to 10 Years
In-Service Distribution Date(s)	2/3/4/5 Years

Notwithstanding the foregoing, with respect to Elections made on or after January 1, 2013, only annual installments shall be available.

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

9.3.3 The Participant's method of distribution selected in his or her Election shall remain in effect for all future similar Deferrals until changed by the Participant during a subsequent

Open Enrollment Period. The Participant's method of distribution may be changed only in accordance with the requirements of Section 9.3.2.

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

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

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

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

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

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

9.4.1.1 A Participant may elect one or more In-Service Distribution Dates for all of the Deferrals credited to such Subaccounts for the Plan Year.

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

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

9.4.2 Revocation or Amendment of In-Service Distribution Election. A Participant who has elected an In-Service Distribution Date may revoke and/or amend the In-Service Distribution Date Election by filing a revocation or an amended Election at least twelve (12) months in advance of the In-Service Distribution Date specified in the Election being revoked or amended. The amended In-Service Distribution Date must be in a Plan Year that is at least five (5) years after the In-Service Distribution Date specified in the prior Election. Nothing in this Section 9.4.2 shall preclude a Participant from amending his or her Election as to the method of distribution in accordance with Section 9.3.3, above.

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

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

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

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

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

proposed distribution. Any amount which is not distributed to the Participant in a Plan Year as a result of this limitation shall be distributed to the Participant during the first Plan Year in which the Company reasonably anticipates that the deduction will not be barred by application of Section 162(m) of the Code, subject to compliance with the foregoing limitations set forth in this Section 9.7.

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

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

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

## ARTICLE X

### ADMINISTRATION

10.1 Committee Structure. The initial number of Committee members shall be three (3), until such number is changed by the Company's Executive Vice President, Human Resources, or such other officer serving in that capacity (the "EVP, Human Resources"). A member of the Committee must be an employee of the Employer or a member of the Board and shall continue to serve until such member (i) resigns, (ii) is removed or (iii) terminates employment with the Employer

and no longer serves on the Board for any reason. The EVP, Human Resources is or at his discretion may be a member of the Plan Committee. The EVP, Human Resources may remove a member of the Committee. A majority of the remaining members of the Committee may fill one or more vacancies on the Committee. The Committee may allocate and delegate some or all of its responsibilities described in this Article 10 and otherwise as set forth in the Plan. The Committee's authority under this Article 10 shall at all times be subject to the ability of the EVP, Human Resources to remove any or all of the members of the Committee for any reason, change the number of members of the Committee, fill vacancies on such committee, and establish rules and procedures for the Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.5.3 The decision of the Committee upon review shall be made promptly, and not later than 60 days after the Committee's receipt of the request for review, unless special circumstances require an extension of time for processing, in which case the claimant shall be so notified and a decision shall be rendered as soon as possible, but not later than 120 days after receipt of the request for review. If the claim is denied, wholly or in part, the claimant shall be promptly given a copy of the decision. The decision shall be in writing and shall include specific reasons for the denial, specific references to the pertinent Plan provisions on which the denial is based and shall be written in a manner calculated to be understood by the claimant. No further legal action may be initiated claiming benefits under this Plan until the claims procedure set forth in this Article 10 is complete.

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

## ARTICLE XI

### AMENDMENT AND TERMINATION

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

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

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

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



## ARTICLE XII

### PLAN TRANSFERS

12.1 Transfers to Other Plans. In the event that a Participant becomes employed by any affiliated company, subsidiary corporation, parent corporation or unrelated corporation with which the Company enters into a transaction to acquire the assets or stock of such unrelated corporation, the Committee shall have the right, but not the obligation, to direct the Trustee to transfer funds in an amount equal to the amount credited to such Participant's Account (the "Transferred Account") to a trust established under a Transferee Plan. The Committee shall determine, in its sole discretion, whether such transfer shall be made and the timing of such transfer. Such transfer shall be made if, and only to the extent that, approval of such transfer is obtained from the Trustee.

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

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

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

## ARTICLE XIII

### MISCELLANEOUS

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

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

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

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

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

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

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

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

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

QUALCOMM Incorporated

Dated: November 27, 2012 By: /s/ David A. Reichel  
Name: David A. Reichel  
Title: Senior Director, Total Rewards Management

QUALCOMM INCORPORATED

2013 ANNUAL CASH INCENTIVE PLAN  
Performance Unit Agreement

This Award Agreement between Qualcomm Incorporated (the "Company") and *[Insert Name]* (the "Executive") evidences the grant of a Performance Unit (this "Award") under the Qualcomm Incorporated 2006 Long-Term Incentive Plan (the "Plan"), representing a right to receive a cash payment equal to the amount determined by the Compensation Committee (the "Committee") based on performance.

<b>Definitions</b>	Capitalized terms used in this Award Agreement have the meaning specified under the Plan, except as otherwise specified herein.
<b>Grant Date</b>	December 2, 2012
<b>Performance Period</b>	The Performance Period is the Company's 2013 fiscal year.
<b>Performance Goals; Amount Payable Under this Award</b>	<p>The amount payable under this Award, if any, will be based on the extent to which the Company meets or exceeds the Performance Goals established by the Committee, which are as described in Attachment A, subject to the Committee's exercise of discretion under section 9.5(b) of the Plan.</p> <p>To be eligible to receive payment with respect to this Award, your Service must be continuous from the Grant Date through the Payment Date specified below.</p>
<b>Payment Date</b>	This Award shall be paid in cash no later than 30 calendar days after the Committee's written certification of the attainment of the Performance Goals and determination of the amount, if any, to be paid.
<b>Repayment Policy</b>	By executing this Award Agreement, you acknowledge that any payment made with respect to this Award is subject to the Qualcomm Incorporated Cash Incentive Compensation Repayment Policy (the " <u>Repayment Policy</u> "), a copy of which is attached to this Award Agreement and incorporated herein by reference. You hereby agree to be bound by the Repayment Policy.
<b>Terms of the Plan</b>	This Award is subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between this Award Agreement and the terms of the Plan, then the terms of the Plan control.

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The Award Agreement is effective as of the latest date specified below.

QUALCOMM INCORPORATED

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

I hereby acknowledge that I have read, understand, and accept the terms of this Award Agreement, the Plan, and the Repayment Policy.

EXECUTIVE

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Attachments: Attachment  
A  
Repayment Policy

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## FISCAL YEAR 2013 PERFORMANCE GOALS AND PAYMENT FORMULA

[Executive's Name]

Base Salary	Bonus Target as a Percent of Base Salary	Target Award Amount	Maximum Award Amount (200% of Target Award Amount)

**I. Formula to Calculate Maximum Award Amount**

Subject to the Committee's exercise of discretion under section 9.5(b) of the Plan, you will be eligible to earn the Maximum Award Amount specified above if the Company's fiscal 2013 Adjusted GAAP operating income is equal to or greater than \$\_\_\_\_\_ (\_\_\_% of the Company's fiscal 2012 GAAP operating income of \$5.68 billion). For this purpose, "2013 Adjusted GAAP operating income" is determined in accordance with U.S. generally accepted accounting principles or accounting standards as may be required by the Financial Accounting Standards Board as of the Grant Date ("GAAP"), but determined excluding (1) results from operations of the Qualcomm Strategic Initiative ("QSI") segment; (2) all share-based compensation other than amounts related to share-based awards granted under a bonus program that may result in the issuance of unrestricted shares of the Company's common stock; (3) the following items resulting from acquisitions: acquired in-process research and development expenses, recognition of the step-up of inventories to fair value and amortization of certain intangible assets; and (4) losses or expenses attributable to discontinued operations, plant shut-downs, or other restructuring. If the Company's fiscal 2013 Adjusted GAAP operating income is less than \$\_\_\_\_\_, your Maximum Award Amount shall be reduced to an amount equal to (a) 0.50% of 2013 Adjusted GAAP operating income multiplied by (b) a fraction, the numerator of which is the Maximum Award Amount stated above, and the denominator of which is \$13,767,182.

Subject to the Maximum Award Amount as determined in this Section I, the actual amount of the payment you receive under this Award will be determined by the Committee at the end of the Performance Period based on the formula specified in Section II below for measuring the Company's financial performance and the Committee's exercise of discretion as provided in Section 9.5(b) of the Plan.

**II. Formula to Calculate Amount Payable**

No amount will be payable unless the Company has at least \$\_\_\_\_\_ in Non-GAAP operating income (as defined below) for fiscal 2013. If Non-GAAP operating income equals or exceeds that amount, subject to the Committee's exercise of discretion under section 9.5(b) of the Plan, the conditions of this Award and the Maximum Award Amount determined above, the amount payable under this Award, if any, shall be calculated after the completion of fiscal 2013 as follows:

1. The Company fiscal 2013 financial Performance Measures and Performance Targets for purposes of determining the amount payable under this Award are as follows:
-

Performance Measures

Performance Targets

- Non-GAAP revenues: \$ \_\_\_\_\_
- Non-GAAP operating income: \$ \_\_\_\_\_

“Non-GAAP revenues” and “Non-GAAP operating income” are as reported in the Company's fiscal 2013 annual earnings release, subject to adjustments pursuant to the policy established by the Committee. The Company applies a relative weighting of 40% to Non-GAAP revenues and 60% to Non-GAAP operating income.

2. The weighted achievement ratio for Non-GAAP revenues will be the result of 0.40 multiplied by a fraction, the numerator of which is the reported Non-GAAP revenues for fiscal 2013, and the denominator of which is the fiscal 2013 Non-GAAP revenues objective stated above.
3. The weighted achievement ratio for Non-GAAP operating income will be the result of 0.60 multiplied by a fraction, the numerator of which is the reported Non-GAAP operating income for fiscal 2013, and the denominator of which is the fiscal 2013 Non-GAAP operating income objective stated above.
4. The resulting weighted achievement ratios for Non-GAAP revenues and Non-GAAP operating income will then be summed (the “Weighted Achievement Ratio”) and the “Incentive Multiple” will be calculated according to the schedule set forth below:

Weighted Achievement Ratio	Incentive Multiple	Rate of Increase to the Incentive Multiple
70%	0.0000	The Incentive Multiple is zero (0.0) if the Weighted Achievement Ratio is less than 80%.
75%	0.0000	
<b>80%</b>	<b>0.0000</b>	The Incentive Multiple increases 5.0 percentage points for each 1.0 percent improvement in the Weighted Achievement Ratio from 80% to 100%.
85%	0.2500	
90%	0.5000	
95%	0.7500	
<b>100%</b>	<b>1.0000</b>	The Incentive Multiple increases 4.0 percentage points for each 1.0 percent improvement in the Weighted Achievement Ratio from 100% to 125%.
105%	1.2000	
110%	1.4000	
115%	1.6000	
120%	1.8000	
<b>125%</b>	<b>2.0000</b>	The Incentive Multiple is at the maximum rate of 2.0x if the Weighted Achievement Ratio equals or exceeds 125%.
130%	2.0000	
135%	2.0000	
140%	2.0000	
145%	2.0000	
150%	2.0000	

5. Subject to the limitations of Section I and the exercise of discretion as provided in Section 9.5(b) of the Plan, the amount payable under this Award shall be the result of the Target Award Amount multiplied by the Incentive Multiple determined in step 4 above.
-

**QUALCOMM INCORPORATED**  
**2013 ANNUAL CASH INCENTIVE PLAN**  
**Performance Unit Agreement**

This Award Agreement between Qualcomm Incorporated (the "Company") and [*Insert Name*] (the "Executive") evidences the grant of a Performance Unit (this "Award") under the Qualcomm Incorporated 2006 Long-Term Incentive Plan (the "Plan"), representing a right to receive a cash payment equal to the amount determined by the Compensation Committee (the "Committee") based on performance.

<b>Definitions</b>	Capitalized terms used in this Award Agreement have the meaning specified under the Plan, except as otherwise specified herein.
<b>Grant Date</b>	December 2, 2012
<b>Performance Period</b>	The Performance Period is the Company's 2013 fiscal year.
<b>Performance Goals; Amount Payable Under this Award</b>	<p>The amount payable under this Award, if any, will be based on the extent to which the Company meets or exceeds the Performance Goals established by the Committee, which are as described in Attachment A, subject to the Committee's exercise of discretion under section 9.5(b) of the Plan.</p> <p>To be eligible to receive payment with respect to this Award, your Service must be continuous from the Grant Date through the Payment Date specified below.</p>
<b>Payment Date</b>	This Award shall be paid in cash no later than 30 calendar days after the Committee's written certification of the attainment of the Performance Goals and determination of the amount, if any, to be paid.
<b>Repayment Policy</b>	By executing this Award Agreement, you acknowledge that any payment made with respect to this Award is subject to the Qualcomm Incorporated Cash Incentive Compensation Repayment Policy (the " <u>Repayment Policy</u> "), a copy of which is attached to this Award Agreement and incorporated herein by reference. You hereby agree to be bound by the Repayment Policy.
<b>Terms of the Plan</b>	This Award is subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between this Award Agreement and the terms of the Plan, then the terms of the Plan control.

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The Award Agreement is effective as of the latest date specified below.

QUALCOMM INCORPORATED

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

I hereby acknowledge that I have read, understand, and accept the terms of this Award Agreement, the Plan, and the Repayment Policy.

EXECUTIVE

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Attachments: Attachment  
A  
Repayment Policy

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**FISCAL YEAR 2013 PERFORMANCE GOALS AND PAYMENT FORMULA**

*[Executive's Name]*

Base Salary	Bonus Target as a Percent of Base Salary	Target Award Amount	Maximum Award Amount (200% of Target Award Amount)

**Formula to Calculate Amount Payable**

No amount will be payable unless the Company has at least \$ \_\_\_\_\_ in Non-GAAP operating income (as defined below) for fiscal 2013. If Non-GAAP operating income equals or exceeds that amount, subject to the Committee's exercise of discretion under section 9.5(b) of the Plan, the conditions of this Award and the Maximum Award Amount determined above, the amount payable under this Award, if any, shall be calculated after the completion of fiscal 2013 as follows:

1. The Company fiscal 2013 financial Performance Measures and Performance Targets for purposes of determining the amount payable under this Award are as follows:

Performance Measures

Performance Targets

- Non-GAAP revenues: \$ \_\_\_\_\_
- Non-GAAP operating income: \$ \_\_\_\_\_

“Non-GAAP revenues” and “Non-GAAP operating income” are as reported in the Company's fiscal 2013 annual earnings release, subject to adjustments pursuant to the policy established by the Committee. The Company applies a relative weighting of 40% to Non-GAAP revenues and 60% to Non-GAAP operating income.

2. The weighted achievement ratio for Non-GAAP revenues will be the result of 0.40 multiplied by a fraction, the numerator of which is the reported Non-GAAP revenues for fiscal 2013, and the denominator of which is the fiscal 2013 Non-GAAP revenues objective stated above.
3. The weighted achievement ratio for Non-GAAP operating income will be the result of 0.60 multiplied by a fraction, the numerator of which is the reported Non-GAAP operating income for fiscal 2013, and the denominator of which is the fiscal 2013 Non-GAAP operating income objective stated above.
4. The resulting weighted achievement ratios for Non-GAAP revenues and Non-GAAP operating income will then be summed (the “Weighted Achievement Ratio”) and the “Incentive Multiple” will be calculated according to the schedule set forth below:

<b>Weighted Achievement Ratio</b>	<b>Incentive Multiple</b>	<b>Rate of Increase to the Incentive Multiple</b>
70%	0.0000	The Incentive Multiple is zero (0.0) if the Weighted Achievement Ratio is less than 80%.
75%	0.0000	
<b>80%</b>	<b>0.0000</b>	The Incentive Multiple increases 5.0 percentage points for each 1.0 percent improvement in the Weighted Achievement Ratio from 80% to 100%.
85%	0.2500	
90%	0.5000	
95%	0.7500	
<b>100%</b>	<b>1.0000</b>	The Incentive Multiple increases 4.0 percentage points for each 1.0 percent improvement in the Weighted Achievement Ratio from 100% to 125%.
105%	1.2000	
110%	1.4000	
115%	1.6000	
120%	1.8000	
<b>125%</b>	<b>2.0000</b>	The Incentive Multiple is at the maximum rate of 2.0x if the Weighted Achievement Ratio equals or exceeds 125%.
130%	2.0000	
135%	2.0000	
140%	2.0000	
145%	2.0000	
150%	2.0000	

5. The amount payable under this Award shall be the result of the Target Award Amount multiplied by the Incentive Multiple determined in step 4 above.
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**QUALCOMM INCORPORATED**  
**Cash Incentive Compensation Repayment Policy**

To the extent permitted by governing law, the Company will require an executive officer to repay to the Company the amount of any annual cash incentive bonus payment that executive officer receives to the extent that (i) the amount of such payment was based on the achievement of certain financial results that were subsequently the subject of a restatement that occurs within twelve months of such payment, (ii) the executive officer has engaged in theft, dishonesty or intentional falsification of Company documents or records that resulted in the obligation to restate, and (iii) a lower cash incentive bonus payment would have been made to the executive officer based upon the restated financial results.

Notwithstanding anything in this Policy to the contrary, an accounting judgment made in good faith and supported by reasonable interpretations of generally accepted accounting principles ("GAAP") at the time made shall not be the basis for the Company to require any repayments under this Policy.

The executive officer's repayment obligation under this Policy shall be in addition to, and shall in no way limit, any other remedies that the Company may have available to it, and any other actions that the Company may take, with respect to the conduct of the executive officer or in connection with the accounting restatement.

For purposes of this Policy, an "executive officer" shall be any member of the Company's executive committee and any other officers or employees of the Company as may be designated by the Company from time to time.

The interpretation and enforcement of this Policy shall be the responsibility of the Compensation Committee of the Board of Directors of the Company.

This Policy shall be effective with respect to cash incentive compensation paid to an executive officer on or after January 1, 2009.

**EXHIBIT 31.1**

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

I, Paul E. Jacobs, certify that:

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

Dated: January 30, 2013

/s/ Paul E. Jacobs

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Paul E. 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 30, 2013

/s/ William E. Keitel

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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 December 30, 2012 (the Report), I, Paul E. Jacobs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: January 30, 2013

/s/ Paul E. Jacobs

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Paul E. Jacobs,  
Chief Executive Officer and Chairman

**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 December 30, 2012 (the Report), I, William E. Keitel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: January 30, 2013

/s/ William E. Keitel

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William E. Keitel,

Executive Vice President and Chief Financial Officer