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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 March 31, 2013

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 April 22, 2013, was as follows:

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$0.0001 per share par value	1,727,835,431

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## INDEX

	<u>Page</u>	
<u>PART I. FINANCIAL INFORMATION</u>		
<u>Item 1.</u>	<u>Condensed Consolidated Financial Statements (Unaudited)</u>	
	<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>39</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>41</u>
<u>PART II. OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>41</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>41</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>41</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>41</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>41</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>42</u>
<u>SIGNATURES</u>		<u>43</u>

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

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

	March 31, 2013	September 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,093	\$ 3,807
Marketable securities	9,400	8,567
Accounts receivable, net	1,889	1,459
Inventories	1,484	1,030
Deferred tax assets	318	309
Other current assets	582	473
Total current assets	17,766	15,645
Marketable securities	17,046	14,463
Deferred tax assets	1,229	1,412
Assets held for sale	1,070	1,109
Property, plant and equipment, net	2,971	2,851
Goodwill	3,975	3,917
Other intangible assets, net	2,735	2,938
Other assets	807	677
Total assets	\$ 47,599	\$ 43,012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,628	\$ 1,298
Payroll and other benefits related liabilities	679	664
Unearned revenues	514	545
Liabilities held for sale	538	1,072
Other current liabilities	1,904	1,723
Total current liabilities	5,263	5,302
Unearned revenues	3,697	3,739
Liabilities held for sale	531	—
Other liabilities	480	426
Total liabilities	9,971	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; 1,726 and 1,706 shares issued and outstanding, respectively	—	—
Paid-in capital	12,991	11,956
Retained earnings	23,599	20,701
Accumulated other comprehensive income	1,021	866
Total Qualcomm stockholders' equity	37,611	33,523
Noncontrolling interests	17	22
Total stockholders' equity	37,628	33,545
Total liabilities and stockholders' equity	\$ 47,599	\$ 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		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
<b>Revenues:</b>				
Equipment and services	\$ 3,990	\$ 3,137	\$ 8,189	\$ 6,305
Licensing	2,134	1,806	3,954	3,320
Total revenues	<u>6,124</u>	<u>4,943</u>	<u>12,143</u>	<u>9,625</u>
<b>Operating expenses:</b>				
Cost of equipment and services revenues	2,372	1,783	4,609	3,537
Research and development	1,214	954	2,320	1,827
Selling, general and administrative	661	595	1,248	1,098
Other	—	97	—	97
Total operating expenses	<u>4,247</u>	<u>3,429</u>	<u>8,177</u>	<u>6,559</u>
Operating income	1,877	1,514	3,966	3,066
Investment income, net (Note 3)	259	220	497	389
Income from continuing operations before income taxes	2,136	1,734	4,463	3,455
Income tax expense	(273)	(296)	(697)	(617)
Income from continuing operations	1,863	1,438	3,766	2,838
Discontinued operations, net of income taxes (Note 7)	—	761	—	756
Net income	1,863	2,199	3,766	3,594
Net loss attributable to noncontrolling interests	3	31	6	37
Net income attributable to Qualcomm	<u>\$ 1,866</u>	<u>\$ 2,230</u>	<u>\$ 3,772</u>	<u>\$ 3,631</u>
<b>Basic earnings per share attributable to Qualcomm:</b>				
Continuing operations	\$ 1.08	\$ 0.86	\$ 2.20	\$ 1.70
Discontinued operations	—	0.45	—	0.45
Net income	<u>\$ 1.08</u>	<u>\$ 1.31</u>	<u>\$ 2.20</u>	<u>\$ 2.15</u>
<b>Diluted earnings per share attributable to Qualcomm:</b>				
Continuing operations	\$ 1.06	\$ 0.84	\$ 2.15	\$ 1.66
Discontinued operations	—	0.44	—	0.44
Net income	<u>\$ 1.06</u>	<u>\$ 1.28</u>	<u>\$ 2.15</u>	<u>\$ 2.10</u>
<b>Shares used in per share calculations:</b>				
Basic	1,722	1,698	1,716	1,691
Diluted	<u>1,763</u>	<u>1,743</u>	<u>1,757</u>	<u>1,732</u>
Dividends per share announced	<u>\$ 0.250</u>	<u>\$ 0.215</u>	<u>\$ 0.500</u>	<u>\$ 0.430</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Net income	\$ 1,863	\$ 2,199	\$ 3,766	\$ 3,594
Other comprehensive income, net of income taxes:				
Foreign currency translation	(10)	16	(7)	(12)
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities	9	3	(1)	4
Net unrealized gains on other available-for-sale securities and derivative instruments	196	320	247	495
Reclassification of net realized gains on available-for-sale securities and derivative instruments included in net income	(56)	(40)	(95)	(57)
Reclassification of other-than-temporary losses on available-for-sale securities included in net income	2	16	11	25
Total other comprehensive income	141	315	155	455
Total comprehensive income	2,004	2,514	3,921	4,049
Comprehensive loss attributable to noncontrolling interests	3	30	6	38
Comprehensive income attributable to Qualcomm	\$ 2,007	\$ 2,544	\$ 3,927	\$ 4,087

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	March 31, 2013	March 25, 2012
<b>Operating Activities:</b>		
Net income	\$ 3,766	\$ 3,594
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	489	419
Gain on sale of wireless spectrum	—	(1,179)
Revenues related to non-monetary exchanges	(62)	(61)
Income tax provision in excess of income tax payments	161	500
Non-cash portion of share-based compensation expense	550	488
Incremental tax benefits from share-based compensation	(103)	(98)
Net realized gains on marketable securities and other investments	(179)	(144)
Gains on derivative instruments	(12)	(74)
Other items, net	91	62
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(424)	(195)
Inventories	(454)	(21)
Other assets	(201)	(10)
Trade accounts payable	377	287
Payroll, benefits and other liabilities	203	(261)
Unearned revenues	(11)	360
Net cash provided by operating activities	<u>4,191</u>	<u>3,667</u>
<b>Investing Activities:</b>		
Capital expenditures	(494)	(635)
Purchases of available-for-sale securities	(7,449)	(7,036)
Proceeds from sales of available-for-sale securities	4,532	3,543
Purchases of trading securities	(1,796)	(1,639)
Proceeds from sales of trading securities	1,598	651
Proceeds from sale of wireless spectrum	—	1,925
Acquisitions and other investments, net of cash acquired	(132)	(329)
Other items, net	70	(53)
Net cash used by investing activities	<u>(3,671)</u>	<u>(3,573)</u>
<b>Financing Activities:</b>		
Borrowing under loans and debentures	—	232
Repayment of loans	—	(151)
Proceeds from issuance of common stock	747	1,135
Incremental tax benefits from share-based compensation	103	98
Repurchases and retirements of common stock	(250)	(99)
Dividends paid	(859)	(729)
Other items, net	(2)	(39)
Net cash (used) provided by financing activities	<u>(261)</u>	<u>447</u>
Changes in cash and cash equivalents held for sale	31	—
Effect of exchange rate changes on cash and cash equivalents	(4)	(5)
Net increase in cash and cash equivalents	<u>286</u>	<u>536</u>
Cash and cash equivalents at beginning of period	3,807	5,462
Cash and cash equivalents at end of period	<u>\$ 4,093</u>	<u>\$ 5,998</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

**Note 1 - Basis of Presentation**

**Financial Statement Preparation.** 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. Each of the three-month and six-month periods ended March 31, 2013 and March 25, 2012 included 13 weeks and 26 weeks, respectively.

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. Certain prior year amounts have been reclassified to conform to the current year presentation.

**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 for future service that the Company has not yet recognized, if any, and the estimated tax benefits that would be recorded in paid-in capital, when an award is settled are assumed to be used to repurchase shares in the current period, if any. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three and six months ended March 31, 2013 were 41,007,000 and 41,235,000, respectively. The incremental dilutive common share equivalents, calculated using the treasury stock method, for the three and six months ended March 25, 2012 were 44,100,000 and 40,576,000, respectively.

Employee stock options to purchase approximately 326,000 and 486,000 shares of common stock during the three and six months ended March 31, 2013, respectively, and employee stock options to purchase approximately 504,000 and 2,488,000 shares of common stock during the three and six months ended March 25, 2012, 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 and six months ended March 25, 2012 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 and six months ended March 31, 2013. In addition, other common stock equivalents of 77,000 and 38,000 shares outstanding during the three and six months ended March 31, 2013, respectively, and 733,000 and 704,000 shares outstanding during the three and six months ended March 25, 2012, respectively, were not included in the computation of diluted earnings per common share because the effect would be anti-dilutive.

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

**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		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Cost of equipment and services revenues	\$ 17	\$ 17	\$ 37	\$ 36
Research and development	156	126	313	253
Selling, general and administrative	95	97	201	198
Share-based compensation expense before income taxes	268	240	551	487
Related income tax benefit	(48)	(56)	(111)	(109)
Share-based compensation expense, net of income taxes	\$ 220	\$ 184	\$ 440	\$ 378

The Company recorded \$71 million and \$82 million in share-based compensation expense during the six months ended March 31, 2013 and March 25, 2012, respectively, related to share-based awards granted during those periods.

At March 31, 2013, total unrecognized compensation costs related to non-vested stock options and restricted stock units granted prior to that date were \$144 million and \$1.2 billion, respectively, which are expected to be recognized over weighted-average periods of 0.9 and 1.6 years, respectively. During the six months ended March 31, 2013 and March 25, 2012, 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 0.6%, respectively, of outstanding shares as of the end of each fiscal period.

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

*Accounts Receivable (in millions)*

	March 31, 2013	September 30, 2012
Trade, net of allowances for doubtful accounts of \$2 and \$1, respectively	\$ 1,852	\$ 1,418
Long-term contracts	28	32
Other	9	9
	\$ 1,889	\$ 1,459

*Inventories (in millions)*

	March 31, 2013	September 30, 2012
Raw materials	\$ 14	\$ 19
Work-in-process	671	531
Finished goods	799	480
	\$ 1,484	\$ 1,030

*Other Current Liabilities (in millions)*

	March 31, 2013	September 30, 2012
Customer incentives and other customer-related liabilities	\$ 1,349	\$ 1,107
Other	555	616
	\$ 1,904	\$ 1,723

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

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

	Three Months Ended		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Interest and dividend income	\$ 181	\$ 146	\$ 347	\$ 275
Interest expense	(7)	(29)	(15)	(57)
Net realized gains on marketable securities	74	90	167	127
Net realized gains on other investments	10	11	12	17
Impairment losses on marketable securities	(10)	(23)	(15)	(37)
Impairment losses on other investments	(2)	(1)	(7)	(6)
Gains on derivative instruments	14	28	12	74
Equity in losses of investees	(1)	(2)	(4)	(4)
	<u>\$ 259</u>	<u>\$ 220</u>	<u>\$ 497</u>	<u>\$ 389</u>

**Note 4 — Income Taxes**

The Company estimates its annual effective income tax rate to be approximately 16% for fiscal 2013, which is less than the 19% effective income tax rate for fiscal 2012. During the second quarter of fiscal 2013, the United States government reinstated the federal research and development tax credit retroactively to January 1, 2012 and extended the credit through December 31, 2013. As a result of the reinstatement, the Company recorded a tax benefit of \$64 million related to fiscal 2012 in the second quarter of fiscal 2013. The annual effective tax rate for fiscal 2013 also reflects the tax benefit from such reinstatement for fiscal 2013, while the fiscal 2012 annual effective tax rate only reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit originally 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.

**Note 5 — Stockholders' Equity**

Changes in stockholders' equity for the six months ended March 31, 2013 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)	3,772	(6)	3,766
Other comprehensive income	155	—	155
Common stock issued under employee benefit plans and the related tax benefits, net of shares withheld for taxes	725	—	725
Share-based compensation	562	—	562
Dividends	(874)	—	(874)
Stock repurchases	(250)	—	(250)
Other	(2)	1	(1)
Balance at March 31, 2013	<u>\$ 37,611</u>	<u>\$ 17</u>	<u>\$ 37,628</u>

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

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

	March 31, 2013	September 30, 2012
Foreign currency translation	\$ (114)	\$ (107)
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities, net of income taxes	25	29
Net unrealized gains on other available-for-sale securities, net of income taxes	1,083	942
Net unrealized gains on derivative instruments, net of income taxes	27	2
	<u>\$ 1,021</u>	<u>\$ 866</u>

At March 31, 2013 and September 30, 2012, accumulated other comprehensive income included \$2 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 six months ended March 31, 2013 and March 25, 2012, the Company repurchased and retired 4,295,000 and 2,046,000 shares, respectively, of the Company's common stock for \$250 million and \$99 million, respectively, before commissions. On March 5, 2013, the Company announced that it had been authorized to repurchase up to \$5.0 billion of the Company's common stock. The stock repurchase program has no expiration date. The \$5.0 billion stock repurchase program replaced a \$4.0 billion stock repurchase program, of which \$2.5 billion remained authorized for repurchase. At March 31, 2013, \$5.0 billion remained available for repurchase under the Company's stock repurchase program.

**Dividends.** On March 5, 2013, the Company announced a 40% increase in its quarterly cash dividend per share of common stock from \$0.25 to \$0.35, which is effective for dividends payable after March 27, 2013. On April 9, 2013, the Company announced a cash dividend of \$0.35 per share on the Company's common stock, payable on June 26, 2013 to stockholders of record as of June 5, 2013. During the six months ended March 31, 2013 and March 25, 2012, dividends charged to retained earnings were as follows (in millions, except per share data):

	2013		2012	
	Per Share	Total	Per Share	Total
First quarter	\$ 0.250	\$ 435	\$ 0.215	\$ 368
Second quarter	0.250	439	0.215	377
	<u>\$ 0.500</u>	<u>\$ 874</u>	<u>\$ 0.430</u>	<u>\$ 745</u>

**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 ITC's orders were affirmed on appeal, 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 August 25, 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.

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

*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's complaint against the Company alleges that certain of its Snapdragon products infringe 10 of MicroUnity's patents and seeks damages and injunctive and other relief. The court consolidated the actions in May 2011. Trial was scheduled for June 3, 2013. On April 16, 2013, MicroUnity and the Company entered into a binding settlement agreement pursuant to which the parties will dismiss with prejudice all claims against each other, and the Company will enter into a license agreement for the patents-in-suit and the MicroUnity patent portfolio. The agreement provides that the Company will pay to MicroUnity an amount that is not material to the Company's financial statements.

*MOSAID Technologies Incorporated v. Dell, Inc. et al:* On March 16, 2011, MOSAID filed a complaint against Atheros Communications, Inc. (Atheros Communications), 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. MOSAID's complaint against Atheros Communications alleges that certain of its WiFi products infringed six MOSAID patents. MOSAID seeks damages for the relevant statutory period prior to May 2011. The case is in the discovery phase. A claim construction hearing was held on 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 the Company's products infringe seven of its patents alleged to cover direct-down conversion receivers. ParkerVision's complaint seeks 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. On January 22, 2013, the court granted in part ParkerVision's motion to dismiss the Company's counterclaim for inequitable conduct, and the Company subsequently withdrew the remainder of its inequitable conduct counterclaim. On February 20, 2013, the court issued its claim construction order. The Company filed its amended answer and counterclaims on April 11, 2013. 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 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 17 different dates, with another hearing scheduled for May 22, 2013 and additional hearing dates yet to be scheduled.

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

*Securities and Exchange Commission (SEC) Formal Order of Private Investigation and Department of Justice 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/Department of Justice (collectively, 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. Other than the amount payable to MicroUnity, the Company has not recorded any accrual at March 31, 2013 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 other legal 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 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, which was recorded as a charge to other operating expenses in the second quarter of fiscal 2012. At both March 31, 2013 and September 30, 2012, the aggregate carrying value of the loans and debentures, including accrued interest on the debentures, was \$1.1 billion. The assets and liabilities of the BWA subsidiaries are 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 March 31, 2013 and September 30, 2012, the carrying values of 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. The majority of the loans (\$455 million at March 31, 2013) are due and payable on May 31, 2014, and the remaining loan (\$76 million at March 31, 2013) is due and payable on December 1, 2014. All of the loans bear interest at an annual rate based on the highest rate of the relevant bank, which is reset quarterly, plus 0.25% (9.75% at March 31, 2013) 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.

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

The BWA subsidiaries' redeemable, unlisted, unsecured, non-convertible debentures (the debentures), which were issued to multiple purchasers, 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 March 31, 2013) with interest due upon redemption. All of the debentures (\$530 million, including accrued interest, at March 31, 2013) 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 March 31, 2013, 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 March 31, 2013 associated with these indemnification arrangements, other than insignificant amounts, based on the Company's belief that additional 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 March 31, 2013 for the remainder of fiscal 2013 and for each of the subsequent four years from fiscal 2014 through 2017 were approximately \$3.4 billion, \$447 million, \$127 million, \$31 million and \$4 million, respectively, and \$11 million thereafter. Of these amounts, for the remainder of fiscal 2013 through fiscal 2015, commitments to purchase integrated circuit product inventories comprised \$3.0 billion, \$348 million and \$79 million, respectively.

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

*Leases.* The future minimum lease payments for all capital leases and operating leases at March 31, 2013 were as follows (in millions):

	Capital Leases	Operating Leases	Total
Remainder of fiscal 2013	\$ 1	\$ 45	\$ 46
2014	2	143	145
2015	2	92	94
2016	2	39	41
2017	2	31	33
Thereafter	38	57	95
Total minimum lease payments	<u>\$ 47</u>	<u>\$ 407</u>	<u>\$ 454</u>
Deduct: Amounts representing interest	25		
Present value of minimum lease payments	22		
Deduct: Current portion of capital lease obligations	—		
Long-term portion of capital lease obligations	<u>\$ 22</u>		

The Company leases certain of its land, facilities and equipment under noncancelable operating leases, with terms ranging from less than one year to 25 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:
  - Omnitrac division (formerly QES) — 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;
  - 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
  - QRS (Qualcomm Retail Solutions) division (formerly Firethorn) — 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

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

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. All discontinued operations were attributable to Qualcomm.

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; certain 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):

	<u>QCT</u>	<u>QTL</u>	<u>QWI</u>	<u>QSI</u>	<u>Reconciling Items</u>	<u>Total</u>
<b>For the three months ended:</b>						
<b>March 31, 2013</b>						
Revenues	\$ 3,916	\$ 2,057	\$ 155	\$ —	\$ (4)	\$ 6,124
EBT	681	1,803	—	33	(381)	2,136
<b>March 25, 2012</b>						
Revenues	\$ 3,059	\$ 1,723	\$ 159	\$ —	\$ 2	\$ 4,943
EBT	599	1,540	(10)	(99)	(296)	1,734
<b>For the six months ended:</b>						
<b>March 31, 2013</b>						
Revenues	\$ 8,036	\$ 3,813	\$ 301	\$ —	\$ (7)	\$ 12,143
EBT	1,749	3,335	(4)	16	(633)	4,463
<b>March 25, 2012</b>						
Revenues	\$ 6,143	\$ 3,162	\$ 311	\$ —	\$ 9	\$ 9,625
EBT	1,338	2,808	(9)	(133)	(549)	3,455

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>March 31, 2013</u>	<u>March 25, 2012</u>	<u>March 31, 2013</u>	<u>March 25, 2012</u>
<b>Revenues</b>				
Nonreportable segments	\$ (3)	\$ 3	\$ (5)	\$ 11
Intersegment eliminations	(1)	(1)	(2)	(2)
	<u>\$ (4)</u>	<u>\$ 2</u>	<u>\$ (7)</u>	<u>\$ 9</u>
<b>EBT</b>				
Unallocated cost of equipment and services revenues	\$ (93)	\$ (68)	\$ (177)	\$ (138)
Unallocated research and development expenses	(204)	(176)	(389)	(339)
Unallocated selling, general and administrative expenses	(153)	(168)	(264)	(283)
Unallocated investment income, net	220	228	468	418
Nonreportable segments	(151)	(112)	(271)	(207)
	<u>\$ (381)</u>	<u>\$ (296)</u>	<u>\$ (633)</u>	<u>\$ (549)</u>

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

QCT revenues for both the three and six months ended March 31, 2013 and March 25, 2012 included \$1 million and \$2 million of intersegment revenues, respectively. All other revenues for reportable segments were from external customers for all periods presented.

Amounts included in unallocated expenses related to the amortization and impairment of certain intangible assets, contract termination and the recognition of the step-up of inventories to fair value that resulted from acquisitions were as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Unallocated cost of equipment and services revenues	\$ 76	\$ 51	\$ 140	\$ 102
Unallocated research and development expenses	1	—	1	—
Unallocated selling, general and administrative expenses	6	6	13	15

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 March 31, 2013 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):

	March 31, 2013	September 30, 2012
QCT	\$ 3,127	\$ 2,278
QTL	115	63
QWI	116	129
QSI	1,455	1,424
Reconciling items	42,786	39,118
Total consolidated assets	<u>\$ 47,599</u>	<u>\$ 43,012</u>

**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.

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

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

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at March 31, 2013 (in millions):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents (1)	\$ 1,722	\$ 1,799	\$ —	\$ 3,521
Marketable securities				
U.S. Treasury securities and government-related securities	770	592	—	1,362
Corporate bonds and notes	—	14,095	—	14,095
Mortgage- and asset-backed securities	—	1,328	312	1,640
Auction rate securities	—	—	84	84
Common and preferred stock	1,394	897	—	2,291
Equity funds	1,173	—	—	1,173
Debt funds	2,372	3,429	—	5,801
Total marketable securities	5,709	20,341	396	26,446
Derivative instruments	—	59	—	59
Other investments	225	—	—	225
Total assets measured at fair value	\$ 7,656	\$ 22,199	\$ 396	\$ 30,251
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 10	\$ —	\$ 10
Other liabilities	225	—	—	225
Total liabilities measured at fair value	\$ 225	\$ 10	\$ —	\$ 235

(1) Includes cash equivalents of \$24 million that were classified as held for sale at March 31, 2013.

**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 for interest-bearing securities includes accrued interest.

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.

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

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 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 six months ended March 31, 2013 or March 25, 2012. 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):

	Six Months Ended March 31, 2013		Six Months Ended March 25, 2012		
	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	—	3	—	1	(2)
Included in other comprehensive income	1	3	—	2	—
Purchases	—	127	—	88	—
Sales	—	(6)	—	—	—
Settlements	(35)	(36)	(4)	(8)	—
Transfers into Level 3	—	18	—	5	—
Ending balance of Level 3	<u>\$ 84</u>	<u>\$ 312</u>	<u>\$ 120</u>	<u>\$ 115</u>	<u>\$ 5</u>

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 six months ended March 31, 2013 and March 25, 2012 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 six months ended March 31, 2013 and March 25, 2012, the Company did not have any other

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

significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

**Note 9 — Marketable Securities**

Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	March 31, 2013	September 30, 2012	March 31, 2013	September 30, 2012
Trading:				
U.S. Treasury securities and government-related securities	\$ 224	\$ 196	\$ 155	\$ 254
Corporate bonds and notes	282	283	321	176
Mortgage- and asset-backed securities	—	—	198	120
Total trading	<u>506</u>	<u>479</u>	<u>674</u>	<u>550</u>
Available-for-sale:				
U.S. Treasury securities and government-related securities	353	362	630	592
Corporate bonds and notes	4,881	4,554	8,611	7,570
Mortgage- and asset-backed securities	1,115	1,157	327	241
Auction rate securities	—	—	84	118
Common and preferred stock	23	57	2,268	2,030
Equity funds	—	—	1,173	1,126
Debt funds	2,522	1,958	2,740	1,716
Total available-for-sale	<u>8,894</u>	<u>8,088</u>	<u>15,833</u>	<u>13,393</u>
Fair value option:				
Debt fund	—	—	539	520
Total marketable securities	<u>\$ 9,400</u>	<u>\$ 8,567</u>	<u>\$ 17,046</u>	<u>\$ 14,463</u>

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 March 31, 2013, the Company had an effective ownership interest in the debt fund of 21%. During the three and six months ended March 31, 2013, increases in fair value associated with this investment of \$8 million and \$18 million, respectively, were recognized in net investment income. During the three and six months ended March 25, 2012, increases in fair value associated with this investment of \$17 million and \$22 million, respectively, were recognized in net investment income.

The Company classifies certain portfolios of debt securities that utilize derivative instruments to acquire or reduce foreign exchange and/or equity, prepayment and credit risk as trading. Net losses recognized on debt securities classified as trading still held at March 31, 2013 were \$15 million and \$16 million for the three and six months ended March 31, 2013, respectively. Net gains recognized on debt securities classified as trading still held at March 25, 2012 were \$12 million and \$10 million for the three and six months ended March 25, 2012, respectively.

At March 31, 2013, the contractual maturities of available-for-sale debt securities were as follows (in millions):

Years to Maturity					No Single Maturity Date	Total
Less Than One Year	One to Five Years	Five to Ten Years	Greater Than Ten Years			
\$ 776	\$ 7,692	\$ 4,540	\$ 1,468	\$ 6,787	<u>\$ 21,263</u>	

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

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

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

	<u>Gross Realized Gains</u>	<u>Gross Realized Losses</u>	<u>Net Realized Gains</u>
<b>For the three months ended</b>			
March 31, 2013	\$ 69	\$ (4)	\$ 65
March 25, 2012	64	(4)	60
<b>For the six months ended</b>			
March 31, 2013	\$ 153	\$ (9)	\$ 144
March 25, 2012	100	(6)	94

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>March 31, 2013</b>				
Equity securities	\$ 2,669	\$ 800	\$ (5)	\$ 3,464
Debt securities (including debt funds)	20,673	617	(27)	21,263
	<u>\$ 23,342</u>	<u>\$ 1,417</u>	<u>\$ (32)</u>	<u>\$ 24,727</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>March 31, 2013</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	\$ 1,661	\$ (8)	\$ 83	\$ (3)
Mortgage- and asset-backed securities	220	(1)	13	—
Auction rate securities	—	—	83	(1)
Common and preferred stock	86	(5)	10	—
Debt funds	1,213	(14)	4	—
	<u>\$ 3,180</u>	<u>\$ (28)</u>	<u>\$ 193</u>	<u>\$ (4)</u>

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

	September 30, 2012			
	Less than 12 months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
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 March 31, 2013, 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):

	Three Months Ended		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Beginning balance of credit losses	\$ 19	\$ 46	\$ 31	\$ 46
Reductions in credit losses related to securities the Company intends to sell	(6)	—	(6)	(1)
Credit losses recognized on securities previously not impaired	—	2	—	2
Additional credit losses recognized on securities previously impaired	—	2	—	3
Reductions in credit losses related to securities sold	(5)	(4)	(17)	(4)
Ending balance of credit losses	<u>\$ 8</u>	<u>\$ 46</u>	<u>\$ 8</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 with 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 of technologies, industry or regional trends, consumer demand, sales or price levels, challenges to our business model, capital expenditures, investments in research and development, strategic investments and acquisitions 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 second quarter of fiscal 2013 were \$6.1 billion, with net income of \$1.9 billion, which were impacted by the following key items:

- We shipped approximately 173 million Mobile Station Modem (MSM) integrated circuits for CDMA- and OFDMA-based wireless devices, an increase of 14%, compared to 152 million MSM integrated circuits in the year ago quarter.
- Total reported device sales were approximately \$61.1 billion, an increase of approximately 18%, compared to approximately \$51.7 billion in the year ago quarter.<sup>(1)</sup>

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

- Worldwide wireless connections grew by approximately 2% to reach approximately 6.6 billion.<sup>(2)</sup>
- Worldwide 3G connections (all CDMA-based) grew by approximately 4% to approximately 2.0 billion, which was approximately 30% of total wireless subscriptions, including approximately 537 million CDMA2000 1X/1xEV-DO subscriptions and approximately 1.5 billion WCDMA/HSPA/TD-SCDMA subscriptions.<sup>(2)</sup>

(1) 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 CDMA/OFDMA multimode 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.

(2) According to Wireless Intelligence estimates as of April 22, 2013, for the quarter ended March 31, 2013 (estimates exclude 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 64% and 62% of total consolidated revenues in the second quarter of fiscal 2013 and 2012, respectively, and 66% and 64% of total consolidated revenues for the first six months 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 recognizes royalty revenues based on royalties reported by licensees during the quarter and when other revenue recognition criteria are met. Licensees, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. QTL revenues comprised 34% and 35% of total consolidated revenues in the second quarter of fiscal 2013 and 2012, respectively, and 31% and 33% of total consolidated revenues for the first six months 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 Omnitrac (formerly QES), QIS, QGOV and QRS (Qualcomm Retail Solutions, formerly Firethorn) divisions, generates revenues primarily through sales of products, services (including software development) and software aimed at the support and delivery of wireless applications. Omnitrac 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. QRS builds and manages software applications that enable certain mobile commerce services. QWI revenues comprised 3% of total consolidated revenues in the second quarter of both fiscal 2013 and 2012 and 2% and 3% of total consolidated revenues for the first six months 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 were presented as held for sale at March 31, 2013 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.

**Seasonality.** Many of our products are incorporated into wireless devices that are sold to consumers, which are subject to seasonality and other fluctuations in demand. As a result, historically, QCT has tended to have stronger sales toward the end of the calendar year as manufacturers prepare for major holiday selling seasons, and QTL has tended to record higher royalty revenues in the first calendar quarter when licensees report their sales made during the fourth calendar quarter. These seasonal trends may not continue in the future.

### 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 April 2013, to complement their existing 3G networks, more than 160 wireless operators have deployed and more than 360 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 emerging regions, such as China. 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, 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, 3G/4G and 4G LTE (an OFDMA-based standard) technologies, wireless baseband chips, our converged computing/communications

(Snapdragon) chips, multimedia products, software and services, as well as our IMOD and other display technologies.

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 businesses is presented in the Risk Factors included in this Quarterly Report.

## Results of Operations

### Revenues (in millions)

	Three Months Ended			Six Months Ended		
	March 31, 2013	March 25, 2012	Change	March 31, 2013	March 25, 2012	Change
Equipment and services	\$ 3,990	\$ 3,137	\$ 853	\$ 8,189	\$ 6,305	\$ 1,884
Licensing	2,134	1,806	328	3,954	3,320	634
	\$ 6,124	\$ 4,943	\$ 1,181	\$ 12,143	\$ 9,625	\$ 2,518

The increases in equipment and services revenues in the second quarter and the first six months of fiscal 2013 were primarily due to increases in QCT revenues of \$865 million and \$1.90 billion, respectively. The increases in licensing revenues in the second quarter and the first six months of fiscal 2013 were primarily due to increases in QTL revenues of \$334 million and \$651 million, respectively.

### Operating Expenses (in millions)

	Three Months Ended			Six Months Ended		
	March 31, 2013	March 25, 2012	Change	March 31, 2013	March 25, 2012	Change
Cost of equipment and services (E&S) revenues	\$ 2,372	\$ 1,783	\$ 589	\$ 4,609	\$ 3,537	\$ 1,072
Cost as % of E&S revenues	59%	57%		56%	56%	

The decrease in margin percentage in the second quarter of fiscal 2013 was primarily attributable to a decrease in QCT 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			Six Months Ended		
	March 31, 2013	March 25, 2012	Change	March 31, 2013	March 25, 2012	Change
Research and development	\$ 1,214	\$ 954	\$ 260	\$ 2,320	\$ 1,827	\$ 493
% of revenues	20%	19%		19%	19%	
Selling, general, and administrative	\$ 661	\$ 595	\$ 66	\$ 1,248	\$ 1,098	\$ 150
% of revenues	11%	12%		10%	11%	
Other	\$ —	\$ 97	\$ (97)	\$ —	\$ 97	\$ (97)

The dollar increases in research and development expenses in thesecond quarter and the first six months of fiscal 2013 were primarily attributable to increases of \$213 million and \$408 million, respectively, 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 increases of \$30 million and \$60 million, respectively, in share-based compensation.

The dollar increase in selling, general and administrative expenses in the second quarter of fiscal 2013 was primarily attributable to increases of \$31 million in employee-related expenses, \$20 million in patent-related expenses and \$14 million in selling and marketing expenses. The dollar increase in selling, general and administrative expenses in the first six months of fiscal 2013 was primarily attributable to increases of \$61 million in employee-related expenses, \$25 million in patent-related expenses and \$20 million in costs related to litigation and other legal matters.

Other operating expenses for the second quarter and the first six months of fiscal 2012 included an \$81 million charge related to the payment made to the Indian government concurrent with the issuance of the BWA spectrum license and a \$16 million goodwill impairment charge related to our QRS division.

**Net Investment Income (in millions)**

	Three Months Ended			Six Months Ended		
	March 31, 2013	March 25, 2012	Change	March 31, 2013	March 25, 2012	Change
QSI:						
Interest and dividend income	\$ 4	\$ 8	\$ (4)	\$ 5	\$ 11	\$ (6)
Interest expense	(6)	(26)	20	(12)	(51)	39
Net realized gains on investments	43	20	23	47	27	20
Net impairment losses on investments	(2)	(12)	10	(8)	(17)	9
Gains on derivative instruments	—	2	(2)	—	3	(3)
Equity in losses of investees	(1)	(2)	1	(4)	(4)	—
Other segments and corporate:						
Interest and dividend income	177	138	39	342	264	78
Interest expense	(1)	(3)	2	(3)	(6)	3
Net realized gains on investments	41	81	(40)	132	117	15
Net impairment losses on investments	(10)	(12)	2	(14)	(26)	12
Gains on derivative instruments	14	26	(12)	12	71	(59)
	<u>\$ 259</u>	<u>\$ 220</u>	<u>\$ 39</u>	<u>\$ 497</u>	<u>\$ 389</u>	<u>\$ 108</u>

The decreases in QSI interest expense in the second quarter and the first six months of fiscal 2013 resulted from capitalizing a portion of interest starting in the third quarter of fiscal 2012 related to the BWA network in India. The increases in interest and dividend income on cash and marketable securities held by other segments and corporate in the second quarter and the first six months of fiscal 2013 resulted from higher average cash and marketable securities balances. The decrease in net realized gains on investments held by corporate in the second quarter of fiscal 2013 primarily resulted from decreases in fair values of certain debt securities held in our trading portfolios due to adverse changes in foreign currencies and interest rates. Gains on derivative instruments held by corporate in the second quarter and the first six months of fiscal 2012 primarily resulted from changes in the fair value of put options sold in connection with our stock repurchase program that expired in fiscal 2012.

**Income Tax Expense (in millions)**

	Three Months Ended			Six Months Ended		
	March 31, 2013	March 25, 2012	Change	March 31, 2013	March 25, 2012	Change
Income tax expense	\$ 273	\$ 296	\$ (23)	\$ 697	\$ 617	\$ 80
Effective tax rate	13%	17%	(4%)	16%	18%	(2%)

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

	Three Months Ended		Six Months Ended	
	March 31, 2013	March 25, 2012	March 31, 2013	March 25, 2012
Expected income tax provision at federal statutory tax rate	35%	35%	35%	35%
Benefits from foreign income taxed at other than U.S. rates	(17%)	(17%)	(17%)	(17%)
Benefits related to the research and development tax credit	(6%)	(1%)	(3%)	(1%)
Other	1%	—%	1%	1%
Effective tax rate	13%	17%	16%	18%

During the second quarter of fiscal 2013, the United States government reinstated the federal research and development tax credit retroactively to January 1, 2012 and extended the credit through December 31, 2013. As a result of the reinstatement, we recorded a tax benefit of \$64 million related to fiscal 2012 in the second quarter of fiscal 2013. The estimated annual effective tax rate for fiscal 2013 of 16% also reflects the tax benefit from such reinstatement for fiscal 2013. The fiscal 2012 annual effective tax rate of 19% only reflected the United States federal research and development credit generated through December 31, 2011, the date on which the credit originally expired.

## Segment Results

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

	QCT		QTL		QWI		QSI	
<b>Three Months Ended March 31, 2013</b>								
Revenues	\$	3,916	\$	2,057	\$	155	\$	—
EBT (1)		681		1,803		—		33
EBT as a % of revenues		17%		88%		—%		
<b>Three Months Ended March 25, 2012</b>								
Revenues	\$	3,059	\$	1,723	\$	159	\$	—
EBT (1)		599		1,540		(10)		(99)
EBT as a % of revenues		20%		89%		(6%)		
<b>Six Months Ended March 31, 2013</b>								
Revenues	\$	8,036	\$	3,813	\$	301	\$	—
EBT (1)		1,749		3,335		(4)		16
EBT as a % of revenues		22%		87%		(1%)		
<b>Six Months Ended March 25, 2012</b>								
Revenues	\$	6,143	\$	3,162	\$	311	\$	—
EBT (1)		1,338		2,808		(9)		(133)
EBT as a % of revenues		22%		89%		(3%)		

(1) Earnings (loss) before taxes.

**QCT Segment.** The increases in QCT revenues in the second quarter and first six months of fiscal 2013 of \$857 million and \$1.89 billion, respectively, were primarily due to increases in equipment and services revenues. Equipment and services revenues, mostly related to sales of MSM and accompanying RF and PM integrated circuits, were \$3.87 billion and \$3.00 billion in the second quarter of fiscal 2013 and 2012, respectively, and \$7.94 billion and \$6.03 billion in the first six months of fiscal 2013 and 2012, respectively. The increases in equipment and services revenues in the second quarter and first six months of fiscal 2013 resulted primarily from increases of \$410 million and \$1.03 billion, respectively, related to the net effects of changes in product mix and lower selling prices of such products and increases of \$333 million and \$730 million, respectively, related to higher unit shipments. Approximately 173 million and 152

million MSM integrated circuits were sold during the second quarter of fiscal 2013 and 2012, respectively, and approximately 354 million and 308 million MSM integrated circuits were sold during the first six months of fiscal 2013 and 2012, respectively.

The decrease in QCT EBT as a percentage of revenues in the second quarter of fiscal 2013 was due to a decrease in gross margin percentage, partially offset by an increase of 28% in QCT revenues relative to a combined increase of 24% in research and development expenses and selling, general and administrative expenses. QCT gross margin percentage decreased as a result of normal price declines and unfavorable product mix, partially offset by decreases in average unit costs.

QCT inventories increased by 17% in the second quarter of fiscal 2013 from \$1.23 billion to \$1.44 billion primarily due to an increase in finished goods and work-in-process related to the growth of the business.

**QTL Segment.** The increases in QTL revenues in the second quarter and first six months of fiscal 2013 of \$334 million and \$651 million, respectively, were primarily due to increases in sales of CDMA-based devices by licensees. The decreases in QTL EBT as a percentage of revenues in the second quarter and first six months of fiscal 2013 were attributable to increases in revenues of 19% and 21%, respectively, relative to increases in operating expenses of 38% and 34%, respectively, primarily due to increased allocation of patent expenses in connection with the corporate reorganization and increased research and development expenses.

**QWI Segment.** The decreases in QWI revenues in the second quarter and first six months of fiscal 2013 of \$4 million and \$10 million, respectively, were primarily due to decreases of \$14 million in each period in QIS revenues, partially offset by increases of \$8 million and \$3 million, respectively, in Omnitrac revenues. The increases in QWI EBT in the second quarter and first six months of fiscal 2013 of \$10 million and \$5 million, respectively, were primarily attributable to a \$16 million goodwill impairment charge related to our QRS division recorded in the second quarter of fiscal 2012, partially offset by decreases in revenues in fiscal 2013.

**QSI Segment.** QSI operating expenses for the second quarter of fiscal 2012 included an \$81 million charge related to the payment made to the Indian government concurrent with the issuance of the BWA spectrum license. The remaining increases in QSI EBT in the second quarter and first six months of fiscal 2013 of \$51 million and \$68 million, respectively, were primarily due to decreases in interest expense of \$20 million and \$39 million, respectively, as a result of capitalizing interest starting in the third quarter of fiscal 2012 related to the BWA network in India and increases of \$23 million and \$20 million, respectively, in net realized gains on investments.

### **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 \$30.5 billion at March 31, 2013, an increase of \$3.7 billion from September 30, 2012. This increase included \$747 million in proceeds from the issuance of common stock under our equity compensation plans. Our cash, cash equivalents and marketable securities at March 31, 2013 consisted of \$11.2 billion held domestically and \$19.3 billion held by foreign subsidiaries. Of the amount of cash, cash equivalents and marketable securities held by our foreign subsidiaries at March 31, 2013, \$18.8 billion was 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 \$4.2 billion during the first six months of fiscal 2013, compared to \$3.7 billion during the first six months of fiscal 2012.

During the first six months of fiscal 2013, we repurchased and retired 4,295,000 shares of our common stock for \$250 million, before commissions. On March 5, 2013, the Company announced that it had been authorized to repurchase up to \$5.0 billion of the Company's common stock. The \$5.0 billion stock repurchase program replaced a \$4.0 billion stock repurchase program, of which \$2.5 billion remained authorized for repurchase. At March 31, 2013, \$5.0 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 \$431 million, or \$0.25 per share, on March 27, 2013. On March 5, 2013, we announced a 40% increase in our quarterly cash dividend per share of common stock from \$0.25 to \$0.35, which is effective for dividends payable after March 27, 2013. On April 9, 2013, we announced a cash dividend of \$0.35 per share on our common stock, payable on June 26, 2013 to stockholders of record as of June 5, 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 15% during the second quarter of fiscal 2013. Days sales outstanding, on a consolidated basis, were 28 days at March 31, 2013, compared to 25 days at December 30, 2012. The increases in accounts receivable and the related 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, cash equivalents and 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 \$2.3 billion during the first six months 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 \$494 million during the first six months 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 businesses, 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 \$3.4 billion and \$447 million, respectively, at March 31, 2013.
- 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 March 31, 2013, we had loan and debenture liabilities in the aggregate of \$1.1 billion, which were classified as held for sale, related to the BWA spectrum won in India that are denominated in Indian rupees. At March 31, 2013, loans in the aggregate of \$455 million are due and payable in full on May 31, 2014, one loan in the amount of \$76 million is due and payable on December 1, 2014, and \$530 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 (9.75% at March 31, 2013); 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 March 31, 2013) 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 March 31, 2013 included an aggregate of \$455 million and \$76 million in loans and \$530 million in debentures that are denominated in Indian rupees and payable in full 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 March 31, 2013 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, 3G/4G multimode or 4G wireless 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, expansions 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, Ericsson, Freescale, HiSilicon Technologies, Intel, Lantiq, Marvell Technology, MediaTek, nVidia, Renesas Electronics, Samsung, Spreadtrum Communications, 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 230 CDMA-based 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 revenues 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 3G/4G multimode 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 50 companies (including LG, Nokia, Samsung, Sony Mobile 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 3G/4G-based multimode 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, the remaining provisions of the Leahy-Smith America Invents Act changing patent laws governing, among other things, the granting and enforcement of patents, went into effect in March 2013. Many observers anticipate that in the next few years the European Union will adopt a unitary patent system that may broadly impact that region's patent regime. 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 the manufacture of product inventories, including probe, assembly, test and other services. 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. 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. To the extent we do obtain long-term capacity commitments, we may incur additional costs related to those commitments.

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, our competitors or our customers, including the selection of wireless communications technology by wireless operators and the timing of the roll-out of those systems, the use of our or our competitors' semiconductor components in wireless devices by certain manufacturers or the business performance of our customers;
- 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 and strategic transactions and 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, at least one company has commercialized, and several other companies are developing, another flat panel display technology called organic light-emitting diode (OLED), which is competitive with high end LCD technology. 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 or display suppliers 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 March 31, 2013. 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 six months 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, and the related interest, that are denominated in Indian rupees;
- 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 Singapore tax rate could increase prior to those dates, and 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 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 March 31, 2013, 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, derivatives, loans and debentures that are sensitive to changes in interest rates. The table presents principal cash flows or notional amounts, as applicable, and weighted-average yield at cost or weighted-average strike price, as applicable, 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  
Amount by Expected Maturity  
Average Interest Rates  
(Dollars in millions)**

	2013	2014	2015	2016	2017	Thereafter	No Single Maturity	Total
Fixed interest-bearing securities:								
Cash and cash equivalents	\$ 1,333	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,333
Interest rate	0.4%							
Trading securities	\$ 64	\$ 363	\$ 231	\$ 62	\$ 56	\$ 182	\$ 595	\$ 1,553
Interest rate	0.9% 2.8% 3.5% 3.8% 4.8% 4.5% 2.8%							
Other marketable securities	\$ 987	\$ 1,230	\$ 2,035	\$ 1,425	\$ 1,042	\$ 3,200	\$ 4,597	\$ 14,516
Interest rate	0.8% 2.0% 1.6% 2.4% 2.8% 5.1% 1.9%							
Interest rate swaps (receive)	\$ —	\$ 28	\$ —	\$ —	\$ 68	\$ 37	\$ —	\$ 133
Interest rate	3.0% 8.9% 4.3%							
Interest rate swaps (pay)	\$ —	\$ —	\$ —	\$ 4	\$ 17	\$ 16	\$ —	\$ 37
Interest rate	1.0% 3.4% 4.4%							
Interest rate swaptions (call)	\$ 371	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 371
Interest rate	3.4%							
Interest rate swaptions (put)	\$ 51	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 51
Interest rate	3.2%							
Floating interest-bearing securities:								
Cash and cash equivalents	\$ 2,188	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,188
Interest rate	0.1%							
Trading securities	\$ —	\$ 5	\$ 3	\$ 8	\$ —	\$ 8	\$ 142	\$ 166
Interest rate	1.3% 0.8% 1.0% 3.7% 2.4%							
Other marketable securities	\$ 181	\$ 1,058	\$ 322	\$ 600	\$ 394	\$ 2,002	\$ 2,190	\$ 6,747
Interest rate	1.2% 1.2% 1.8% 1.5% 4.9% 6.3% 3.6%							
Interest rate swaps (receive)	\$ —	\$ —	\$ —	\$ 4	\$ 17	\$ 16	\$ —	\$ 37
Interest rate	1.0% 1.0% 3.9%							
Interest rate swaps (pay)	\$ —	\$ 28	\$ —	\$ —	\$ 68	\$ 37	\$ —	\$ 133
Interest rate	1.0% 1.0% 2.0%							
Loans and debentures (1)	\$ 530	\$ 455	\$ 76	\$ —	\$ —	\$ —	\$ —	\$ 1,061
Interest rate	10.3% 9.8% 9.8%							

(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 thesecond 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 other legal 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**

On March 5, 2013, we announced that we have been authorized to repurchase up to \$5.0 billion of our common stock. At March 31, 2013, \$5.0 billion remained available for repurchase. While we did not repurchase any common stock during the second quarter of fiscal 2013, we continue to evaluate repurchases under this program, subject to periodic determinations that repurchases are in the best interest of our stockholders. 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)
10.112	2006 Long-Term Incentive Plan, as amended and restated. (5)
10.113	Amended and Restated QUALCOMM Incorporated 2001 Employee Stock Purchase Plan. (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 George S. Davis.
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 George S. Davis.
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/ George S. Davis

George S. Davis  
Executive Vice President and  
Chief Financial Officer

Dated: April 24, 2013

**QUALCOMM Incorporated**

**2006 Long-Term Incentive Plan**

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## TABLE OF CONTENTS

	<b>Page</b>
1. Establishment, Purpose and Term of Plan	1
1.1 Establishment	1
1.2 Purpose	1
1.3 Term of Plan	1
2. Definitions and Construction	1
2.1 Definitions	1
2.2 Construction	8
3. Administration	8
3.1 Administration by the Committee	8
3.2 Authority of Officers	8
3.3 Administration with Respect to Insiders	8
3.4 Committee Complying with Section 162(m)	9
3.5 Powers of the Committee	9
3.6 Indemnification	10
3.7 Arbitration	10
3.8 Repricing Prohibited	11
4. Shares Subject to Plan	11
4.1 Maximum Number of Shares Issuable	11
4.2 Adjustments for Changes in Capital Structure	12
5. Eligibility and Award Limitations	12
5.1 Persons Eligible for Awards	12
5.2 Participation	12
5.3 Incentive Stock Option Limitations	13
5.4 Award Limits	13
6. Terms and Conditions of Options	14
6.1 Exercise Price	14
6.2 Exercisability and Term of Options	15
6.3 Payment of Exercise Price	15
6.4 Effect of Termination of Service	16
6.5 Transferability of Options	16
7. Terms and Conditions of Stock Appreciation Rights	17

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>	
7.1	Types of SARs Authorized	17
7.2	Exercise Price	17
7.3	Exercisability and Term of SARs	17
7.4	Deemed Exercise of SARs	17
7.5	Effect of Termination of Service	18
7.6	Nontransferability of SARs	18
8.	Terms and Conditions of Restricted Stock Awards	18
8.1	Types of Restricted Stock Awards Authorized	18
8.2	Purchase Price	18
8.3	Purchase Period	18
8.4	Vesting and Restrictions on Transfer	18
8.5	Voting Rights; Dividends and Distributions	19
8.6	Effect of Termination of Service	19
8.7	Nontransferability of Restricted Stock Award Rights	19
9.	Terms and Conditions of Performance Awards	19
9.1	Types of Performance Awards Authorized	20
9.2	Initial Value of Performance Shares and Performance Units	20
9.3	Establishment of Performance Period, Performance Goals and Performance Award Formula	20
9.4	Measurement of Performance Goals	20
9.5	Settlement of Performance Awards	21
9.6	Voting Rights; Dividend Equivalent Rights and Distributions	21
9.7	Effect of Termination of Service	22
9.8	Nontransferability of Performance Awards	22
10.	Terms and Conditions of Restricted Stock Unit Awards	23
10.1	Grant of Restricted Stock Unit Awards	23
10.2	Vesting	23
10.3	Voting Rights, Dividend Equivalent Rights and Distributions	23
10.4	Effect of Termination of Service	24
10.5	Settlement of Restricted Stock Unit Awards	24
10.6	Nontransferability of Restricted Stock Unit Awards	24

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
11. Deferred Compensation Awards	24
11.1 Establishment of Deferred Compensation Award Programs	24
11.2 Terms and Conditions of Deferred Compensation Awards	25
12. Other Stock-Based Awards	26
13. Effect of Change in Control on Options and SARs	26
13.1 Accelerated Vesting	26
13.2 Assumption or Substitution	27
13.3 Effect of Change in Control on Awards Other Than Options and SARs	27
14. Compliance with Securities Law	27
15. Tax Withholding	28
15.1 Tax Withholding in General	28
15.2 Withholding in Shares	28
16. Amendment or Termination of Plan	28
17. Miscellaneous Provisions	28
17.1 Repurchase Rights	28
17.2 Provision of Information	29
17.3 Rights as Employee, Consultant or Director	29
17.4 Rights as a Stockholder	29
17.5 Fractional Shares	29
17.6 Severability	29
17.7 Beneficiary Designation	29
17.8 Unfunded Obligation	30
French Addendum	31

# QUALCOMM Incorporated

## 2006 Long-Term Incentive Plan

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

1.1 **Establishment.** The QUALCOMM Incorporated 2006 Long-Term Incentive Plan (the “*Plan*”) was adopted December 5, 2005, and approved by the stockholders of the Company on March 7, 2006. The Plan is a restatement of the Company's 2001 Stock Option Plan. The Plan is also a successor to the Company's 1991 Stock Option Plan and the Company's 2001 Non-Employee Directors' Stock Option Plan and its predecessor plan (the “*Prior Plans*”) and the source of shares for the Company's Executive Retirement Matching Contribution Plan (“*ERMCP*”). This amendment and restatement of the Plan is adopted December 2, 2012 and approved by the stockholders of the Company on March 5, 2013.

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

1.3 **Term of Plan.** The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued and all restrictions on such shares under the terms of the Plan and the agreements evidencing Awards granted under the Plan have lapsed. However, Awards shall not be granted later than March 7, 2018. The Company intends that the Plan comply with Section 409A of the Code (including any amendments to or replacements of such section), and the Plan shall be so construed.

### 2. Definitions and Construction.

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

(a) “*Affiliate*” means (i) an entity, other than a Parent Corporation, that directly, or indirectly through one or more intermediary entities, controls the Company or (ii) an entity, other than a Subsidiary Corporation, that is controlled by the Company directly, or indirectly through one or more intermediary entities. For this purpose, the term

“control” (including the term “controlled by”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting securities, by contract or otherwise; or shall have such other meaning assigned such term for the purposes of registration on Form S-8 under the Securities Act.

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

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

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

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

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

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

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

(i) “**Consultant**” means a person engaged to provide consulting or

advisory services (other than as an Employee or a member of the Board) to a Participating Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Age” means the date on which a Participant has attained the age of seventy (70) years and has completed nine years of continuous Service.

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

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

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

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

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

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

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

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

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

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

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

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

Goals are to be measured.

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

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

(kk) “**Restricted Stock Award**” means an Award of Restricted Stock.

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

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

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

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

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

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

(rr) “**Service**” means

(i) a Participant's employment or service with the Participating Company Group, whether in the capacity of an Employee, a Director or a Consultant. A Participant's Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders Service to the Participating Company Group or a change in the Participating Company for which the Participant renders such Service, provided that there is no interruption or termination of the Participant's Service. Furthermore, only to such extent as may be provided by the Company's leave policy, a Participant's Service with the Participating Company Group shall not be deemed to have terminated if the Participant takes any military leave, sick leave, or other leave of absence approved by the Company. Notwithstanding the foregoing, a leave of absence shall be treated as Service for purposes of vesting only to such extent as may be provided by the Company's leave policy. The Participant's Service shall be

deemed to have terminated either upon an actual termination of Service or upon the entity for which the Participant performs Service ceasing to be a Participating Company; except, and only for purposes of this Plan, if the entity for which Participant performs Service is a Subsidiary Corporation and ceases to be a Participating Company as a result of the distribution of the voting stock of such Subsidiary Corporation to the shareholders of the Company, Service shall not be deemed to have terminated as a result of such distribution. Subject to the foregoing, the Company, in its discretion, shall determine whether the Participant's Service has terminated and the effective date of such termination.

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

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

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

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

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

(uu) “*Stock*” means the common stock of the Company, as adjusted

from time to time in accordance with Section 4.2 of the Plan.

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

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

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

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

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

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

### 3. **Administration.**

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

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

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

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

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

- (a) to determine the persons to whom, and the time or times at which, Awards shall be granted and the number of shares of Stock or units to be subject to each Award;
- Stock Options; (b) to determine the type of Award granted and to designate Options as Incentive Stock Options or Nonstatutory
- (c) to determine the Fair Market Value of shares of Stock or other property;
- (d) to determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any shares acquired pursuant thereto, including, without limitation, (i) the exercise or purchase price of shares purchased pursuant to any Award, (ii) the method of payment for shares purchased pursuant to any Award, (iii) the method for satisfaction of any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of shares of Stock, (iv) the timing, terms and conditions of the exercisability or vesting of any Award or any shares acquired pursuant thereto, (v) the Performance Award Formula and Performance Goals applicable to any Award and the extent to which such Performance Goals have been attained, (vi) the time of the expiration of any Award, (vii) the effect of the Participant's termination of Service on any of the foregoing, and (viii) all other terms, conditions and restrictions applicable to any Award or shares acquired pursuant thereto not inconsistent with the terms of the Plan;
- (e) to determine whether an Award will be settled in shares of Stock, cash, or in any combination thereof;
- (f) to approve one or more forms of Award Agreement;
- (g) to amend, modify, extend, cancel or renew any Award or to waive any restrictions or conditions applicable to any Award or any shares acquired pursuant thereto;
- (h) to accelerate, continue, extend or defer the exercisability or vesting of any Award or any shares acquired pursuant thereto, including with respect to the period following a Participant's termination of Service;
- (i) without the consent of the affected Participant and notwithstanding

the provisions of any Award Agreement to the contrary, to unilaterally substitute at any time a Stock Appreciation Right providing for settlement solely in shares of Stock in place of any outstanding Option, provided that such Stock Appreciation Right covers the same number of shares of Stock and provides for the same exercise price (subject in each case to adjustment in accordance with Section 4.2) as the replaced Option and otherwise provides substantially equivalent terms and conditions as the replaced Option, as determined by the Committee;

(j) to prescribe, amend or rescind rules, guidelines and policies relating to the Plan, or to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards;

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

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

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

3.7 **Arbitration.** Any dispute or claim concerning any Awards granted (or not granted) pursuant to this Plan and any other disputes or claims relating to or arising out of the

Plan shall be fully, finally and exclusively resolved by binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association in San Diego, California. By accepting an Award, Participants and the Company waive their respective rights to have any such disputes or claims tried by a judge or jury.

3.8 **Repricing Prohibited.** Without the affirmative vote of holders of a majority of the shares of Stock cast in person or by proxy at a meeting of the stockholders of the Company at which a quorum representing a majority of all outstanding shares of Stock is present or represented by proxy, the Committee shall not approve a program providing for either (a) the cancellation of outstanding Options or SARs and the grant in substitution therefore of new Options or SARs having a lower exercise price or (b) the amendment of outstanding Options or SARs to reduce the exercise price thereof. This paragraph shall not be construed to apply to the issuance or assumption of an Award in a transaction to which Code section 424(a) applies, within the meaning of Section 424 of the Code.

4. **Shares Subject to Plan.**

4.1 **Maximum Number of Shares Issuable.** Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be **573,284,432** and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. The share reserve, determined at any time, shall be reduced by the number of shares subject to Prior Plan Options and shares issued under the ERMCP. Any shares of Stock subject to Prior Plan Option shall again be available for issuance under the Plan only if the Prior Plan Option is terminated or cancelled but not if it expires. Any shares of Stock that are subject to Awards of Options or SARs without a related Dividend Equivalent shall be counted against the limit as one (1) share for every one (1) share granted. Any shares of Stock that are subject to Awards (other than Options or SARs without a related Dividend Equivalent) granted on or after March 8, 2011, shall be counted against this limit as two (2) shares for every one (1) share granted. If an outstanding Award, excluding Prior Plan Options, for any reason expires or is terminated or canceled without having been exercised or settled in full, or if shares of Stock acquired pursuant to an Award subject to forfeiture or repurchase, and shares issued under the ERMCP, are forfeited to the Company, the shares of Stock allocable to the terminated portion of such Award or such forfeited shares of Stock shall again be available for issuance under the Plan. Any shares of Stock that again become available for issuance pursuant to this Section 4.1 shall be added back as one (1) share if such shares were subject to Options without a Dividend Equivalent or SARs granted under the Plan or under a Prior Plan and, with respect to any shares, as two (2) shares if such shares were subject to Awards (other than Options without a Dividend Equivalent or SARs) granted under the Plan or a Prior Plan and again become available pursuant to this Section 4.1 on or after March 8, 2011. Notwithstanding anything to the contrary contained herein: (i) shares of Stock tendered in payment of an Option shall not be added to the aggregate plan limit described above; (ii) shares of Stock withheld by the Company to satisfy any tax withholding obligation shall not be added to the aggregate plan limit described above; (iii) shares of Stock that are repurchased by the Company with Option proceeds shall not be added to the aggregate plan limit described above; and (iv) all shares of Stock covered by an SAR, to the extent that it is exercised and settled in

shares of Stock, and whether or not shares of Stock are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan.

4.2 **Adjustments for Changes in Capital Structure.** Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and kind of shares subject to the Plan and to any outstanding Awards, in the Award limits set forth in Section 5.4, and in connection with the ERMCP, and in the exercise or purchase price per share under any outstanding Award in order to prevent dilution or enlargement of Participants' rights under the Plan. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." If a majority of the shares which are of the same class as the shares that are subject to outstanding Awards are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "**New Shares**"), the Committee may unilaterally amend the outstanding Options to provide that such Options are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the exercise price per share of, the outstanding Awards shall be adjusted in a fair and equitable manner as determined by the Board, in its discretion. Any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number. The Committee in its sole discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in the capital structure of the Company or distributions as it deems appropriate, including modification of Performance Goals, Performance Award Formulas and Performance Periods. The adjustments determined by the Committee pursuant to this Section 4.2 shall be final, binding and conclusive.

5. **Eligibility and Award Limitations.**

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

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

### 5.3 Incentive Stock Option Limitations.

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

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

### 5.4 Award Limits.

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

(b) **Limits on Full Value Awards.** Except for shares granted under the Executive Retirement Matching Contribution Plan, any Restricted Stock Awards, Restricted Stock Unit Awards, Performance Awards or Stock-Based Awards based on the full value of shares of Stock (“Full Value Awards”), which vest on the basis of the Participant's continued Service, shall not provide for vesting which is any more rapid than annual pro rata vesting over a three (3) year period and any Full Value Awards which vest upon the Participant's attainment of

Performance Goals shall provide for a Performance Period of at least twelve (12) months. There shall be no acceleration of vesting of such Full Value Awards at a rate more rapid than annual pro rata vesting over a three (3) year period, except in connection with death, Disability, retirement at or after Normal Retirement Age or a Change in Control. Notwithstanding any contrary provision of the Plan, a maximum of five percent (5%) of the shares authorized for issuance under the Plan may be issued as Awards without regard to the limitations of this Section 5.4(b).

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

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

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

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

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

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

6.1 **Exercise Price.** The exercise price for each Option shall be established in the discretion of the Committee; provided, however, that (a) the exercise price per share shall be not less than the Fair Market Value of a share of Stock on the effective date of grant of the Option and (b) no Incentive Stock Option granted to a Ten Percent Owner shall have an exercise price per share less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the effective date of grant of the Option. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an

exercise price lower than the minimum exercise price set forth above if such Option is granted pursuant to an assumption or substitution for another option in a manner qualifying under the provisions of Section 424(a) of the Code.

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

(a) **Option Vesting and Exercisability.** Options shall be exercisable at such time or times, or upon such event or events, and subject to such terms, conditions, performance criteria and restrictions as shall be determined by the Committee and set forth in the Award Agreement evidencing such Option; provided, however, that (a) no Option shall be exercisable after the expiration of ten (10) years after the effective date of grant of such Option, (b) no Incentive Stock Option granted to a Ten Percent Owner shall be exercisable after the expiration of five (5) years after the effective date of grant of such Option, and (c) no Option offered or be granted to a prospective Employee, prospective Consultant or prospective Director may become exercisable prior to the date on which such person commences Service. Subject to the foregoing, unless otherwise specified by the Committee in the grant of an Option, any Option granted hereunder shall terminate ten (10) years after the effective date of grant of the Option, unless earlier terminated in accordance with its provisions, or the terms of the Plan.

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

## 6.3 **Payment of Exercise Price.**

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

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

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

(ii) **Payment by Promissory Note.** No promissory note shall be permitted if the exercise of an Option using a promissory note would be a violation of any law. Any permitted promissory note shall be on such terms as the Committee shall determine. The Committee shall have the authority to permit or require the Participant to secure any promissory note used to exercise an Option with the shares of Stock acquired upon the exercise of the Option or with other collateral acceptable to the Company. Unless otherwise provided by the Committee, if the Company at any time is subject to the regulations promulgated by the Board of Governors of the Federal Reserve System or any other governmental entity affecting the extension of credit in connection with the Company's securities, any promissory note shall comply with such applicable regulations, and the Participant shall pay the unpaid principal and accrued interest, if any, to the extent necessary to comply with such applicable regulations.

6.4 **Effect of Termination of Service.**

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

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

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

6.5 **Transferability of Options.** During the lifetime of the Participant, an Option shall be exercisable only by the Participant or the Participant's guardian or legal representative. Prior to the issuance of shares of Stock upon the exercise of an Option, the Option shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer,

assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. Notwithstanding the foregoing, to the extent permitted by the Committee, in its discretion, and set forth in the Award Agreement evidencing such Option, a Nonstatutory Stock Option shall be assignable or transferable subject to the applicable limitations, if any, described in the General Instructions to Form S-8 Registration Statement under the Securities Act.

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

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

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

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

7.3 **Exercisability and Term of SARs.**

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

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

7.4 **Deemed Exercise of SARs.** If, on the date on which an SAR would otherwise terminate or expire, the SAR by its terms remains exercisable immediately prior to

such termination or expiration and, if so exercised, would result in a payment to the holder of such SAR, then any portion of such SAR which has not previously been exercised shall automatically be deemed to be exercised as of such date with respect to such portion.

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

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

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

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

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

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

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

8.4 **Vesting and Restrictions on Transfer.** Shares issued pursuant to any Restricted Stock Award may or may not be made subject to Vesting Conditions based upon the

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

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

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

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

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

Performance Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time establish. No Performance Award or purported Performance Award shall be a valid and binding obligation of the Company unless evidenced by a fully

executed Award Agreement. Award Agreements evidencing Performance Awards may incorporate all or any of the terms of the Plan by reference and shall comply with and be subject to the following terms and conditions:

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

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

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

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

(a) **Performance Measures.** Performance Measures may be one or more of the following, as determined by the Committee: (i) revenues; (ii) gross margin; (iii) operating margin; (iv) operating income; (v) earnings before tax; (vi) earnings before interest, taxes and depreciation and amortization; (vii) net income; (viii) expenses; (ix) the

market price of the Stock; (x) earnings per share; (xi) return on stockholder equity; (xii) return on capital; (xiii) return on net assets; (xiv) economic value added; (xv) market share; (xvi) customer service; (xvii) customer satisfaction; (xviii) safety; (xix) total stockholder return; (xx) free cash flow; or (xxi) such other measures as determined by the Committee consistent with this Section 9.4(a).

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

#### 9.5 Settlement of Performance Awards.

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

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

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

9.6 **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Performance Share Awards until the date of the issuance of such shares, if any (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement

evidencing any Performance Share Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which the Performance Shares are settled or forfeited. Such Dividend Equivalents, if any, shall be credited to the Participant in the form of additional whole Performance Shares as of the date of payment of such cash dividends on Stock. The number of additional Performance Shares to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Performance Shares previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Dividend Equivalents may be paid currently or may be accumulated and paid to the extent that Performance Shares become nonforfeitable, as determined by the Committee. Settlement of Dividend Equivalents may be made in cash, shares of Stock, or a combination thereof as determined by the Committee, and may be paid on the same basis as settlement of the related Performance Share as provided in Section 9.5, except that fractional shares shall be paid in cash within thirty (30) days following the date of settlement of the Performance Share Award. Dividend Equivalents shall not be paid with respect to Performance Units. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Performance Share Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Performance Share Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Performance Goals as are applicable to the Award.

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

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

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

9.8 **Nontransferability of Performance Awards.** Prior to settlement in accordance with the provisions of the Plan, no Performance Award shall be subject in any

manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to a Performance Award granted to a Participant hereunder shall be exercisable during his or her lifetime only by such Participant or the Participant's guardian or legal representative.

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

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

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

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

10.3 **Voting Rights, Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Restricted Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, the Committee, in its discretion, may provide in the Award Agreement evidencing any Restricted Stock Unit Award that the Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to the date on which Restricted Stock Units held by such Participant are settled. Such Dividend Equivalents, if any, shall be paid by crediting the Participant with additional whole Restricted Stock Units as of the date of payment of such cash dividends on Stock. The number of additional Restricted Stock Units to be so credited shall be determined by dividing (a) the amount of cash dividends paid on such date with respect to the number of shares of Stock represented by the Restricted Stock Units previously credited to the Participant by (b) the Fair Market Value per share of Stock on such date. Such additional Restricted Stock Units shall be subject to the same terms and conditions and shall be settled in the same manner and at the same time (or as soon thereafter as practicable) as the Restricted Stock Units originally subject to the Restricted Stock Unit Award, except that fractional shares may be settled in cash within thirty (30) days following the date of settlement of

the Restricted Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Restricted Stock Unit Award so that it represents the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award, and all such new, substituted or additional securities or other property shall be immediately subject to the same Vesting Conditions as are applicable to the Award.

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

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

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

## 11. **Deferred Compensation Awards.**

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

(a) Participants designated by the Committee who are Insiders or otherwise among a select group of highly compensated Employees may irrevocably elect, prior to a date specified by the Committee, to reduce such Participant's compensation otherwise

payable in cash (subject to any minimum or maximum reductions imposed by the Committee) and to be granted automatically at such time or times as specified by the Committee one or more Awards of Stock Units with respect to such numbers of shares of Stock as determined in accordance with the rules of the program established by the Committee and having such other terms and conditions as established by the Committee.

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

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

Award or Performance Unit.

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

- (a) ***Vesting Conditions.*** Deferred Compensation Awards shall not be subject to any vesting conditions.
- (b) ***Terms and Conditions of Stock Units.***

(i) **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Stock Units until the date of the issuance of such shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). However, a Participant shall be entitled to receive Dividend Equivalents with respect to the payment of cash dividends on Stock having a record date prior to date on which Stock Units held by such Participant are settled. Such Dividend Equivalents shall be paid by crediting the Participant with additional whole and/or fractional Stock Units as of the date of payment of such cash dividends on Stock. The method of determining the number of additional Stock Units to be so credited shall be specified by the Committee and set forth in the Award Agreement. Such additional Stock Units shall be subject to the same terms and conditions and shall be settled

in the same manner and at the same time (or as soon thereafter as practicable) as the Stock Units originally subject to the Stock Unit Award. In the event of a dividend or distribution paid in shares of Stock or any other adjustment made upon a change in the capital structure of the Company as described in Section 4.2, appropriate adjustments shall be made in the Participant's Stock Unit Award so that it represent the right to receive upon settlement any and all new, substituted or additional securities or other property (other than normal cash dividends) to which the Participant would be entitled by reason of the shares of Stock issuable upon settlement of the Award.

(ii) **Settlement of Stock Unit Awards.** A Participant electing to receive an Award of Stock Units pursuant to this Section 11 shall specify at the time of such election a settlement date with respect to such Award. The Company shall issue to the Participant as soon as practicable following the earlier of the settlement date elected by the Participant or the date of termination of the Participant's Service, a number of whole shares of Stock equal to the number of whole Stock Units subject to the Stock Unit Award. Such shares of Stock shall be fully vested, and the Participant shall not be required to pay any additional consideration (other than applicable tax withholding) to acquire such shares. Any fractional Stock Unit subject to the Stock Unit Award shall be settled by the Company by payment in cash of an amount equal to the Fair Market Value as of the payment date of such fractional share.

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

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

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

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

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

13.2 **Assumption or Substitution.** In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the “*Acquiring Corporation*”), may, without the consent of the Participant, either assume the Company’s rights and obligations under outstanding Options and SARs or substitute for outstanding Options and SARs substantially equivalent options or stock appreciation rights for the Acquiring Corporation’s stock. Any Options or SARs which are neither assumed or substituted for by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control. Notwithstanding the foregoing, shares acquired upon exercise of an Option or SAR prior to the Change in Control and any consideration received pursuant to the Change in Control with respect to such shares shall continue to be subject to all applicable provisions of the Award Agreement evidencing such Award except as otherwise provided in such Award Agreement. Furthermore, notwithstanding the foregoing, if the corporation the stock of which is subject to the outstanding Options or SARs immediately prior to an Ownership Change Event described in Section 2.1(z)(i) constituting a Change in Control is the surviving or continuing corporation and immediately after such Ownership Change Event less than fifty percent (50%) of the total combined voting power of its voting stock is held by another corporation or by other corporations that are members of an affiliated group within the meaning of Section 1504(a) of the Code without regard to the provisions of Section 1504(b) of the Code, the outstanding Options and SARs shall not terminate unless the Board otherwise provides in its discretion.

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

14. **Compliance with Securities Law.**

The grant of Awards and the issuance of shares of Stock pursuant to any Award shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities and the requirements of any stock exchange or market system upon which the Stock may then be listed. In addition, no Award may be exercised or shares issued pursuant to an Award unless (a) a registration statement under the Securities Act shall at the time of such exercise or issuance be in effect with respect to the shares issuable pursuant to the Award or (b) in the opinion of legal counsel to the Company, the shares issuable pursuant to the Award may be issued in accordance with the terms of an applicable exemption from the

registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares hereunder shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. As a condition to issuance of any Stock, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

15. **Tax Withholding.**

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

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

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

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

17. **Miscellaneous Provisions.**

17.1 **Repurchase Rights.** Shares issued under the Plan may be subject to one or more repurchase options, or other conditions and restrictions as determined by the Committee

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

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

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

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

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

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

17.7 **Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a

Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

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

# FRENCH ADDENDUM TO QUALCOMM INCORPORATED 2006 LONG-TERM INCENTIVE PLAN

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## 1. Introduction.

(a) The Board of Directors of QUALCOMM Incorporated (the “Company”) has established the QUALCOMM Incorporated 2006 Long-Term Incentive Plan (the “Plan”), for the benefit of certain eligible persons, including employees of the Company and its Affiliates and Subsidiary Corporations including its Affiliates and Subsidiary Corporations in France.

(b) Section 3.5(j) of the Plan specifically authorizes the Compensation Committee (the “Committee”) or such other committee duly appointed by the Board of Directors (the “Board”), or the Board itself, to administer the Plan and to adopt sub-plans or supplements to, or alternative versions of, the Plan, including, without limitation, as the Committee deems necessary or desirable to comply with the laws or regulations of or to accommodate the tax policy, accounting principles or custom of, foreign jurisdictions whose citizens may be granted Awards under the Plan. The Committee has determined that it is necessary and advisable to establish a sub-plan for the purpose of permitting stock options to qualify for favorable income tax and social security treatment in France. The Committee, therefore, intends to establish a sub-plan of the Plan for the purpose of granting options which qualify for the favorable treatment in France applicable to options granted under Sections L. 225-177 to L. 225-186 of the French Commercial Code, as amended, (“Qualified Options”) to qualifying employees who are resident in France for French tax purposes.

(c) The terms of the Plan applicable to stock options, as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the Rules of the QUALCOMM Incorporated 2006 Long-Term Incentive Plan for employees who are French tax residents and/or subject to social security contributions in France (the “French Addendum”). Under the French Addendum, qualifying employees will be granted only stock options as defined under Section 2(f) of the French Addendum. The provisions of the Plan in Section 7, permitting grants of stock appreciation rights, Section 8, permitting grants of restricted stock awards, Section 9, permitting grants of performance units, Section 10, permitting grants of restricted stock units, Section 11, permitting grants of deferred compensation awards and Section 12, permitting grants of other stock-based awards (as well as any other reference in the Plan to such types of awards), are not applicable to participants in France under the French Addendum.

2. Definitions. Capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Plan. The terms set forth below shall have the following meanings:

(a) The term “Closed Period” shall mean (i) ten (10) trading days preceding and following the disclosure to the public of the consolidated financial statements or the annual statements of the Company, (ii) the period from the date the corporate management of the

Company possesses confidential information which could, if disclosed to the public, significantly impact the quotation price of the shares of Stock of the Company, until ten (10) trading days after the day such information is disclosed to the public, or (iii) twenty (20) trading days following a distribution of a dividend (*i.e.*, the ex-dividend date) or of a general right to subscribe to shares of Stock of the Company (*i.e.*, a rights offering).

(b) The term “Date of Grant” shall be the date on which the Committee both:

(i) designates the Optionee; and

(ii) specifies the terms and conditions of the Option including the number of optioned shares of Stock and the method for determining the exercise price.

(c) The term “Disability” shall mean disability as determined in categories 2 and 3 under Section L. 341-4 of the French Social Security Code and subject to the fulfillment of related conditions.

(d) The term “Forced Retirement” shall mean forced retirement as determined under Section L. 122-14-13 of the French Labor Code and subject to the fulfillment of related conditions.

(e) The term “French Entity” shall mean:

(i) companies in which the Company directly or indirectly holds at least 10% of the voting rights and/or equity;

(ii) companies which, directly or indirectly, hold at least 10% of the voting rights and/or equity in the Company; and

(iii) companies in which 50% of the equity or voting rights are held, directly or indirectly, by a company which itself holds at least 50% of the Company.

(f) The term “Option” shall include both:

(i) purchase stock options (rights to acquire Stock repurchased by the Company prior to the vesting of the Options); and

(ii) subscription stock options (rights to subscribe newly issued Stock)

(g) The term “Optionee” is defined as an eligible person who was granted a Qualified Option, pursuant to Section 4 of this French Addendum.

3. Closed Period. Qualified Options may not be granted during a Closed Period as set forth by Section L. 225-177 of the French Commercial Code, as amended, to the extent such Closed Periods are applicable to Qualified Options granted by the Company. If the Date of Grant were

to occur during an applicable Closed Period, the Date of Grant for Qualified Options shall be the first date following the expiration of the Closed Period which would not be a prohibited Date of Grant or another date, as determined by the Committee.

4. Eligibility.

(a) Subject to Section 4(c) below, any individual who, on the Date of Grant of the Qualified Option, and to the extent required under French law, is employed under the terms and conditions of an employment contract ("*contrat de travail*") by a French Entity or who is a corporate officer of a French Entity (subject to Section 4(b) below) shall be eligible to receive, at the discretion of the Committee, Qualified Options under this French Addendum, provided he or she also satisfies the eligibility conditions of Section 5 of the Plan.

(b) Qualified Options may not be issued to a corporate officer of a French Entity, other than the managing directors (*Président du Conseil d'Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de Sociétés par actions*), unless the corporate officer is employed (as defined by French law) by a French Entity, and is otherwise eligible to receive Qualified Options under the Plan.

(c) Qualified Options may not be issued under this French Addendum to Optionees owning more than ten percent (10%) of the Company's share capital or to individuals other than employees and corporate officers of a French Entity, as set forth in this Section 4.

5. Term of Option. Options granted pursuant to this French Addendum will expire no later than nine (9) years and (6) six months after the Date of Grant, unless otherwise specified in the applicable Option Grant Notice. The Option term will be extended only in the event of the death of an Optionee, but in no event will any Qualified Option be exercisable beyond six (6) months following the date of death of the Optionee.

6. Modifications to Grant Terms. Notwithstanding any provision in the Plan, the exercise price and number of shares of Stock underlying the Options shall not be modified after the Date of Grant, except as provided in Section 10 of this French Addendum, or as otherwise authorized by French law. To the extent that modifications are not limited to those described in Section 10 or otherwise authorized by French law, such modification may result in the Options no longer qualifying for favorable tax and social security treatment under French law.

7. Exercise Price and Consideration.

(a) The exercise price for the Option shall be fixed by the Committee on the Date of Grant. The exercise price shall be stated in the Stock Option Grant Notice or other grant materials distributed to Optionees. In no event shall the exercise price per share of Stock be less than the greater of the following:

(i) with respect to purchase stock options over the Stock, the higher of either 95% of the average closing price of such Stock during the twenty (20) trading days immediately

preceding the Date of Grant or 95% of the average purchase price paid for such Stock by the Company;

(ii) with respect to subscription stock options over the Stock, 95% of the average closing price of such Stock during the twenty (20) trading days immediately preceding the Date of Grant; and

(iii) the minimum exercise price permitted under the Plan.

(b) Upon exercise of an Option, payment of the full exercise price and any required withholding tax or social security charges shall be paid either by:

(i) cash;

(ii) check;

(iii) wire transfer;

(iv) Cashless Exercise; or

(v) any combination of the foregoing methods of payment.

No delivery, surrender or attestation to the ownership of previously owned Stock having a Fair Market Value equal on the date of delivery equal to the aggregate exercise price of the shares of Stock may be used to pay the exercise price.

(c) The shares of Stock acquired upon exercise of the Option will be recorded in an account in the name of the shareholder with a broker or in such other manner as the Company may otherwise determine in order to ensure compliance with applicable law.

#### 8. Exercise Dates and Terms.

(a) At the time an Option is granted, the Committee shall fix the period within which the Option may be exercised and shall determine any conditions that must be satisfied before the Option may be exercised. Specifically, the Committee may impose a four-year holding period, or if shorter, the period specified for favorable tax and social security treatment pursuant to French law, for the vesting or exercise of the Option or for the sale of the underlying shares of Stock that may be acquired pursuant to exercise of an Option, which is measured from the Date of Grant. Pursuant to French law, any restriction placed on the sale of the shares will not exceed three years from the date of exercise of the Option. Where this holding period is met, the Option may qualify for favorable French tax and social security treatment.

(b) To the extent applicable to Qualified Options granted by the Company, a specific holding period for the shares of Stock or a restriction on exercise of the Qualified Options shall be imposed for Optionees who qualify as a managing director under French law (*“mandataires*

*sociaux*”), as defined in Section 4(b) above, in the applicable Stock Option Agreement.

(c) If an Optionee's Service is terminated by reason of his or her death, his or her outstanding Options shall thereafter be immediately vested and exercisable in full under the conditions set forth by Section 9 of the French Addendum.

(d) In the event of death prior to the expiration of the Option term following termination of Service, vested Options may be exercised only during the six (6)-month period following the Optionee's death.

(e) If an Optionee's Service is terminated by reason of Disability, his or her Option will benefit from the favorable treatment of Qualified Options, irrespective of the date of sale of the shares of Stock.

(f) If an Optionee's Service is terminated by reason of his or her Forced Retirement or dismissal as defined by Section 91-ter of Exhibit II to the French Tax Code and as construed by the French Tax Circulars and subject to the fulfillment of related conditions, his or her Option will benefit from the favorable treatment of Qualified Options, irrespective of the date of sale of the shares of Stock, only if exercised at least three months prior to the effective date of the Forced Retirement or three months prior to the receipt of the notice of dismissal by the Optionee.

(g) If an Optionee's Service is terminated for reasons other than death, Disability or gross or willful misconduct as defined under French labor rules, the Options shall be exercisable as set forth in the Stock Option Agreement.

9. Death. If an Optionee's Service is terminated by reason of his or her death while he or she is actively employed, his or her Options may thereafter (for the six (6)-month period following the death) be exercised in full (with respect to all Options, vested or unvested at the time of death) by the Optionee's legal representative or other person who acquired the right to exercise the Option by reason of Optionee's death. Any Option which remains unexercised shall expire six (6) months following the date of the Optionee's death. The six (6) month exercise period will apply without regard to the term of the Qualified Option as described in Section 5 of this French Addendum.

10. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Adjustments of the Qualified Options issued hereunder shall be made to preclude the dilution or enlargement of benefits under the Qualified Options in the event of a transaction by the Company as listed under Section L. 225-181 of the French Commercial Code, as amended, and in case of a repurchase of shares of Stock by the Company at a price higher than the stock quotation price in the open market, and according to the provisions of Section L. 228-99 of the French Commercial Code, as amended, as well as according to specific decrees. Nevertheless, the Committee, at its discretion, may determine to make adjustments in the case of a transaction for which adjustments are not authorized under French law, in which case the Options may no longer qualify as Qualified Options.

(b) In the event a Change in Control as set forth in Section 13 of the Plan, adjustments to the terms and conditions of the Qualified Options or underlying shares of Stock may be made only in accordance with the Plan and pursuant to applicable French legal and tax rules. Nevertheless, the Committee, at its discretion, may determine to make adjustments in the case of a transaction for which adjustments are not authorized under French law, in which case the Options may no longer qualify as Qualified Options.

(c) Assumption or substitution of the Qualified Options in case of a Change in Control, as well as an acceleration of the vesting and exercisability of the Qualified Options or any other mechanism implemented upon such Change in Control, or in any other event, to compensate the Optionees, may result in the Options no longer being eligible for the favorable French tax and social security regime.

11. Disqualification of Options. In the event changes are made to the terms and conditions of the Qualified Options due to any requirements under the applicable laws of incorporation of the Company, or by decision of the Company's shareholders, the Board or the Committee, the Options may no longer qualify for the favorable French tax and social security regime. If the Options no longer qualify as Qualified Options, the Committee may, in its sole discretion, determine to lift, shorten or terminate certain restrictions applicable to the vesting of the Options, the exercisability of the Options, or the sale of the shares of Stock which may have been imposed under this French Addendum or in the Stock Option Agreement delivered to the Optionee.

12. Dividend Equivalents. Dividend equivalents as defined for in Section 2(m) of the Plan shall not be paid to French Optionees.

13. Interpretation. It is intended that Options granted under the French Addendum shall qualify for the favorable tax and social security treatment applicable to Options granted under Sections L. 225-177 to L. 225-186 of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by French tax law and the French tax administration, but no undertaking is made to maintain such status. The terms of the French Addendum shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, as well as the French tax and social security administrations and the relevant guidelines released by the French tax and social security authorities and subject to the fulfillment of legal, tax and reporting obligations. In the event of any conflict between the provisions of this French Addendum and the Plan, the provisions of this French Addendum shall control for any grants Qualified Options made thereunder to Optionees in France.

14. Employment Rights. The adoption of this French Addendum shall not confer upon the Optionees, or any employees of a French Entity, any employment rights and shall not be construed as a part of any employment contracts that a French Entity has with its employees.

15. Non-Transferability. Notwithstanding any provision in the Plan to the contrary and, except in the case of death, the Options shall not be transferred to any third party. In addition,

the Options are only exercisable by the Optionee during the lifetime of the Optionee.

16. Amendments. Subject to the terms of the Plan, the Board or Committee reserves the right to amend or terminate the French Addendum at any time.

17. Adoption. This French Addendum, adopted on September 10, 2007 is effective as of, and applies to grants made on or after, October 26, 2007.

**AMENDED AND RESTATED QUALCOMM INCORPORATED  
2001 EMPLOYEE STOCK PURCHASE PLAN**

**Originally Effective February 27, 2001  
Amended and Restated Effective November 12, 2007  
Includes First Amendment Adopted on February 11, 2009  
Amended and Restated Effective April 26, 2010  
Amended and Restated Effective February 1, 2013**

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SECTION 1                      Establishment, Purpose and Term of Plan.

1.1            Establishment. The Qualcomm Incorporated 2001 Employee Stock Purchase Plan, which was originally established as of February 27, 2001, is hereby amended and restated by the Committee as of February 1, 2013.

1.2            Purpose. The purpose of the Plan is to advance the interests of the Company and its stockholders by providing an incentive to attract, retain and reward Eligible Employees of the Participating Company Group and by motivating such persons to contribute to the growth and profitability of the Participating Company Group. The Plan provides such Eligible Employees with an opportunity to acquire a proprietary interest in the Company through the purchase of Stock. The Company intends that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code (including any amendments or replacements of such section), and the Plan shall be so construed, although the Company makes no undertaking nor representation to maintain such qualification. In addition, this Plan document authorizes the grant of rights to purchase Stock under a Non-423(b) Plan which do not qualify under Section 423(b) of the Code, pursuant to rules, procedures or sub-plans adopted by the Board or Committee designed to achieve tax, securities law or other Company compliance objectives in particular locations outside the United States.

1.3            Term of Plan. The Plan shall continue in effect until the earlier of its termination by the Board or the date on which all of the shares of Stock available for issuance under the Plan have been issued.

SECTION 2                      Definitions and Construction.

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

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

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

(c)            "Code Section 423(b) Plan" means an employee stock purchase plan which is designed to meet the requirements set forth in Section 423(b) of the Code. The provisions of the Code Section 423(b) Plan shall be construed, administered and enforced in accordance with Section 423(b) of the Code.

(d)            "Committee" means the Compensation Committee or other committee of the Board duly appointed to administer the Plan and having such powers as shall be specified by the Board. Unless the powers of the Committee have been specifically limited, the

Committee shall have all of the powers of the Board granted herein, including, without limitation, the power to amend or terminate the Plan at any time, subject to the terms of the Plan and any applicable limitations imposed by law. To the extent determined by the Board or the Compensation Committee, the term "Committee" shall also mean such officers of the Company as the Board or Compensation Committee shall specify.

(e) "Company" means Qualcomm Incorporated, a Delaware corporation, or any Successor.

(f) "Compensation" means, with respect to any Offering Period, all salary, wages (including amounts elected to be deferred by the employee, that would otherwise have been paid, under any cash or deferred arrangement established by the Company) and overtime pay, but excluding commissions, bonuses, payments under the 2-for-1 vacation program, profit sharing, the cost of employee benefits paid for by the Company, education or tuition reimbursements, imputed income arising under any Company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by the Company under any employee benefit plan, and similar items of compensation. Compensation shall also include payments while on a leave of absence during which participation continues pursuant to Section 2.1(g) to such extent as may be provided by the Company's leave policy.

(g) "Eligible Employee" means an Employee who meets the requirements set forth in Section 5 for eligibility to participate in the Plan. Eligible Employee shall also mean any other employee of a Participating Company to the extent that local law requires participation in the Plan to be extended to such employee.

(h) "Employee" means a person treated as an employee of a Participating Company for purposes of Section 423 of the Code. A Participant shall be deemed to have ceased to be an Employee either upon an actual termination of employment or upon the corporation employing the Participant ceasing to be a Participating Company. For purposes of the Plan, an individual shall not be deemed to have ceased to be an Employee while on any military leave or other leave of absence approved by the Company of three (3) months or less. If an individual's leave of absence exceeds three (3) months, the individual shall be deemed to have ceased to be an Employee on the first day immediately following such three-month period unless the individual's right to reemployment with the Participating Company Group is guaranteed either by statute or by contract.

(i) "Fair Market Value" means, as of any date:

(i) If the Stock is listed on any established stock exchange or traded on the Nasdaq Global Select Market or the Nasdaq Global Market, the Fair Market Value of a share of Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or if the stock is traded on more than one exchange or market, the exchange or market with the greatest volume of trading in the Stock) on the day of determination, in any case as reported in *The Wall Street Journal* or such other source

as the Board deems reliable. In the absence of such markets for the Stock, the Fair Market Value shall be determined in good faith by the Board.

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

(j) “Non-423(b) Plan” means an employee stock purchase plan which does not meet the requirements set forth in Section 423(b) of the Code, as amended.

(k) “Offering” means an offering of Stock as provided in Section 6.

(l) “Offering Date” means, for any Offering, the first day of the Offering Period.

(m) “Offering Period” means a period established in accordance with Section 6.

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

(o) “Participant” means an Eligible Employee who has become a participant in an Offering Period in accordance with Section 7 and remains a participant in accordance with the Plan.

(p) “Participating Company” means the Company and any Parent Corporation or Subsidiary Corporation. The Board or Committee may determine that some or all employees of any Participating Company shall participate in the Non-423(b) Plan.

(q) “Participating Company Group” means, at any point in time, the Company and all other corporations collectively which are then Participating Companies.

(r) “Plan” shall mean the Amended and Restated Qualcomm Incorporated 2001 Employee Stock Purchase Plan, as amended from time to time, which includes a Code Section 423(b) Plan and a Non-423(b) Plan component.

(s) “Purchase Date” means, for any Offering, the last day of the Offering Period; provided, however, that the Board in its discretion may establish one or more additional Purchase Dates during any Offering Period.

(t) “Purchase Price” means the price at which a share of Stock may be purchased under the Plan, as determined in accordance with Section 9.

(u) “Purchase Right” means an option granted to a Participant pursuant to the Plan to purchase such shares of Stock as provided in Section 8, which the

Participant may or may not exercise during the Offering Period in which such option is outstanding. Such option arises from the right of a Participant to withdraw any accumulated payroll deductions of the Participant not previously applied to the purchase of Stock under the Plan and to terminate participation in the Plan during an Offering Period, in accordance with such rules and procedures as may be established by Board.

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

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

(x) "Subscription Agreement" means an agreement in such form as specified by the Company which is delivered in written form or by communicating with the Company in such other manner as the Company may authorize, stating an Employee's election to participate in the Plan and authorizing payroll deductions under the Plan from the Employee's Compensation.

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

(z) "Subsidiary Corporation" means any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

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

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

### SECTION 3 Administration.

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

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

3.3 Policies and Procedures Established by the Company. The Company may, from time to time, consistent with the Plan and, for purposes of the Code Section 423(b) Plan, the requirements of Section 423 of the Code, establish, interpret change or terminate such rules, guidelines, policies, procedures, limitations, or adjustments as deemed advisable by the Company, in its discretion, for the proper administration of the Plan, including, without limitation, (a) a minimum payroll deduction amount required for participation in an Offering, (b) a limitation on the frequency or number of changes permitted in the rate of payroll deduction during an Offering, (c) an exchange ratio applicable to amounts withheld in a currency other than United States dollars, (d) a payroll deduction greater than or less than the amount designated by a Participant in order to adjust for the Company's delay or mistake in processing a Subscription Agreement or in otherwise effecting a Participant's election under the Plan or, for purposes of the Code Section 423(b) Plan, as advisable to comply with the requirements of Section 423 of the Code, and (e) determination of the date and manner by which the Fair Market Value of a share of Stock is determined for purposes of administration of the Plan.

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

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

(60) days after the institution of such action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at its own expense to handle and defend the same and to retain complete control over the litigation and/or settlement of such suit, action or proceeding.

#### SECTION 4 Shares Subject to Plan.

4.1 Maximum Number of Shares Issuable. Subject to adjustment as provided in Section 4.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be **46,709,466**; provided, however that no more than an aggregate of **46,309,466** shares of Stock may be issued under the Code Section 423(b) Plan. The maximum aggregate number of shares of Stock available under the Code Section 423(b) Plan and the Non-423(b) Plan shall consist of authorized but unissued or reacquired shares of Stock, or any combination thereof. If an outstanding Purchase Right for any reason expires or is terminated or canceled, the shares of Stock allocable to the unexercised portion of that Purchase Right shall again be available for issuance under the Plan; provided, however, that any such shares of Stock allocable to a Purchase Right that has expired, terminated or been canceled under the Non-423(b) Plan shall only be available again for issuance under the Non-423(b) Plan.

4.2 Adjustments for Changes in Capital Structure. In the event of any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar change in the capital structure of the Company, or in the event of any merger (including a merger effected for the purpose of changing the Company's domicile), sale of assets or other reorganization in which the Company is a party, appropriate adjustments shall be made in the number and class of shares subject to the Plan, each Purchase Right, and in the Purchase Price. If a majority of the shares of the same class as the shares subject to outstanding Purchase Rights are exchanged for, converted into, or otherwise become (whether or not pursuant to an Ownership Change Event) shares of another corporation (the "New Shares"), the Board may unilaterally amend the outstanding Purchase Rights to provide that such Purchase Rights are exercisable for New Shares. In the event of any such amendment, the number of shares subject to, and the Purchase Price of, the outstanding Purchase Rights shall be adjusted in a fair and equitable manner, as determined by the Board, in its discretion. Notwithstanding the foregoing, any fractional share resulting from an adjustment pursuant to this Section 4.2 shall be rounded down to the nearest whole number, and in no event may the Purchase Price be decreased to an amount less than the par value, if any, of the stock subject to the Purchase Right.

#### SECTION 5 Eligibility.

5.1 Employees Eligible to Participate. Except as otherwise provided in this Section 5, an Employee shall be eligible to participate in an Offering if such Employee, as of the Offering Date, is employed by the Company or any other Participating Company designated by the Board as a corporation whose Employees may participate in the Offering. However, unless otherwise required under applicable local law, an Employee may not be eligible to participate in an Offering if the Employee, as of the Offering Date, either: (a) is customarily employed by the Participating Company Group for twenty (20) hours or less per week, (b) is customarily employed by the Participating Company Group for not more than five (5) months in any calendar year or (c) has not completed thirty (30) days of service with a Participating Company, or such

other service requirement, up to a maximum of two (2) years, which the Board may require. Employees of a Participating Company designated to participate in the Non-423(b) Plan are eligible to participate in the Non-423(b) Plan only if they are selected to participate by the Board or Committee, which selection shall be in the sole discretion of the Board or Committee. Notwithstanding the foregoing, no employee of the Company or a Participating Company designated to participate in the Non-423(b) Plan shall be eligible to participate in the Non-423(b) Plan if he or she is an officer or director of the Company subject to the requirements of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the Company's securities.

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

5.3 Determination by Company. The Company shall determine in good faith and in the exercise of its discretion whether an individual has become or has ceased to be an Employee or an Eligible Employee and the effective date of such individual's attainment or termination of such status, as the case may be. For purposes of an individual's eligibility to participate in or other rights, if any, under the Plan as of the time of the Company's determination, all such determinations by the Company shall be final, binding and conclusive, unless the Company's determination is arbitrary or capricious, fraudulent, or made in bad faith notwithstanding that the Company or any court of law or governmental agency subsequently makes a contrary determination.

## SECTION 6 Offerings.

The Plan shall be implemented by sequential Offerings of approximately six (6) months duration or such other duration as the Board shall determine (an "Offering Period"). Offering Periods shall be established by the Board, in its sole and absolute discretion, and such Offering Periods may have different durations or different commencing or ending dates; provided, however, that no Offering Period may have a duration exceeding twenty-seven (27) months.

## SECTION 7 Participation in the Plan.

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

Subscription Agreement is delivered to the Company on or before the Subscription Date for such subsequent Offering Period.

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

SECTION 8 Right to Purchase Shares.

8.1 Grant of Purchase Right.

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

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

8.2 Substitution of Rights. The grant of rights under an Offering may be done to carry out the substitution of rights under the Plan for pre-existing rights granted under another employee stock purchase plan, if such substitution is pursuant to a transaction described in Section 424(a) of the Code (or any successor provision thereto) and the characteristics of such substitute rights conform to the requirements of Section 424(a) of the Code (or any successor provision thereto) and will not cause the disqualification of the Code Section 423(b) Plan under Section 423 of the Code. Notwithstanding the other terms of the Plan, such substitute rights shall

have the same characteristics as the characteristics associated with such pre-existing rights, including, but not limited to, the following:

- (a) the date on which such pre-existing right was granted shall be the "Offering Date" of such substitute right for purposes of determining the date of grant of the substitute right;
- (b) the Offering for such substitute right shall begin on its Offering Date and end coincident on the applicable Purchase Date, but no later than the end of the offering (as determined under the terms of such offering) under which the pre-existing right was granted.

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

8.4 Calendar Year Purchase Limitation. Notwithstanding any provision of the Plan to the contrary, no Participant shall be granted a Purchase Right which permits his or her right to purchase shares of Stock under the Plan to accrue at a rate which, when aggregated with such Participant's rights to purchase shares under all other employee stock purchase plans of a Participating Company intended to meet the requirements of Section 423 of the Code, exceeds Twenty-Five Thousand Dollars (\$25,000) in Fair Market Value (or such other limit, if any, as may be imposed by the Code) for each calendar year in which such Purchase Right is outstanding at any time. For purposes of the preceding sentence, the Fair Market Value of shares purchased during a given Offering Period shall be determined as of the Offering Date for such Offering Period. The limitation described in this Section shall be applied in conformance with applicable regulations under Section 423(b)(8) of the Code.

SECTION 9 Purchase Price.

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

SECTION 10 Accumulation of Purchase Price Through Payroll Deduction.

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

jurisdiction, or is not administratively feasible, such other payments as may be approved by the Company, subject to the following:

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

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

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

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

10.5 Voluntary Withdrawal of Deductions. A Participant may withdraw payroll deductions credited to the Plan and not previously applied toward the purchase of Stock only as provided in Section 12.1.

10.6 Contributions Under Non-423(b) Plan. In the sole discretion of the Board or Committee and if specified in the terms of the Offering, a Participant at a Participating Company designated to participate in the Non-423(b) Plan may make additional payments into his or her account, provided that such Participant has not had the maximum amount withheld during the Offering pursuant to Section 10.1 above.

SECTION 11

Purchase of Shares.

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

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

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

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

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

11.6 Provision of Reports and Stockholder Information to Participants. Each Participant who has exercised all or part of his or her Purchase Right shall receive, as soon as practicable after the Purchase Date, a report of such Participant's account setting forth the total payroll deductions accumulated prior to such exercise, the number of shares of Stock purchased, the Purchase Price for such shares, the date of purchase and the cash balance, if any, remaining immediately after such purchase that is to be refunded. The report required by this Section may be delivered in such form and by such means, including by electronic transmission, as the

Company may determine. In addition, each Participant shall be given access to information concerning the Company equivalent to that information provided generally to the Company's common stockholders.

SECTION 12                      Withdrawal from Plan.

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

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

SECTION 13                      Termination of Employment.

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

13.2              Return of Payroll Deductions. Upon termination of participation, the terminated Participant's accumulated payroll deductions which have not been applied toward the purchase of shares shall, as soon as practicable, be returned to the Participant or, in the case of the Participant's death, to the Participant's legal representative, and all of the Participant's rights under the Plan shall terminate. Except as otherwise provided in Section 10.4, interest shall not be paid on sums returned pursuant to this Section 13. A Participant whose participation has been so terminated may again become eligible to participate in future Offerings under the Plan by satisfying the requirements of Section 5 and Section 7.1.

SECTION 14                      Change in Control.

14.1              Definitions.

(a)              An "Ownership Change Event" shall be deemed to have occurred if any of the following occurs with respect to the Company: (i) the direct or indirect sale or

exchange in a single or series of related transactions by the stockholders of the Company of more than fifty percent (50%) of the voting stock of the Company; (ii) a merger or consolidation in which the Company is a party; (iii) the sale, exchange, or transfer of all or substantially all, as determined by the Board in its sole discretion, of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

(b) A “Change in Control” shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a “Transaction”) wherein the stockholders of the Company immediately before the Transaction do not retain immediately after the Transaction, in substantially the same proportions as their ownership of shares of the Company's voting stock immediately before the Transaction, direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the outstanding voting securities of the Company or, in the case of a Transaction described in Section 14.1(a)(iii), the corporation or other business entity to which the assets of the Company were transferred (the “Transferee”), as the case may be. The Board shall determine in its sole discretion whether multiple sales or exchanges of the voting securities of the Company or multiple Ownership Change Events are related. Notwithstanding the preceding sentence, a Change in Control shall not include any Transaction in which the voting stock of an entity in the Participating Company Group is distributed to the stockholders of a parent corporation, as defined in Section 424(e) of the Code, of such entity. Any Ownership Change Event resulting from an underwritten public offering of the Company's Stock or the stock of any Participating Company shall not be deemed a Change in Control for any purpose hereunder.

14.2 Effect of Change in Control on Purchase Rights. In the event of a Change in Control, the surviving, continuing, successor, or purchasing corporation or parent corporation thereof, as the case may be (the “Acquiring Corporation”), may assume the Company's rights and obligations under the Plan. If the Acquiring Corporation elects not to assume the Company's rights and obligations under outstanding Purchase Rights, the Purchase Date of the then current Offering Period shall be accelerated to a date before the date of the Change in Control specified by the Board, but the number of shares of Stock subject to outstanding Purchase Rights shall not be adjusted, provided, however, that the Purchase Date with respect to Purchase Rights granted pursuant to a Non-423(b) Plan shall be accelerated as contemplated by the foregoing sentence only to the extent the event constituting the Change in Control qualifies as a “change in ownership” or “change in effective control” of the Company or a “change in ownership of a substantial portion of the assets” of the Company, as these concepts are defined in U.S. Treas. Reg. § 1.409A-3(i)(5) or successor provisions. All Purchase Rights which are neither assumed by the Acquiring Corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control.

SECTION 15 Nontransferability of Purchase Rights.

Neither payroll deductions nor a Participant's Purchase Right may be assigned, transferred, pledged or otherwise disposed of in any manner other than as provided by the Plan or by will or the laws of descent and distribution. Any such attempted assignment, transfer,

pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw from the Plan as provided in Section 12.1. A Purchase Right shall be exercisable during the lifetime of the Participant only by the Participant.

SECTION 16 Compliance with Securities Law and Other Applicable Requirements

The issuance of shares under the Plan shall be subject to compliance with all applicable requirements of federal, state and foreign law with respect to such securities. A Purchase Right may not be exercised if the issuance of shares upon such exercise would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any securities exchange or market system upon which the Stock may then be listed. In addition, no Purchase Right may be exercised unless (a) a registration statement under the U.S. Securities Act of 1933, as amended, shall at the time of exercise of the Purchase Right be in effect with respect to the shares issuable upon exercise of the Purchase Right, or (b) in the opinion of legal counsel to the Company, the shares issuable upon exercise of the Purchase Right may be issued in accordance with the terms of an applicable exemption from the registration requirements of said Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such shares as to which such requisite authority shall not have been obtained. Anything in the foregoing to the contrary notwithstanding, Purchase Rights granted under a Non-423(b) Plan may be suspended, delayed or otherwise deferred for any of the reasons contemplated in this Section 16 only to the extent such suspension, delay or deferral is permitted under U.S. Treas. Reg. §§ 1.409A-2(b)(7), 1.409A-1(b)(4)(ii) or successor provisions, or as otherwise permitted under Section 409A of the Code. As a condition to the exercise of a Purchase Right, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation, and to make any representation or warranty with respect thereto as may be requested by the Company.

SECTION 17 Rules for Foreign Jurisdictions.

17.1 Compliance with Foreign Law. The Board or Committee may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Board or Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements.

17.2 Non-423(b) Plan Component. The Board or Committee may also adopt rules, procedures or sub-plans applicable to particular Participating Companies or locations, which sub-plans may be designed to be outside the scope of Code Section 423. The rules of such sub-plans may take precedence over other provisions of this Plan, with the exception of Section 4.1, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. To the extent inconsistent with the requirements of

Section 423, such sub-plan shall be considered part of the Non-423(b) Plan, and rights granted thereunder shall not be considered to comply with Code Section 423.

SECTION 18 Rights as a Stockholder and Employee.

A Participant shall have no rights as a stockholder by virtue of the Participant's participation in the Plan until the date of the issuance of shares purchased pursuant to the exercise of the Participant's Purchase Right (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such share is issued, except as provided in Section 4.2. Nothing herein shall confer upon a Participant any right to continue in the employ of the Participating Company Group or interfere in any way with any right of the Participating Company Group to terminate the Participant's employment at any time.

SECTION 19 Distribution on Death.

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

SECTION 20 Notices.

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

SECTION 21 Amendment or Termination of the Plan.

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

SECTION 22 Code Section 409A.

The Code Section 423(b) Plan is exempt from the application of Section 409A. The Non-423(b) Plan is intended to comply and shall be administered in a manner that is

intended to comply with Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent a Purchase Right or the vesting, payment, settlement or deferral thereof is subject to Section 409A of the Code, the Purchase Right shall be granted, paid, exercised, settled or deferred in a manner that will comply with Section 409A of the Code, including the final regulations and other guidance issued with respect thereto, except as otherwise determined by the Committee. Any provision of the Non-423(b) Plan that would cause the grant of a Purchase Right or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which amendment may be made on a retroactive basis, in accordance with the final regulations and guidance issued under Section 409A of the Code. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the Purchase Right that is intended to be exempt from, or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

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: April 24, 2013

/s/ Paul E. Jacobs

Paul E. Jacobs

Chief Executive Officer and Chairman

**EXHIBIT 31.2**

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

I, George S. Davis, 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: April 24, 2013

/s/ George S. Davis

George S. Davis

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 March 31, 2013 (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: April 24, 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 March 31, 2013 (the Report), I, George S. Davis, 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: April 24, 2013

/s/ George S. Davis

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George S. Davis

Executive Vice President and Chief Financial Officer