

ERICSSON LM TELEPHONE CO

Form 11-K

June 29, 2010

[Table of Contents](#)

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

## **FORM 11-K**

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2009**

# **ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**(Title of the Plan)**

**ERICSSON INC**

**Formerly Anaconda-Ericsson Inc. and Ericsson North America Inc.**

**6300 Legacy Drive**

**Plano, TX 75024**

(Name and address of principal executive offices of the employer sponsoring the Plan)

# **TELEFONAKTIEBOLAGET LM ERICSSON**

(Exact name of Issuer as specified in its charter)

# **LM ERICSSON TELEPHONE COMPANY**

(Translation of Issuer's Name into English)

**Kingdom of Sweden**

(Jurisdiction of Incorporation)

**(Telefonplan, S-126-25 Stockholm Sweden)**

(Name and address of principal executive offices of the Issuer of the securities)

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION**

**AND SAVINGS PLAN**

**FINANCIAL STATEMENTS, SUPPLEMENTAL**

**SCHEDULE AND REPORT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

**DECEMBER 31, 2009 AND 2008**

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	3
Financial Statements:	
<u>Statements of Net Assets Available for Benefits as of December 31, 2009 and 2008</u>	4
<u>Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2009</u>	5
<u>Notes to Financial Statements</u>	6-18
Supplemental Schedule (Note A):	
<u>Schedule H, Line 4i - Schedule of Assets Held for Investment Purposes At End of Year</u>	19

*Note A - Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA not included herein have been omitted because of the absence of conditions under which they are required or as they are filed by the Trustee of the Master Trust in which the Plan participates.*

**Table of Contents**

Tel: 214-969-7007  
Fax: 214-953-0722  
**www.bdo.com**

700 North Pearl  
Suite 2000  
Dallas, Texas 75201

**Report of Independent Registered Public Accounting Firm**

To the Plan Administrator

Ericsson Capital Accumulation and Savings Plan

Plano, Texas

We have audited the accompanying statements of net assets available for benefits of the Ericsson Capital Accumulation and Savings Plan (the Plan ) as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the year ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held as of December 31, 2009 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dallas, Texas

June 28, 2010

BDO Seidman, LLP, a New York limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS****DECEMBER 31, 2009 AND 2008****(Thousands of dollars)**

	2009	2008
Investments at fair value:		
Investment in Master Trust, at fair value (Notes 3 and 5)	\$ 683,388	\$
JPMorgan Stable Value		119,060
SSgA S&P 500 Fund		64,051
PIMCO Total Return Bond Fund		63,896
LM Ericsson Telephone Company, ADR, Class B		54,110
American Funds Europacific Growth Fund		52,705
American Century Investments Equity Income Fund		46,707
Janus Risk Managed		32,029
Wells Fargo Advantage Small Cap Value Fund		31,940
Morgan Stanley Institutional Mid Cap Fund		26,753
Buffalo Small Cap Fund		15,926
JPMorgan Investment Self Directed Account		15,279
Hotchkins & Wiley Mid Cap Value Fund		14,042
American Century Investments International Discovery Fund		13,216
Columbia Mid Cap Index		2,050
Columbia Small Cap Index		537
Wrapper Contracts		189
Participant Loans	4,108	3,685
 Total investments	 \$ 687,496	 \$ 556,175
Receivables:		
Employer's contributions receivable	526	258
 Total receivables	 526	 258
 Net assets available for benefits, at fair value	 688,022	 556,433
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	7,894	16,217
 Net assets available for benefits	 \$ 695,916	 \$ 572,650

See accompanying notes to the financial statements.

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****YEAR ENDED DECEMBER 31, 2009****(Thousands of dollars)****ADDITIONS**

## Investment income:

Plan interest in Master Trust investment income (Note 3)	\$ 132,219
Participant loan interest	246

<b>Total investment income</b>	<b>132,465</b>
--------------------------------	----------------

## Contributions:

Participants	23,827
Employer	16,492
Rollover	1,290

<b>Total contributions</b>	<b>41,609</b>
----------------------------	---------------

<b>Total Additions</b>	<b>174,074</b>
------------------------	----------------

**DEDUCTIONS**

Benefits paid to participants	(49,418)
Administrative expenses	(421)

<b>Total Deductions</b>	<b>(49,839)</b>
-------------------------	-----------------

<b>Net increase</b>	<b>124,235</b>
---------------------	----------------

<b>Transfers out of the Plan into the Ericsson Services Inc. 401(k) Plan</b>	<b>(969)</b>
--	--------------

## Net assets available for benefits:

Beginning of year	572,650
-------------------	---------

End of year	\$ 695,916
-------------	------------

See accompanying notes to the financial statements.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**1. THE PLAN**

The following description of the Ericsson Capital Accumulation and Savings Plan (the Plan ) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan s provision. The Plan was created by action of the board of directors of Ericsson Inc. (the Company or Ericsson or Employer ) on May 27, 1983, effective July 1, 1983. The Plan is a defined contribution plan and is administered by an Administrative Committee (the Committee ) which monitors the investment objectives and performance of the Plan s individual investment options.

The Plan is a single employer plan.

Participant contributions are made to the Trustee for investment each pay period. There are currently fifteen separate funds to which Participants may direct their investments in addition to a self directed brokerage account ( SDA ). The SDA allows access to a wide variety of mutual funds, stocks and bonds. Brokerage services are provided through JP Morgan Invest LLC. Employees interested in SDA can contact JP Morgan Invest LLC or visit JPMorganInvest.com or Retireonline.com to request an enrollment kit which includes application information. Participants can choose these options for their contributions as well as the Company matched contributions.

Effective August 24, 2009, a Master Trust was created to permit the commingling of trust assets of both the Plan and the Ericsson Services Inc. 401(k) Plan. See Note 3.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Plan s financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

**New Accounting Pronouncement**

As of December 31, 2009, the Plan adopted Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( Codification or ASC ) which became the single source of authoritative non-governmental accounting principles generally accepted in the United States of America ( GAAP ), superseding various existing authoritative accounting pronouncements. The Codification establishes one level of authoritative GAAP. All other literature is considered non-authoritative. There were no changes to the Plan s financial statements due to the implementation of the Codification other than changes in reference to various authoritative accounting pronouncements in the financial statements.

As of January 1, 2009, the Plan adopted FASB ASC 855 (formerly Statement of Financial Accounting Standard SFAS No. 165, Subsequent Events ). ASC 855 establishes principles and standards related to the accounting for and disclosure of events that occur between the balance sheet date and issuance of financial statements. ASC 855 requires us to recognize the effects, if material, of subsequent events in the financial statements if the subsequent event provides additional evidence about conditions that existed as of the balance sheet date. The issuer must also disclose the date through which subsequent events have been evaluated and the nature of any



## **Table of Contents**

### **ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

#### **NOTES TO FINANCIAL STATEMENTS**

nonrecognized subsequent events. Subsequent events that provide information about conditions that did not exist at the balance sheet date shall not be recognized in the financial statements under ASC 855. The adoption did not have an impact on the Plan's financial statements. In February 2010, the FASB issued ASC Update 2010-09, which removed the requirement for a Securities Exchange Commission (SEC) filer to disclose the date through which subsequent events have been evaluated. Management's responsibility to evaluate subsequent events through the date of issuance remains unchanged.

As of January 1, 2009, the Plan adopted FASB ASC update 2009-12, which provided updated guidance regarding fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). This update applies to investments that do not have a readily determinable fair value and are held by an entity that is required to report investment assets at fair value. This update creates a practical expedient to measure the fair value of such investments on the basis of the net asset value per share (or its equivalent) and requires disclosures by major category of the investments about the attributes of investments, such as the nature of any restrictions on the investor's ability to redeem its investments at the measurement date, any unfunded commitments, and the investment strategies of the investees. Although the adoption of this update did not materially impact the Plan's financial statements, the Plan is now required to provide additional disclosures with respect to its investments in common/collective trusts (CCTs) (see Note 5).

In January 2010, the FASB issued ASC update 2010-06 which provides updated guidance to improve disclosures regarding fair value measurements. This update requires entities to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately (i.e., on a gross basis rather than as one net number), information about purchases, sales, issuances, and settlements in the roll forward of changes in Level 3 fair value measurements. The update requires fair value disclosures by class of assets and liabilities rather than by major category or line item in the statement of financial position. Disclosures regarding the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for assets and liabilities in both Level 2 and Level 3 are also required. For all portions of the update except the gross presentation of activity in the Level 3 roll forward, this standard is effective for interim and annual reporting periods beginning after December 15, 2009. For the gross presentation of activity in the Level 3 roll forward, this guidance is effective for fiscal years beginning after December 15, 2010. As this guidance is only disclosure-related, management believes it will not have a material impact on the Plan's financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and changes therein. Actual results could differ from those estimates.

#### **Risks and Uncertainties**

The Plan provides for various investment options of specified registered investment companies. The underlying investments held by the registered investment companies may include stocks, bonds, fixed income securities, mutual funds and other investment securities. Such investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the

## **Table of Contents**

### **ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

### **NOTES TO FINANCIAL STATEMENTS**

value of investment securities, it is at least reasonably possible that changes in the values of investment securities in the near term could materially affect Participants' account balances and the amounts reported in the statement of net assets available for benefits.

#### **Contributions and Contribution Receivables**

Contributions are recorded on the accrual method of accounting. Contributions receivable are obligations arising from amounts owed to the Plan from Participants or the Employer that have not been included in the Plan's investments at year end. Contributions receivable are recorded at cost, which approximates their fair value. Total contributions receivable were \$526,497 and \$257,987 at December 31, 2009 and 2008, respectively.

#### **Valuation of Investments**

The Plan, along with the Ericsson Services Inc. 401(k) Plan, participates in the Ericsson Master Trust (the "Master Trust"). All of the Plan's investments are held in the Master Trust. See Note 3 for further discussion of the Master Trust. The Plan's investments in the Master Trust are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

#### **Investment Income**

Purchases and sales of the investments within the Plan are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

The Plan accounts for certain investment contracts in accordance with FASB ASC 962 (formerly known as FASB Staff Position AAG INV 1 and Statement of Position (SOP) 94-4-1, *Reporting of Fully Benefit Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined Contribution Health and Welfare and Pension Plans*). Under ASC 962, certain investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit responsive investment contracts because contract value is the amount Participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by ASC 962, the Statement of Net Assets Available for Benefits represents the fair value of the investment contracts as well as the adjustment of fully benefit responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

#### **Security Transactions**

The Plan presents in the statement of changes in net assets available for benefits the net appreciation in the fair value of its investments which consists of the realized gains and losses and the unrealized appreciation (depreciation) on those investments. Realized gains and losses on security transactions are determined on the trade date (the date the order to buy or sell is executed) as the difference between proceeds received and historical cost. Unrealized gains and losses represent the net change in market value of investments held during the year which are presented at fair value, with adjustments for investments sold.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

Upon withdrawal from the Plan, Participants invested in Company stock and Company debentures may elect to receive cash, Company stock or Company debentures. Whenever a Participant receives stock or debentures, the difference between the cost of such stock or debenture and the market value on the applicable valuation date is reflected as a realized gain or loss of the Plan. Gains or losses are also realized whenever stocks and debentures are sold in satisfaction of the Participants' election to take cash upon withdrawal.

**Forfeitures**

Company and Participants' capital accumulation contributions, and Participants' savings contributions, and the earnings thereon, are fully and immediately vested. Accordingly, there are no forfeitures in the Plan as of December 31, 2009 or 2008.

**Expenses of the Plan**

All net costs and expenses of the Plan and its administration, including all fees and expenses of the trustee, are paid by the Company. All taxes, commissions and other charges on purchases, sales and transfers of Company stock and other securities are paid by the trustee out of the fund or account involved in such purchase or sale. Participants are responsible for their own managed account fees, brokerage fees, and loan fees.

**Administration**

The Committee is responsible for the general administration of the Plan and for carrying out its provisions. Members of the Committee serve without compensation from the Plan.

**Loans**

Loans may be granted to Participants in an amount not to exceed 50% of the Participant's contribution account. The maximum loan amount is \$50,000 minus the Participant's highest loan balance (if any) during the previous 12 months; the minimum loan amount is \$1,000. Loans may be repaid through payroll deductions over a selected period between 12 months and 60 months. An employee is allowed only one loan at a time. If an employee misses payments, he/she will be required to make up the payments and accrued interest immediately. Failure to keep the loan current could result in the loan being classified as a deemed distribution, which is taxable income to the employee. Interest on the loan is set at the time of issuance, and the rate is the prime rate plus 1%. At December 31, 2009, interest rates range from 4% to 10.5%. Loans are considered a directed investment of Participant accounts and all repayments of principal and interest are invested among investment funds in accordance with the Participant's current investment direction.

**Termination Priorities**

The Company reserves the right, by action of the board, to amend, suspend or terminate the Plan. In the event that the Plan is terminated or the Company discontinues its contributions, all amounts allocated to the Participants' accounts and all assets held under the Plan will be held for distribution to the Participants.

The Company currently has no plans to terminate the Plan.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**Benefit Payments**

At December 31, 2009 and 2008, there were no benefit claims which had been processed and approved for payment but not yet paid. At JP Morgan Retirement Plan Services, the recordkeeper of the Plan, benefit payments are determined, paid and taxed to Participants based upon the date the check is first processed. For financial statement purposes, benefit payments are recorded when paid.

**Reclassifications**

Certain 2008 amounts have been reclassified to conform to current year presentation.

**3. THE MASTER TRUST**

The trust holding the Plan's assets was converted to a Master Trust on August 24, 2009. Prior to the formation of the Master Trust, only the Plan's assets were held by the trust. As such, the investment income of the Plan and Master Trust have been presented on the Statement of Changes in Net Assets Available for Benefits and this note as if the Master Trust existed at January 1, 2009.

The Master Trust was created pursuant to a trust agreement between the Company and JP Morgan Chase Bank Investor Services (the Trustee), as trustee of the funds, to permit the commingling of trust assets of both the Ericsson Capital Accumulation and Savings Plan and the Ericsson Services Inc. 401(k) Plan (collectively, the Plans), for investment and administrative purposes. The assets of the Master Trust are held by the Trustee. JP Morgan Retirement Plan Services is the record keeper for the Plans. The Trustee receives all participating employee and Company contributions to the Plans and holds, manages, and invests the same in accordance with the investment election of each participating employee, the terms and conditions of the Plans, and the instructions and directions of the Committee.

The following table summarizes the net assets and investment income of the Master Trust.

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS****NET ASSETS OF THE MASTER TRUST**

(amounts in Thousands)	December 31, 2009
Investments at fair value:	
JPMorgan Stable Value	\$ 116,880
SSgA S&P 500 Fund	85,091
PIMCO Total Return Bond Fund	89,567
LM Ericsson Telephone Company, ADR, Class B	62,775
American Funds Europacific Growth Fund	79,846
American Century Investments Equity Income Fund	54,561
Wells Fargo Advantage Small Cap Value Fund	46,096
Morgan Stanley Institutional Mid Cap Fund	42,108
Buffalo Small Cap Fund	24,327
Perkins Mid Cap Value Fund	19,654
Harbor Capital Appreciation	44,712
JPMorgan Investment Self Directed Account	19,325
American Century Investments International Discovery Fund	18,301
Columbia Mid Cap Index-A	9,007
Columbia Small Cap Index-A	1,299
<b>Total investments</b>	<b>713,549</b>
 Net assets available for benefits, at fair value	 713,549
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	7,925
 Net assets available for benefits	 \$ 721,474
 <b>Net Investments in Master Trust - By Plan</b>	
Ericsson Capital Accumulation and Savings Plan	
Investment in Master Trust	\$ 683,388
Plan's percentage interest in net assets of the Master Trust	95.8%
Ericsson Services Inc. 401(k) Plan	
Investment in Master Trust	\$ 30,161
Plan's percentage interest in net assets of the Master Trust	4.2%

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS****INVESTMENT INCOME OF THE MASTER TRUST**

(amounts in Thousands)	Year ended December 31, 2009
Net appreciation in fair value of investments:	
Company stock	\$ 10,939
Common/collective funds	20,932
Registered investment companies	85,059
Bond mutual funds	2,809
	\$ 119,739
Dividends	9,071
Other Income	3,663
Net investment income	\$ 132,473
<b>Net investment income from Master Trust - by Plan</b>	
Ericsson Capital Accumulation and Savings Plan	\$ 132,219
Ericsson Services Inc. 401(k) Plan	\$ 254

**4. PLAN PARTICIPATION**

The Company offers the Plan for eligible U.S. employees to which qualified employees may elect to contribute stated percentages of eligible pay. Participation by eligible employees is voluntary. All eligible employees may participate in the Plan the first day of any calendar quarter following the date they become eligible. At December 31, 2009 and 2008, the numbers of active Participants were 3,476 and 3,901, respectively.

Eligible Participants may contribute on a pretax basis any whole percentage from 1% to 50% of their eligible earnings up to current IRS limits into the Capital Accumulation 401(k) portion of the Plan; Participants may also contribute any whole percentage from 1% to 5% of their eligible earnings to the Savings portion on an after-tax basis. The Company contributes 3% of a Participant's eligible pay for employees who are not actively participating in the Company's Defined Benefit Plan, whether or not the employee contributes. The Company also matches 100% of the first 3% and an additional 50% on the 4<sup>th</sup> % and 5<sup>th</sup> % contributed. The match may be applied to either the 401(k) contribution or to the after-tax savings contribution, or to a combination of both. All employee and Employer contributions are 100% vested immediately.

Participants may change their percentage payroll deduction elections at anytime during the year using the voice response system or the web-based JP Morgan Retirement Plan Services Retireonline system. Participants may change investment percentages between funds at any time during the year. Participants may transfer existing fund balances to other available investment options at any time during the year. There are no restrictions on the transfer of investment balances from L M Ericsson Telephone Co. shares of Common Stock to other investment funds.

Each Participant's account is credited with the Participant's contributions, Company matching contributions and Plan earnings. The benefit to which a Participant is entitled is the benefit that can be provided from the Participant's vested account. Participants may direct the investment of their account balances into various investment options offered by the Plan.



**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

Participants may, at any time, request certain in-service withdrawals in the form of a normal or hardship withdrawal. Normal withdrawals may be requested from the Employee Savings account and Company Savings account for money that has been in the Plan for two full calendar years. Hardship withdrawals must meet certain requirements including approval by the Committee.

**5. FAIR VALUE MEASUREMENTS**

The accounting standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Mutual Funds**

Mutual funds represent investments with various registered investment managers. The fair values of these investments are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds traded on national securities exchanges are valued at the quoted market price as of December 31, 2009 and 2008 and classified as Level 1 and Level 2 assets.

**Common/Collective Trusts**

Common/Collective Trusts ( CCTs ) are composed of a non-benefit-responsive investment fund and fully benefit-responsive investment contracts and are classified as Level 2 investments. Investment in the non-benefit-responsive investment fund is valued based upon the quoted redemption value of units owned by the Plan at year end. The fair value of fully benefit-responsive investment contracts is calculated using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate, and the duration of the underlying portfolio securities. CCTs are not available in an exchange and active market, however, the fair value is determined based on the underlying investments as traded in an exchange and active market. There is no restriction in place with respect to the daily redemption of the CCTs.

**Self-Directed Brokerage Accounts (SDA)**

SDA accounts include investments in cash and cash equivalents, common stock, preferred stock, registered investment companies and partnerships. Cash and cash equivalent investments include cash and short-term interest-bearing investments with initial maturities of three months or less. Such amounts are recorded at cost, plus accrued interest. Common stock and preferred stock traded in active markets on national securities exchanges are valued at closing prices on the last business day of each period presented. Securities traded in markets that are not considered active are valued



**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS**

based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using the Plan's investment manager's best estimates. Mutual funds in registered investment companies are valued as mentioned above. Partnerships are valued using the Plan's investment manager's best estimates based on the partnership's financial statements and the plan's allocation of earnings and losses.

**Common Stocks**

Ericsson Inc. common stock and common stocks held in participant-directed brokerage accounts are stated at fair value as quoted on a recognized securities exchange and are valued at the last reported sales price on the last business day of the Plan year and are classified as Level 1 investments.

**Participant Loans**

Participant loans are valued at cost, which approximates fair value and are classified as Level 3 investments.

As of December 31, 2009, the Plan's investments measured at fair value on a recurring basis were as follows:

<b>December 31, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to participants	\$	\$	\$ 4,107,959	\$ 4,107,959
<b>Total investments at fair value</b>	\$	\$	\$ 4,107,959	\$ 4,107,959

As of December 31, 2009, the Master Trust investments measured at fair value on a recurring basis were as follows:

<b>December 31, 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 492,253,273	\$	\$	\$ 492,253,273
Commingled fund		85,091,161		85,091,161
Collective trusts		116,880,454		116,880,454
Self Directed Accounts				
Interest bearing cash		4,709,623		4,709,623
Non Interest bearing cash		127,179		127,179
Common and preferred stocks		11,240,828		11,240,828
Other		36,225		36,225
Partnerships		75,812		75,812
Registered Investment Companies		3,135,676		3,135,676
<b>Total investments at fair value</b>	\$ 492,253,273	\$ 221,296,958	\$	\$ 713,550,231

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS**

As of December 31, 2008, the Plan's investments were measured at fair value on a recurring basis as follows:

<b>December 31, 2008</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 299,801,914	\$	\$	\$ 363,852,677
Commingled fund		64,050,763		
Collective trusts		119,249,562		119,249,562
Self Directed Accounts				
Interest Bearing Cash		4,307,146		4,307,146
Non Interest Bearing Cash		243,165		243,165
Common and preferred stocks	54,109,697	8,204,488		62,314,185
Other		37,537		37,537
Partnerships		33,308		33,308
Registered Investment Companies		2,453,019		2,453,019
Loans to participants			3,684,921	3,684,921
<b>Total investments at fair value</b>	<b>\$ 353,911,611</b>	<b>\$ 198,578,988</b>	<b>\$ 3,684,921</b>	<b>\$ 556,175,520</b>

Changes in the fair value of the Plan Level 3 investments during the year ended December 31, 2009 were as follows:

	<b>Participant Loans</b>
Balance at December 31, 2008	\$ 3,684,921
Issuances	2,755,148
Loan Repayment	(1,919,777)
Loan Default	(412,333)
Balance at December 31, 2009	\$ 4,107,959

**6. PARTY-IN-INTEREST TRANSACTIONS**

Certain Plan investments are Common Stock shares of LM Ericsson Telephone Company, a related party of Ericsson Inc. Ericsson Inc. sponsors the plan; therefore, this investment qualifies as party-in-interest transactions. The Plan recorded purchases of \$15,433,674 and sales of \$21,516,302 of the Company's stock during the year ended December 31, 2009.

Certain Plan investments are shares of mutual funds managed by JP Morgan Chase Bank and its affiliates. These institutions served or are currently serving as trustee to the Plan and, therefore, these investments qualify as party-in-interest transactions.

**7. TAX STATUS OF THE PLAN**

Management believes that the Plan is qualified under section 401(a) of the Internal Revenue Code ( IRC ) and therefore, the trust is exempt from taxation under section 501(a). The Internal Revenue Service granted a favorable letter of determination to the Plan covering its first four

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 11-K

amendments on September 13, 2002. Generally, contributions to a qualified plan are deductible by the Company when made, earnings of the trust are tax exempt and Participants are not taxed on their benefits until withdrawn from the Plan.

Although the Plan has been amended since receiving the determination letter, management believes the Plan remains qualified under the applicable sections of the IRC and the Employee Retirement Income Security Act of 1974.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**8. SYNTHETIC GUARANTEED INVESTMENT CONTRACTS**

The Plan holds investments in synthetic guaranteed investment contracts ( synthetic GICs ) as part of the Stable Value Fund. The investments in synthetic GICs are presented at fair value on the table of the investments held in the Plan. The fair value of the synthetic GICs equals the total of the fair value of the underlying assets plus the total wrap rebid value, which is calculated by discounting the annual rebid fee, due to rebid, over the duration of the contract assets. The wrappers rebid value was \$0 and \$189,137 at December 31, 2009 and 2008, respectively.

In determining the net assets available for benefits, the synthetic GICs are recorded at their contract values, which are equal to principal balance plus accrued interest. As provided in ASC 962, an investment contract is generally valued at contract value, rather than fair value, to the extent it is fully benefit-responsive.

The Stable Value Fund is credited with earnings on the underlying investments and charged for Participant withdrawals and administrative expenses. The synthetic GICs issuers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

The GICs are included in the financial statements at contract value as reported to the Plan by the Trustee, the investment manager. Contract value represents contributions made under the contract, plus earnings, less Participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. There are currently no reserves against contract values for credit risk of the contract issuers or otherwise.

The average yield of the synthetic GICs based on actual earnings was approximately 1.99% and 2.74% at December 31, 2009 and 2008, respectively. The average yield of the synthetic GICs based on interest rate credited to Participants was approximately 1.57% and 2.31% at December 31, 2009 and 2008, respectively.

The following table shows the adjustment from fair value to contract value for the fully benefit-responsive investment contract, in the Master Trust as of December 31, 2009.

**Table of Contents****ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN****NOTES TO FINANCIAL STATEMENTS****December 31, 2009**

	<b>Major Credit Rating</b>	<b>Investments at Fair Value</b>	<b>Wrapper Contracts at Fair Value</b>	<b>Adjustment to Contract Value</b>	<b>Contract Value</b>
Wrapped bonds		\$ 114,794,788	\$	\$	\$ 122,719,414
Aegon	AA			1,981,092	30,678,850
State Street Bank	AA			1,981,357	30,682,959
IXIS Financial Products	A+			1,981,092	30,678,850
UBS	AA			1,981,086	30,678,755
Short-term investments		2,180,306			2,180,306
<b>Total</b>		<b>\$ 116,975,094</b>	<b>\$</b>	<b>\$ 7,924,627</b>	<b>\$ 124,899,720</b>

The following table shows the adjustment from fair value to contract value for the fully benefit-responsive investment contract, in the Plan as of December 31, 2008.

**December 31, 2008**

	<b>Major Credit Rating</b>	<b>Investments at Fair Value</b>	<b>Wrapper Contracts at Fair Value</b>	<b>Adjustment to Contract Value</b>	<b>Contract Value</b>
Wrapped bonds		\$ 109,768,043	\$	\$	\$ 125,984,754
Aegon	AA		63,043	4,038,289	31,542,472
State Street Bank	AA		63,051	4,038,804	31,546,493
IXIS Financial Products	A+			4,101,332	31,542,472
UBS	AA		63,043	4,038,286	31,542,453
Short-term investments		9,327,366			9,327,366
<b>Total</b>		<b>\$ 119,095,409</b>	<b>\$ 189,137</b>	<b>\$ 16,216,711</b>	<b>\$ 135,501,256</b>

**9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK IN THE PLAN**

In accordance with the investment strategy of the managed accounts, the Plan's investment managers may execute transactions in various financial instruments that may give rise to varying degrees of off-balance-sheet market and credit risk. These instruments can be executed on an exchange or negotiated in the OTC market. These financial instruments include futures, forward settlement contracts, swap and option contracts.

## Edgar Filing: ERICSSON LM TELEPHONE CO - Form 11-K

Swap contracts include equity, credit default and interest rate swap contracts. Equity swaps involve an agreement to exchange cash flows based on the total return of underlying securities.

Credit default swaps involve the exchange of cash flows based on the creditworthiness of the underlying issuer of securities. Interest rate swaps involve an agreement to exchange periodic interest payment streams (typically fixed vs. variable) calculated on an agreed upon periodic interest rate multiplied by a predetermined notional principal amount.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS**

Market risk arises from the potential for changes in value of financial instruments resulting from fluctuations in interest and foreign exchange rates and in prices of debt and equity securities. The gross notional (or contractual) amounts used to express the volume of these transactions do not necessarily represent the amounts potentially subject to market risk. In many cases, these financial instruments serve to reduce, rather than increase, the Plan's exposure to losses from market or other risks. In addition, the measurement of market risk is meaningful only when all related and offsetting transactions are identified. The Plan's investment managers generally limit the Plan's market risk by holding or purchasing offsetting positions.

As a writer of option contracts, the Plan receives a premium to become obligated to buy or sell financial instruments for a period of time at the holder's option. During this period, the Plan bears the risk of an unfavorable change in the market value of the financial instrument underlying the option, but has no credit risk, as the counterparty has no performance obligation to the Plan once it has paid its cash premium.

The Plan is subject to credit risk of counterparty nonperformance on derivative contracts in a gain position, except for written options, which obligate the Plan to perform and do not give rise to any counterparty credit risk.

Investments sold, but not yet purchased by the Plan as of December 31, 2009 and 2008 involve obligations to deliver specified securities at contracted prices and thereby create a liability to purchase the securities at prevailing future market prices.

Accordingly, these transactions result in off-balance sheet risk as the Plan's ultimate obligation to satisfy the sale of financial instruments sold, but not yet purchased, may exceed the amount recognized in the financial statements.

The Plan's investment managers typically monitor risk exposure related to financial instruments through the use of financial, credit and legal reporting systems.

As of December 31, 2009 and 2008, the Plan did not hold any such investments.

**10. SUBSEQUENT EVENTS**

Effective June 1, 2010, the Plan was amended to merge the Redback Networks Inc. 401K Plan (Redback Plan) into the Plan and allow the Redback, Inc. employees who satisfy the eligibility requirements of the Plan participation in the Plan. As a result of the merger, assets with a fair value of \$50,282,750 million were transferred in from the Redback Plan.

**Table of Contents**

**ERICSSON CAPITAL ACCUMULATION AND SAVINGS PLAN**

**SCHEDULE H, LINE 4i SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES AT END OF YEAR**

**DECEMBER 31, 2009**

EIN: 06-1119960

Plan Number: 006

<b>Name and Issuer</b>	<b>Description of Investment</b>	<b>Current Value</b>
*Various Participants	Participant loans (4.00% - 10.5%)	\$ 4,107,959

(\*) Indicates a party-in-interest.



**Table of Contents**

SIGNATURES

The Plan. Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Ericsson Capital Accumulation and Savings Plan

Date: 06/25/10

by  
Paul Miesse  
Vice President HR and Organization  
Head of Administrative Committee

**Table of Contents**

**EXHIBIT INDEX**

Exhibit No.

99.1 Consent of Independent Accountants Filed herewith