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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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**FORM 10-Q**

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(Mark one)

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

For the quarterly period ended December 27, 2015

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   
(Do not check if a smaller reporting company)

Smaller reporting company

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

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on January 25, 2016, was as follows:

<u>Class</u>	<u>Number of Shares</u>
Common Stock, \$0.0001 per share par value	1,494,887,355

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**QUALCOMM INCORPORATED**  
**Form 10-Q**  
**For the Quarter Ended December 27, 2015**  
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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

ASSETS	December 27, 2015	September 27, 2015
Current assets:		
Cash and cash equivalents	\$ 6,913	\$ 7,560
Marketable securities	9,615	9,761
Accounts receivable, net	1,323	1,964
Inventories	1,216	1,492
Deferred tax assets	607	635
Other current assets	664	687
Total current assets	20,338	22,099
Marketable securities	14,063	13,626
Deferred tax assets	1,616	1,453
Property, plant and equipment, net	2,484	2,534
Goodwill	5,669	5,479
Other intangible assets, net	4,068	3,742
Other assets	1,991	1,863
Total assets	\$ 50,229	\$ 50,796
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,359	\$ 1,300
Payroll and other benefits related liabilities	895	861
Unearned revenues	639	583
Short-term debt	1,000	1,000
Other current liabilities	2,610	2,356
Total current liabilities	6,503	6,100
Unearned revenues	2,630	2,496
Long-term debt	9,950	9,969
Other liabilities	913	817
Total liabilities	19,996	19,382
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Qualcomm stockholders' equity:		
Preferred stock, \$0.0001 par value; 8 shares authorized; none outstanding	—	—
Common stock and paid-in capital, \$0.0001 par value; 6,000 shares authorized; 1,495 and 1,524 shares issued and outstanding, respectively	—	—
Retained earnings	30,172	31,226
Accumulated other comprehensive income	69	195
Total Qualcomm stockholders' equity	30,241	31,421
Noncontrolling interests	(8)	(7)
Total stockholders' equity	30,233	31,414
Total liabilities and stockholders' equity	\$ 50,229	\$ 50,796

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	<b>Three Months Ended</b>	
	<b>December 27, 2015</b>	<b>December 28, 2014</b>
Revenues:		
Equipment and services	\$ 4,087	\$ 5,216
Licensing	1,688	1,883
Total revenues	<u>5,775</u>	<u>7,099</u>
Costs and expenses:		
Cost of equipment and services revenues	2,534	3,047
Research and development	1,352	1,352
Selling, general and administrative	578	583
Other (Note 2)	(374)	53
Total costs and expenses	<u>4,090</u>	<u>5,035</u>
Operating income	1,685	2,064
Interest expense	(74)	(1)
Investment income, net (Note 2)	99	235
Income before income taxes	<u>1,710</u>	<u>2,298</u>
Income tax expense	(214)	(327)
Net income	<u>1,496</u>	<u>1,971</u>
Net loss attributable to noncontrolling interests	2	1
Net income attributable to Qualcomm	<u>\$ 1,498</u>	<u>\$ 1,972</u>
Basic earnings per share attributable to Qualcomm	<u>\$ 1.00</u>	<u>\$ 1.19</u>
Diluted earnings per share attributable to Qualcomm	<u>\$ 0.99</u>	<u>\$ 1.17</u>
Shares used in per share calculations:		
Basic	<u>1,502</u>	<u>1,661</u>
Diluted	<u>1,517</u>	<u>1,686</u>
Dividends per share announced	<u>\$ 0.48</u>	<u>\$ 0.42</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	December 27, 2015	December 28, 2014
Net income	\$ 1,496	\$ 1,971
Other comprehensive income (loss), net of income taxes:		
Foreign currency translation losses	(14)	(21)
Reclassification of foreign currency translation losses included in net income	1	—
Noncredit other-than-temporary impairment losses and subsequent changes in fair value related to certain available-for-sale debt securities	(27)	(9)
Reclassification of other-than-temporary losses on available-for-sale securities included in net income	47	41
Net unrealized losses on other available-for-sale securities	(109)	(104)
Reclassification of net realized gains on available-for-sale securities included in net income	(25)	(111)
Net unrealized gains (losses) on derivative instruments	1	(2)
Total other comprehensive loss	(126)	(206)
Total comprehensive income	1,370	1,765
Comprehensive loss attributable to noncontrolling interests	2	1
Comprehensive income attributable to Qualcomm	\$ 1,372	\$ 1,766

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	December 27, 2015	December 28, 2014
<b>Operating Activities:</b>		
Net income	\$ 1,496	\$ 1,971
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	364	287
Indefinite and long-lived asset impairment charges	2	75
Income tax provision less than income tax payments	(103)	(7)
Realized gain on sale of wireless spectrum	(380)	—
Non-cash portion of share-based compensation expense	247	273
Incremental tax benefits from share-based compensation	(2)	(48)
Net realized gains on marketable securities and other investments	(49)	(166)
Impairment losses on marketable securities and other investments	63	65
Other items, net	(13)	(31)
Changes in assets and liabilities:		
Accounts receivable, net	646	173
Inventories	291	(303)
Other assets	66	(140)
Trade accounts payable	50	268
Payroll, benefits and other liabilities	98	20
Unearned revenues	(37)	(73)
Net cash provided by operating activities	<u>2,739</u>	<u>2,364</u>
<b>Investing Activities:</b>		
Capital expenditures	(128)	(253)
Purchases of available-for-sale securities	(3,737)	(5,966)
Proceeds from sales and maturities of available-for-sale securities	3,113	4,578
Purchases of trading securities	(149)	(302)
Proceeds from sales and maturities of trading securities	121	296
Proceeds from sales of other marketable securities	200	—
Acquisitions and other investments, net of cash acquired	(450)	(111)
Proceeds from sale of wireless spectrum	232	—
Other items, net	82	22
Net cash used by investing activities	<u>(716)</u>	<u>(1,736)</u>
<b>Financing Activities:</b>		
Proceeds from short-term debt	1,089	—
Repayment of short-term debt	(1,090)	—
Proceeds from issuance of common stock	99	116
Repurchases and retirements of common stock	(2,050)	(1,664)
Dividends paid	(717)	(697)
Incremental tax benefits from share-based compensation	2	48
Other items, net	2	(6)
Net cash used by financing activities	<u>(2,665)</u>	<u>(2,203)</u>
Effect of exchange rate changes on cash and cash equivalents	(5)	(7)
Net decrease in cash and cash equivalents	<u>(647)</u>	<u>(1,582)</u>
Cash and cash equivalents at beginning of period	7,560	7,907
Cash and cash equivalents at end of period	<u>\$ 6,913</u>	<u>\$ 6,325</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 notes required by GAAP for complete financial statements. In the opinion of management, the interim financial information 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 27, 2015. 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 periods ended December 27, 2015 and December 28, 2014 included 13 weeks.

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

**Earnings Per Common Share.** Basic earnings per common share are 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 are 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/or accelerated share repurchase agreements, if any, and the weighted-average number of common shares outstanding during the reporting period. Dilutive common share equivalents include the dilutive effect of in-the-money share equivalents, which are calculated based on the average share price for each period using the treasury stock method. Under the treasury stock method, the exercise price of an award, 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, if any, are assumed to be used to repurchase shares in the current period. The dilutive common share equivalents, calculated using the treasury stock method, for the three months ended December 27, 2015 and December 28, 2014 were 14,430,000 and 25,003,000, respectively. Shares of common stock equivalents outstanding that were not included in the computation of diluted earnings per common share because the effect would be anti-dilutive or certain performance conditions were not satisfied at the end of the period were 1,172,000 and 1,470,000 during the three months ended December 27, 2015 and December 28, 2014, respectively.

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

	<b>Three Months Ended</b>	
	<b>December 27, 2015</b>	<b>December 28, 2014</b>
Cost of equipment and services revenues	\$ 10	\$ 12
Research and development	165	174
Selling, general and administrative	72	87
Share-based compensation expense before income taxes	247	273
Related income tax benefit	(60)	(44)
	<u>\$ 187</u>	<u>\$ 229</u>

The Company recorded \$31 million in share-based compensation expense during each of the three months ended December 27, 2015 and December 28, 2014 related to share-based awards granted during those periods. At December 27, 2015, total unrecognized compensation expense related to non-vested restricted stock units granted prior to that date was \$1.6 billion, which is expected to be recognized over a weighted-average period of 2.2 years. During the three months ended December 27, 2015 and December 28, 2014, net share-based awards granted, after forfeitures and cancellations, represented 0.7% and 0.4%, respectively, of outstanding shares as of the beginning of each fiscal period, and total share-based awards granted represented 0.9% and 0.4%, respectively, of outstanding shares as of the end of each fiscal period.

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

**Recent Accounting Pronouncements.** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers," which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new standard requires a company to recognize revenue upon transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. ASU 2014-09 defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The new standard will be effective for the Company starting in the first quarter of fiscal 2019. The FASB will permit entities to adopt one year earlier if they choose (i.e., the original effective date). The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented, or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the opening retained earnings balance. The Company does not intend to adopt the standard early and is in the process of determining the adoption method as well as the effects the adoption will have on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires all deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The new accounting guidance is effective for annual reporting periods beginning after December 15, 2016 and interim periods therein. Early adoption is permitted as of the beginning of interim or annual reporting periods. The Company plans to adopt the standard prospectively in the second quarter of fiscal 2016.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. Additionally, the ASU changes the disclosure requirements for financial instruments. The new standard will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted for certain provisions. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt certain provisions early.

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

*Accounts Receivable (in millions)*

	<b>December 27, 2015</b>	<b>September 27, 2015</b>
Trade, net of allowances for doubtful accounts of \$1 and \$6, respectively	\$ 1,302	\$ 1,941
Long-term contracts	13	11
Other	8	12
	<u>\$ 1,323</u>	<u>\$ 1,964</u>

The decrease in accounts receivable was primarily due to the timing of integrated circuit shipments and the collection of payments from certain of the Company's licensees.

*Inventories (in millions)*

	<b>December 27, 2015</b>	<b>September 27, 2015</b>
Raw materials	\$ 1	\$ 1
Work-in-process	458	550
Finished goods	757	941
	<u>\$ 1,216</u>	<u>\$ 1,492</u>

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

*Other Current Liabilities (in millions)*

	December 27, 2015	September 27, 2015
Customer incentives and other customer-related liabilities	\$ 2,188	\$ 1,894
Other	422	462
	<u>\$ 2,610</u>	<u>\$ 2,356</u>

**Other Income, Costs and Expenses.** In October 2015, the Company sold its wireless spectrum in the United Kingdom for \$232 million in cash and \$275 million in deferred payments due in 2020 to 2023, which were recorded at their present values in other assets. The Company recognized a gain on the sale of \$380 million in the first quarter of fiscal 2016 in other income. Other income also included \$54 million in restructuring and restructuring-related charges, which were partially offset by a \$48 million gain on the sale of the Company's business that provided augmented reality applications, both of which related to the Company's Strategic Realignment Plan (Note 9).

Other expenses in the three months ended December 28, 2014 were attributable to a \$69 million goodwill impairment charge related to the Company's business that provides push-to-talk enablement services, which was partially offset by a \$16 million gain on the sale of certain property, plant and equipment.

*Investment Income, Net (in millions)*

	Three Months Ended	
	December 27, 2015	December 28, 2014
Interest and dividend income	\$ 136	\$ 134
Net realized gains on marketable securities	43	156
Net realized gains on other investments	6	10
Impairment losses on marketable securities	(49)	(62)
Impairment losses on other investments	(14)	(3)
Net (losses) gains on derivative instruments	(3)	4
Equity in net losses of investees	(20)	(4)
	<u>\$ 99</u>	<u>\$ 235</u>

**Note 3. Income Taxes**

The Company estimates its annual effective income tax rate to be approximately 17% for fiscal 2016, which is less than its 19% effective income tax rate for fiscal 2015. Tax benefits from foreign income taxed at rates lower than rates in the United States are expected to be approximately 16% in fiscal 2016, compared to 14% in fiscal 2015. During the first quarter of fiscal 2016, the United States government permanently reinstated the federal research and development tax credit retroactively to January 1, 2015. As a result of the reinstatement, the Company recorded a tax benefit of \$79 million in the first quarter of fiscal 2016 related to fiscal 2015. The annual effective tax rate for fiscal 2015 reflected the United States federal research and development tax credit generated through December 31, 2014, the date on which the credit previously expired. Further, the China National Development and Reform Commission (NDRC) imposed a fine of \$975 million on the Company in the second quarter of fiscal 2015, which was not deductible for tax purposes and was substantially attributable to a foreign jurisdiction. The effective tax rate of 13% for the first quarter of fiscal 2016 was less than the estimated annual effective tax rate of 17% primarily as a result of the retroactive reinstatement of the United States federal research and development tax credit.

Unrecognized tax benefits were \$113 million and \$40 million at December 27, 2015 and September 27, 2015, respectively. Certain of the Company's existing tax positions are expected to continue to generate an increase in unrecognized tax benefits through fiscal 2016.

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

**Note 4. Stockholders' Equity**

Changes in stockholders' equity for the three months ended December 27, 2015 were as follows (in millions):

	Qualcomm Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance at September 27, 2015	\$ 31,421	\$ (7)	\$ 31,414
Net income (loss)	1,498	(2)	1,496
Other comprehensive loss	(126)	—	(126)
Common stock issued under employee benefit plans and related tax benefits	70	—	70
Share-based compensation	260	—	260
Tax withholdings related to vesting of share-based payments	(102)	—	(102)
Dividends	(730)	—	(730)
Stock repurchases	(2,050)	—	(2,050)
Issuance of subsidiary shares to noncontrolling interest	—	1	1
Balance at December 27, 2015	<u>\$ 30,241</u>	<u>\$ (8)</u>	<u>\$ 30,233</u>

**Accumulated Other Comprehensive Income.** Other comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, other than net income and including foreign currency translation adjustments and unrealized gains and losses on marketable securities and derivative instruments. Changes in the components of accumulated other comprehensive income, net of income taxes, in Qualcomm stockholders' equity during the three months ended December 27, 2015 were as follows (in millions):

	Foreign Currency Translation Adjustment	Noncredit Other-than- Temporary Impairment Losses and Subsequent Changes in Fair Value for Certain Available-for- Sale Debt Securities	Net Unrealized Gain (Loss) on Other Available-for-Sale Securities	Net Unrealized Gain (Loss) on Derivative Instruments	Total Accumulated Other Comprehensive Income
Balance at September 27, 2015	\$ (160)	\$ 4	\$ 297	\$ 54	\$ 195
Other comprehensive income (loss) before reclassifications	(14)	(11)	(109)	1	(133)
Reclassifications from accumulated other comprehensive income (loss)	1	(3)	9	—	7
Other comprehensive income (loss)	(13)	(14)	(100)	1	(126)
Balance at December 27, 2015	<u>\$ (173)</u>	<u>\$ (10)</u>	<u>\$ 197</u>	<u>\$ 55</u>	<u>\$ 69</u>

Reclassifications from accumulated other comprehensive income related to available-for-sale securities of \$6 million and \$71 million for the three months ended December 27, 2015 and December 28, 2014, respectively, were recorded in investment income, net (Note 2).

**Stock Repurchase Program.** On March 9, 2015, the Company announced a stock repurchase program authorizing it to repurchase up to \$15 billion of the Company's common stock. The stock repurchase program has no expiration date. During the three months ended December 27, 2015 and December 28, 2014, the Company repurchased and retired 36,606,000 and 22,940,000 shares of common stock, respectively, for \$2.05 billion and \$1.66 billion, respectively, before commissions. At December 27, 2015, \$4.9 billion remained authorized for repurchase under the Company's stock repurchase program.

**Dividends.** Cash dividends announced in the three months ended December 27, 2015 and December 28, 2014 were \$0.48 and \$0.42 per share, respectively. During the three months ended December 27, 2015 and December 28, 2014, dividends charged to retained earnings were \$730 million and \$710 million, respectively. On January 12, 2016, the Company

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

announced a cash dividend of \$0.48 per share on the Company's common stock, payable on March 23, 2016 to stockholders of record as of the close of business on March 2, 2016.

**Note 5. Debt**

**Revolving Credit Facility.** The Company has a Revolving Credit Facility that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$4.0 billion, expiring in February 2020. The Revolving Credit Facility requires that the Company comply with certain covenants, including one financial covenant to maintain a ratio of consolidated earnings before interest, taxes, depreciation and amortization to consolidated interest expense, as defined in the Revolving Credit Facility, of not less than three to one at the end of each fiscal quarter. At December 27, 2015 and September 27, 2015, the Company was in compliance with the covenants, and the Company had not borrowed any funds under the Revolving Credit Facility.

**Commercial Paper Program.** The Company has an unsecured commercial paper program, which provides for the issuance of up to \$4.0 billion of commercial paper. Net proceeds from this program are used for general corporate purposes. Maturities of commercial paper can range from 1 day to up to 397 days. At December 27, 2015 and September 27, 2015, the Company had \$1.0 billion of outstanding commercial paper recorded as short-term debt with weighted-average interest rates of 0.25% and 0.19%, respectively, which included fees paid to the commercial paper dealers, and weighted-average remaining days to maturity of 30 days and 38 days, respectively. The carrying value of the outstanding commercial paper approximated its estimated fair value at December 27, 2015 and September 27, 2015.

**Long-term Debt.** The following table provides a summary of the Company's long-term debt (dollar amounts in millions):

	December 27, 2015		September 27, 2015	
	Amount	Effective Rate	Amount	Effective Rate
Floating-rate notes due May 18, 2018	\$ 250	0.70%	\$ 250	0.66%
Floating-rate notes due May 20, 2020	250	0.98%	250	0.94%
Fixed-rate 1.40% notes due May 18, 2018	1,250	0.71%	1,250	0.43%
Fixed-rate 2.25% notes due May 20, 2020	1,750	1.71%	1,750	1.62%
Fixed-rate 3.00% notes due May 20, 2022	2,000	2.14%	2,000	2.08%
Fixed-rate 3.45% notes due May 20, 2025	2,000	3.46%	2,000	3.46%
Fixed-rate 4.65% notes due May 20, 2035	1,000	4.74%	1,000	4.74%
Fixed-rate 4.80% notes due May 20, 2045	1,500	4.71%	1,500	4.71%
Total principal	10,000		10,000	
Unamortized discount, including debt issuance costs	(62)		(63)	
Hedge accounting fair value adjustments	12		32	
Total long-term debt	\$ 9,950		\$ 9,969	

The interest rate on the floating rate notes due in 2018 and 2020 for a particular interest period will be a per annum rate equal to three-month LIBOR as determined on the interest determination date plus 0.27% and 0.55%, respectively. Interest is payable in arrears quarterly for the floating-rate notes and semi-annually for the fixed-rate notes. The Company may redeem the fixed-rate notes at any time in whole, or from time to time in part, at specified make-whole premiums as defined in the applicable form of note. The Company may not redeem the floating-rate notes prior to maturity. The Company is not subject to any financial covenants under the notes nor any covenants that would prohibit the Company from incurring additional indebtedness ranking equal to the notes, paying dividends, issuing securities or repurchasing securities issued by it or its subsidiaries. At December 27, 2015 and September 27, 2015, the aggregate fair value of the notes, based on Level 2 inputs, was approximately \$9.6 billion.

The Company has entered into interest rate swaps with an aggregate notional amount of \$3.0 billion, which effectively converted all of the fixed-rate notes due in 2018 and approximately 43% and 50% of the fixed-rate notes due in 2020 and 2022, respectively, into floating-rate notes. The net gains and losses on the interest rate swaps, as well as the offsetting gains or losses on the related fixed-rate notes attributable to the hedged risks, are recognized in earnings as interest expense in the current period.

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The effective interest rates for the notes include the interest on the notes, amortization of the discount, which includes debt issuance costs, and if applicable, adjustments related to hedging. Cash interest paid related to the Company's commercial paper program and long-term debt, net of cash received from the related interest rate swaps, was \$128 million during the three months ended December 27, 2015. No commercial paper or long-term debt was outstanding in the three months ended December 28, 2014.

**Note 6. Commitments and Contingencies**

**Legal Proceedings. 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 sought damages and injunctive and other relief. Subsequently, ParkerVision narrowed its allegations to assert only four patents. On October 17, 2013, the jury returned a verdict finding all asserted claims of the four at-issue patents to be infringed and finding that none of the asserted claims are invalid. On October 24, 2013, the jury returned a separate verdict assessing total past damages of \$173 million and finding that the Company's infringement was not willful. The Company recorded the verdict amount in fiscal 2013 as a charge in other expenses. On June 20, 2014, the court granted the Company's motion to overturn the infringement verdict, denied the Company's motion to overturn the invalidity verdict and denied ParkerVision's motions for injunctive relief and ongoing royalties as moot. The court then entered judgment in the Company's favor. As a result of the court's judgment, the Company is not liable for any damages to ParkerVision, and therefore, the Company reversed all recorded amounts related to the damages verdict in fiscal 2014. On June 25, 2014, ParkerVision filed a notice of appeal with the court. The Court of Appeals for the Federal Circuit heard the appeal on May 8, 2015 and issued a decision on July 31, 2015. The decision affirmed the District Court's finding of non-infringement and granted in part the Company's cross-appeal, holding 10 of the 11 asserted claims invalid. A subsequent Petition for Rehearing by ParkerVision was denied on October 2, 2015. On December 16, 2015, ParkerVision was granted an extension of the deadline to file a petition requesting that the United States Supreme Court hear ParkerVision's appeal of the Federal Circuit decision. The petition is now due on January 29, 2016.

On May 1, 2014, ParkerVision filed another complaint against the Company in the United States District Court for the Middle District of Florida alleging patent infringement. On August 21, 2014, ParkerVision amended the complaint, now captioned ParkerVision, Inc. v. QUALCOMM Incorporated, Qualcomm Atheros, Inc., HTC Corporation, HTC America, Inc., Samsung Electronics Co., LTD., Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC, broadening the allegations. ParkerVision alleged that the Company infringes 11 additional patents and seeks damages and injunctive and other relief. On September 25, 2015, ParkerVision filed a motion with the court to sever some claims against the Company and all other defendants into a separate lawsuit. In addition, on December 3, 2015, ParkerVision dismissed six patents from the lawsuit and granted the Company and all other defendants a covenant not to assert those patents against any existing products. The close of discovery is scheduled for April 2016, and the trial is scheduled for November 2016. A claim construction ruling and a ruling on ParkerVision's severance motion are still pending.

On December 14, 2015, ParkerVision filed a third complaint against the Company in the United States District Court for the Middle District of Florida alleging patent infringement. Apple Inc., Samsung Electronics Co., LTD., Samsung Electronics America, Inc., Samsung Telecommunications America, LLC, Samsung Semiconductor, Inc., LG Electronics, Inc., LG Electronics U.S.A., Inc. and LG Electronics MobileComm U.S.A., Inc. are also named defendants. The complaint asserts four additional patents and seeks damages and other relief. On December 15, 2015, ParkerVision filed a complaint with the United States International Trade Commission (ITC) pursuant to Section 337 of the Tariff Act of 1930 against the same parties asserting the same four patents. The complaint seeks an exclusion order barring the importation of products that use either of two Company transceivers or one Samsung transceiver and a cease and desist order preventing the Company and the other defendants from carrying out commercial activities within the United States related to such products. On January 13, 2016, the Company served its answer to the District Court complaint. On January 15, 2016, the ITC instituted an investigation. The ITC has not yet determined a target date for concluding its investigation.

**Nvidia Corporation v. QUALCOMM Incorporated:** On September 4, 2014, Nvidia filed a complaint in the United States District Court for the District of Delaware and also with the ITC pursuant to Section 337 of the Tariff Act of 1930 against the Company, Samsung Electronics Co., Ltd. and other Samsung entities, alleging infringement of seven patents related to graphics processing. In the ITC complaint, Nvidia seeks an exclusion order barring the importation of certain consumer electronics and display device products, including some that incorporate the Company's chipset products, that infringe, induce infringement and/or contribute to the infringement of at least one of the seven asserted graphics processing patents as well as a cease and desist order preventing the Company from carrying out commercial activities within the United States

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related to such products. In the District Court complaint, Nvidia is seeking an award of damages for the infringement of the asserted patents, a finding that such infringement is willful and treble damages for such willful infringement, and an order permanently enjoining the Company from infringing the asserted patents. The ITC instituted an investigation into Nvidia's allegations on October 6, 2014. Nvidia later narrowed the case to three asserted patents. On October 9, 2015, the Administrative Law Judge issued an Initial Determination finding no violation of Section 337 because none of the three patents were both valid and infringed. On October 22, 2015, the Administrative Law Judge issued a recommendation that, if the ITC were to find any violation of Section 337 in the investigation, the ITC should issue a limited exclusion order directed at Samsung's accused products and a cease and desist order against Samsung but not the Company. On October 26, 2015, Nvidia filed a petition requesting the ITC to review the Initial Determination as to two of the asserted patents, but is no longer pursuing infringement allegations with respect to the third patent. On December 14, 2015, the ITC issued its decision not to review the Initial Determination of the Administrative Law Judge. This made final the determination that the Company did not violate Section 337. Therefore, neither an exclusion order nor a cease and desist order were issued. Nvidia has until February 12, 2016 to file a notice of appeal of the ITC's determination. The District Court case was stayed on October 23, 2014 pending completion of the ITC investigation, including appeals.

*LG Electronics, Inc. (LGE) Arbitration:* In December 2015, LGE filed an arbitration demand with the International Chamber of Commerce alleging that it overpaid royalties on certain CDMA (including WCDMA) subscriber units based on the alleged effect of specific provisions in its license agreement, and that the Company breached its license agreement with LGE, as well as certain implied covenants. The arbitration demand seeks determination and return of the overpayment and determination of the ongoing royalties owed by LGE. The Company intends to respond to the arbitration demand, denying the allegations and requesting judgment in its favor on all claims. Although the Company believes LGE's claims are without merit, it has deferred the recognition of revenue related to CDMA subscriber unit royalties reported and paid by LGE in the first quarter of fiscal 2016 because, among other reasons, the matter has been submitted to arbitration for resolution.

*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 31 different dates, with the next hearing scheduled for February 25, 2016.

*Korea Fair Trade Commission (KFTC) Complaint:* On January 4, 2010, the KFTC issued a written decision finding that the Company had violated Korean law by offering certain discounts and rebates for purchases of its CDMA chipsets 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 and recorded as an expense in fiscal 2010. The Company appealed to the Seoul High Court, and on June 19, 2013, the Seoul High Court affirmed the KFTC's decision. On July 4, 2013, the Company filed an appeal with the Korea Supreme Court. There have been no material developments during fiscal 2016 with respect to this matter.

*Korea Fair Trade Commission (KFTC) Investigation:* On March 17, 2015, the KFTC notified the Company that it is conducting an investigation of the Company relating to the Korean Monopoly Regulation and Fair Trade Act (MRFTA). On November 13, 2015, the Company received a case Examiner's Report (ER) prepared by the KFTC's investigative staff. The ER alleges, among other things, that the Company is in violation of Korean competition law by licensing its patents exhaustively only to device manufacturers and requiring that its chipset customers be licensed to the Company's intellectual property. The ER also alleges that the Company obtains certain terms, including royalty terms, that are unfair or unreasonable in its license agreements through negotiations that do not conform to Korean competition law. The ER proposes remedies including modifications to certain business practices and monetary penalties. It remains difficult to predict the outcome of this matter. The Company believes that its business practices do not violate the MRFTA. The Company continues to cooperate with the KFTC as it conducts its investigation.

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*Icera Complaint to the European Commission (Commission):* On June 7, 2010, the Commission notified and provided the Company with a redacted copy of a complaint filed with the Commission by Icera, Inc. (subsequently acquired by Nvidia Corporation) 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. Subsequently, the Company has provided and continues to provide additional documents and information as requested by the Commission. On July 16, 2015, the Commission announced that it had initiated formal proceedings in this matter. On December 8, 2015, the Commission announced that it had issued a Statement of Objections expressing its preliminary view that between 2009 and 2011, the Company engaged in predatory pricing by selling certain baseband chipsets to two customers at prices below cost, with the intention of hindering competition. A Statement of Objections informs the subject of the investigation of the allegations against it and provides an opportunity to respond to such allegations. It is not a determination of the final outcome of the investigation. If a violation is found, a broad range of remedies is potentially available to the Commission, including imposing a fine and/or injunctive relief prohibiting or restricting certain business practices. It is difficult to predict the outcome of this matter or what remedies, if any, may be imposed by the Commission. The Company believes that its business practices do not violate the EU competition rules.

*European Commission (Commission) Investigation:* On October 15, 2014, the Commission notified the Company that it is conducting an investigation of the Company relating to Articles 101 and/or 102 of the Treaty on the Functioning of the European Union (TFEU). On July 16, 2015, the Commission announced that it had initiated formal proceedings in this matter. On December 8, 2015, the Commission announced that it had issued a Statement of Objections expressing its preliminary view that since 2011 the Company has paid significant amounts to a customer on condition that it exclusively use the Company's baseband chipsets in its smartphones and tablets. This conduct has allegedly reduced the customer's incentives to source chipsets from the Company's competitors and harmed competition and innovation for certain baseband chipsets. A Statement of Objections informs the subject of the investigation of the allegations against it and provides an opportunity to respond to such allegations. It is not a determination of the final outcome of the investigation. If a violation is found, a broad range of remedies is potentially available to the Commission, including imposing a fine and/or injunctive relief prohibiting or restricting certain business practices. It is difficult to predict the outcome of this matter or what remedies, if any, may be imposed by the Commission. The Company believes that its business practices do not violate the EU competition rules.

*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 an investigation regarding the Company's compliance with the Foreign Corrupt Practices Act (FCPA). As discussed below, FCPA compliance is also the focus of the SEC investigation. The audit committee conducted an internal review of the Company's compliance with the FCPA and its related policies and procedures with the assistance of independent counsel and independent forensic accountants. The audit committee has completed this comprehensive review, made findings consistent with the Company's findings described below and suggested enhancements to the Company's overall FCPA compliance program. In part as a result of the audit committee's review, the Company has made and continues to make enhancements to its FCPA compliance program, including implementation of the audit committee's recommendations.

As previously disclosed, the Company discovered, and as a part of its cooperation with these investigations 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.

On March 13, 2014, the Company received a Wells Notice from the SEC's Los Angeles Regional Office indicating that the staff has made a preliminary determination to recommend that the SEC file an enforcement action against the Company for violations of the anti-bribery, books and records and internal control provisions of the FCPA. The bribery allegations relate to benefits offered or provided to individuals associated with Chinese state-owned companies or agencies. The Wells Notice indicated that the recommendation could involve a civil injunctive action and could seek remedies that include

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disgorgement of profits, the retention of an independent compliance monitor to review the Company's FCPA policies and procedures, an injunction, civil monetary penalties and prejudgment interest.

A Wells Notice is not a formal allegation or finding by the SEC of wrongdoing or violation of law. Rather, the purpose of a Wells Notice is to give the recipient an opportunity to make a "Wells submission" setting forth reasons why the proposed enforcement action should not be filed and/or bringing additional facts to the SEC's attention before any decision is made by the SEC as to whether to commence a proceeding. On April 4, 2014 and May 29, 2014, the Company made Wells submissions to the staff of the Los Angeles Regional Office explaining why the Company believes it has not violated the FCPA and therefore enforcement action is not warranted.

On November 19, 2015, the DOJ notified the Company that it was terminating its investigation and would not pursue charges in this matter. The DOJ's decision is independent of the SEC's investigation, with which we continue to cooperate.

*Federal Trade Commission (FTC) Investigation.* On September 17, 2014, the FTC notified the Company that it is conducting an investigation of the Company relating to Section 5 of the Federal Trade Commission Act (FTCA). The FTC has notified the Company that it is investigating conduct related to standard essential patents and pricing and contracting practices with respect to baseband processors and related products. If a violation of Section 5 is found, a broad range of remedies is potentially available to the FTC, including imposing a fine or requiring modifications to the Company's business practices. At this stage of the investigation, it is difficult to predict the outcome of this matter or what remedies, if any, may be imposed by the FTC. The Company believes that its business practices do not violate the FTCA. The Company continues to cooperate with the FTC as it conducts its investigation.

*Taiwan Fair Trade Commission (TFTC) Investigation.* On December 4, 2015, the TFTC notified the Company that it is conducting an investigation into whether the Company's patent licensing arrangements violate the Taiwan Fair Trade Act (TFTA). If a violation is found, a broad range of remedies is potentially available to the TFTC, including imposing a fine or requiring modifications to the Company's business practices. At this stage of the investigation, it is difficult to predict the outcome of this matter or what remedies, if any, may be imposed by the TFTC. The Company believes that its business practices do not violate the TFTA. The Company continues to cooperate with the TFTC as it conducts its investigation.

The Company will continue to vigorously defend itself in the foregoing matters. However, litigation and investigations are inherently uncertain. Accordingly, the Company cannot predict the outcome of these matters. Other than a nominal amount, the Company has not recorded any accrual at December 27, 2015 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. 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.

*Indemnifications.* 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, copyright, trademark or trade secret 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. Through December 27, 2015, the Company 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.

Reimbursements under indemnification arrangements have not been material to the Company's consolidated financial statements. The Company has not recorded any accrual for contingent liabilities at December 27, 2015 associated with these indemnification arrangements, other than nominal 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. Obligations under these agreements at December 27, 2015 for the remainder of fiscal 2016 and for each of the subsequent four years from fiscal 2017 through 2020 were \$3.2 billion, \$891 million, \$739 million, \$718 million and \$196 million, respectively, and \$14 million thereafter. Of these amounts, for the remainder of fiscal 2016 and for each of the subsequent four years from fiscal 2017 through 2020, commitments to purchase integrated circuit product

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inventories comprised \$2.6 billion, \$742 million, \$698 million, \$699 million and \$177 million, respectively, and there were no purchase commitments thereafter. Integrated circuit product inventory obligations represent purchase commitments for semiconductor die, finished goods and manufacturing services, such as wafer bump, probe, assembly and final test. Under the Company's manufacturing relationships with its foundry suppliers and assembly and test service providers, cancellation of outstanding purchase commitments is generally allowed but requires payment of costs incurred through the date of cancellation, and in some cases, incremental fees related to capacity underutilization.

**Operating Leases.** The Company leases certain of its land, facilities and equipment under noncancellable operating leases, with terms ranging from less than one year to 21 years and with provisions in certain leases for cost-of-living increases. Future minimum lease payments at December 27, 2015 for the remainder of fiscal 2016 and for each of the subsequent four years from fiscal 2017 through 2020 were \$75 million, \$78 million, \$45 million, \$30 million and \$20 million, respectively, and \$27 million thereafter.

**Other Commitments.** At December 27, 2015, the Company was committed to fund certain strategic investments up to \$431 million. Of this amount, \$197 million is expected to be funded in the remainder of fiscal 2016. The remaining commitments represent the maximum amounts that do not have fixed funding dates and/or are subject to certain conditions. Actual funding may be in lesser amounts or not at all.

**Note 7. Segment Information**

The Company is organized on the basis of products and services. The Company conducts business primarily through two reportable segments: QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing), and its QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments and includes revenues and related costs associated with development contracts with an equity method investee. The Company also has nonreportable segments, including its small cells, data center and other wireless technology and service initiatives.

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 interest expense; certain net investment income; certain share-based compensation; and certain research and development expenses, selling, general and administrative expenses and other expenses or income that were deemed to be not directly related to the businesses of the segments. Additionally, unallocated charges include amortization and impairment of certain intangible assets, recognition of the step-up of inventories to fair value and certain other acquisition-related charges, third-party acquisition and integration services costs and certain other items, which may include major restructuring and restructuring-related costs, goodwill and long-lived asset impairment charges and litigation settlements and/or damages.

Segment assets are comprised of accounts receivable and inventories for all reportable segments other than QSI. QSI segment assets include certain marketable securities, notes receivable, other investments and all assets of consolidated subsidiaries included in QSI. The increase in QSI assets was primarily a result of a receivable that was recorded in connection with the sale of wireless spectrum during the first quarter of fiscal 2016 (Note 2). Total segment assets differ from total assets on a consolidated basis as a result of unallocated corporate assets primarily comprised of certain cash, cash equivalents, marketable securities, property, plant and equipment, deferred tax assets, intangible assets and assets of nonreportable segments.

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The table below presents revenues, EBT and total assets for reportable segments (in millions):

	QCT	QTL	QSI	Reconciling Items	Total
<b>For the three months ended</b>					
<b>December 27, 2015</b>					
Revenues	\$ 4,096	\$ 1,607	\$ 9	\$ 63	\$ 5,775
EBT	590	1,339	359	(578)	1,710
<b>December 28, 2014</b>					
Revenues	\$ 5,242	\$ 1,816	\$ —	\$ 41	\$ 7,099
EBT	1,146	1,579	(1)	(426)	2,298
<b>Total assets</b>					
December 27, 2015	2,132	346	924	46,827	50,229
September 27, 2015	2,923	438	812	46,623	50,796

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

	Three Months Ended	
	December 27, 2015	December 28, 2014
<b>Revenues</b>		
Nonreportable segments	\$ 64	\$ 43
Intersegment eliminations	(1)	(2)
	<u>\$ 63</u>	<u>\$ 41</u>
<b>EBT</b>		
Unallocated cost of equipment and services revenues	\$ (150)	\$ (79)
Unallocated research and development expenses	(216)	(210)
Unallocated selling, general and administrative expenses	(127)	(150)
Unallocated other expense, net	(6)	(69)
Unallocated interest expense	(70)	—
Unallocated investment income, net	114	231
Nonreportable segments	(124)	(148)
Intersegment eliminations	1	(1)
	<u>\$ (578)</u>	<u>\$ (426)</u>

Unallocated other expense for the three months ended December 27, 2015 was comprised of net restructuring and restructuring-related charges related to the Company's Strategic Realignment Plan (Note 9). Unallocated other expense for the three months ended December 28, 2014 was comprised of a goodwill impairment charge related to the Company's business that provides push-to-talk enablement services to wireless operators (Note 2).

Unallocated acquisition-related expenses were comprised as follows (in millions):

	Three Months Ended	
	December 27, 2015	December 28, 2014
Cost of equipment and services revenues	\$ 140	\$ 67
Research and development expenses	3	4
Selling, general and administrative expenses	29	12

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**Note 8. Acquisitions**

During the three months ended December 27, 2015, the Company acquired three businesses for total cash consideration of \$407 million, net of cash acquired. Technology-based intangible assets recognized in the amount of \$248 million are being amortized on a straight-line basis over a weighted-average useful life of five years. The Company recognized \$172 million in goodwill related to these transactions, all of which was assigned to the Company's QCT segment and of which \$23 million is expected to be deductible for tax purposes.

**Note 9. Strategic Realignment Plan**

On July 22, 2015, the Company announced a Strategic Realignment Plan designed to improve execution, enhance financial performance and drive profitable growth as the Company works to create sustainable long-term value for stockholders. As part of this, among other actions, the Company is implementing a cost reduction plan, which includes a series of targeted reductions across the Company's businesses, particularly in QCT, and a reduction to its annual share-based compensation grants. The Company expects these cost reduction initiatives to be substantially implemented by the end of fiscal 2016. During the three months ended December 27, 2015, the Company recorded restructuring charges of \$51 million, including consulting costs of \$25 million and severance costs of \$23 million, restructuring-related charges of \$3 million and a \$48 million gain on the sale of the Company's business that provided augmented reality applications, since such sale was executed in connection with the Strategic Realignment Plan, and all of which were included in other income (Note 2) in reconciling items (Note 7). Restructuring activities were initiated in the fourth quarter of fiscal 2015, and a total of \$196 million in net restructuring and restructuring-related charges were incurred through the first quarter of fiscal 2016. In connection with this plan, the Company expects to incur additional restructuring and restructuring-related charges of approximately \$100 million to \$200 million, which primarily consist of severance and consulting costs. The remaining costs are expected to be incurred in fiscal 2016 and fiscal 2017, and the majority are expected to be settled in cash.

The restructuring accrual, a portion of which is included in payroll and other benefits related liabilities with the remainder included in other current liabilities, is expected to be substantially paid within the next 12 months. Changes in the restructuring accrual during the three months ended December 27, 2015 were as follows (in millions):

	<u>Severance Costs</u>	<u>Other Costs</u>	<u>Total</u>
Beginning balance of restructuring accrual	\$ 122	\$ 31	\$ 153
Additional costs	27	28	55
Cash payments	(15)	(44)	(59)
Adjustments	(4)	—	(4)
Ending balance of restructuring accrual	<u>\$ 130</u>	<u>\$ 15</u>	<u>\$ 145</u>

**Note 10. Fair Value Measurements**

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at December 27, 2015 (in millions):

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	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ 2,364	\$ 3,847	\$ —	\$ 6,211
Marketable securities				
U.S. Treasury securities and government-related securities	89	914	—	1,003
Corporate bonds and notes	—	15,810	—	15,810
Mortgage- and asset-backed and auction rate securities	—	1,743	174	1,917
Equity and preferred securities and equity funds	1,119	376	—	1,495
Debt funds	—	3,453	—	3,453
Total marketable securities	1,208	22,296	174	23,678
Derivative instruments	—	18	—	18
Other investments	306	—	—	306
Total assets measured at fair value	\$ 3,878	\$ 26,161	\$ 174	\$ 30,213
<b>Liabilities</b>				
Derivative instruments	\$ —	\$ 6	\$ —	\$ 6
Other liabilities	306	—	—	306
Total liabilities measured at fair value	\$ 306	\$ 6	\$ —	\$ 312

**Activity between Levels of the Fair Value Hierarchy.** There were no significant transfers between Level 1 and Level 2 during the three months ended December 27, 2015 and December 28, 2014. 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 mortgage- and asset-backed and auction rate securities classified within Level 3 of the valuation hierarchy (in millions):

	Three Months Ended	
	December 27, 2015	December 28, 2014
Beginning balance of Level 3	\$ 224	\$ 269
Total realized and unrealized gains or losses:		
Included in other comprehensive income (loss)	(1)	—
Purchases	—	29
Sales	(1)	(24)
Settlements	(36)	(44)
Transfers out of Level 3	(12)	—
Ending balance of Level 3	\$ 174	\$ 230

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 out of Level 3 during the three months ended December 27, 2015 primarily consisted of debt securities with significant upgrades in credit ratings or for which there were observable inputs. There were no transfers into or out of Level 3 during the three months ended December 28, 2014.

**Nonrecurring Fair Value Measurements.** The Company measures certain assets at fair value on a nonrecurring basis. These assets include cost and equity method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange, and property, plant and equipment and intangible assets that are written down to fair value when they are held for sale or determined to be impaired. During the three months ended December 28, 2014, the Company updated the business plans and related internal forecasts related to one of the Company's businesses, resulting in an impairment charge to write down goodwill (Note 2). The Company determined the fair value using an income approach. The estimation of fair value and cash flows used in the fair value measurement required the use of significant unobservable inputs, and as a result, the fair value measurement was classified as Level 3. During the

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three months ended December 27, 2015 and December 28, 2014, the Company did not have any other significant assets or liabilities that were measured at fair value on a nonrecurring basis in periods subsequent to initial recognition.

**Note 11. Marketable Securities**

Marketable securities were comprised as follows (in millions):

	Current		Noncurrent	
	December 27, 2015	September 27, 2015	December 27, 2015	September 27, 2015
Trading:				
U.S. Treasury securities and government-related securities	\$ —	\$ —	\$ 61	\$ 12
Corporate bonds and notes	—	—	300	364
Mortgage- and asset-backed and auction rate securities	—	—	279	242
Total trading	—	—	640	618
Available-for-sale:				
U.S. Treasury securities and government-related securities	160	156	782	691
Corporate bonds and notes	7,942	7,926	7,568	7,112
Mortgage- and asset-backed and auction rate securities	1,339	1,302	299	263
Equity and preferred securities and equity funds	174	377	1,321	1,253
Debt funds	—	—	2,870	2,909
Total available-for-sale	9,615	9,761	12,840	12,228
Fair value option:				
Debt fund	—	—	583	780
Total marketable securities	\$ 9,615	\$ 9,761	\$ 14,063	\$ 13,626

The Company holds an investment in a debt fund for which the Company elected the fair value option because the Company is able to redeem its shares at net asset value, which is determined daily. The investment would have otherwise been recorded using the equity method. The debt fund has no single maturity date. At December 27, 2015, the Company had an effective ownership interest in the debt fund of 22%. Changes in fair value associated with this investment are recognized in net investment income. During the three months ended December 27, 2015 and December 28, 2014, the changes in fair value associated with this investment were negligible.

The Company classifies certain portfolios of debt securities that utilize derivative instruments to acquire or reduce foreign exchange, interest rate and/or equity, prepayment and credit risks as trading. Net losses recognized on debt securities classified as trading held at December 27, 2015 and December 28, 2014 were negligible and \$12 million during the three months ended December 27, 2015 and December 28, 2014, respectively.

At December 27, 2015, 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			
\$ 3,142	\$ 10,947	\$ 1,721	\$ 643	\$ 4,507	\$ 20,960	

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

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**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>			
December 27, 2015	\$ 50	\$ (12)	\$ 38
December 28, 2014	180	(8)	172

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

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<b>December 27, 2015</b>				
Equity securities	\$ 1,266	\$ 251	\$ (22)	\$ 1,495
Debt securities (including debt funds)	21,234	132	(406)	20,960
	<u>\$ 22,500</u>	<u>\$ 383</u>	<u>\$ (428)</u>	<u>\$ 22,455</u>
<b>September 27, 2015</b>				
Equity securities	\$ 1,394	\$ 264	\$ (28)	\$ 1,630
Debt securities (including debt funds)	20,459	185	(285)	20,359
	<u>\$ 21,853</u>	<u>\$ 449</u>	<u>\$ (313)</u>	<u>\$ 21,989</u>

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

	<b>December 27, 2015</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>
U.S. Treasury securities and government-related securities	\$ 808	\$ (12)	\$ 20	\$ (2)
Corporate bonds and notes	10,466	(132)	956	(108)
Mortgage- and asset-backed and auction rate securities	1,220	(7)	164	(1)
Equity and preferred securities and equity funds	360	(22)	2	—
Debt funds	1,923	(138)	79	(6)
	<u>\$ 14,777</u>	<u>\$ (311)</u>	<u>\$ 1,221</u>	<u>\$ (117)</u>

	<b>September 27, 2015</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>
U.S. Treasury securities and government-related securities	\$ 304	\$ (4)	\$ —	\$ —
Corporate bonds and notes	7,656	(93)	368	(62)
Mortgage- and asset-backed and auction rate securities	862	(3)	108	(1)
Equity and preferred securities and equity funds	392	(28)	17	—
Debt funds	1,792	(117)	124	(5)
	<u>\$ 11,006</u>	<u>\$ (245)</u>	<u>\$ 617</u>	<u>\$ (68)</u>

At December 27, 2015, the Company concluded that the unrealized losses on its available-for-sale securities were temporary. Further, for common 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 and preferred stock 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.

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The ending balance of the credit loss portion of other-than-temporary impairments on debt securities held by the Company was \$22 million and negligible at December 27, 2015 and December 28, 2014, respectively.

**Note 12. Subsequent Event**

In January 2016, the Company announced that it had reached agreement with TDK Corporation to form a joint venture, under the name RF360 Holdings Singapore Pte. Ltd., to enable delivery of radio frequency front-end (RFFE) modules and RF filters into fully integrated products for mobile devices and Internet of Things (IoT) applications, among others. The joint venture will initially be owned 51% by the Company and 49% by TDK. Certain intellectual property, patents and filter and module design and manufacturing assets will be carved out of existing TDK businesses and be acquired by the joint venture, with certain assets acquired by the Company. The purchase price of the Company's interest in the joint venture and the assets to be transferred to the Company is \$1.2 billion, to be adjusted for working capital, outstanding indebtedness and certain capital expenditures, among other things. Additionally, the Company has the option to acquire (and TDK has an option to sell) TDK's interest in the joint venture for \$1.15 billion 30 months after the closing date. TDK will be entitled to up to a total of \$200 million in payments based on sales of RF filter functions over the three-year period after the closing date, which is a substitute for and in lieu of any right of TDK to receive any profit sharing, distributions, dividends or other payments of any kind or nature. The transaction is subject to receipt of regulatory approvals and other closing conditions and is expected to close by early 2017.

## 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 Part I, Item 1 of this Quarterly Report and with Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended September 27, 2015 contained in our 2015 Annual Report on Form 10-K.

This Quarterly Report (including, but not limited to, this 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 future business, financial condition, results of operations and prospects. Additionally, statements concerning other 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 and/or 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.

### Recent Developments

Revenues for the first quarter of fiscal 2016 were \$5.8 billion, a decrease of 19% compared to the year ago quarter, with net income attributable to Qualcomm of \$1.5 billion, a decrease of 24% compared to the year ago quarter.

- We shipped approximately 242 million Mobile Station Modem (MSM) integrated circuits for CDMA- and OFDMA-based wireless devices, a decrease of 10%, compared to approximately 270 million MSM integrated circuits in the year ago quarter. The decline in MSM shipments contributed in part to a 22% decrease in QCT's revenues as compared to the year ago quarter as QCT continued to be negatively impacted by the effects of a shift in share among our customers within the premium tier, a decline in share at a large customer and the competitive environment in China.
- Total reported device sales were approximately \$60.6 billion, an increase of approximately 7%, compared to approximately \$56.4 billion in the year ago quarter.<sup>(1)</sup> However, despite the increase in total reported device sales, QTL's revenues decreased by 12% compared to the year ago quarter primarily attributable to the deferral of revenue due to an arbitration with LG Electronics, Inc., the effect of underreported royalties by licensees and a decrease in revenues per reported unit.
- We recorded a gain of \$380 million in other income upon the completion of the sale of our wireless spectrum in the United Kingdom.

Against this backdrop, the following recent developments occurred during the first quarter of fiscal 2016 with respect to key elements of our industry:

- Worldwide cellular connections grew sequentially by approximately 1% to reach approximately 7.3 billion.<sup>(2)</sup>
- Worldwide 3G/4G connections (CDMA-based, OFDMA-based and CDMA/OFDMA multimode) grew sequentially by approximately 4% to approximately 3.5 billion, which was approximately 48% of total cellular connections.<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, including transportation, insurance, packing costs and other items, 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. In addition, certain licensees may not report (in the quarter in which they are contractually obligated to report) their sales of certain types of subscriber units, which (as a result of audits, legal actions or for other reasons) may be reported in a subsequent quarter. Accordingly, 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 GSMA Intelligence estimates as of January 25, 2016 for the quarter ended December 31, 2015.

## **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 and licensing our intellectual property, including patents, software and other rights.

We have three reportable segments. We conduct business primarily through two reportable segments: QCT (Qualcomm CDMA Technologies) and QTL (Qualcomm Technology Licensing), and our QSI (Qualcomm Strategic Initiatives) reportable segment makes strategic investments. Our reportable segments are operated by QUALCOMM Incorporated and its direct and indirect subsidiaries. Substantially all of our products and services businesses, including QCT, and substantially all of our engineering, research and development functions, are operated by Qualcomm Technologies, Inc. (QTI), a wholly-owned subsidiary of QUALCOMM Incorporated, and QTI's subsidiaries. QTL is operated by QUALCOMM Incorporated, which owns the vast majority of our patent portfolio. 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 are sold and its system software is 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, infrastructure equipment, headsets, sound systems and automobiles and in wired devices, particularly broadband gateway equipment, desktop computers and streaming media players. Our MSM integrated circuits, which include the Mobile Data Modem, Qualcomm Single Chip and Qualcomm Snapdragon processors and LTE modems, 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 71% and 74% of total consolidated revenues in the first quarter of fiscal 2016 and 2015, respectively.

QCT utilizes a fabless production model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. Integrated circuits are die cut from silicon wafers that have completed the package assembly and 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 die in singular or wafer form from semiconductor manufacturing foundries and contract with separate third-party suppliers for manufacturing services, such as wafer bump, probe, assembly and final test.

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 and/or LTE standards and their derivatives. QTL licensing revenues include license fees and 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 complete licensed products, net of certain permissible deductions (including transportation, insurance, packing costs and other items). QTL recognizes royalty revenues based on royalties reported by licensees 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 28% and 26% of total consolidated revenues in the first quarter of fiscal 2016 and 2015, respectively. The vast majority of such revenues were generated through our licensees' sales of CDMA2000- and WCDMA-based products, such as feature phones and smartphones.

QSI makes strategic investments that are focused on opening new or expanding opportunities for our technologies and supporting the design and introduction of new products and services (or enhancing existing products or services) for voice

and data communications. Many of these strategic investments are in early-stage companies in a variety of industries, including, but not limited to, digital media, e-commerce, healthcare and wearable devices. Investments primarily include non-marketable equity instruments, which generally are recorded using the cost method or the equity method, and convertible debt instruments, which are recorded at fair value. QSI also held wireless spectrum, which was sold in October 2015 for a gain of approximately \$380 million. In addition, QSI segment results include revenues and related costs associated with development contracts with one of our equity method investees. As part of our strategic investment activities, we intend to pursue various exit strategies for each of our QSI investments in the foreseeable future.

Nonreportable segments include our small cells, data center and other wireless technology and service initiatives.

**Seasonality.** Many of our products or intellectual property are incorporated into consumer wireless devices, which are subject to seasonality and other fluctuations in demand. As a result, QCT has tended historically to have stronger sales toward the end of the calendar year as manufacturers prepare for major holiday selling seasons; and because QTL recognizes royalty revenues when royalties are reported by licensees, QTL has tended to record higher royalty revenues in the first calendar quarter when licensees report their sales made during the fourth calendar quarter. We have also experienced fluctuations in revenues due to the timing of conversions and expansions of 3G and 3G/4G networks by wireless operators and the timing of launches of flagship wireless devices that incorporate our products and/or intellectual property. These trends may or may not continue in the future.

## Looking Forward

We expect continued growth in the coming years in consumer demand for 3G, 3G/4G multimode and 4G products and services around the world, driven primarily by smartphones. We also expect growth in new device categories and industries, driven by the expanding adoption of certain technologies that are already commonly used in smartphones. As we look forward to the next several months, we expect our business to be impacted by the following key items:

- China continues to present significant opportunities for us, particularly with the rollout of 3G/4G LTE multimode. We expect the rollout of 4G services in China will encourage competition and growth, bring the benefits of 3G/4G LTE multimode to consumers, encourage consumers to replace 2G (GSM) and 3G devices and enable new opportunities beyond mobile applications (e.g., machine-to-machine).
- We expect that the increased availability of low-tier 3G/4G smartphone products will help enable further expansion of 3G and 3G/4G multimode in emerging regions, particularly in China.
- In February 2015, we reached a resolution with the China National Development and Reform Commission (NDRC) regarding its investigation and agreed to implement a rectification plan that modifies certain of our business practices in China. The rectification plan provides, among other things, that for licenses of only our 3G and 4G essential Chinese patents for branded devices sold for use in China starting on January 1, 2015 (and reported to us starting in the third quarter of fiscal 2015), we will charge running royalties at royalty rates of 5% for 3G CDMA or WCDMA devices (including multimode 3G/4G devices) and 3.5% for 4G devices that do not implement CDMA or WCDMA (including 3-mode LTE-TDD devices), in each case using a royalty base of 65% of the net selling price.
- Despite the resolution of the NDRC investigation, China continues to present significant challenges for us. We continue to believe that certain licensees are not fully complying with their contractual obligations to report their sales of licensed products to us (which includes 3G/4G units that we believe are not being reported by certain licensees), and certain companies, including unlicensed companies, are delaying execution of new license agreements. While we have reached agreements with many licensees, negotiations with certain other licensees and unlicensed companies are ongoing. We believe that the conclusion of new agreements with these licensees will result in improved reporting by these licensees, including with respect to sales of three-mode devices (i.e., devices that implement GSM, TD-SCDMA and LTE-TDD) sold in China. However, litigation and/or other actions may be necessary to compel licensees to report and pay the required royalties for sales they have not previously reported and to compel unlicensed companies to execute new licenses.
- Regulatory authorities in other countries continue to investigate our business practices as well, particularly with respect to our licensing business. In addition, LG Electronics, Inc. has commenced an arbitration over certain terms of its license agreement.
- Our business, particularly our semiconductor business, QCT, continues to be impacted by current industry dynamics, including: concentration of device share among companies within the premium tier, which will continue to negatively impact sales of our integrated Snapdragon processors and skew our product mix towards lower-margin modem chipsets in this tier; and intense competition, particularly in China.

- We continue to invest significant resources toward advancements in 3G, 3G/4G multimode and 4G LTE technologies, OFDM-based WLAN technologies, audio and video codecs, wireless baseband chips, our converged computing/communications (Snapdragon) chips, graphics, connectivity, multimedia products, software and services. We are also investing in targeted opportunities that utilize our existing technical and business expertise to deploy new business models and enter into new industry segments, such as products for the connected home and the Internet of Things; automotive; networking; mobile computing; small cells and addressing the challenge of meeting the increased demand for data; very high speed connectivity; data centers; mobile health; wireless charging; and machine learning, including robotics.
- We expect that 3G/4G device prices will continue to vary broadly due to the increased penetration of smartphones combined with competition throughout the world at all price tiers. Additionally, varying rates of economic growth by region and stronger growth of device shipments in emerging regions as compared to developed regions, are expected to continue to impact the average and range of selling prices of 3G/4G devices.
- In the fourth quarter of fiscal 2015, we announced a Strategic Realignment Plan designed to improve execution, enhance financial performance and drive profitable growth as we work to create sustainable long-term value for stockholders. As part of this Strategic Realignment Plan, among other actions, we are implementing a cost reduction plan and plan to reduce our annual costs from fiscal 2015 levels (adjusted for variable compensation) of \$7.3 billion (as announced on July 22, 2015) by approximately \$1.1 billion through a series of targeted reductions across Qualcomm's businesses, particularly in QCT. We are also planning to reduce annual share-based compensation grants by approximately \$300 million. We expect these cost reduction initiatives to be substantially implemented by the end of fiscal 2016. Restructuring activities were initiated in the fourth quarter of fiscal 2015, and a total of \$196 million in net restructuring and restructuring-related charges were incurred through the first quarter of fiscal 2016. We expect to incur additional restructuring and restructuring-related charges of approximately \$100 million to \$200 million.
- In January 2016, we announced that we had reached an agreement with TDK Corporation to form a joint venture, under the name RF360 Holdings Singapore Pte. Ltd., to enable delivery of radio frequency front-end (RFFE) modules and RF filters into fully integrated products for mobile devices and Internet of Things (IoT) applications, among others. The joint venture will initially be owned 51% by us and 49% by TDK. Certain intellectual property, patents and filter and module design and manufacturing assets will be carved out of existing TDK businesses and be acquired by the joint venture, with certain assets acquired by us. The purchase price of our interest in the joint venture and the assets to be transferred to us is \$1.2 billion, to be adjusted for working capital, outstanding indebtedness and certain capital expenditures, among other things. Additionally, we have the option to acquire (and TDK has an option to sell) TDK's interest in the joint venture for \$1.15 billion 30 months after the closing date. TDK will be entitled to up to a total of \$200 million in payments based on sales of RF filter functions over the three-year period after the closing date, which is a substitute for and in lieu of any right of TDK to receive any profit sharing, distributions, dividends or other payments of any kind or nature. The transaction is subject to receipt of regulatory approvals and other closing conditions and is expected to close by early 2017.

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 and governments as to the benefits of our business model and our extensive technology investments 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 and/or governments or regulators will continue to challenge our business model in various forums throughout the world.

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

## Results of Operations

### Revenues (in millions)

	Three Months Ended		
	December 27, 2015	December 28, 2014	Change
Equipment and services	\$ 4,087	\$ 5,216	\$ (1,129)
Licensing	1,688	1,883	(195)
	<u>\$ 5,775</u>	<u>\$ 7,099</u>	<u>\$ (1,324)</u>

The decrease in equipment and services revenues was primarily due to a decrease in QCT revenues of \$1.16 billion. The decrease in licensing revenues was primarily due to a decrease in QTL revenues of \$209 million.

**Costs and Expenses (in millions)**

	Three Months Ended		
	December 27, 2015	December 28, 2014	Change
Cost of equipment and services (E&S) revenues	\$ 2,534	\$ 3,047	\$ (513)
Cost as % of E&S revenues	62%	58%	

The decrease in margin percentage was driven primarily by the effect of \$74 million in additional charges related to the recognition of the step-up of inventories to fair value and amortization of intangible assets during the first quarter of fiscal 2016, primarily related to the acquisition of CSR plc in the fourth quarter of fiscal 2015, and 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		
	December 27, 2015	December 28, 2014	Change
Research and development	\$ 1,352	\$ 1,352	\$ —
% of revenues	23%	19%	
Selling, general, and administrative	\$ 578	\$ 583	\$ (5)
% of revenues	10%	8%	
Other	\$ (374)	\$ 53	\$ (427)

Research and development expenses remained flat in the first quarter of fiscal 2016. Research and development expenses included an increase of \$26 million in costs related to the development of CDMA-based 3G, OFDMA-based 4G LTE and other technologies for integrated circuit and related software products, particularly data center products, and to expand our intellectual property portfolio, which was partially offset by a decrease of \$16 million related to the development costs of display technologies.

The dollar decrease in selling, general and administrative expenses was primarily attributable to decreases of \$15 million in employee-related expenses and \$15 million in share-based compensation expenses, partially offset by an increase of \$17 million in selling and marketing expenses.

Other income in the first quarter of fiscal 2016 was primarily attributable to a \$380 million gain on the sale of wireless spectrum. Other income in the first quarter of fiscal 2016 also included \$54 million in restructuring and restructuring-related charges, partially offset by a \$48 million gain on the sale of our business that provided augmented reality applications, both of which related to our Strategic Realignment Plan.

Other expenses in the first quarter of fiscal 2015 were comprised of a \$69 million goodwill impairment charge related to our business that provides push-to-talk enablement services, partially offset by a \$16 million gain on the sale of certain property, plant and equipment.

**Interest Expense and Net Investment Income (in millions)**

	Three Months Ended		
	December 27, 2015	December 28, 2014	Change
Interest expense	\$ 74	\$ 1	\$ 73
Investment income, net			
Interest and dividend income	\$ 136	\$ 134	\$ 2
Net realized gains on marketable securities	43	156	(113)
Net realized gains on other investments	6	10	(4)
Impairment losses on marketable securities and other investments	(63)	(65)	2
Equity in net losses of investees	(20)	(4)	(16)
Net (losses) gains on derivative instruments	(3)	4	(7)
	<u>\$ 99</u>	<u>\$ 235</u>	<u>\$ (136)</u>

The increase in interest expense was primarily due to the issuance of an aggregate principal amount of \$10.0 billion in floating- and fixed-rate notes in May 2015. The decrease in net realized gains on marketable securities was primarily due to the decreased impact of portfolio rebalancing in the first quarter of fiscal 2016.

**Income Tax Expense (in millions)**

	Three Months Ended		
	December 27, 2015	December 28, 2014	Change
Income tax expense	\$ 214	\$ 327	\$ (113)
Effective tax rate	13%	14%	(1%)

The following table summarizes the primary factors that caused our effective tax rates for the first quarter of fiscal 2016 and 2015 to be less than the United States federal statutory rate:

	Three Months Ended	
	December 27, 2015	December 28, 2014
Expected income tax provision at federal statutory tax rate	35%	35%
Benefits from foreign income taxed at other than U.S. rates	(17%)	(16%)
Benefits related to the research and development tax credit	(6%)	(5%)
Other	1%	—
Effective tax rate	<u>13%</u>	<u>14%</u>

The effective tax rate of 13% for the first quarter of fiscal 2016 was less than the estimated annual effective tax rate of 17% primarily as a result of the retroactive reinstatement of the United States federal research and development tax credit, which was permanently reinstated during the first quarter of fiscal 2016 retroactively to January 1, 2015. As a result of the reinstatement, we recorded a tax benefit of \$79 million in the first quarter of fiscal 2016 related to fiscal 2015. The annual effective tax rate of 19% for fiscal 2015 reflected the United States federal research and development tax credit generated through December 31, 2014, the date on which the credit previously expired. Unrecognized tax benefits were \$113 million and \$40 million at December 27, 2015 and September 27, 2015, respectively. Certain of our existing tax positions are expected to continue to generate an increase in unrecognized tax benefits through fiscal 2016.

**Segment Results**

The following should be read in conjunction with the first quarter financial results of fiscal 2016 for each reportable segment included in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 7. Segment Information.”

(in millions)

	QCT	QTL	QSI
<b>Three Months Ended December 27, 2015</b>			
Revenues	\$ 4,096	\$ 1,607	\$ 9
EBT <sup>(1)</sup>	590	1,339	359
EBT as a % of revenues	14%	83%	
<b>Three Months Ended December 28, 2014</b>			
Revenues	\$ 5,242	\$ 1,816	\$ —
EBT <sup>(1)</sup>	1,146	1,579	(1)
EBT as a % of revenues	22%	87%	

(1) Earnings (loss) before taxes.

**QCT Segment.** QCT results of operations in the first quarter of fiscal 2016 continued to be negatively impacted by the effects of a shift in share among our customers within the premium tier, which reduced our sales of integrated Snapdragon processors and skewed our product mix towards lower-margin modem chipsets in this tier, a decline in share at a large customer and the competitive environment in China. The decrease in QCT revenues of \$1.15 billion was primarily due to a decrease in equipment and services revenues. Equipment and services revenues, mostly related to sales of MSM and accompanying Radio Frequency (RF) and Power Management (PM) integrated circuits, were \$4.02 billion and \$5.19 billion in the first quarter of fiscal 2016 and 2015, respectively. The decrease in equipment and services revenues resulted primarily from decreases of \$848 million from lower average selling prices and lower-priced product mix and \$453 million related to lower MSM and accompanying RF and PM unit shipments, partially offset by a \$152 million net increase in revenues related to other products (primarily resulting from the acquisition of CSR in the fourth quarter of fiscal 2015). Approximately 242 million and 270 million MSM integrated circuits were sold during the first quarter of fiscal 2016 and 2015, respectively.

QCT EBT as a percentage of revenues decreased primarily due to the impact of lower revenues relative to operating expenses and a decrease in gross margin percentage. The decrease in QCT gross margin percentage primarily resulted from lower average selling prices and lower-margin product mix, partially offset by lower average unit costs and lower excess inventory charges.

**QTL Segment.** The decrease in QTL revenues of \$209 million was primarily attributable to the deferral of revenue due to an arbitration with LG Electronics, Inc., the effect of underreported royalties by licensees and a decrease in revenues per reported unit, partially offset by an increase in sales of CDMA-based products, including multimode products that also implement OFDMA, reported by licensees. QTL revenues and EBT for the first quarter of fiscal 2016 were impacted negatively by units that we believe are not being reported by certain licensees and sales of certain unlicensed products. While we have reached agreements with many licensees, negotiations with certain other licensees and unlicensed companies are ongoing, and litigation may become necessary if negotiations fail to resolve the relevant issues.

**QSI Segment.** The increase in QSI EBT was primarily due to a \$380 million gain on the sale of wireless spectrum in the first quarter of fiscal 2016, partially offset by increases of \$16 million in equity in losses of investees and \$10 million in impairment losses on investments. The sale of the wireless spectrum included \$275 million in deferred payments due in 2020 to 2023, which were recorded at their present values in other assets.

#### Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash, cash equivalents and marketable securities, cash generated from operations, cash provided by our debt programs and proceeds from the issuance of common stock under our stock option and employee stock purchase plans. The following tables present selected financial information related to our liquidity as of December 27, 2015 and September 27, 2015 and for the first quarter of fiscal 2016 and 2015 (in millions):

	December 27, 2015	September 27, 2015	\$ Change	% Change
Cash, cash equivalents and marketable securities	\$ 30,591	\$ 30,947	\$ (356)	(1%)
Accounts receivable, net	1,323	1,964	(641)	(33%)
Inventories	1,216	1,492	(276)	(18%)
Short-term debt	1,000	1,000	—	—%
Long-term debt	9,950	9,969	(19)	—%

	Three Months Ended		\$ Change	% Change
	December 27, 2015	December 28, 2014		
Net cash provided by operating activities	\$ 2,739	\$ 2,364	\$ 375	16%
Net cash used by investing activities	(716)	(1,736)	1,020	(59%)
Net cash used by financing activities	(2,665)	(2,203)	(462)	21%

The net decrease in cash, cash equivalents and marketable securities was primarily the result of \$2.05 billion in payments to repurchase shares of our common stock, partially offset by net cash provided by operating activities. Total cash provided by operating activities increased primarily due to changes in working capital related to accounts receivable and inventories, partially offset by a reduction in net income of \$475 million. Our days sales outstanding, on a consolidated basis, decreased to 21 days at December 27, 2015 compared to 33 days at September 27, 2015. The decreases in accounts receivable and the related days sales outstanding were primarily due to the timing of integrated circuit shipments and the collection of payments from certain of our licensees. The decrease in inventories was primarily due to a decrease in QCT work-in-process and finished goods related to lower units on hand to align with near-term demand and recognition of the step-up in the fair value of the acquired inventories from the CSR acquisition.

We classify certain of our marketable securities as short-term based on their nature and our plan to make them available, if needed, for use in our current operations. While we do not anticipate using our non-current marketable securities in operations in the foreseeable future, the securities could be liquidated within a short period of time if required. Our cash, cash equivalents and marketable securities at December 27, 2015 consisted of \$2.7 billion held by United States-based entities and \$27.9 billion held by foreign entities. Most of our cash, cash equivalents and marketable securities held by foreign entities are indefinitely reinvested and would be subject to material tax effects if repatriated. However, we believe that our United States sources of cash and liquidity are sufficient to meet our business needs in the United States and do not expect that we will need to repatriate funds held by foreign entities.

We believe our current cash, cash equivalents and marketable securities, our expected cash flow generated from operations and our expected financing activities will satisfy our working and other capital requirements for at least the next 12 months based on our current business plans. Recent and expected working and other capital requirements also include the items described below.

- We expect the majority of the charges incurred in connection with our Strategic Realignment Plan will result in cash payment. Our restructuring accrual was \$145 million at December 27, 2015, and we expect to incur additional restructuring and restructuring-related charges of approximately \$100 million to \$200 million.
- Our purchase obligations at December 27, 2015, some of which relate to research and development activities and capital expenditures, totaled \$3.2 billion and \$891 million for fiscal 2016 and 2017, respectively, and \$1.7 billion thereafter.
- Our research and development expenditures were \$1.4 billion during the first quarter of fiscal 2016 and \$5.5 billion in fiscal 2015, 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 \$128 million during the first quarter of fiscal 2016 and \$994 million during fiscal 2015. We expect to continue to incur capital expenditures in the future to support our business, including research and development activities. Future capital expenditures may be impacted by transactions that are currently not forecasted.
- In January 2016, we announced that we had reached agreement with TDK Corporation to form a joint venture, under the name RF360 Holdings Singapore Pte. Ltd. The joint venture will initially be owned 51% by us and 49% by TDK. The purchase price due upon close of the transaction is \$1.2 billion, to be adjusted for working capital, outstanding indebtedness and certain capital expenditures, among other things. Additionally, we have the option to acquire (and TDK has an option to sell) TDK's interest in the joint venture for \$1.15 billion 30 months after the closing date. We expect to use existing cash resources to fund the acquisition. TDK will be entitled to up to a total of \$200 million in payments based on sales of RF filter functions over the three-year period after the closing date. The transaction is subject to regulatory approvals and other closing conditions and is expected to close by early 2017.
- 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 businesses.

**Debt.** We have a Revolving Credit Facility that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$4.0 billion, expiring in February 2020. At December 27, 2015, no amounts were outstanding under the Revolving Credit Facility.

We have an unsecured commercial paper program, which provides for the issuance of up to \$4.0 billion of commercial paper. Net proceeds from this program are used for general corporate purposes. At December 27, 2015, we had \$1.0 billion of commercial paper outstanding with weighted-average net interest rates of 0.25% and weighted-average remaining days to maturity of 30 days.

We have issued unsecured floating- and fixed-rate notes in an aggregate principal amount of \$10.0 billion, with maturity dates in 2018 through 2045 and effective interest rates between 0.70% and 4.74%. Interest is payable in arrears quarterly for the floating-rate notes and semi-annually for the fixed-rate notes. We may issue additional debt in the future. The amount and timing of additional borrowings will be subject to a number of factors, including the cash flow generated by United States-based entities, acquisitions and strategic investments, acceptable interest rates and changes in corporate income tax law, among other factors.

Additional information regarding our outstanding debt at December 27, 2015 is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 5. Debt.”

**Capital Return Program.** During the first quarter of fiscal 2016, we repurchased and retired 36,606,000 shares of our common stock for \$2.05 billion, before commissions. We intend to return a minimum of 75% of our free cash flow to stockholders through stock repurchases and dividends over the foreseeable future, where free cash flow is defined as net cash provided by operating activities less capital expenditures. On March 9, 2015, we announced that we had been authorized to repurchase up to \$15 billion of our common stock. Additionally, we announced our intention to repurchase \$10 billion of stock from March 2015 through March 2016, which we completed during the first quarter of fiscal 2016. At December 27, 2015, \$4.9 billion remained authorized for repurchase under our stock repurchase program. To meet our goal, we expect to use existing cash and marketable securities held by, and cash flow generated from, United States-based entities and borrowings. We periodically evaluate repurchases as a means of returning capital to stockholders to determine when and if repurchases are in the best interests of our stockholders.

We paid cash dividends totaling \$717 million, or \$0.48 per share, on December 18, 2015. On January 12, 2016, we announced a cash dividend of \$0.48 per share on our common stock, payable on March 23, 2016 to stockholders of record as of the close of business on March 2, 2016. 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.

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

We have no significant contractual obligations not fully recorded on our consolidated balance sheets or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined in Regulation S-K 303(a)(4)(ii).

Additional information regarding our financial commitments at December 27, 2015 is provided in this Quarterly Report in “Notes to Condensed Consolidated Financial Statements, Note 3. Income Taxes,” “Note 5. Debt” and “Note 6. Commitments and Contingencies.”

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers,” which outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new standard requires a company to recognize revenue upon transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. ASU 2014-09 defines a five-step approach for recognizing revenue, which may require a company to use more judgment and make more estimates than under the current guidance. The new standard will be effective for us starting in the first quarter of fiscal 2019. The FASB will permit entities to adopt one year earlier if they choose. The new standard allows for two methods of adoption: (a) full retrospective adoption, meaning the standard is applied to all periods presented or (b) modified retrospective adoption, meaning the cumulative effect of applying the new standard is recognized as an adjustment to the opening retained earnings balance. We do not intend to adopt the standard early and are in the process of determining the adoption method as well as the effects the adoption will have on our consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes,” which requires all deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The new accounting

guidance is effective for annual reporting periods beginning after December 15, 2016 and interim periods therein. Early adoption is permitted as of the beginning of interim or annual reporting periods. We plan to adopt the standard prospectively in the second quarter of fiscal 2016.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities," which requires that (i) all equity investments, other than equity-method investments, in unconsolidated entities generally be measured at fair value through earnings and (ii) when the fair value option has been elected for financial liabilities, changes in fair value due to instrument-specific credit risk will be recognized separately in other comprehensive income. Additionally, the ASU changes the disclosure requirements for financial instruments. The new standard will be effective for us starting in the first quarter of fiscal 2019. Early adoption is permitted for certain provisions. We are in the process of determining the effects the adoption will have on our consolidated financial statements as well as whether to adopt certain provisions early.

## **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 these risks 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 27, 2015, including our financial statements and the related notes.

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

***Our revenues depend on commercial network deployments, expansions and upgrades of CDMA, OFDMA and other communications technologies, our customers' and licensees' sales of products and services based on these technologies and our ability to drive our customers' demand for our products and services.***

We develop, patent and commercialize technology and products based on CDMA, OFDMA and other communications technologies, which are primarily wireless. We depend on our customers, our licensees and operators of wireless networks to use these technologies in their adoption of our products and services into their devices and networks and on the timing of their deployments of new products and services. We also depend on our customers and licensees to develop products and services with value-added features to drive consumer demand for new 3G, 3G/4G multimode and 4G devices, as well as the selling prices for such devices. Further, our rate of revenue growth depends on third parties incorporating our technology, products and/or services into new device types used in industries beyond traditional cellular communications, such as automotive, connected home and wearable uses. Our revenues and/or growth in revenues could be negatively impacted, our business may be harmed and our substantial investments in these technologies may not provide us an adequate return, if:

- wireless operators and industries beyond traditional cellular communications deploy alternative technologies;
- wireless operators delay 3G and 3G/4G multimode network 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 technology, is not more widely deployed or further commercial deployment is delayed;
- government regulators delay making sufficient spectrum available for 3G and/or 3G/4G networks, thereby restricting the expansion of 3G/4G wireless connectivity to keep pace with consumer demand;
- wireless operators are unable to drive improvements in 3G or 3G/4G multimode network performance and/or capacity;
- our customers' and licensees' revenues and sales of products, particularly premium-tier products, and services using these technologies do not grow or do not grow as quickly as anticipated due to, for example, the maturity of smartphone penetration in developed regions (where premium-tier products are common) or a reduction in the rate of device replacements by consumers; and/or
- we are unable to drive the adoption of our products and services into networks and devices based on CDMA, OFDMA and other communications technologies.

***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/or those of our customers and/or licensees and/or result in placing new specifications or requirements on our products, each of which could negatively affect our revenues and operating results.***

Our products, services and technologies face significant competition, and the revenues we generate and/or the timing of such revenues, which depend on deployments and/or actions by others, may not meet expectations. We expect competition to increase as our current competitors expand their product offerings or reduce the prices of their products as part of a strategy to attract new business and/or customers, and as new opportunities develop, any of which would put continued pressure on the pricing of our products and services. Competition in wireless communications is affected by various factors that include, among others: device manufacturer concentrations; growth in emerging geographic regions; government intervention; evolving industry standards and business models; evolving methods of transmission of voice and data communications; increasing data traffic and densification of wireless networks; convergence and aggregation of connectivity technologies (including Wi-Fi and LTE) in both devices and access points; consolidation of wireless technologies and infrastructure at the network edge; networking and connectivity trends (including cloud services); the evolving nature of computing (including demand for always on, always connected capabilities); the speed of technological change (including the transition to smaller geometry process technologies); value-added features that drive selling prices as well as consumer demand for new 3G, 3G/4G multimode and 4G devices; turnkey, integrated products that incorporate hardware, software, user interface, applications and reference designs; rapid growth in mobile data consumption; scalability; and the ability of the system technology to meet customers' immediate and future network requirements. 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 certain segments of the industry. Additionally, the semiconductor industry has experienced and may continue to experience consolidation, which could result in significant changes to the competitive landscape.

We expect that our future success will depend on, among other factors, our ability to:

- differentiate our integrated circuit products with innovative technologies across multiple products and features (e.g., modem, radio frequency front end, central, graphics and/or other processors, camera and connectivity) and with smaller geometry process technologies that drive performance;
- develop and offer integrated circuit products at competitive cost and price points to effectively cover both emerging and developed geographic regions and all device tiers;
- continue to drive the adoption of our integrated circuit products into the most popular device models and across a broad spectrum of devices, such as smartphones, tablets, automobiles, wearable and other connected devices and infrastructure products;
- maintain and/or accelerate demand for our integrated circuit products at the premium device tier, while increasing the adoption of our products in mid- and low-tier devices and in the turnkey product channel, in part by strengthening our integrated circuit product roadmap for, and developing channel relationships in, emerging geographic regions, such as China and India, and by providing turnkey products, which incorporate our integrated circuits, for low- and mid-tier smartphones and tablets;
- continue to be a leader in 4G technology evolution, including expansion of our LTE-based single mode licensing program, and continue to innovate and introduce 4G turnkey, integrated products and services that differentiate us from our competition;
- be a leader serving original equipment manufacturers, high level operating systems (HLOS) providers, operators and other industry participants as competitors, new industry entrants and other factors continue to affect the industry landscape;
- be a preferred partner (and sustain preferred relationships) providing integrated circuit products that support multiple operating system and infrastructure platforms to industry participants that effectively commercialize new devices using these platforms;
- increase and/or accelerate demand for our wired and wireless connectivity products, including networking products for consumers, carriers and enterprise equipment and connected devices;
- identify potential acquisition targets that will grow or sustain our business or address strategic needs, reach agreement on terms acceptable to us and effectively integrate these new businesses and/or technologies;
- create stand-alone value and/or contribute to the success of our existing businesses through acquisitions and other transactions (and/or by developing customer, licensee and/or vendor relationships) in new industry segments and/or disruptive technologies, products and/or services (such as products for the connected home and the Internet of Things, automotive, networking, mobile computing, mobile health, machine learning, including robotics, and wireless charging, among others);

- become a leading supplier of radio frequency front end products, which are designed to address cellular radio frequency band fragmentation while improving radio frequency performance and assist original equipment manufacturers in developing multiband, multimode mobile devices; and/or
- continue to develop brand recognition to effectively compete against better known companies in mobile computing and other consumer driven segments and to deepen our presence in significant emerging geographic regions.

Competition in any or all product tiers, customer concentration and/or growth in sales of mid- and low-tier products, particularly relative to premium-tier products, may reduce average selling prices for our chipset products and/or the products of our customers and licensees. Certain of these dynamics are particularly pronounced in emerging geographic regions (e.g., China). Reductions in the average selling prices of our chipset products, without a corresponding increase in volumes, would negatively impact our revenues, and without corresponding decreases in average unit costs, would negatively impact our margins. In addition, reductions in the average selling prices of our licensees' products, unless offset by an increase in volumes, would generally decrease total royalties payable to us, negatively impacting our licensing revenues.

Companies that promote standards that are neither CDMA- nor OFDMA-based (e.g., GSM) as well as companies that design integrated circuits based on CDMA, OFDMA, Wi-Fi or their derivatives are generally competitors or potential competitors. Examples (some of which are strategic partners of ours in other areas) include Airoha Technology Corp., Avago Technologies Ltd., Broadcom, Ericsson, HiSilicon Technologies, Intel, Leadcore Technology Co., Ltd., Marvell Technology, Maxim Integrated Products, MediaTek, Microchip Technology Inc., Nvidia, Qorvo Inc., Realtek Semiconductor, Samsung Electronics, Skyworks Solutions Inc. and Spreadtrum Communications (which is controlled by Tsinghua Unigroup). Some of these current and potential competitors may have advantages over us that include, among others: lower cost structures; motivation by our customers in certain circumstances to utilize their own internally-developed integrated circuit products or to find alternate suppliers or choose alternative technologies; foreign government support of other technologies or competitors; better known brand names; ownership and control of manufacturing facilities and greater expertise in manufacturing processes; more extensive relationships with local distribution companies and original equipment manufacturers in emerging geographic regions (such as China); and/or a more established presence in certain regions.

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. 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 employ 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.

***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 fluctuates, our operating results could be negatively affected.***

Our QCT segment derives a significant portion of revenues from a small number of customers, and we expect this trend to continue in the foreseeable future. Our industry is experiencing and may continue to experience an increasing concentration of device share among a few companies, particularly at the premium tier, contributing to this trend. In addition, certain of our largest integrated circuit customers develop their own integrated circuit products, which they have in the past chosen, and may in the future choose, to utilize in their devices rather than our integrated circuit products (and/or sell their integrated circuit products to third parties in competition with us). The loss of any one of our significant customers, a reduction in the purchases of our products by such customers (due to the use of their own integrated circuit products or otherwise) or cancellation of significant purchases from any of these customers would reduce our revenues and could harm our ability to achieve or sustain expected operating results, and a delay of significant purchases, even if only temporary, would reduce our revenues in the period of the delay. 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 the volume of purchases of our products, could have an adverse effect on our revenues and

margins. 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, if current industry dynamics and concentrations continue, our QCT segment's revenues will continue to depend largely upon, and be impacted by, future purchases and the timing and size of any such future purchases by these significant customers.

In addition, one of our largest customers purchases our Mobile Data Modem (MDM) products, which do not include our integrated application processor technology. To the extent such customer takes device share from our other customers who purchase our integrated modem and application processor products, which have higher revenue and margin contribution than our MDM products, our revenues and margins may be negatively impacted.

Further, companies that develop HLOS for devices, including leading technology companies, now sell their own devices. If we fail to effectively partner or continue partnering with these companies, or with their partners or 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.

In addition, 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 and/or intellectual property or rulings on certain patent law or patent licensing issues that create new legal precedent, could impact our business, particularly if such action impacts one of our larger customers.

Although we have more than 295 CDMA-based licensees, our QTL segment derives a significant portion of licensing revenues from a limited number of licensees. In the event that one or more of our significant licensees fail to meet their reporting and/or payment requirements or we are unable to renew or modify one or more of such license agreements, our revenues, operating results and cash flows would be adversely impacted. Moreover, the future growth and success of our core licensing business will depend in part on 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 product development, sales efforts or pricing of products by our licensees, and our licensees might not be successful. Reductions in the average selling prices of wireless devices sold by our major licensees, without a sufficient increase in the volumes of such devices sold, would generally have an adverse effect on our licensing revenues.

***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, regulators or agencies, Standards Development Organizations (SDOs) or other industry organizations that harm our business.***

From time to time, companies initiate various strategies to attempt to renegotiate, mitigate and/or eliminate their need to pay royalties to us for the use of our intellectual property. These strategies have included: (i) litigation, often alleging infringement of patents held by such companies, patent misuse, patent exhaustion, patent invalidity and/or unenforceability of our patents and/or licenses, 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; (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; and (vi) licensees using various strategies to attempt to shift their royalty obligation to their suppliers that results in lowering the wholesale (i.e., licensee's) selling price on which the royalty is calculated. In addition, certain licensees have disputed or underreported royalties owed to us under their license agreements with us or reported to us in a manner that is not in compliance with their contractual obligations, and certain companies have yet to enter into or delayed entering into license agreements with us for their use of our intellectual property, and such licensees and/or companies may continue to do so in the future. Further, to the extent such licensees and/or companies increase their device share, the negative impact of their underreporting and/or non-reporting on our business and operating results will be exacerbated.

We are currently subject to various litigation and governmental investigations and/or proceedings, some of which may arise out of the strategies described above. Certain legal matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." The unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition and/or cash flows. Depending on the type of matter, various remedies that could result from an unfavorable resolution include, among others, injunctions, monetary damages or fines or other orders to pay money and the issuance of orders to cease certain conduct and/or modify our business practices.

In addition, in connection with our participation in SDOs, we, like other patent owners, generally have made contractual commitments to such organizations to license those of our patents that would necessarily be infringed by standard-compliant products (standard-essential patents) on terms that are fair, reasonable and nondiscriminatory (FRAND). Some manufacturers and users of standard-compliant products advance interpretations of these FRAND commitments that are adverse to our licensing business, including interpretations that would limit the amount of royalties that we could collect on the licensing of our patent portfolio.

Further, some companies or entities have proposed significant changes to existing intellectual property policies for implementation by SDOs and other industry organizations with the goal of significantly devaluing standard-essential patents. For example, some have put forth proposals which would require a maximum aggregate intellectual property royalty rate for the use of all standard-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 standard-essential patents based upon the number of standard-essential patents held by such company. Others have proposed that injunctions not be an available remedy for infringement of standard-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 on our (and/or other companies') alleged failure to abide by these policies.

Some SDOs, courts and governmental agencies have adopted and may in the future adopt some or all of these interpretations or proposals in a manner adverse to our interests, including in litigation to which we may not be a party.

We expect that such proposals, interpretations and strategies will continue in the future, and if successful, our business model would be harmed, either by limiting or eliminating our ability to collect royalties (or by reducing the royalties we can collect) on all or a portion of our patent portfolio, limiting our return on investment with respect to new technologies, limiting our ability to seek injunctions against infringers of our standard-essential patents, constraining our ability to make licensing commitments when submitting our technology for inclusion in future standards (which could make our technology less likely to be included in such standards) or forcing us to work outside of SDOs or other industry groups to promote our new technologies, and our results of operations could be negatively impacted. In addition, the legal and other costs associated with asserting or defending our positions 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.

***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, international treaties 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, have prevented or 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 in general, or standard-essential patents in particular, have mounted attacks on certain patent systems, increasing the likelihood of changes to established patent laws. In the United States, there is continued discussion regarding potential patent law changes. The laws in certain foreign countries in which our products are or may be manufactured or sold, including certain countries in Asia, may not protect our intellectual property rights to the same extent as the laws in the United States. We expect that the European Union will adopt a unitary patent system in the next few years that may broadly impact that region's patent regime. We cannot predict with certainty the long-term effects of any potential 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 have had and may in the future have difficulty in certain circumstances in protecting or enforcing our intellectual property rights and/or contracts, including collecting royalties for use of our patent portfolio in particular foreign jurisdictions due to, among others: policies of foreign governments; 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/or challenges pending before foreign competition agencies to the pricing and integration of additional features and functionality into our chipset products. Certain licensees have disputed or underreported royalties owed to us under their license agreements with us or reported to us in a manner that is not in compliance with their contractual obligations, and certain companies have yet to enter into or delayed entering into license agreements for their use of our intellectual property, and such licensees and/or companies may continue to do so in the future. Additionally, although our license agreements provide us with the right to audit the books and records of licensees, audits can be expensive, time consuming, incomplete and subject to dispute. Further, certain licensees may not comply with the obligation to provide full access to their books and records. To the extent we do not aggressively enforce our rights under our license agreements, licensees may not comply with their existing license agreements, and to the extent we do not aggressively pursue unlicensed companies to enter into license agreements with us for their use of our intellectual property, other unlicensed companies may not enter into license agreements.

We may need to litigate to enforce our contract and/or 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, portions of our license agreements could be determined to be invalid or unenforceable (which may in turn result in other licensees either not complying with their existing license agreements and/or initiating litigation) and/or we could incur substantial unexpected operating costs. Any action we take to enforce our contract or intellectual property rights could be costly and could absorb significant management time and attention, which, in turn, could negatively impact our operating results. Further, even a positive resolution to our enforcement efforts may take time to conclude, which may reduce our revenues in the period prior to conclusion.

***The continued and future success of our licensing programs can be impacted by the deployment of other technologies in place of technologies based on CDMA, OFDMA and their derivatives; the need to extend certain existing license agreements that are expiring and/or to cover additional later patents; and/or the success of our licensing programs for 4G single mode products and emerging industry segments.***

Although we own a very strong portfolio of issued and pending patents related to GSM, GPRS, EDGE, OFDM, OFDMA, WLAN, 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 has been. Many wireless operators are investigating, have selected or have deployed OFDMA-based LTE as their next-generation 4G technology in existing (or future if not yet deployed) wireless spectrum bands as complementary to their existing CDMA-based networks. While 3G/4G multimode products are generally covered by our existing 3G licensing agreements, products that implement 4G but do not also implement 3G are generally not covered by these agreements. Although we believe that our patented technology is essential and useful to implementation of the LTE industry standards and have granted royalty-bearing licenses to more than 170 companies (including Alcatel-Lucent, Huawei, LG, Microsoft, Samsung, Sony Mobile and ZTE) that have realized that they need a license to our patents to make and sell products implementing 4G standards but not implementing 3G standards, it may be difficult to agree on material terms and/or conditions of new license agreements that are acceptable to us with companies that are currently unlicensed, particularly in China. Further, the royalty rates for single mode 4G products are generally lower than our royalty rates for 3G and 3G/4G multimode products have been, and therefore, we might not achieve the same licensing revenues on such LTE products as on 3G and 3G/4G multimode products. In addition, new connectivity and other services are emerging that rely on devices that may or may not be used on traditional cellular networks, such as devices used in the connected home or the Internet of Things. We also seek to diversify and broaden our technology licensing programs to new industry segments in which we can utilize our technology leadership, such as wireless charging and other technologies. Standards, even de facto standards, that develop as these technologies mature, in particular those that do not include a base level of interoperability, may impact our ability to obtain royalties that are equivalent to those that we receive for 3G and 3G/4G multimode 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.

Over the long-term, we need to continue to evolve our patent portfolio. If we do not maintain a strong portfolio that is applicable to current and/or future products and/or services, our future licensing revenues could be negatively impacted.

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. Additionally, certain license agreements are effective for a specified term. In order to license or to obtain a license to such later patents or after the expiration of a specified term, 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 negatively impact our revenues. If there is a delay in renewing a license agreement prior to its expiration, there would be a delay in our ability to recognize revenues related to that licensee's product sales. Further, if we are unable to reach agreement on such modifications or new agreements, it could result in patent infringement litigation with such companies.

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

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

We are currently subject to various governmental investigations and/or proceedings, and certain matters are described more fully in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." The unfavorable resolution of one or more of these matters could have a material adverse effect on our business, results of operations, financial condition and/or cash flows. Depending on the type of matter, various remedies that could result from an unfavorable resolution include, among others, injunctions, monetary damages or fines or other orders to pay money, and the issuance of orders to cease certain conduct and/or modify our business practices.

Delays in government approvals or other governmental activities that could result from, among others, a decrease in or a lack of funding for certain agencies or branches of the government and/or political changes, could result in our incurring higher costs, could negatively impact our ability to timely consummate strategic transactions and/or could have other negative impacts on our business and the businesses of our customers and licensees.

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, and our costs could increase if our vendors (e.g., third-party manufacturers or utility companies) pass on their costs to us.

Regulations in the United States require that we determine whether certain materials used in our products, referred to as conflict minerals, originated in the Democratic Republic of the Congo (DRC) or an adjoining country, or were from recycled or scrap sources. The verification and reporting requirements, in addition to customer demands for conflict free sourcing, 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 determine that our products are "DRC conflict free," we may face challenges with our customers that 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.

***Our research, development and other investments in new technologies, products and services may not generate operating income or contribute to future operating results that meet our expectations.***

Our industry is subject to rapid technological change, evolving industry standards and frequent new product introductions, and we must make substantial research, development and other investments, such as acquisitions, in new products, services and technologies to compete successfully. Technological innovations generally require significant research and development efforts before they are commercially viable. Our future growth significantly depends on third parties incorporating our technology, products and/or services into new device types used in industries beyond traditional cellular communications, such as automotive, connected home and wearable uses. Accordingly, we intend to continue to make substantial investments in developing new products, services and technologies that we believe can create stand-alone value

and/or contribute to the success of our existing businesses. However, it is possible that these initiatives will not be successful and/or will not result in meaningful revenues or generate operating income that meets expectations. As a result, we may develop products that fail to meet our customers' needs and/or develop products that may become obsolete and be replaced by competitors' products offering more compelling features, technologies or costs.

While we continue to focus our development efforts primarily in support of 3G CDMA- and 4G OFDMA-based technologies, we innovate across a broad spectrum of opportunities to deploy new business models and enter into new industry segments by leveraging our existing technical and business expertise and/or through acquisitions. Our recent investment initiatives relate to, among others, products for the connected home and the Internet of Things; automotive; networking; mobile computing; small cells and addressing the challenge of meeting the increased demand for data; very high speed connectivity; data centers; mobile health; wireless charging; and machine learning, including robotics.

Our research, development and other investments in new technologies, products or services may not succeed due to, among others: improvements in alternate technologies in ways that reduce the advantages we anticipate from our investments; competitors' products or services being more cost effective, having more capabilities or fewer limitations or being brought to market faster than our new products and services; and competitors having longer operating histories in industry segments that are new to us. We may also underestimate the costs of or overestimate the future operating income and/or margins that could result from these investments, and these investments may not, or may take many years to, generate material returns. If our new technologies, products or services are not successful, or are not successful in the time frame we anticipate, we may incur significant costs and/or asset impairments, our business may not grow as anticipated, our revenues and/or margins may be negatively impacted and/or our reputation may be harmed.

***We depend on a limited number of third-party suppliers for the procurement, manufacture and testing of our products. If we fail to execute supply strategies that provide supply assurance, technology leadership and low cost, our operating results and our business may be harmed. We are also subject to order and shipment uncertainties that could negatively impact our operating results.***

Our QCT segment utilizes a fabless production model, which means that we do not own or operate foundries for the production of silicon wafers from which our integrated circuits are made. 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 die in singular or wafer form from semiconductor manufacturing foundries and contract with separate third-party suppliers for manufacturing services such as wafer bump, probe, assembly and final test. The third-party semiconductor manufacturing foundries that supply products to our QCT segment are primarily located in Asia. The following could have an adverse effect on our ability to meet customer demands and/or negatively impact our revenues, business operations, profitability and/or cash flows:

- a reduction, interruption, delay or limitation in our product supply sources;
- a failure by our suppliers to procure raw materials or to provide or allocate adequate manufacturing or test capacity for our products;
- our suppliers' inability to react to shifts in product demand or an increase in raw material or component prices;
- the loss of a supplier or the inability of a supplier to meet performance or quality specifications or delivery schedules; and/or
- additional expense and/or production delays as a result of qualifying a new supplier and commencing volume production or testing in the event of a loss of or a decision to add or change a supplier.

While we have established alternate suppliers for certain technologies, we rely on sole- or limited-source suppliers for certain 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 and incur higher costs to support and maintain such alternate suppliers. Further, any future consolidation of foundry suppliers could increase our vulnerability to sole- or limited-source arrangements and reduce our suppliers' willingness to negotiate pricing, which could negatively impact our ability to achieve cost reductions and/or increase our manufacturing costs. Our arrangements with our suppliers may obligate 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. Our ability, and that of our suppliers, to develop or maintain leading process technologies, including transitions to smaller geometry process technologies, and to effectively compete with the manufacturing processes and performance of our competitors, could impact our ability to introduce new

products and meet customer demand, could increase our costs (possibly decreasing our margins) and could subject us to the risk of excess inventories. Our inability to meet customer demand due to sole- or limited-sourcing and/or the additional costs 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 we do not have firm commitments from our suppliers over a specific time period or for any specific quantity, our suppliers may allocate, and in the past have allocated, capacity to the production and testing of products for their other customers while reducing or limiting capacity to manufacture or test our products. Accordingly, capacity for our products may not be available when we need it or at reasonable prices. To the extent we do obtain long-term capacity commitments, we may incur additional costs related to those commitments and/or make non-refundable payments for capacity commitments that are not used.

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.

Additionally, we place orders with our suppliers using our forecasts of customer demand, which are based on a number of assumptions and estimates, and are generally only partially covered by commitments from our customers. If we overestimate customer demand, we may experience increased excess and/or obsolete inventory, which would 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, among other factors, the complex technical issues and inherent uncertainties in intellectual property litigation. If any of our products or services were found to infringe on another company's intellectual property rights, we could be subject to an injunction or be required to redesign our products or services, which could be costly, or to license such rights and/or pay damages or other compensation to such other company. If we are unable to redesign our products or services, license such intellectual property rights used in our products or services or otherwise distribute our products through a licensed supplier, we could be prohibited from making and selling such products or providing such services. 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 on 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 United States 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 is very broad and may include, for example, monetary damages, royalty payments and/or an injunction on the sale of certain of our integrated circuit products (and on the sale of our customers' devices using such products). 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 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 applicable to products implementing various CDMA-based standards, TDMA-based standards such as GSM and OFDMA-based standards. In addition, existing standards continue to evolve, and new standards, including those applicable to new industry segments, continue to be developed. If future standards

diminish, or fail to include, a base level of interoperability, our business may be harmed, and our investments in these new segments may not succeed.

***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, which are important to our business strategy, with the goal of maximizing stockholder value. We acquire businesses and other assets, including patents, technology, wireless spectrum and other intangible assets, enter into joint ventures or other strategic transactions and purchase minority equity interests in or make loans to companies that may be private and early-stage. Our strategic activities are generally focused on opening new or expanding opportunities for our technologies and supporting the design and introduction of new products and services (or enhancing existing products or services) for voice and data communications. Many of our strategic activities entail a high degree of risk and require the use of domestic and/or foreign capital, and investments may not become liquid for several years after the date of the investment, if at all. Our strategic activities may not generate financial returns or result in increased adoption or continued use of our technologies, products or services. 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 activities. Any losses or impairment charges that we incur related to strategic activities 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. In part due to our inexperience with technologies and/or products of and/or geographic regions served by our strategic activities, we may underestimate the costs and/or 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 or other strategic activities, our results of operations may be adversely affected, and we may not enhance stockholder value by engaging in these transactions.

Achieving the anticipated benefits of business acquisitions, including joint ventures and other strategic investments in which we have management and operational control, depends in part upon our ability to integrate the businesses in an efficient and effective manner. Such integration involves significant challenges, including, among others: retaining key employees; successfully integrating new employees, business systems, technology and products; retaining customers and suppliers of the businesses; consolidating research and development and/or supply operations; minimizing the diversion of management's attention from ongoing business matters; and consolidating corporate and administrative infrastructures. We may not derive any commercial value from associated technologies or products or from future technologies or products based on these technologies, and we may be subject to liabilities that are not covered by indemnification protection that we may obtain, or we may 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 the associated businesses or in addressing potential new opportunities that may arise out of the combination.

***If we are unsuccessful in executing our Strategic Realignment Plan, our business and results of operations may be adversely affected.***

In the fourth quarter of 2015, we announced a Strategic Realignment Plan designed to improve execution, enhance financial performance and drive profitable growth as we work to create sustainable long-term value for stockholders. As part of this Strategic Realignment Plan, among other actions, we are implementing a cost reduction plan, which includes a series of targeted reductions across our businesses, particularly in our semiconductor business, QCT, and a reduction to our annual share-based compensation grants in fiscal 2016. We expect these cost reduction initiatives to be substantially implemented by the end of fiscal 2016. Additional information regarding our Strategic Realignment Plan is provided in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 9. Strategic Realignment Plan."

We cannot provide assurance that our Strategic Realignment Plan will be successful, that anticipated cost savings will be realized, that our operations, business and financial results will improve and/or that these efforts will not disrupt our operations (beyond what is intended). Our ability to achieve the anticipated cost savings and other benefits within the expected time frames is subject to many estimates and assumptions, which are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. Further, we may experience delays in the timing of these efforts and/or higher than expected or unanticipated costs in implementing them. Moreover, changes in the size, alignment or organization of our workforce could adversely affect employee morale and retention, relations with customers and business partners, our ability to develop and deliver products and services as anticipated and/or impair our ability to realize our current or future business and financial objectives. If we do not succeed in these efforts, if these efforts are more costly or time-consuming than expected, if our estimates and assumptions are not correct, if we experience delays or if other unforeseen events occur, our business and results of operations may be adversely affected.

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

Our stock price and earnings have fluctuated in the past and are likely to fluctuate in the future. Factors that may have a significant impact on the market price of our stock and/or earnings include those identified throughout this “Risk Factors” section, volatility of the stock market in general and technology-based companies in particular, announcements concerning us, our suppliers, our competitors or our customers or licensees and variations between our actual results or guidance and expectations of securities analysts, among others. Further, increased volatility in the financial markets and/or overall economic conditions may reduce the amounts that we realize in the future on our cash equivalents and/or marketable securities and may reduce our earnings as a result of any impairment charges that we record to reduce recorded values of marketable securities to their fair values.

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 our resources.

***There are risks associated with our indebtedness.***

Our outstanding indebtedness and any additional indebtedness we incur may have negative consequences, including, among others:

- requiring us to use cash to pay the principal of and interest on our indebtedness, thereby reducing the amount of cash flow available for other purposes;
- limiting our ability to obtain additional financing for working capital, capital expenditures, acquisitions, stock repurchases, dividends or other general corporate and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry; and/or
- increasing our vulnerability to interest rate fluctuations to the extent a portion of our debt has variable interest rates.

Our ability to make payments of principal of and interest on our indebtedness depends upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to, among other things: repatriate funds to the United States at substantial tax cost; refinance or restructure all or a portion of our indebtedness; reduce or delay planned capital or operating expenditures; or sell selected assets. Such measures might not be sufficient to enable us to service our debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms or at all, and if prevailing interest rates at the time of any such financing and/or refinancing are higher than our current rates, interest expense related to such financing and/or refinancing would increase. If there are adverse changes in the ratings assigned to our debt securities by credit rating agencies, our borrowing costs, our ability to access debt in the future and/or the terms of the financing could be adversely affected.

***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 identify, attract, retain and motivate them, particularly in an environment of cost reductions, including equity compensation and headcount. Implementing our business strategy requires specialized engineering and other talent, as 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. If we are unable to attract and retain qualified employees, our business may be harmed.

***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 our products or the activities of our foreign subsidiaries and strategic investments.***

Our customers sell their products throughout the world in various currencies. Our consolidated revenues from international customers as a percentage of our total revenues were greater than 90% during 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, which may result in reduced demand for those products and/or downward pressure on average selling prices;

- Certain of our revenues, such as royalties, that are derived from licensee or customer sales denominated in foreign currencies could decrease;
- Our foreign suppliers may raise their prices if they are impacted by currency fluctuations, resulting in higher than expected costs and lower margins; and/or
- 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.

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

A decline in global economic conditions or a slow-down in economic growth, particularly in geographic regions with high concentrations of wireless voice and data users, could have adverse, wide-ranging effects on demand for our products and for the products and services of our customers or licensees, particularly equipment manufacturers or others in the wireless communications industry who buy their products, such as wireless operators. Any prolonged economic downturn may result in a decrease in demand for our products or technologies; the insolvency of key suppliers, customers or licensees; 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 customers' ability to purchase or pay for our products and services and network operators' ability to upgrade their wireless networks could be adversely affected by economic conditions, leading to a reduction, cancellation or delay of orders for our products or services.

***Failures in our products or services or in the products or services of our customers or licensees, 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 focus on this issue and are taking measures to safeguard our products from cybersecurity threats, device capabilities continue to evolve, 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. As our chipset product complexities increase, we are required to migrate to integrated circuit technologies with smaller geometric feature sizes. The design process interface in new domains of technology is complex and adds risk to manufacturing yields and reliability. Further, 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 products and services could have an adverse impact on us, on our customers and on the end users of our customers' products. Such adverse impact could include product liability claims or recalls, write-offs of our inventories and/or intangible assets; unfavorable purchase commitments; a shift of business to our competitors; 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 increasingly 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, to date 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 and/or otherwise adversely affect our business. To the extent any security breach results in inappropriate disclosure of our customers' or licensees' confidential information, we may incur liability. We expect to continue to devote 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 numerous foreign jurisdictions, including Singapore where our QCT segment's non-United States headquarters is located. 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 our 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.

We have tax incentives in Singapore provided that we meet specified employment and other criteria, and as a result of the expiration of these incentives, our Singapore tax rate is expected to increase in fiscal 2017 and again in fiscal 2027. If we do not meet the criteria required to retain such incentives, our Singapore tax rate could increase prior to those dates, and our results of operations could 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 reinvested outside the United States based on our current needs for those earnings to be reinvested offshore as well as estimates that future domestic cash generated from operations and/or borrowings will be sufficient to meet future domestic cash needs for the foreseeable future. No provision has been made for United States federal, state or foreign taxes that may result from future remittances of the 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, if the shares of these foreign subsidiaries were sold or otherwise transferred or if the United States international tax rules change as part of comprehensive tax reform or other tax legislation. If our effective tax rates were to increase, particularly in the United States or Singapore, our operating results, cash flows and/or financial condition could be adversely affected.

### **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 2015 Annual Report on Form 10-K. At December 27, 2015, there have been no material changes to the financial market risks described at September 27, 2015. We do not currently anticipate any other near-term changes in the nature of our financial market risk exposures or in management's objectives and strategies with respect to managing such exposures.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

*Changes in Internal Control over Financial Reporting.* There have been no changes in our internal control over financial reporting during the first quarter of fiscal 2016 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**

Information regarding our material pending legal proceedings is provided in this Quarterly Report in "Notes to Condensed Consolidated Financial Statements, Note 6. Commitments and Contingencies." 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**

Issuer purchases of equity securities during the first quarter of fiscal 2016 were:

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share (1)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)</b>
	<b>(In thousands)</b>		<b>(In thousands)</b>	<b>(In millions)</b>
September 28, 2015 to October 25, 2015	17,875	\$ 55.94	17,875	\$ 5,908
October 26, 2015 to November 22, 2015	17,704	56.48	17,704	4,908
November 23, 2015 to December 27, 2015	1,027	48.70	1,027	4,858
Total	<u>36,606</u>	56.00	<u>36,606</u>	

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

(2) On March 9, 2015, we announced a repurchase program authorizing us to repurchase up to \$15 billion of our common stock. At December 27, 2015, \$4.9 billion remained authorized for repurchase. The stock repurchase program has no expiration date.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

(b) On December 7, 2015, the Board of Directors of the Company amended and restated the Company's Bylaws (the Amended and Restated Bylaws) to implement proxy access, commencing with the Company's 2017 annual meeting of stockholders. Section 5A of the Amended and Restated Bylaws permits a stockholder, or a group of up to 20 stockholders, owning 3% or more of the Company's outstanding common stock continuously for at least 3 years, to nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Board, provided that the stockholder(s) and the director nominee(s) satisfy the eligibility, procedural and disclosure requirements specified in the Amended and Restated Bylaws. The foregoing summary of the Amended and Restated Bylaws is not complete and is subject to, and qualified in its entirety by, the full text of the Amended and Restated Bylaws, which are filed as Exhibit 3.3 hereto.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No./ Film No.</b>	<b>Date of First Filing</b>	<b>Exhibit Number</b>	<b>Filed Herewith</b>
2.2	Master Transaction Agreement, dated January 13, 2016, by and among Qualcomm Global Trading Pte. Ltd., each other Purchaser Group member, TDK Japan, each other Seller Group member, and, solely for purposes of Section 10.9 thereof, QUALCOMM Incorporated.	8-K	000-19528/ 161339867	1/13/2016	2.1	
3.1	Restated Certificate of Incorporation, as amended.	10-Q	000-19528/ 12766084	4/18/2012	3.1	
3.2	Certificate of Elimination of the Series A Junior Participating Preferred Stock.	8-K	000-19528/ 151134143	9/30/2015	3.2	
3.3	Amended and Restated Bylaws.					X
4.1	Indenture, dated May 20, 2015, between the Company and U.S. Bank National Association, as trustee.	8-K	000-19528/ 15880967	5/21/2015	4.1	
4.2	Officers' Certificate, dated May 20, 2015, for the Floating Rate Notes due 2018, the Floating Rate Notes due 2020, the 1.400% Notes due 2018, the 2.250% Notes due 2020, the 3.000% Notes due 2022, the 3.450% Notes due 2025, the 4.650% Notes due 2035 and the 4.800% Notes due 2045.	8-K	000-19528/ 15880967	5/21/2015	4.2	
4.3	Form of Floating Rate Notes due 2018.	8-K	000-19528/ 15880967	5/21/2015	4.3	
4.4	Form of Floating Rate Notes due 2020.	8-K	000-19528/ 15880967	5/21/2015	4.4	
4.5	Form of 1.400% Notes due 2018.	8-K	000-19528/ 15880967	5/21/2015	4.5	
4.6	Form of 2.250% Notes due 2020.	8-K	000-19528/ 15880967	5/21/2015	4.6	
4.7	Form of 3.000% Notes due 2022.	8-K	000-19528/ 15880967	5/21/2015	4.7	
4.8	Form of 3.450% Notes due 2025.	8-K	000-19528/ 15880967	5/21/2015	4.8	
4.9	Form of 4.650% Notes due 2035.	8-K	000-19528/ 15880967	5/21/2015	4.9	
4.10	Form of 4.800% Notes due 2045.	8-K	000-19528/ 15880967	5/21/2015	4.10	
10.29	Form of 2016 Annual Cash Incentive Plan Performance Unit Agreement (1)					X
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Steve Mollenkopf.					X
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for George S. Davis.					X
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 Steve Mollenkopf.					X
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.					X
101.INS	XBRL Instance Document.					X
101.SCH	XBRL Taxonomy Extension Schema.					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase.					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase.					X

(1) Indicates management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(a).

**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: January 27, 2016

AMENDED AND RESTATED BYLAWS  
OF  
QUALCOMM Incorporated  
(a Delaware corporation)

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**AMENDED AND RESTATED BYLAWS**

**OF**

**QUALCOMM Incorporated**

**(a Delaware corporation)**

**ARTICLE I**

**OFFICES**

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Dover, County of Kent. (Del. Code Ann., tit. 8, Section 131).

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business in California, at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require. (Del. Code Ann., tit. 8, Section 122(8)).

**ARTICLE II**

**CORPORATE SEAL**

Section 3. Corporate Seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. (Del. Code Ann., tit. 8, Section 122(3)).

**ARTICLE III**

**STOCKHOLDERS' MEETINGS**

Section 4. Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof. (Del. Code Ann., tit. 8, Section 211(a)).

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of Directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. (Del. Code Ann., tit. 8, Section 211(b)).

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be received at the corporation's principal executive offices not earlier than the 120th day, and not later than the close of business on the 90th day prior to the anniversary of the date of the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date of the prior year's annual meeting as first specified in the corporation's notice of meeting (without regard to any postponements or adjournments of such meeting after such notice was first sent), notice by the stockholder to be timely must be so received not earlier than the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such annual meeting is first made by the corporation. For purposes of these bylaws, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed or furnished by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). In no event shall the public announcement of an adjournment or postponement, or an adjournment or postponement, of a meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. To be in proper form, a stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting, the text of the proposal or business, including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the bylaws of the corporation, the language of the proposed amendment, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and the names and addresses of the beneficial owners, if any, on whose behalf such business is being proposed, (iii) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at the meeting on the date of such notice and intends to appear in person or by proxy at the meeting to propose the business specified in the notice, (iv) any material interest of the stockholder and any such beneficial owner of such shares in such business, (v) the following information regarding the ownership interests of such stockholder and any such beneficial owner, which shall be supplemented by such stockholder in writing delivered to the Secretary of the corporation not later than 10 days after the record date for the meeting to disclose such interests as of the record date: (A) the class or series and the number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and any such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the corporation, (D) any short interest in

any security of the corporation (for purposes of this bylaw a person shall be deemed to have a short interest in a security if such person, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the corporation, (F) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (G) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's immediate family sharing the same household, and (vii) any other information relating to such stockholder and beneficial owners, if any, that would be required to be disclosed in a proxy statement or other filings in connection with solicitations of proxies for the proposal pursuant to Regulation 14A under the 1934 Act. The foregoing notice requirements shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the corporation in compliance with the applicable rules and regulations promulgated under the 1934 Act of such stockholder's intention to present a proposal at an annual meeting and such proposal has been included in a proxy statement that has been prepared by the corporation to solicit proxies for such annual meeting. No business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Subject to any applicable provisions of the Certificate of Incorporation of the corporation, only persons who are nominated in accordance with the procedures set forth in this paragraph (c) or Section 5A of these bylaws shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of Directors at the meeting who complies with the notice procedures set forth in this paragraph (c). For nominations to be properly made at a meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, such notice must be received at the corporation's principal executive offices in accordance with the timeliness provisions of paragraph (b) of this Section 5. In no event shall the public announcement of an adjournment or postponement, or an adjournment or postponement, of a meeting commence a new time period (or extend any time period) for the giving of such notice by a stockholder. To be in proper form, such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a Director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such person, (D) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder making the nomination and the beneficial owners, if any, on whose behalf the nomination is being made and their respective affiliates and associates or others acting in concert therewith (naming such persons), on the one hand, and each proposed nominee and his or her respective affiliates and associates or others acting in concert therewith (naming such persons), on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the Securities and Exchange Commission if such stockholder making the

nomination and any such beneficial owner on whose behalf the nomination is made or any affiliate or associate thereof or person acting in concert therewith, were the “registrant” for purposes of Item 404 of Regulation S-K and the nominee were a director or executive officer of such registrant, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person’s written consent to being named in the proxy statement, if any, as a nominee and to serving as a Director if elected); and (ii) as to such stockholder giving notice: (A) the name and address, as they appear on the corporation’s books, of the stockholder making such nomination and the names and addresses of the beneficial owners, if any, on whose behalf the nomination is being made, (B) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at the meeting on the date of such notice and intends to appear in person or by proxy at the meeting to make the nomination specified in the notice, (C) the following information regarding the ownership interests of such stockholder and any such beneficial owner, which shall be supplemented by such stockholder in writing delivered to the Secretary of the corporation not later than 10 days after the record date for the meeting to disclose such interests as of the record date: (1) the class or series and the number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and any such beneficial owner, (2) any Derivative Instrument directly or indirectly owned beneficially by such stockholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (3) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the corporation, (4) any short interest in any security of the corporation (for purposes of this bylaw a person shall be deemed to have a short interest in a security if such person, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (5) any rights to dividends on the shares of the corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the corporation, (6) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (7) any performance-related fees (other than an asset-based fee) that such stockholder is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder’s immediate family sharing the same household, and (D) any other information relating to such stockholder and beneficial owners, if any, that would be required to be disclosed in a proxy statement or other filings in connection with solicitations of proxies for the proposal pursuant to Regulation 14A under the 1934 Act. At the request of the Board of Directors, any person nominated by a stockholder for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder’s notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant, determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

(d) Notwithstanding the foregoing provisions of this Section 5, a stockholder shall also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 5; provided, however, that any references in these bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit any requirements applicable to nominations or other proposals to be considered pursuant to this Section 5, and compliance with this Section 5 shall be the exclusive means for a stockholder to make nominations or

submit other proposals at an annual meeting (other than, as provided in the third to last sentence of paragraph (b) of this Section 5, matters brought properly under and in compliance with Rule 14a-8 of the 1934 Act). Nothing in this Section 5 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act.

#### Section 5A. Proxy Access

(a) Whenever the Board of Directors solicits proxies with respect to the election of directors at an annual meeting of stockholders (following the 2016 annual meeting), subject to the provisions of this Section 5A, the corporation shall include in its proxy statement for such annual meeting, in addition to any persons nominated for election by the Board of Directors or any committee thereof, the name, together with the Required Information (defined below), of any person nominated for election (the "Stockholder Nominee") to the Board of Directors by a stockholder or group of no more than 20 stockholders (counting as one stockholder, for this purpose, any two or more funds under common management and investment control) that satisfies the requirements of this Section 5A (such stockholder or stockholder group, including each member thereof to the extent the context requires, the "Eligible Stockholder"), and who expressly elects at the time of providing the notice required by this Section 5A (the "Notice of Proxy Access Nomination") to have its nominee included in the corporation's proxy materials pursuant to this Section 5A. In the event that the Eligible Stockholder consists of a group of stockholders, any and all requirements and obligations for an individual Eligible Stockholder that are set forth in these bylaws, including the Minimum Holding Period (as defined below), shall apply to each member of such group; provided, however, that the Required Ownership Percentage (as defined below) shall apply to the ownership of the group in the aggregate. For purposes of this Section 5A, the "Required Information" that the corporation will include in its proxy statement is the information provided to the Secretary of the corporation concerning the Stockholder Nominee and the Eligible Stockholder that is required to be disclosed in the corporation's proxy statement by the regulations promulgated under the 1934 Act, and if the Eligible Stockholder so elects, a written statement, not to exceed 500 words, in support of the Stockholder Nominee(s)' candidacy (the "Supporting Statement"). Notwithstanding anything to the contrary contained in this Section 5A, the corporation may omit from its proxy materials any information or Supporting Statement (or portion thereof) that it, in good faith, believes is untrue in any material respect (or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading) or would violate any applicable law or regulation, and the corporation may solicit against, and include in the proxy statement its own statement relating to, any Stockholder Nominee.

(b) To be timely, the Notice of Proxy Access Nomination must be addressed to the Secretary of the corporation and delivered to, or mailed to and received by, the Secretary of the corporation no earlier than one hundred fifty days and no later than one hundred twenty days before the anniversary of the date that the corporation issued its proxy statement for the previous year's annual meeting.

(c) The maximum number of Stockholder Nominees nominated by all Eligible Stockholders that will be included in the corporation's proxy materials with respect to an annual meeting shall not exceed 20% of the total number of directors in office (rounded down to the nearest whole number) as of the last day on which a Notice of Proxy Access Nomination may be delivered pursuant to and in accordance with this Section 5A (the "Final Proxy Access Nomination Date"). In the event that one or more vacancies for any reason occurs after the Final Proxy Access Nomination Date but before the date of the annual meeting and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the maximum number of Stockholder Nominees included in the corporation's proxy materials shall be calculated based on the number of directors in office as so reduced. Any

individual nominated by an Eligible Stockholder for inclusion in the corporation's proxy materials pursuant to this Section 5A whom the Board of Directors decides to nominate as a nominee of the Board of Directors, and any individual nominated by an Eligible Stockholder for inclusion in the corporation's proxy materials pursuant to this Section 5A but whose nomination is subsequently withdrawn, shall be counted as one of the Stockholder Nominees for purposes of determining when the maximum number of Stockholder Nominees provided for in this Section 5A has been reached. Any Eligible Stockholder submitting more than one Stockholder Nominee for inclusion in the corporation's proxy materials pursuant to this Section 5A shall rank such Stockholder Nominees based on the order that the Eligible Stockholder desires such Stockholder Nominees to be selected for inclusion in the corporation's proxy statement in the event that the total number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Section 5A exceeds the maximum number of nominees provided for in this Section 5A. In the event that the number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Section 5A exceeds the maximum number of nominees provided for in this Section 5A, the highest ranking Stockholder Nominee who meets the requirements of this Section 5A from each Eligible Stockholder will be selected for inclusion in the corporation's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of the corporation's outstanding common stock each Eligible Stockholder disclosed as owned in its respective Notice of Proxy Access Nomination submitted to the corporation. If the maximum number is not reached after the highest ranking Stockholder Nominee who meets the requirements of this Section 5A from each Eligible Stockholder has been selected, this process will continue as many times as necessary, following the same order each time, until the maximum number is reached. Notwithstanding anything to the contrary contained in this Section 5A, if the corporation receives notice pursuant to Section 5 of these bylaws that a stockholder intends to nominate one or more nominees for election at such meeting, no Stockholder Nominees will be included in the corporation's proxy materials with respect to such meeting pursuant to this Section 5A.

(d) For purposes of this Section 5A, an Eligible Stockholder shall be deemed to "own" only those outstanding shares of common stock of the corporation as to which the stockholder possesses both:

- (i) the full voting and investment rights pertaining to the shares; and
- (ii) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares;

provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares:

- (x) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, including any short sale;
- (y) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell; or

(z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party would have, the purpose or effect of:

(1) reducing in any manner, to any extent or at any time in the future, such stockholder's or its affiliates' full right to vote or direct the voting of any such shares; and/or

(2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such stockholder or its affiliates.

A stockholder shall "own" shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder's ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the stockholder. A stockholder's ownership of shares shall be deemed to continue during any period in which the stockholder has loaned such shares provided that the stockholder has the right to recall such loaned shares on five business days advance notice. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding shares of the common stock of the corporation are "owned" for these purposes shall be determined by the Board of Directors or any committee thereof, in each case, in its sole discretion. For purposes of this Section 5A, the term "affiliate" or "affiliates" shall have the meaning ascribed thereto under the General Rules and Regulations under 1934 Act. An Eligible Stockholder shall include in its Notice of Proxy Access Nomination the number of shares it is deemed to own for the purposes of this Section 5A.

(e) In order to make a nomination pursuant to this Section 5A, an Eligible Stockholder must have owned (as defined above) the Required Ownership Percentage (as defined below) of the corporation's outstanding common stock (the "Required Shares") continuously for the Minimum Holding Period (as defined below) as of both the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the Secretary of the corporation in accordance with this Section 5A and the record date for determining the stockholders entitled to vote at the annual meeting and must continue to own the Required Shares through the meeting date. For purposes of this Section 5A, the "Required Ownership Percentage" is 3% or more, and the "Minimum Holding Period" is 3 years. Within the time period specified in this Section 5A for delivering the Notice of Proxy Access Nomination, an Eligible Stockholder must provide the following information in writing to the Secretary of the corporation:

(i) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven calendar days prior to the date the Notice of Proxy Access Nomination is delivered to, or mailed to and received by, the Secretary of the corporation, the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, and the Eligible Stockholder's agreement to provide, within five business days after the record date for the annual meeting, written statements from the record holder and intermediaries verifying the Eligible Stockholder's continuous ownership of the Required Shares through the record date;

(ii) a copy of the Schedule 14N that has been filed with the SEC as required by Rule 14a-18 under the 1934 Act;

- (iii) the information, representations and agreements that are the same as those that would be required to be set forth in a stockholder's notice of nomination pursuant to Section 5 of these bylaws;
- (iv) the consent of each Stockholder Nominee to being named in the proxy statement as a nominee and to serving as a director if elected;
- (v) representation that the Eligible Stockholder:
  - (A) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the corporation, and does not presently have such intent,
  - (B) presently intends to maintain qualifying ownership of the Required Shares through the date of the annual meeting,
  - (C) has not nominated and will not nominate for election any individual as a director at the annual meeting, other than its Stockholder Nominee(s),
  - (D) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the 1934 Act in support of the election of any individual as a director at the annual meeting, other than its Stockholder Nominee(s) or a nominee of the Board of Directors,
  - (E) agrees to comply with all applicable laws and regulations with respect to any solicitation in connection with the meeting or applicable to the filing and use, if any, of soliciting material, and
  - (F) will provide facts, statements and other information in all communications with the corporation and its stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- (vi) a representation as to the Eligible Stockholder's intentions with respect to maintaining qualifying ownership of the Required Shares for at least one year following the annual meeting;
- (vii) an undertaking that the Eligible Stockholder agrees to:
  - (A) assume all liability stemming from any legal or regulatory violation arising out of the Eligible Stockholder's communications with the stockholders of the corporation or out of the information that the Eligible Stockholder provided to the corporation;
  - (B) indemnify and hold harmless the corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this Section 5A; and
  - (C) file with the SEC any solicitation or other communication with the corporation's stockholders relating to the meeting at which the Stockholder Nominee will be nominated,

regardless of whether any such filing is required under Regulation 14A of the 1934 Act or whether any exemption from filing is available thereunder; and

(viii) in the case of a nomination by a group of stockholders that together is an Eligible Stockholder, the designation by all group members of one group member that is authorized to act on behalf of all such members with respect to the nomination and matters related thereto, including withdrawal of the nomination.

(f) Within the time period specified in this Section 5A for delivering the Notice of Proxy Access Nomination, a Stockholder Nominee must deliver to the Secretary of the corporation:

(i) the information required with respect to persons whom a stockholder proposes to nominate for election or reelection as a director by Section 5(c) of these bylaws;

(ii) a written representation and agreement that such person:

(A) will act as a representative of all of the stockholders of the corporation while serving as a director;

(B) is not and will not become a party to (I) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Stockholder Nominee, if elected as a director of the corporation, will act or vote on any issue or question that has not been disclosed to the corporation (a "Voting Commitment") or (II) any Voting Commitment that could limit or interfere with such Stockholder Nominee's ability to comply, if elected as a director of the corporation, with such Stockholder Nominee's fiduciary duties under applicable law;

(C) is not or will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the corporation;

(D) will comply with the corporation's Code of Conduct, Corporate Governance Guidelines, and other policies and procedures, including corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines, and any other policies and guidelines applicable to directors, as well as the applicable provisions of these bylaws; and

(E) will provide facts, statements and other information in all communications with the corporation and its stockholders that are or will be true and correct in all material respects (and shall not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading).

At the request of the corporation, the Stockholder Nominee(s) must submit all completed and signed questionnaires required of directors and officers of the corporation including, but not limited to, the questionnaire described in Section 5 of these bylaws. The corporation may request such additional information as necessary to permit the Board of Directors to determine if each Stockholder Nominee is independent under the listing standards of the principal U.S. exchange upon which the common stock of the corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the corporation's directors.

(g) In the event that any information or communications provided by the Eligible Stockholder or the Stockholder Nominee to the corporation or its stockholders ceases to be true and

correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Stockholder or Stockholder Nominee, as the case may be, shall promptly notify the Secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(h) The corporation shall not be required to include, pursuant to this Section 5A, a Stockholder Nominee in its proxy materials for any meeting of stockholders:

(i) for which the Secretary of the corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors pursuant to the advance notice requirements for stockholder nominees for director set forth in Section 5 of these bylaws;

(ii) if the Eligible Stockholder who has nominated such Stockholder Nominee has engaged in or is currently engaged in, or has been or is a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the 1934 Act in support of the election of any individual as a director at the annual meeting other than its Stockholder Nominee(s) or a nominee of the Board of Directors;

(iii) if the Stockholder Nominee is or becomes a party to any compensatory, payment, reimbursement, indemnification or other financial agreement, arrangement or understanding with any person or entity other than the corporation or a wholly owned subsidiary of the corporation, or has received or will receive any such compensation, reimbursement, indemnification or other payment from any person or entity other than the corporation or a wholly owned subsidiary of the corporation, in each case in connection with candidacy or service as a director of the corporation (other than agreements providing only for indemnification and/or reimbursement of out-of-pocket expenses in connection with candidacy as a director);

(iv) who is not independent under the listing standards of each principal U.S. exchange upon which the common stock of the corporation is listed, any applicable rules of the SEC and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of the corporation’s directors, in each case as determined by the Board of Directors in its sole discretion;

(v) whose election as a member of the Board of Directors would cause the corporation to be in violation of these bylaws, the Certificate of Incorporation, the rules and listing standards of the principal U.S. exchanges upon which the common stock of the corporation is traded, or any applicable state or federal law, rule or regulation;

(vi) who is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as determined by the Board of Directors in its sole discretion;

(vii) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten years;

(viii) who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended;

(ix) if such Stockholder Nominee or the applicable Eligible Stockholder shall have provided information to the corporation in respect to such nomination that was untrue in any material

respect or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading, as determined by the Board of Directors or any committee thereof, in each case, in its sole discretion; or

(x) the Eligible Stockholder or applicable Stockholder Nominee fails to comply with its obligations pursuant to these bylaws, including, but not limited to, this Section 5A.

(i) Notwithstanding anything to the contrary set forth herein, the Board of Directors or the chairperson of the meeting of stockholders shall declare a nomination by an Eligible Stockholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the corporation, if:

(i) the Stockholder Nominee(s) and/or the applicable Eligible Stockholder shall have breached its or their obligations under this Section 5A, as determined by the Board of Directors or the chairperson of the meeting of stockholders, in each case, in its or his sole discretion; or

(ii) the Eligible Stockholder (or a qualified representative thereof) does not appear at the meeting of stockholders to present any nomination pursuant to this Section 5A.

(j) Any Stockholder Nominee who is included in the corporation's proxy materials for a particular annual meeting of stockholders but either:

(i) withdraws from or becomes ineligible or unavailable for election at the annual meeting; or

(ii) does not receive at least 25% of the votes cast in favor of such Stockholder Nominee's election

will be ineligible to be a Stockholder Nominee pursuant to this Section 5A for the next two annual meetings.

For the avoidance of doubt, this Section 5A(j) shall not prevent any stockholder from nominating any person to the Board of Directors pursuant to and in accordance with Section 5 of these bylaws.

(k) The Board of Directors shall have the exclusive power and authority to interpret the provisions of Sections 5 and 5A of these bylaws and make all determinations deemed necessary or advisable in connection with Sections 5 and 5A. All such actions, interpretations and determinations that are done or made by the Board of Directors shall be final, conclusive and binding on the corporation, the stockholders and all other parties.

(l) No stockholder shall be permitted to join more than one group of stockholders to become an Eligible Stockholder for purposes of nominations pursuant to this Section 5A per each annual meeting of stockholders. In the event that any Eligible Stockholder, either individually or part of a group, nominates a Stockholder Nominee that is elected to the Board of Directors, then such Eligible Stockholder shall not be permitted to utilize the provisions set forth in this Section 5A in connection with the following two annual meetings after such Stockholder Nominee is elected to the Board of Directors (other than with respect to the nomination of such previously elected Stockholder Nominee).

(m) This Section 5A shall be the exclusive method for stockholders to include nominees for director in the corporation's proxy materials.

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the President, or (iv) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized Directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption), and shall be held at such place, on such date, and at such time as the Board of Directors shall fix.

(b) If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, the President, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within sixty (60) days after the receipt of the request, the person or persons requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given. (Del. Code Ann., tit. 8, Sections 222, 229).

Section 8. Quorum and Voting.

(a) At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the vote cast, excluding abstentions and any broker non-votes, at any meeting at which a quorum is present shall be valid and binding upon the corporation; provided, however, that except as provided in the Certificate of Incorporation, directors shall be elected by a plurality of the

votes cast in any Contested Election. Where a separate vote by a class or classes is required, a majority of the outstanding shares of such class or classes, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority (plurality, in the case of the election of directors in any Contested Election) of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class. (Del. Code Ann., tit. 8, Section 216). For purposes of these Bylaws, "Contested Election" shall mean the election of a director at any meeting of stockholders for which (i) the Secretary of the corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees for director set forth in Article III, Section 5(c) of these Bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the tenth (10th) day before the corporation first mails its notice of meeting for such meeting to the stockholders.

(b) In any election of directors other than a Contested Election, if any nominee for director receives a greater number of "withhold" votes (ignoring abstentions and broker non-votes) than votes "for" his or her election and the nominee is an incumbent director, the director shall promptly tender his or her resignation from the Board of Directors and all committees thereof, subject to acceptance by the Board of Directors. The Governance Committee of the Board of Directors shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. In making its recommendation, the Governance Committee will consider all factors it deems relevant including, without limitation, the following:

The stated reasons why stockholders withheld votes for election from such director;

The length of service and qualifications of such director;

The director's contributions to the corporation; and

The availability of other qualified candidates for director.

The Governance Committee's evaluation shall begin promptly following certification of the voting results and shall be forwarded to the Board of Directors to permit the Board of Directors to act on it no later than 90 days following the date of the stockholders' meeting. In reviewing the Governance Committee's recommendation, the Board of Directors shall consider the factors evaluated by the Governance Committee and such additional information and factors the Board of Directors believes to be relevant. If the Board of Directors determines that resignation is in the best interests of the corporation and its stockholders, the Board of Directors shall promptly accept the resignation. The corporation shall publicly disclose the Board of Director's decision within four business days in a Form 8-K, providing an explanation of the process by which the decision was reached and, if applicable, the reasons for not requesting the director's resignation. Any director who is the subject of the evaluation described in this section shall not participate in Governance Committee or Board of Directors considerations of the appropriateness of his or her continued service, except to respond to requests for information. If a majority of the members of the Governance Committee are subject to this evaluation process, then the independent directors on the Board of Directors (as most recently determined by the Board of Directors pursuant to applicable listing guidelines) who are not subject to the evaluation shall appoint a special committee of the Board of Directors amongst themselves solely for the purpose of conducting the required evaluation. The special committee will make the recommendation to the Board of Directors otherwise required of the Governance Committee.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes, excluding abstentions. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. (Del. Code Ann., tit. 8, Section 222(c)).

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a written proxy executed by such person or his duly authorized agent, which proxy shall be filed with the Secretary at or before the meeting at which it is to be used. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period. All elections of Directors shall be by written ballot, unless otherwise provided in the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 211(e), 212(b)).

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the General Corporation Law of Delaware, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest. (Del. Code Ann., tit. 8, Section 217(b)).

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present. (Del. Code Ann., tit. 8, Section 219(a)).

Section 13. Action Without Meeting. Any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

Section 14.

Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors or an officer or director designated by the Chairman of the Board of Directors, or, if a Chairman has not been appointed, is absent or has not designated another officer or director, the Chief Executive Officer, or, if the Chief Executive Officer has not been appointed or is absent, an officer or director designated by the Board of Directors, or, if the Board of Directors has not made any such designation, the President, or, if the President is absent, the most senior Vice President present, or in the absence of any such officer, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary or his designee, or, in his absence, an Assistant Secretary or other officer directed to do so by the Chief Executive Officer or the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

**ARTICLE IV**

**DIRECTORS**

Section 15. Number and Term of Office. Subject to any limitations imposed by the Certificate of Incorporation, the authorized number of Directors of the corporation shall be fixed from time to time by the Board of Directors by a resolution duly adopted by the Board of Directors. Directors need not be stockholders unless so required by the Certificate of Incorporation. At each annual meeting of stockholders, the Directors shall be elected for terms expiring at the next annual meeting of stockholders. If for any cause, the Directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws. (Del. Code Ann., tit. 8, Sections 141(b), 211(b), (c)).

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation. (Del. Code Ann., tit. 8, Section 141(a)).

Section 17. Successors. Notwithstanding the foregoing provisions of this Article, each Director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No

decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

Section 18. Vacancies. Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes shall be filled by either (i) the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of voting stock of the corporation entitled to vote generally in the election of Directors (the "Voting Stock") voting together as a single class; or (ii) by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board of Directors. Newly created Directorships resulting from any increase in the number of Directors shall, unless the Board of Directors determines by resolution that any such newly created directorship shall be filled by the stockholders, be filled only by the affirmative vote of the Directors then in office, even though less than a quorum of the Board of Directors. Any Director elected in accordance with this paragraph shall hold office for a term expiring at the next annual meeting of stockholders and until such Director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any Director, or if the stockholders fail at any meeting of stockholders at which Directors are to be elected (including any meeting referred to in Section 21 below) to elect the number of Directors then constituting the whole Board of Directors. (Del. Code Ann., tit. 8, Section 223(a), (b)).

Section 19. Resignation. Any Director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more Directors shall resign from the Board of Directors, effective at a future date, a majority of the Directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until his successor shall have been duly elected and qualified. In the event that the Board of Directors shall request the resignation of any Director in accordance with the Majority Vote Policy (or any successor to such policy) of the corporation's Corporate Governance Principles and Practices in effect from time to time, such Director shall promptly tender his or her resignation. Any failure to so tender such a resignation shall constitute grounds for removal of such Director for cause in accordance with Section 20 below. (Del. Code Ann., tit. 8, Sections 141(b), 223(d)).

Section 20. Removal. Subject to any limitations imposed by law or the Certificate of Incorporation, the Board of Directors, or any individual Director, may be removed from office at any time (a) with cause by the affirmative vote of the holders of at least a majority of the then outstanding shares of the capital stock of the corporation entitled to vote at an election of Directors; or (b) without cause by an affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of such outstanding shares. If the holders of any class or series of capital stock are entitled to elect one (1) or more Directors by the Certificate of Incorporation, as amended from time to time, the removal of such Directors without cause shall be by a vote of the outstanding shares of that series or class of capital stock and not the outstanding shares of capital stock as a whole. (Del. Code Ann., tit. 8, Section 141(k)).

Section 21. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately after the annual meeting of stockholders and at the place where such meeting is held. No

notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of transacting such business as may lawfully come before it.

(b) Regular Meetings. Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been designated by resolution of the Board of Directors or the written consent of all Directors. (Del. Code Ann., tit. 8, Section 141(g)).

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the Chief Executive Officer, the President or any two of the Directors. (Del. Code Ann., tit. 8, Section 141(g)).

(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting. (Del. Code Ann., tit. 8, Section 141(i)).

(e) Notice of Meetings. Written notice of the time and place of all special meetings of the Board of Directors shall be given at least twenty-four (24) hours before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. (Del. Code Ann., tit. 8, Section 229).

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the Directors not present shall sign a written waiver of notice, or a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. (Del. Code Ann., tit. 8, Section 229).

#### Section 22.

#### Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number, a quorum of the Board of Directors shall consist of a majority of the exact number of Directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation, but not less than one (1); provided, however, at any meeting whether a quorum be present or otherwise, a majority of the Directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting. (Del. Code Ann., tit. 8, Section 141(b)).

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by a vote of a majority of the Directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws. (Del. Code Ann., tit. 8, Section 141(b)).

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. (Del. Code Ann., tit. 8, Section 141(f)).

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor. (Del. Code Ann., tit. 8, Section 141(h)).

Section 25. Committees.

(a) Executive Committee. The Board of Directors may by resolution passed by a majority of the whole Board of Directors appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and specifically granted by the Board of Directors, shall have and may exercise when the Board of Directors is not in session all powers of the Board of Directors in the management of the business and affairs of the corporation, including, without limitation, the power and authority to declare a dividend or to authorize the issuance of stock, except such committee shall not have the power or authority to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, to recommend to the stockholders of the corporation a dissolution of the corporation or a revocation of a dissolution or to amend these Bylaws. (Del. Code Ann., tit. 8, Section 141(c)).

(b) Other Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, from time to time appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall such committee have the powers denied to the Executive Committee in these Bylaws. (Del. Code Ann., tit. 8, Section 141(c)).

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. (Del. Code Ann., tit. 8, Section 141(c)).

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any Director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any Director by attendance thereat, except when the Director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee. (Del. Code Ann., tit. 8, Sections 141(c), 229).

Section 26. Organization. At every meeting of the Directors, the Chairman of the Board of Directors or an officer or director designated by the Chairman of the Board, or, if a Chairman has not been appointed, is absent or has not designated another officer or director, the Chief Executive Officer, or if the Chief Executive Officer is absent or not a member of the Board of Directors, the President, or if the President is absent or not a member of the Board of Directors, the most senior Vice President, provided that such person is a member of the Board of Directors, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the Directors present, shall preside over the meeting. The Secretary or his designee, or in his absence, an Assistant Secretary or other officer directed to do so by the Chief Executive Officer or the President, shall act as secretary of the meeting.

## ARTICLE V

### OFFICERS

#### Section 27. Officers Designated.

(a) Officer Positions. The officers of the corporation shall include, if and when appointed and elected as set forth in this Section 27, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Chief Technical Officer, the Chief Financial Officer, the Chief Operating Officer, the Secretary, the Treasurer and the Controller. The order of the seniority of the Vice Presidents shall be determined as set forth in Section 28(e), unless otherwise determined by the Board of Directors. The officers of the corporation may also include one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as may be deemed necessary or advisable by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the President, all of whom shall be appointed or elected as set forth in this Section 27. The Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the President may assign such additional titles to one or more of the officers appointed or elected in accordance with this Section 27 as may be deemed appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the Senior Officers (as defined below) shall be fixed by or in the manner designated by the Board of Directors. The salaries and other compensation of

the Junior Officers (as defined below) shall be fixed by or in the manner designated by the Chairman of the Board, the Chief Executive Officer or the President, or as otherwise directed by the Board of Directors. (Del. Code Ann., tit. 8, Sections 122(5), 142(a), (b)).

(b) Appointment of Senior Officers. In its discretion, the Board of Directors shall appoint the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Technical Officer, the Chief Financial Officer, the Chief Operating Officer, the Secretary, the Treasurer and one or more Vice Presidents who are designated as Executive Vice Presidents (the foregoing officers referred to collectively as the "Senior Officers").

(c) Appointment of Junior Officers. Each of the Chairman of the Board of Directors, the Chief Executive Officer and the President shall have the authority to appoint, in their discretion, the Controller, one or more Vice Presidents (including one or more Vice Presidents who are designated as Senior Vice Presidents or Group Presidents), Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents (in each case other than Senior Officers, who shall be designated as set forth above in accordance with Section 27(b)), with such powers and duties as deemed necessary or advisable (the foregoing officers referred to collectively as the "Junior Officers").

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer may be removed at any time by the Board of Directors, and any Junior Officer may be removed at any time by any of the Chairman of the Board of Directors, the Chief Executive Officer or the President, or by any other Designated Officer upon whom such authority has been conferred by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or the President. If the office of any officer becomes vacant for any reason, the vacancy may be filled in accordance with Section 27. (Del. Code Ann., tit. 8, Section 141(b), (e)).

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the Board of Directors and stockholders unless he or she has designated another officer or director to so preside. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a)).

(c) Chief Executive Officer. The Chief Executive Officer, if such an officer be elected, shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. The Chief Executive Officer may preside at meetings of the stockholders and the Board of Directors as provided elsewhere in these Bylaws. The Chief Executive Officer shall exercise and perform such other powers and duties as may from time to time be assigned to him by the Board of Directors.

(d) Duties of President. The President may preside at meetings of the stockholders and the Board of Directors as provided elsewhere in these Bylaws. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a)).

(e) Duties of Vice Presidents. The Vice Presidents, in the order of their seniority (which shall be the order of their nomination and appointment, provided that any Vice President

designated as a Senior Vice President shall be deemed senior to any Vice President not so designated, and any Vice President designated as an Executive Vice President shall be deemed senior to any Senior Vice President or any Vice President not so designated), may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a)).

(f) Duties of Chief Technical Officer. The Chief Technical Officer shall be responsible for overall technical direction and strategy and such duties as are commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time.

(g) Duties of Chief Financial Officer. Unless otherwise designated by the Board of Directors, the Chief Financial Officer shall be the Treasurer of the corporation. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors, the Chief Executive Officer or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer, and if there be a separate office of the Treasurer, the Treasurer, shall perform such duties and have such powers, as are commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors or the President or Chief Executive Officer shall designate from time to time. The Chief Executive Officer or the President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller, to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Assistant Treasurer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a)).

(h) Duties of Secretary. The Secretary shall record, or cause to be recorded, all acts and proceedings of all meetings of the stockholders and of the Board of Directors in the minute book of the corporation. The Secretary shall give, or cause to be given, notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties bestowed on the Secretary in these Bylaws and other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. The Chief Executive Officer or the President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to such office and shall also perform such other duties and have such other powers as the Board of Directors, the Chief Executive Officer or the President shall designate from time to time. (Del. Code Ann., tit. 8, Section 142(a)).

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof. The Chairman of the Board of Directors, the Chief Executive Officer or the President may from time to time delegate the powers or duties of any Junior Officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the Chairman of the Board of Directors, the Chief Executive Officer, the President or the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer. (Del. Code Ann., tit. 8, Section 142(b)).

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, as set forth in Section 28(a).

## ARTICLE VI

### EXECUTION OF CORPORATE INSTRUMENTS

#### AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158).

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal shall be executed, signed or endorsed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President, and by the Secretary or Chief Financial Officer or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158).

All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. (Del. Code Ann., tit. 8, Sections 103(a), 142(a), 158).

Section 33. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the

## ARTICLE VII

### SHARES OF STOCK

Section 34. Form and Execution of Certificates. The shares of stock of the corporation may be represented by certificates or uncertificated, as provided under the General Corporation Law of Delaware. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President and by the Chief Financial Officer, the Treasurer, Assistant Treasurer, the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Where such certificate is countersigned by a transfer agent other than the corporation or its employee, or by a registrar other than the corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the designations, preferences, limitations, restrictions on transfer and relative rights of the shares authorized to be issued; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. (Del. Code Ann., tit. 8, Section 158).

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed. (Del. Code Ann., tit. 8, Section 167).

Section 36. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and with regard to certificated shares, upon the surrender of a properly endorsed certificate or certificates for a like number of shares. (Del. Code Ann., tit. 8, Section 201, tit. 6, Section 8-401(1)).

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of

shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware. (Del. Code Ann., tit. 8, Section 160(a)).

Section 37.

Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. (Del. Code Ann., tit. 8, Section 213).

Section 38.

Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share

or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware. (Del. Code Ann., tit. 8; Sections 213(a), 219).

## ARTICLE VIII

### OTHER SECURITIES OF THE CORPORATION

Section 39. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Chief Financial Officer, the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

## ARTICLE IX

### DIVIDENDS

Section 40. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. (Del. Code Ann., tit. 8, Sections 170, 173).

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created. (Del. Code Ann., tit. 8, Section 171).

## ARTICLE X

### FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

## ARTICLE XI

### INDEMNIFICATION

Section 43. Indemnification of Directors, Officers, Employees and Other Agents

(a) Directors and Executive Officers. The corporation shall indemnify its Directors, Senior Officers and Vice Presidents who are designated as Executive Vice Presidents, Senior Vice Presidents or Group Presidents (collectively with the Senior Officers, the "Designated Officers") to the fullest extent not prohibited by the Delaware General Corporation Law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its Directors and Designated Officers; and, provided, further, that the corporation shall not be required to indemnify any Director or Designated Officer in connection with any proceeding (or part thereof) initiated by such person or any proceeding by such person against the corporation or its Directors, officers, employees or other agents unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation or (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law.

(b) Junior Officers, Employees and Other Agents. The corporation shall have power to indemnify its officers other than Designated Officers, employees and other agents as set forth in the Delaware General Corporation Law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) Good Faith.

(i) For purposes of any determination under this Bylaw, a Director or Designated Officer shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, to have had no reasonable cause to believe that his conduct was unlawful, if his action is based on information, opinions, reports and statements, including financial statements and other financial data, in each case prepared or presented by:

(i) one or more officers or employees of the corporation as to the matters the Director or Designated Officer believed to be reliable and competent in the matters presented;

(ii) counsel, independent accountants or other persons as to matters which the Director or Designated Officer believed to be within such person's professional competence; and

(iii) a committee of the Board of Directors upon which such Director or Designated Officer does not serve, as to matters within such Committee's designated authority, which committee such Director or Designated Officer believes to merit confidence; so long as, in each case, the Director or Designated Officer acts without knowledge that would cause such reliance to be unwarranted.

(ii) The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, that he had reasonable cause to believe that his conduct was unlawful.

(iii) The provisions of this paragraph (c) shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth by the Delaware General Corporation Law.

(d) Expenses. The corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by any Director or Designated Officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(e) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to Directors and Designated Officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the Director or Designated Officer. Any right to indemnification or advances granted by this Bylaw to a Director or Designated Officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. The corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the

claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

(f) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its Directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(g) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a Director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(h) Insurance. To the fullest extent permitted by the Delaware General Corporation Law, the corporation may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(i) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(j) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each Director and Designated Officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(k) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(i) The term “proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(ii) The term “expenses” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(iii) The term the “corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its Directors, officers, and employees or agents, so that any person who is or was a Director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a Director, officer, manager, employee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(iv) References to a “Director,” “officer,” “employee,” or “agent” of the corporation shall include, without limitation, situations where a person is serving as a Director, officer, manager, employee, trustee or agent of (A) a subsidiary of the corporation of which the corporation holds equity securities constituting a majority of the voting power with respect to such subsidiary, or (B) at the request of the corporation, another corporation, limited liability company, partnership, joint venture, trust or other enterprise.

(v) References to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the corporation” shall include any service as a Director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such Director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this Bylaw.

## ARTICLE XII

### NOTICES

#### Section 44. Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent. (Del. Code Ann., tit. 8, Section 222).

(b) Notice to Directors. Any notice required to be given to any Director may be given by the method stated in subsection (a), or by facsimile, telex, telegram, commercial courier service, personal delivery, telephone, voice message system or electronic transmission, except that such notice other than one which is delivered personally shall be sent to such address as such Director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such Director.

(c) Address Unknown. If no address of a stockholder or Director be known, notice may be sent to the office of the corporation required to be maintained pursuant to Section 2 hereof.

(d) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or Director or Directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall be conclusive evidence of the statements therein contained. (Del. Code Ann., tit. 8, Section 222).

(e) Time Notices Deemed Given. All notices given by mail or commercial courier service shall be deemed to have been given as at the time of dispatch, all notices by personal delivery or telephone shall be deemed to have been given as of receipt by the designee or a person accepting notice on behalf of such Director, and all notices given by facsimile, telex, telegram, voice message system or

electronic transmission shall be deemed to have been given as of the sending time recorded at the time of transmission.

(f) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all Directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(g) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any Director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such Director to receive such notice.

(h) Notice to Person with Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(i) Notice to Person with Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve- month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph. (Del. Code Ann., tit. 8, Section 230).

## ARTICLE XIII

### AMENDMENTS

Section 45. Amendments. Except as otherwise set forth in paragraph (i) of Section 43 of these Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock. The Board of Directors shall also have the power, if such power is conferred upon the

Board of Directors by the Certificate of Incorporation, to adopt, amend or repeal Bylaws. (Del. Code Ann., tit. 8, Sections 109(a), 122(6)).

## ARTICLE XIV

### LOANS TO OFFICERS

Section 46. Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation, except as prohibited by law. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this Bylaw shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute. (Del. Code Ann., tit. 8, Section 143).

## ARTICLE XV

### MISCELLANEOUS

Section 47. Annual Report.

(a) Subject to the provisions of paragraph (b) of this Bylaw, the Board of Directors shall cause an annual report to be sent to each stockholder of the corporation not later than one hundred twenty (120) days after the close of the corporation's fiscal year. Such report shall include a balance sheet as of the end of such fiscal year and an income statement and statement of changes in financial position for such fiscal year, accompanied by any report thereon of independent accountants or, if there is no such report, the certificate of an authorized officer of the corporation that such statements were prepared without audit from the books and records of the corporation. When there are more than 100 stockholders of record of the corporation's shares, as determined by Section 605 of the California Corporations Code, additional information as required by Section 1501(b) of the California Corporations Code shall also be contained in such report, provided that if the corporation has a class of securities registered under Section 12 of the 1934 Act, that Act shall take precedence. Such report shall be sent to stockholders at least fifteen (15) days prior to the next annual meeting of stockholders after the end of the fiscal year to which it relates.

(b) If and so long as there are fewer than 100 holders of record of the corporation's shares, the requirement of sending of an annual report to the stockholders of the corporation is hereby expressly waived.

## 2016 ANNUAL CASH INCENTIVE PLAN

### Performance Unit Agreement

This Award Agreement between Qualcomm Incorporated (the “Company”) and <<Executive’s Name>> (the “Executive”) evidences the grant of a Performance Unit (this “Award”) under the Qualcomm Incorporated 2006 Long-Term Incentive Plan (the “Plan”), representing a right to receive a cash payment equal to the amount determined by the Compensation Committee (the “Committee”) based on performance as set forth herein.

<b>Definitions</b>	Capitalized terms used in this Award Agreement have the meaning specified under the Plan, except as otherwise specified herein.
<b>Grant Date</b>	December 1, 2015
<b>Performance Period</b>	The Performance Period is the Company’s 2016 fiscal year.
<b>Performance Goals; Amount Payable Under this Award</b>	<p>The maximum amount payable under this Award, if any, is limited to the Maximum Award Amount determined pursuant to Section I of <i>Attachment A</i> based on the Performance Goals set out therein and, subject to that limit, the amount that is actually paid under this Award, if any, will be determined pursuant to Section II of <i>Attachment A</i>.</p> <p>To be eligible to receive payment with respect to this Award, your Service must be continuous from the Grant Date through the Payment Date specified below.</p>
<b>Payment Date</b>	This Award shall be paid in cash no later than 30 calendar days after the Committee’s written certification of whether and the extent to which the Performance Goals have been achieved and its determination of the amount, if any, to be paid.
<b>Repayment Policy</b>	By executing this Award Agreement, you acknowledge that any payment made with respect to this Award is subject to (a) the Qualcomm Incorporated Cash Incentive Compensation Repayment Policy as in effect from time to time; a copy of the current policy is attached to this Award Agreement as <i>Attachment B</i> and incorporated herein by reference; (b) any applicable listing standards of a national securities exchange adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the U.S. Securities and Exchange Commission adopted thereunder; (c) similar rules under the laws of any other jurisdiction; and (d) any policies hereinafter adopted by the Company to implement such requirements, all to the extent determined by the Company in its discretion to be applicable to you (collectively, the “ <u>Repayment Policy</u> ”). You hereby agree to be bound by the Repayment Policy.
<b>Terms of the Plan</b>	This Award is subject to the terms and conditions of the Plan, which are incorporated herein by reference. In the event of any conflict between this Award Agreement and the terms of the Plan, then the terms of the Plan control.

QUALCOMM INCORPORATED

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

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

EXECUTIVE

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

Attachments: Attachment A - Performance Goals  
Attachment B - Cash Incentive Compensation Repayment Policy

**ATTACHMENT A**  
**FISCAL 2016 ACIP PERFORMANCE GOALS AND PAYMENT FORMULA**

<<Executive's Name>>

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

Subject to the Maximum Award Amount limit determined pursuant to Section I, the actual amount of the payment you will receive under this Award, if any, will be determined by the Committee pursuant to Section II.

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

The amount of the payment, if any, you are eligible to receive under this Award will not exceed the Maximum Award Amount, which will be equal to the amount specified in the table above only if the Company's 2016 Adjusted GAAP earnings per share ("2016 Adjusted EPS") is equal to or greater than \$<<Number>> (approximately <<Percent>>% of the Company's fiscal 2015 Adjusted GAAP EPS of \$<<Number>>). If the Company's 2016 Adjusted GAAP EPS is less than \$<<Number>>, your Maximum Award Amount specified in the table above shall be reduced to an amount, if any, determined pursuant to the table below:

2016 Adjusted GAAP EPS		Percent Reduction of Maximum Award Amount	Approximate Percentage of Target Performance Goal Achieved	
From	To		From	To
\$ <<Number>>	\$ <<Number>>	25%	90.00%	99.90%
\$ <<Number>>	\$ <<Number>>	50%	80.00%	89.00%
\$ <<Number>>	\$ <<Number>>	75%	69.00%	80.00%
	Less Than \$ <<Number>>	100%		

"2016 Adjusted GAAP EPS" is determined in accordance with generally accepted accounting principles in the United States ("GAAP"), and shall be adjusted to exclude the after-tax impact of the following items:

- (1) The Qualcomm Strategic Initiative ("QSI") segment as defined in the Company's fiscal 2015 Form 10-K.
- (2) Acquisition-related items, which consist of: (a) acquired in-process research and development, (b) recognition of the step-up of inventories to fair value, (c) amortization of intangible assets, (d) expenses related to the termination of contracts that limit the use of the acquired intellectual property, and (e) third-party acquisition and integration services costs; The above adjustments shall apply only with respect to applicable items acquired in transactions that qualify as business combinations pursuant to GAAP.
- (3) The following items for which each event individually equals or exceeds \$25 million on a pre-tax basis, except as expressly provided in (e) below:

- (a) Restructuring and restructuring-related costs (in the aggregate by restructuring event), which consist of the following costs: (i) severance and benefits (including COBRA and outplacement expenses); (ii) consulting costs; (iii) increased security costs; (iv) acceleration of depreciation and/or amortization expense; (v) facilities and lease termination or abandonment charges; (vi) asset impairment charges and/or contract terminations; (vii) third-party business separation costs; and (viii) relocation costs as a result of an office or facility closure.

2016 Adjusted GAAP EPS shall not be adjusted for any such item that cannot specifically be tied to the restructuring event.

- (b) Goodwill and indefinite- and long-lived asset impairments;
- (c) Gain/losses on divestitures or non-revenue generating asset sales;
- (d) Impact of litigation settlement and/or judgment, and;
- (e) Tax items individually exceeding \$10 million that are unrelated to the fiscal year in which they are recorded.

(4) In the event of an acquisition during fiscal 2016 with a purchase price that is greater than \$5 billion, 2016 Adjusted GAAP EPS shall exclude the operating results from such acquisition.

The Performance Goal Formula set out in this Section I shall constitute and be interpreted as a Performance Award Formula for purposes of the Plan. No adjustments shall be made in the calculation of 2016 Adjusted GAAP EPS or the Performance Goal Formula which would preclude the payment of any amount under this Award from satisfying the requirements of Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended, or the regulations thereunder.

**II. Formula to Calculate Amount Payable**

Subject to and limited by the Maximum Award Amount determined as provided in Section I of this *Attachment A*, and the exercise of the Committee’s discretion under section 9.5(b) of the Plan with respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee based on the Performance Goals set out in Section I, the amount payable under this Award, if any, shall be calculated based on the following formula:

1. No amount will be payable under this Formula unless the Company’s 2016 Adjusted GAAP EPS is at least \$<<Number>> (<<Percent>>% of the Performance Target for 2016 Adjusted GAAP EPS Performance Measure set out below).
2. The Company fiscal 2016 Performance Measures and Performance Targets for purposes of determining the amount payable under this Formula are as follows:

	<b>Performance Measures</b>	<b>Performance Targets</b>
• 2016 Adjusted GAAP revenues: .....	<b>\$&lt;&lt;2016 Adjusted GAAP revenues Target</b>	
		<b>&gt;&gt;</b>
• 2016 Adjusted GAAP EPS: .....	<b>\$&lt;&lt;2016 Adjusted GAAP EPS Target</b>	
		<b>&gt;&gt;</b>

2016 Adjusted GAAP EPS is determined as set out in Section I, above, and 2016 Adjusted GAAP revenues is determined in accordance with GAAP, and shall be adjusted to exclude the impact of the QSI segment as defined in the Company’s fiscal 2015 Form 10-K. Both 2016 Adjusted GAAP EPS and 2016 Adjusted GAAP revenues are subject to further adjustments as provided in the policy

established by the Committee. The Company applies a relative weighting of 40% to 2016 Adjusted GAAP revenues and 60% to 2016 Adjusted GAAP EPS.

3. The weighted financial performance ratio for 2016 Adjusted GAAP revenues will be the result of 0.40 multiplied by a fraction, the numerator of which is the actual 2016 Adjusted GAAP revenues and the denominator of which is the 2016 Adjusted GAAP revenues Performance Target stated above.
4. The weighted financial performance ratio for 2016 Adjusted GAAP EPS will be the result of 0.60 multiplied by a fraction, the numerator of which is the actual 2016 Adjusted GAAP EPS and the denominator of which is the 2016 Adjusted GAAP EPS Performance Target stated above.
5. The resulting weighted financial performance ratios for 2016 Adjusted GAAP revenues and 2016 Adjusted GAAP EPS will then be summed (the "Weighted Financial Performance Ratio") and the "Incentive Multiple" will be calculated according to the schedule set forth below: <<Schedule>>
6. Subject to the limitations of Section I and the exercise of discretion only as allowed by Section 9.5(b) of the Plan with respect to a Performance Award intended to constitute qualified performance-based compensation to a Covered Employee based on the Performance Goals set out in Section I, the amount payable under this Award shall be the result of the Target Award Amount specified above multiplied by the Incentive Multiple determined in step 5 above.

**ATTACHMENT B**  
**QUALCOMM INCORPORATED**  
**Cash Incentive Compensation Repayment Policy**

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

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

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

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

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

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

Reviewed with the Executive Committee on April 16, 2009.

**EXHIBIT 31.1**

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

I, Steve Mollenkopf, certify that:

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

Dated: January 27, 2016

/s/ Steve Mollenkopf

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Steve Mollenkopf  
Chief Executive Officer

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: January 27, 2016

/s/ George S. Davis

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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 December 27, 2015 (the "Report"), I, Steve Mollenkopf, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: January 27, 2016

/s/ Steve Mollenkopf

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Steve Mollenkopf

Chief Executive Officer

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

**(18 U.S.C. SECTION 1350)**

In connection with the accompanying Quarterly Report of QUALCOMM Incorporated (the "Company") on Form 10-Q for the fiscal quarter ended December 27, 2015 (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: January 27, 2016

/s/ George S. Davis

George S. Davis

Executive Vice President and Chief Financial Officer