

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

For the quarterly period ended June 30, 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: 000-23993



**Broadcom Corporation**

(Exact Name of Registrant as Specified in Its Charter)

**California**

(State or Other Jurisdiction of  
Incorporation or Organization)

**33-0480482**

(I.R.S. Employer  
Identification No.)

**5300 California Avenue**

**Irvine, California 92617-3038**

(Address of Principal Executive Offices) (Zip Code)

**(949) 926-5000**

(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

As of June 30, 2015 the registrant had 559 million shares of Class A common stock, \$0.0001 par value, and 48 million shares of Class B common stock, \$0.0001 par value, outstanding.

**BROADCOM CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015**

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**BROADCOM CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2015	December 31, 2014
	(In millions)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,976	\$ 2,545
Short-term marketable securities	1,208	1,061
Accounts receivable, net	922	804
Inventory	612	531
Prepaid expenses and other current assets	145	131
Total current assets	4,863	5,072
Property and equipment, net	626	516
Long-term marketable securities	3,161	2,383
Goodwill	3,717	3,710
Purchased intangible assets, net	462	664
Other assets	161	126
Total assets	\$ 12,990	\$ 12,471
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 594	\$ 503
Wages and related benefits	220	220
Deferred revenue and income	36	36
Accrued liabilities	696	791
Total current liabilities	1,546	1,550
Long-term debt	1,594	1,593
Other long-term liabilities	247	277
Commitments and contingencies		
Shareholders' equity:		
Common stock	—	—
Additional paid-in capital	12,537	12,595
Accumulated deficit	(2,860)	(3,455)
Accumulated other comprehensive loss	(74)	(89)
Total shareholders' equity	9,603	9,051
Total liabilities and shareholders' equity	\$ 12,990	\$ 12,471

See accompanying notes.

## BROADCOM CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions, except per share data)			
Net revenue	\$ 2,096	\$ 2,041	\$ 4,154	\$ 4,025
Cost of revenue	939	1,005	1,911	2,009
Gross profit	1,157	1,036	2,243	2,016
Operating expenses:				
Research and development	538	634	1,077	1,270
Selling, general and administrative	188	182	365	367
Amortization of purchased intangible assets	2	9	3	18
Impairments of long-lived assets	—	165	143	190
Restructuring costs, net	4	23	11	28
Settlement costs	1	16	1	18
Other charges (gains), net	22	(7)	18	(59)
Total operating expenses	755	1,022	1,618	1,832
Income from operations	402	14	625	184
Interest expense, net	(3)	(5)	(8)	(10)
Other expense, net	(5)	(8)	(5)	(5)
Income before income taxes	394	1	612	169
Provision for income taxes	8	2	17	5
Net income (loss)	\$ 386	\$ (1)	\$ 595	\$ 164
Net income (loss) per share (basic)	\$ 0.64	\$ —	\$ 0.99	\$ 0.28
Net income (loss) per share (diluted)	\$ 0.63	\$ —	\$ 0.97	\$ 0.28
Weighted average shares (basic)	602	587	601	585
Weighted average shares (diluted)	616	587	614	593
Dividends per share	\$ 0.14	\$ 0.12	\$ 0.28	\$ 0.24

See accompanying notes.

## BROADCOM CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Net income (loss)	\$ 386	\$ (1)	\$ 595	\$ 164
Other comprehensive income, net of tax:				
Foreign currency translation adjustments, net of \$0 tax in 2015 and 2014	32	14	12	13
Unrealized gains (losses) on marketable securities, net of \$0 tax in 2015 and 2014	(2)	—	3	1
Other comprehensive income	30	14	15	14
Comprehensive income	\$ 416	\$ 13	\$ 610	\$ 178

See accompanying notes.

## BROADCOM CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2015	2014
	(In millions)	
<b>Operating activities</b>		
Net income	\$ 595	\$ 164
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	82	99
Stock-based compensation expense	176	233
Acquisition-related items:		
Amortization of purchased intangible assets	70	115
Impairments of long-lived assets	143	190
Loss (gain) on sale of assets and other	3	(47)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(117)	(1)
Inventory	(81)	(90)
Prepaid expenses and other assets	(56)	(4)
Accounts payable	88	97
Deferred revenue	(14)	105
Other accrued and long-term liabilities	(112)	(30)
Net cash provided by operating activities	<u>777</u>	<u>831</u>
<b>Investing activities</b>		
Net purchases of property and equipment	(173)	(158)
Net cash paid for acquired companies	—	(6)
Proceeds from sale (purchases) of certain assets and other	(15)	90
Purchases of marketable securities	(2,682)	(913)
Proceeds from sales and maturities of marketable securities	1,758	970
Net cash used in investing activities	<u>(1,112)</u>	<u>(17)</u>
<b>Financing activities</b>		
Repurchases of Class A common stock	(463)	(191)
Dividends paid	(168)	(140)
Proceeds from issuance of common stock	475	283
Minimum tax withholding paid on behalf of employees for restricted stock units	(78)	(59)
Net cash used in financing activities	<u>(234)</u>	<u>(107)</u>
Increase (decrease) in cash and cash equivalents	(569)	707
Cash and cash equivalents at beginning of period	2,545	1,657
Cash and cash equivalents at end of period	<u>\$ 1,976</u>	<u>\$ 2,364</u>

See accompanying notes.

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Summary of Significant Accounting Policies****Our Company**

Broadcom Corporation (including our subsidiaries, referred to collectively in this Report as “Broadcom,” “we,” “our” and “us”) is a global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom® provides one of the industry’s broadest portfolio of highly-integrated system-on-a-chip solutions, or SoCs, that seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments.

**Basis of Presentation**

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, for interim financial information and with the instructions to Securities and Exchange Commission, or SEC, Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2014, included in our 2014 Annual Report on Form 10-K filed with the SEC on January 29, 2015, referred to as our 2014 Annual Report.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our results of operations and financial position for the interim periods. The results of operations for the three and six months ended June 30, 2015 are not necessarily indicative of the results to be expected for future quarters or the full year.

For a complete summary of our significant accounting policies, please refer to Note 1, “Summary of Significant Accounting Policies,” in Part IV, Item 15 of our 2014 Annual Report. There have been no material changes to our significant accounting policies during the six months ended June 30, 2015.

**Pending Acquisition by Avago Technologies Limited**

On May 28, 2015, we entered into an Agreement and Plan of Merger, or the Avago Agreement, by and among Broadcom, Avago Technologies Limited, or Avago, Pavonia Limited, a limited company incorporated under the laws of the Republic of Singapore, or Holdco, Safari Cayman L.P., an exempted limited partnership formed under the laws of the Cayman Islands and a direct wholly-owned subsidiary of Holdco, or the Partnership, Avago Technologies Cayman Holdings Ltd., an exempted company incorporated under the laws of the Cayman Islands and a direct wholly-owned subsidiary of the Partnership, or Intermediate Holdco, Avago Technologies Cayman Finance Limited, an exempted company incorporated under the laws of the Cayman Islands and a direct wholly-owned subsidiary of Intermediate Holdco, or Finance Holdco, Buffalo CS Merger Sub, Inc., a California corporation and wholly-owned subsidiary of Finance Holdco and Buffalo UT Merger Sub, Inc., a California corporation and wholly-owned subsidiary of Finance Holdco, which provides for a proposed business combination transaction between us and Avago, or the Transaction.

As a result of the Transaction, at closing, each share of Broadcom common stock will be converted into the right to receive, at the election of each holder of such Broadcom common stock and upon the terms and subject to the conditions set forth in the Avago Agreement, cash or Holdco ordinary shares, which are each subject to proration in accordance with the Avago Agreement, or interests of the Partnership represented by exchangeable limited partnership units, or Restricted Exchangeable Units, which are not subject to proration. The Restricted Exchangeable Units cannot be transferred, sold or hedged for a period of one or two years after closing. Following such restricted period, a holder of Restricted Exchangeable Units may require the Partnership to repurchase any or all of such holder’s Restricted Exchangeable Units in consideration for Holdco shares or an equivalent cash amount, as determined by Holdco in its sole discretion. Upon the terms and subject to the conditions set forth in the Avago Agreement, Broadcom shareholders will have the ability to elect to receive, with respect to each issued and outstanding share of Broadcom common stock: (a) \$54.50 per share in cash; (b) 0.4378 Holdco ordinary shares; or (c) 0.4378 Restricted Exchangeable Units. The foregoing exchange ratios will not fluctuate with changes in the relative market prices of Avago ordinary shares and shares of Broadcom Class A common stock. The shareholder election will be subject to a proration mechanism, which causes the aggregate amount of cash paid and the aggregate number of Holdco shares issued to the holders of Broadcom common stock to equal as nearly as practicable the total amount of cash and number

of Holdco shares that would have been paid and issued if 50% of the shares of Broadcom common stock elected to receive Holdco shares and 50% of the shares of Broadcom common stock elected to receive cash. Also as a result of the Transaction, at closing, all of Avago's issued ordinary shares as of immediately prior to the effective time of the Transaction will be exchanged on a one-to-one basis for Holdco shares. Avago has stated that it intends to finance the cash portion of the merger with cash on hand from both companies and new, fully-committed debt financing and credit facilities from a consortium of banks. Avago also intends to refinance substantially all of our and Avago's existing debt with committed debt financing, presently aggregating approximately \$5.6 billion.

At the closing of the Transaction, each unvested Broadcom option and restricted stock unit will generally be converted into an option or restricted stock unit award, as applicable, from Holdco on the same terms and conditions as were applicable under such Broadcom option or restricted stock unit (including with respect to vesting), but appropriately adjusted based on the Transaction consideration and to preserve the value of the award. All vested Broadcom stock options and restricted stock units, after giving effect to any acceleration, will be cashed out, except that any vested Broadcom option that is an underwater option will be cancelled for no consideration.

The Transaction has been unanimously approved by the boards of directors of both companies, as well as a special committee of the independent directors of Broadcom. Consummation of the Transaction is subject to the satisfaction or waiver of the conditions set forth in the Avago Agreement, including approval of the Transaction by our shareholders and Avago's shareholders, the expiration or termination of the waiting period under the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of regulatory clearance under certain foreign antitrust laws, including those of China and the European Union, as well as other customary closing conditions.

Avago and Broadcom may each terminate the Avago Agreement under certain circumstances, and in connection with the termination of the Avago Agreement under specified circumstances, Avago or Broadcom may be required to pay the other party a termination fee of up to \$1 billion. Additionally, in the event that either Avago or Broadcom terminates the Avago Agreement as a result of the failure by either party's shareholders to approve the Transaction, Broadcom or Avago, as the case may be, must pay the other party a fee of approximately \$333 million.

Avago and Broadcom have each made customary covenants in the Avago Agreement, including, without limitation, covenants not to solicit alternative transactions or, subject to certain exceptions, not to enter into discussions concerning, or provide confidential information in connection with, an alternative transaction. In addition, until the termination of the Avago Agreement or the closing, we have agreed to operate our business in the ordinary course of business in all material respects consistent with past practice and have agreed to certain other negative covenants. We currently expect the Transaction to close by the end of the first quarter of 2016. Following completion of the merger, we will become a wholly owned subsidiary of Holdco and the Partnership, our common stock will be delisted from The Nasdaq Stock Market and deregistered under the Securities Exchange Act of 1934, as amended, and as such, we will no longer file periodic reports with the SEC. It is a condition to the consummation of the Transaction that Holdco ordinary shares be listed on the Nasdaq Global Select Market, as is the case today with Avago ordinary shares and Broadcom Class A common stock.

We recorded acquisition-related costs of approximately \$22 million, primarily for outside legal and financial advisory fees associated with the pending Avago acquisition of Broadcom in the three and six months ended June 30, 2015. These costs were recorded in "Other charges (gains), net" included in our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2015.

The foregoing description of the Avago Agreement and the Transaction does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Avago Agreement, a copy of which is attached as Exhibit 2.1 to the Form 8-K filed by the Company on May 29, 2015 and listed in the Exhibit Table of this filing. The joint proxy statement/prospectus describes the Avago Agreement and the Transaction in more detail. Investors and security holders of Broadcom are urged to read the joint proxy statement/prospectus and any other relevant documents that will be filed with the SEC carefully and in their entirety when they become available because they contain or will contain important information about the Transaction.

## **Use of Estimates**

The preparation of financial statements in accordance with United States generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of total net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty obligations, inventory valuation, goodwill and long-lived intangible asset valuations, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, stock-based compensation expense,

restructuring costs or reversals, litigation and other loss contingencies, gains and losses on sale of assets, strategic investments and self-insurance. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

## Recent Accounting Pronouncements

In May 2014 the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us on January 1, 2018, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

## 2. Supplemental Financial Information

The following tables present details of our unaudited condensed consolidated financial statements:

### Inventory

	June 30, 2015	December 31, 2014
	(In millions)	
Work in process	\$ 228	\$ 180
Finished goods	384	351
	<u>\$ 612</u>	<u>\$ 531</u>

### Property and Equipment, Net

In March 2015, we paid \$156 million upon close of escrow for the purchase of land for the construction of a new corporate campus in Orange County, California, totaling up to 2 million square feet to meet the requirements projected in our long-term business plan. This payment included \$110 million for the purchase of the land and \$46 million for prepaid taxes and refundable deposits recorded as "Property and equipment, net" and "Other assets," respectively, in our unaudited condensed consolidated balance sheets.

### Accrued Liabilities

	June 30, 2015	December 31, 2014
	(In millions)	
Accrued rebates	\$ 513	\$ 574
Accrued taxes	26	28
Accrued royalties	19	19
Accrued settlement charges	17	17
Accrued legal costs	12	10
Warranty reserve	6	6
Restructuring liabilities	7	28
Other	96	109
	<u>\$ 696</u>	<u>\$ 791</u>

**Other Long-Term Liabilities**

	June 30, 2015	December 31, 2014
	(In millions)	
Deferred revenue	\$ 91	\$ 105
Accrued taxes	77	77
Deferred rent	30	38
Deferred tax liabilities	17	17
Accrued settlement charges	9	17
Other long-term liabilities	23	23
	<u>\$ 247</u>	<u>\$ 277</u>

**Accrued Rebate Activity**

The following table summarizes activity related to accrued rebates:

	Six Months Ended June 30,	
	2015	2014
	(In millions)	
Beginning balance	\$ 574	\$ 409
Charged as a reduction of revenue	440	363
Reversal of unclaimed rebates	(11)	(19)
Payments	(490)	(322)
Ending balance	<u>\$ 513</u>	<u>\$ 431</u>

We recorded customer rebates of \$219 million and \$176 million in the three months ended June 30, 2015 and 2014, respectively.

**Other Charges (Gains), Net**

In connection with the Avago Agreement, we recorded costs of \$22 million, primarily related to banker, legal and accounting fees. These costs were recorded in "Other charges (gains), net" included in our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2015.

In March 2014 we sold certain Ethernet controller-related assets and provided non-exclusive licenses to intellectual property, including a non-exclusive patent license, to QLogic Corporation for a total of \$209 million, referred to as the QLogic Transaction. The transaction was accounted for as a multiple element arrangement, which primarily included (i) the sale of certain assets (constituting a business for accounting purposes), (ii) the licensing of certain intellectual property and (iii) a long-term supply agreement. In connection with the transaction, we recorded a gain on the sale of assets of \$48 million (net of a goodwill adjustment of \$37 million) and deferred revenue of \$120 million. The revenue related to the license agreement (\$76 million) and the supply agreement (\$44 million) will be amortized over approximately seven years. The operating gain was recorded in "Other charges (gains), net" included in our unaudited condensed consolidated statements of operations for the six months ended June 30, 2014.

In determining the fair value of the license agreement we used the relief from royalty income approach, as well as a market approach utilizing another transaction that we had previously entered into for the same intellectual property, adjusted for changes in the market and other assumptions since that transaction. The supply agreement was valued utilizing the cost savings income approach. The relief from royalty income and cost saving income approaches employ significant unobservable inputs categorized as Level 3 inputs. The key unobservable inputs utilized include discount rates of approximately 13% to 15%, a market participant tax rate of 17%, and estimated level of future volumes and pricing based on current product and market data.

The adjustment to goodwill due to the QLogic Transaction was calculated by determining the value of the business sold in relation to the value of the Infrastructure and Networking reportable segment. The value of the business sold was determined utilizing the residual method.

## Computation of Net Income (Loss) Per Share

Net income (loss) per share (basic) is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Net income (loss) per share (diluted) is calculated by adjusting outstanding shares, assuming any dilutive effects of stock options, stock purchase rights and restricted stock units calculated using the treasury stock method. Under the treasury stock method, an increase in the fair market value of our Class A common stock results in a greater dilutive effect from outstanding stock options, stock purchase rights and restricted stock units. Additionally, the exercise of employee stock options and stock purchase rights and the vesting of restricted stock units results in a further dilutive effect on net income per share.

The following table presents the computation of net income (loss) per share:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions, except per share data)			
Numerator: Net income (loss)	\$ 386	\$ (1)	\$ 595	\$ 164
Denominator for net income (loss) per share (basic)	602	587	601	585
Effect of dilutive securities:				
Stock awards	14	—	13	8
Denominator for net income (loss) per share (diluted)	616	587	614	593
Net income (loss) per share (basic)	\$ 0.64	\$ —	\$ 0.99	\$ 0.28
Net income (loss) per share (diluted)	\$ 0.63	\$ —	\$ 0.97	\$ 0.28

Net income (loss) per share (diluted) does not include the effect of anti-dilutive potential common shares resulting from outstanding equity awards. There were no anti-dilutive potential common shares in the three and six months ended June 30, 2015. There were 32 million and 31 million anti-dilutive potential common shares in the three and six months ended June 30, 2014, respectively.

## Supplemental Cash Flow Information

In the six months ended June 30, 2015, we paid \$20 million for capital equipment that was accrued as of December 31, 2014, and had billings of \$23 million for capital equipment that were accrued but not yet paid as of June 30, 2015.

## 3. Fair Value Measurements

Our financial instruments consist principally of cash and cash equivalents, short- and long-term marketable securities, accounts receivable, accounts payable and long-term debt. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether or not the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1: Inputs are based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Inputs include quoted prices for similar assets or liabilities in active markets and/or quoted prices for identical or similar assets or liabilities in markets that are not active near the measurement date.

Level 3: Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The fair value of our cash equivalents and certain marketable securities was determined based on "Level 1" inputs. The fair value of certain marketable securities and our long-term debt were determined based on "Level 2" inputs. The valuation techniques used to measure the fair value of our "Level 2" instruments were valued based on quoted market prices or model

driven valuations using significant inputs derived from or corroborated by observable market data. We do not have any marketable securities in the “Level 3” category. We believe that the recorded values of all our other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

*Instruments Measured at Fair Value on a Recurring Basis.* The following tables present our cash and marketable securities’ costs, gross unrealized gains, gross unrealized losses and fair value by major security type recorded as cash and cash equivalents or short-term or long-term marketable securities:

June 30, 2015								
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	
(In millions)								
Cash	\$ 1,235	\$ —	\$ —	\$ 1,235	\$ 1,235	\$ —	\$ —	
Level 1:								
Bank and time deposits	378	—	—	378	378	—	—	
Money market funds	132	—	—	132	132	—	—	
U.S. treasury and agency obligations	1,852	1	(1)	1,852	6	134	1,712	
Subtotal	2,362	1	(1)	2,362	516	134	1,712	
Level 2:								
Commercial paper	225	—	—	225	225	—	—	
Corporate bonds	2,341	2	(1)	2,342	—	1,058	1,284	
Asset-backed securities and other	181	—	—	181	—	16	165	
Subtotal	2,747	2	(1)	2,748	225	1,074	1,449	
Level 3:								
Level 3: None	—	—	—	—	—	—	—	
Total	\$ 6,344	\$ 3	\$ (2)	\$ 6,345	\$ 1,976	\$ 1,208	\$ 3,161	

December 31, 2014								
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	
(In millions)								
Cash	\$ 659	\$ —	\$ —	\$ 659	\$ 659	\$ —	\$ —	
Level 1:								
Bank and time deposits	943	—	—	943	943	—	—	
Money market funds	83	—	—	83	83	—	—	
U.S. treasury and agency obligations	1,434	—	(1)	1,433	12	192	1,229	
Subtotal	2,460	—	(1)	2,459	1,038	192	1,229	
Level 2:								
Commercial paper	800	—	—	800	798	2	—	
Corporate bonds	1,931	1	(2)	1,930	50	859	1,021	
Asset-backed securities and other	141	—	—	141	—	8	133	
Subtotal	2,872	1	(2)	2,871	848	869	1,154	
Level 3:								
Level 3: None	—	—	—	—	—	—	—	
Total	\$ 5,991	\$ 1	\$ (3)	\$ 5,989	\$ 2,545	\$ 1,061	\$ 2,383	

There were no transfers between Level 1, Level 2 or Level 3 securities in the six months ended June 30, 2015. All of our long-term marketable securities had maturities of between one and three years in duration at June 30, 2015. Our cash, cash equivalents and marketable securities at June 30, 2015, consisted of \$2.62 billion held domestically, with the remaining balance of \$3.72 billion held by our foreign subsidiaries.

At June 30, 2015, we had 230 investments with a fair value of \$2.11 billion that were in an unrealized loss position for less than twelve months. Our gross unrealized losses of \$2 million for these investments at June 30, 2015, were due to changes in market rates. We have determined that the gross unrealized losses on these investments at June 30, 2015, are temporary in nature. We evaluate securities for other-than-temporary impairment on a quarterly basis. Impairment is evaluated considering numerous factors, and their relative significance varies depending on the situation. Factors considered include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the issuer, and our intent and ability to hold the investment in order to allow for an anticipated recovery in fair value.

*Instruments Not Recorded at Fair Value on a Recurring Basis.* We measure the fair value of our long-term debt carried at amortized cost quarterly for disclosure purposes. The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. Based on the market prices, the fair value of our long-term debt was \$1.58 billion and \$1.61 billion as of June 30, 2015 and December 31, 2014, respectively. The recorded values of all our accounts receivable and accounts payable approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

*Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis.* We measure the fair value of our cost method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in a business acquisition, goodwill and other long lived assets when they are held for sale or determined to be impaired, and for license and settlement agreements when they are part of a multiple element arrangement. See Notes 2 and 9 for discussion on fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

#### 4. Income Taxes

The following table presents details of the provision for income taxes and our effective tax rates:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions, except percentages)			
Provision for income taxes	\$ 8	\$ 2	\$ 17	\$ 5
Effective tax rates	2.0%	200.0%	2.8%	3.0%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate and domestic tax losses recorded without tax benefits. In determining our annualized effective tax rates, the tax effects of the impairments of long-lived assets, restructuring costs and certain other non-recurrent costs were treated as discrete tax items.

As a result of our cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of \$2 million and \$2 million at June 30, 2015 and December 31, 2014, respectively.

Our income tax returns for the 2010, 2011 and 2012 tax years are currently under examination by the Internal Revenue Service. We do not believe the audit will have a material impact on our financial position, operating results, or cash flows. However, our deferred tax assets could be reduced, with a corresponding reduction in the valuation allowance related to such deferred tax assets.

## 5. Debt and Credit Facility

### Senior Notes

The following table presents details of our senior notes, or the Notes, as of the dates listed below:

Date Issued	Maturity Date	Interest Rate	Effective Yield	Issuance Price	June 30,	December 31,
					2015	2014
(In millions)						
November 2011	November 2018	2.700%	2.762%	99.609%	\$ 500	\$ 500
August 2012	August 2022	2.500	2.585	99.255	500	500
July 2014	August 2024	3.500	3.546	99.615	350	350
July 2014	August 2034	4.500	4.546	99.400	250	250
					1,600	1,600
Unaccreted discount					(6)	(7)
Long-term debt					\$ 1,594	\$ 1,593

The outstanding Notes described above contain a number of restrictive covenants, including, but not limited to, restrictions on our ability to grant liens on assets; enter into sale and lease-back transactions; or merge, consolidate or sell assets. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued and unpaid interest on the Notes. We were in compliance with all senior unsecured notes debt covenants as of June 30, 2015.

### Credit Facility

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million. We amended this credit facility in July 2014 primarily to extend the maturity date to July 31, 2019, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. Loans made under the credit facility (other than swing line loans) bear interest, at our option, at either a Base Rate plus a margin that varies from 0.000% to 0.250% or a Eurodollar Rate plus a margin that varies from 0.625% to 1.250%. Swing line loans under the credit facility bear interest applicable to Base Rate loans. We are also required to pay a commitment fee on any unused commitments at a rate that varies from 0.060% to 0.150% per annum. We have not drawn on our credit facility to date.

We may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional \$100 million. The credit facility contains customary representations, warranties and covenants. The financial covenant in the credit facility requires us to maintain a consolidated leverage ratio of no more than 3.25:1.00.

## 6. Shareholders' Equity

### Quarterly Dividend

In November 2014 our Board of Directors announced its intention to increase the quarterly cash dividend by 17% to \$0.14 per share (\$0.56 per share on an annual basis) payable to holders of our common stock. In the three and six months ended June 30, 2015 and 2014 we paid \$84 million, \$70 million, \$168 million and \$140 million, respectively, in dividends to holders of our Class A and Class B common stock.

### Share Repurchase Programs

In February 2010 we announced that our Board of Directors had authorized an "evergreen" share repurchase program intended to offset dilution of incremental grants of stock awards associated with our stock incentive plans. The maximum number of shares of our Class A common stock that may be repurchased in any one year under this program (including under an accelerated share repurchase agreement or similar arrangement) is equal to the total number of shares issued pursuant to our equity awards in the previous year and the current year. This program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors. It may also be complemented with one or more additional share repurchase programs in the future.

In November 2014 our Board of Directors authorized an additional share repurchase program for the repurchase of such number of shares incremental to the number allowed under the evergreen program that would yield a total share repurchase for 2015 of up to \$1 billion.

Under these programs, we repurchased 2.4 million and 10.4 million shares of our Class A common stock at weighted average prices of \$44.79 and \$44.40 in the three and six months ended June 30, 2015, respectively. In connection with the Avago Agreement, we agreed to discontinue future share repurchases under these programs.

Repurchases under our share repurchase programs were intended to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended. Our share repurchase programs do not obligate us to acquire any particular amount of our stock and may be suspended at any time at our discretion.

## 7. Employee Benefit Plans

### Combined Incentive Plan Activity

Restricted stock unit activity is set forth below:

	Restricted Stock Units Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value per Share
	(In millions, except per share data)	
Balance at December 31, 2014	20	\$ 32.38
Restricted stock units granted	7	42.61
Restricted stock units cancelled	(1)	33.14
Restricted stock units vested	(5)	34.10
Balance at June 30, 2015	21	\$ 35.25

Stock option activity is set forth below:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price per Share
	(In millions, except per share data)	
Balance at December 31, 2014	20	\$ 33.84
Options exercised	(12)	34.44
Balance at June 30, 2015	8	\$ 32.90

### Stock-Based Compensation Expense

The following table presents details of total stock-based compensation expense that is included in salaries and benefits in each functional line item in our unaudited condensed consolidated statements of income:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Cost of revenue	\$ 4	\$ 5	\$ 9	\$ 11
Research and development	56	80	116	164
Selling, general and administrative	26	28	51	58

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the *remainder* of 2015 through 2019 related to unvested share-based payment awards:

	2015	2016	2017	2018	2019	Total
	(In millions)					
Unearned stock-based compensation	\$ 168	\$ 252	\$ 163	\$ 80	\$ 11	\$ 674

If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards or assume unvested equity awards in connection with acquisitions.

## 8. Commitments and Contingencies

### Claims and Litigation

We and certain of our subsidiaries are currently parties to various legal proceedings, including those noted in this section. Unless otherwise noted below, during the periods presented we have not: (i) recorded any accrual for loss contingencies associated with such legal proceedings; (ii) determined that an unfavorable outcome is probable or reasonably possible; or (iii) determined that the amount or range of any possible loss is reasonably estimable.

In addition to asserted claims, from time to time we are approached by holders of intellectual property, including “non-practicing entities,” to engage in discussions about obtaining licenses to their intellectual property. We will disclose the nature of these unasserted claims if we determine that (i) it is probable an intellectual property holder will assert a claim of infringement; (ii) there is a reasonable possibility the outcome (assuming assertion) will be unfavorable; and (iii) the resulting liability would be material to our financial condition or results of operations.

While there can be no assurance, we believe that the ultimate outcome of current asserted and unasserted claims will not have a material adverse effect on our operating results, liquidity or financial position. However, our assessment of materiality may be impacted by limited information (particularly in the early stages of intellectual property proceedings), including, for example, about the patents-in-suit and Broadcom products against which the patents are being asserted. Accordingly, our assessment of materiality may change in the future based upon availability of discovery and further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

From time to time we may enter into confidential discussions regarding the potential settlement of pending intellectual property or proceedings, claims or litigation. There are a variety of factors that influence our decisions to settle and the amount we may choose to pay, including the strength of our case, developments in the litigation, the behavior of other interested parties, the demand on management time and the possible distraction of our employees associated with the case and/or the possibility that we may be subject to an injunction or other equitable remedy. In light of the numerous factors that go into a settlement decision, it is difficult to predict whether any particular settlement is possible, the appropriate terms of a settlement or the opportune time to settle a matter. The settlement of any pending litigation or other proceedings could require us to make substantial settlement payments and result in us incurring substantial costs. Furthermore, the settlement or resolution of any intellectual property proceeding may require us to grant a license to certain of our intellectual property rights to the other party under a cross-license agreement or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees may perform for us. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected.

#### *Securities Litigation Matters*

Following the May 28, 2015 announcement of the Avago Agreement, multiple shareholder class action lawsuits were filed in the Superior Court of the State of California, County of Orange against Broadcom, our Board of Directors, and other parties to the Merger Agreement (collectively “the Defendants”) under the following captions: *Xu v. Broadcom Corp., et al.*, Case No. 30-2015-00790689-CU-SL-CXC, filed June 1, 2015; *Freed v. Broadcom Corp., et al.*, Case No. 30-2015-00790699-CU-SL-CXC, filed June 1, 2015; *N.J. Building Laborers Statewide Pension Fund v. Samuelli, et al.*, Case No. 00791484-CU-SL-CXC, filed June 4, 2015; *Yiu v. Broadcom Corp., et al.*, Case No. 00791490-CU-SL-CXC, filed June 4, 2015; *Yiu and Crombie v. Broadcom Corp. et al.*, Case No. 30-2015-00791762-CU-BT-CXC, filed June 5, 2015; *Yassian v. McGregor et al.*, Case No. 30-2015-00793360-CU-SL-CXC, filed June 15, 2015; *Seafarers’ Pension Plan v. Samuelli et al.*, Case No. 30-2015-00794492-CU-SL-CXC, filed June 19, 2015; and *Engel v. Broadcom Corp. et al.*, Case No. 30-2015-00797343-CU-

SL-CXC, filed on July 2, 2015. Another putative class action was filed in the Superior Court of the State of California, County of Santa Clara, captioned *Jew v. Broadcom Corp., et al.*, Case No. 115-CV-281353, on June 2, 2015. On June 18, 2015, plaintiffs in the *Yiu and Crombie* lawsuit moved to voluntarily dismiss their action. The same day, a lawsuit was filed in federal district court for the Central District of California, captioned *Wytas and Crombie v. McGregor, et al.*, Case No. 8:15-cv-00979.

The complaints in the above-captioned cases generally allege: (i) that our Board of Directors breached its fiduciary duties to Broadcom's shareholders by pursuing a flawed sale process and failing to obtain adequate consideration, and (ii) that Broadcom and the other parties to the Avago Agreement aided and abetted the alleged breaches of fiduciary duties by our Board of Directors. The *Wytas* complaint also names Henry T. Nicholas III, one of our co-founders, as a defendant. The plaintiffs in each of the above-captioned lawsuits seek to enjoin the Defendants from proceeding with the proposed transaction set forth in the Avago Agreement. The plaintiffs also seek damages and attorney's fees.

On June 16, 2015 the Defendants filed a Petition for Coordination to the Chair of the Judicial Council, requesting a determination on whether the *Jew v. Broadcom* lawsuit should be coordinated with the other shareholder class actions filed in the Superior Court of Orange County. Defendants have also requested a stay of all proceedings in the above-captioned state court cases until the Petition for Coordination is decided.

#### General

We and our subsidiaries are also involved in other legal proceedings, claims and litigation arising in the ordinary course of business.

## 9. Goodwill and Purchased Intangible Assets

### Goodwill

The following table summarizes the activity related to the carrying value of our goodwill:

	Reportable Segments			Consolidated
	Broadband and Connectivity	Infrastructure and Networking	Foreign Currency	
	(In millions)			
Goodwill	\$ 1,802	\$ 3,768	\$ (31)	\$ 5,539
Accumulated impairment losses	(543)	(1,286)	—	(1,829)
Goodwill at December 31, 2014	1,259	2,482	(31)	3,710
Effects of foreign currency translation	—	—	7	7
Goodwill at June 30, 2015	\$ 1,259	\$ 2,482	\$ (24)	\$ 3,717

### Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	June 30, 2015			December 31, 2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Developed technology	\$ 928	\$ (489)	\$ 439	\$ 1,250	\$ (619)	\$ 631
In-process research and development	11	—	11	19	—	19
Customer relationships	177	(165)	12	177	(164)	13
Other	33	(33)	—	32	(31)	1
	\$ 1,149	\$ (687)	\$ 462	\$ 1,478	\$ (814)	\$ 664

### Amortization of Purchased Intangible Assets

The following table presents details of the amortization of purchased intangible assets *included* in the cost of revenue and other operating expense categories:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Cost of revenue	\$ 31	\$ 47	\$ 67	\$ 97
Other operating expenses	2	9	3	18
	<u>\$ 33</u>	<u>\$ 56</u>	<u>\$ 70</u>	<u>\$ 115</u>

The following table presents details of the amortization of existing purchased intangible assets (including IPR&D), which is currently estimated to be expensed in the *remainder* of 2015 and thereafter:

	Purchased Intangible Asset Amortization by Year						
	2015	2016	2017	2018	2019	Thereafter	Total
	(In millions)						
Cost of revenue	\$ 63	\$ 94	\$ 75	\$ 59	\$ 45	\$ 114	\$ 450
Other operating expenses	2	3	2	3	2	—	12
	<u>\$ 65</u>	<u>\$ 97</u>	<u>\$ 77</u>	<u>\$ 62</u>	<u>\$ 47</u>	<u>\$ 114</u>	<u>\$ 462</u>

### Impairment of Purchased Intangible Assets

In the three months ended March 31, 2015, we recorded impairment charges for developed technology of \$135 million related to knowledge-based processor products, or KBPs, related to our acquisition of NetLogic Microsystems, Inc., included in our Infrastructure and Networking reportable segment. The primary factor contributing to the impairment of our KBP assets was a reduction in the size of the addressable market for merchant KBPs driven by increasing integration of comparable functionality into Broadcom Ethernet switches and some customers preferring to design internal solutions. This resulted in reduction in the revenue outlook for these products and the corresponding cash flows identified with the impaired assets.

In the three months ended March 31, 2014, we recorded impairment charges primarily for developed technology of \$25 million, of which \$19 million was related to our acquisition of SC Square Ltd., or SC Square, included in our Broadband and Connectivity reportable segment, and \$5 million related to the purchase of LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction, included in cellular baseband business. See Note 11 for a discussion of our reportable segments. The primary factors contributing to these impairment charges were (i) for SC Square, the discontinuation of certain security solutions and (ii) for the Renesas Transaction, a reduction in revenue expectations related to an acquired legacy LTE modem product and an associated decrease to the respective estimated cash flows.

In the three months ended June 30, 2014, we recorded impairment charges of \$35 million, primarily for developed technology related to our acquisition of NetLogic, included in our Infrastructure and Networking reportable segment. During the six months ended June 30, 2014, we saw a reduction in customer design activity for MIPS-based embedded processors compared to our previous forecast primarily due to customers increasingly selecting ARM-based solutions for next generation core network architectures. This reduction in design activity resulted in a reduction in revenue and estimated cash flows related to our legacy embedded processor products compared to our previous forecasts.

In determining the amount of the impairment charges we calculated fair values as of the impairment dates for acquired intangible assets. We used several variations of the income approach to compute the fair values, including the multiple period excess earnings, relief from royalty, and incremental cash flow methods. These methods employ significant unobservable inputs categorized as Level 3 inputs. The key unobservable inputs utilized include discount rates ranging from 16% to 22%, a market participant tax rate of 17%, and estimated level of future cash flows based on current product and market data.

## 10. Exit from Cellular Baseband Business

### Restructuring Costs

On June 2, 2014, we announced that we were exploring strategic alternatives, including a potential sale and/or wind-down, for our cellular baseband business. We reached this decision based on our conclusion that the commercial and economic opportunity in this business was not sufficiently compelling to justify the continued investment, especially when compared to other opportunities within our product portfolio. On June 26, 2014, the Audit Committee of our Board of Directors approved a

global restructuring plan, or the 2014 Plan, that focuses on cost reductions and operating efficiencies and better aligns our resources to areas of strategic focus. In July 2014 we decided to pursue a wind-down of the cellular baseband business.

As of June 30, 2015 we have recognized \$163 million of restructuring charges related to the exit from the cellular baseband business. These charges are comprised of (i) \$131 million for employee termination benefits for 2,300 employees and (ii) \$32 million for certain non-cancelable contract costs and other costs to close and consolidate 17 locations facilities. We expect to record additional restructuring charges of approximately \$5 million over the next 12 months, primarily for costs associated with the closure of one additional facility.

The following table summarizes activity related to our restructuring liabilities:

	<b>Six Months Ended June 30, 2015</b>
	<b>(In millions)</b>
Balance at December 31, 2014	\$ 33
Charged to expense	11
Cash payments	(31)
Balance at June 30, 2015	<u>\$ 13</u>

### Impairment Charges

In connection with our decision to exit the cellular baseband business in 2014, we recorded \$130 million of non-cash charges for the impairment of certain long-lived assets and \$34 million of inventory charges in the three months ended June 30, 2014. We wrote down the value of property and equipment related to the cellular baseband business by \$104 million to reflect the fair value of these assets on an in-exchange basis. In determining the fair value of the assets, we used a market based approach to estimate the value we could receive in the open market, and subtracted the cost to sell those assets. We also performed a detailed analysis of our electronic design automation, or EDA, tools and technology licenses that relate to our cellular baseband business. Because the majority of these EDA tools and technology licenses are not transferable and will have no useful applications for our remaining operations, we recorded an impairment charge of \$19 million related to these licenses. We also recorded impairment charges of purchased intangible assets of \$2 million and other assets of \$5 million. The impairment charges were recorded in "Impairment of Long-Lived Assets" and the inventory charge were recorded in "Cost of Product Revenue" included in our unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2014.

## 11. Reportable Segments, Significant Customer and Geographical Information

### Reportable Segments

Our business is structured around two reportable segments: (i) Broadband and Connectivity; and (ii) Infrastructure and Networking. Our Chief Executive Officer, who is our chief operating decision maker, or CODM, reviews financial information at the reportable segment level.

Our net revenue is generated principally from sales of integrated circuit products. While we derive some revenue from other sources, such revenue is not material as it represents less than 1% of our total net revenue.

With respect to the sales of integrated circuit products, we have approximately 450 products that are grouped into approximately 60 product lines. We have concluded that these products constitute a group of similar products within each reportable segment in each of the following respects:

- the integrated circuits marketed by each of our reportable segments are sold to one type of customer: manufacturers of wired and wireless communications equipment, which incorporate our integrated circuits into their electronic products;
- the integrated circuits sold by each of our reportable segments use the same standard CMOS manufacturing processes;
- all of our integrated circuits are manufactured, assembled and tested using the same or similar group of independent, third-party subcontractors; and

- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

The “Cellular Baseband” category shown in the table below represents the operations of the cellular baseband business that is currently winding down. As the CODM no longer reviews the financial information for purposes of allocating resources and assessing performance of Cellular Baseband, it does not qualify as an operating and reportable segment. In addition, as Cellular Baseband has not completely ceased operations and will continue to generate revenue, albeit declining, and expenses for the foreseeable future, it does not currently meet the requirements for “discontinued operations” under applicable accounting standards. We have included Cellular Baseband net revenue and operating income (loss) in the below tables as if it did meet the requirements of a reportable segment because we believe this information is useful to users of our financial statements.

We also report an “All Other” category, which includes operating expenses that we do not allocate to our reportable segments as these expenses are not included in the segment operating performance measures evaluated by our CODM. Operating costs and expenses that are not allocated include amortization of purchased intangible assets, amortization of acquired inventory valuation step-up and inventory charges relating to our decision to exit our cellular baseband business, impairment of goodwill and other long-lived assets, net settlement costs (gains), net restructuring costs, other charges (gains), and other miscellaneous expenses related to corporate allocations that were either over or under the original projections at the beginning of the year. We include acquisition-related items in the “All Other” category as our CODM reviews reportable segment performance exclusive of these charges. Our CODM does not review information regarding total assets, interest income or income taxes on a segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

All prior-period amounts have been adjusted retrospectively to reflect the inclusion of stock-based compensation and our reportable segment changes that occurred in 2014. For a complete summary of these changes, please refer to Note 11, “Reportable Segments, Significant Customer and Geographical Information,” in Part IV, Item 15 of our 2014 Annual Report.

The following tables present details of our reportable segments and the “Cellular Baseband” and “All Other” categories:

	Reportable Segments		Total Reportable Segments	Cellular Baseband	All Other	Consolidated
	Broadband and Connectivity	Infrastructure and Networking				
(In millions)						
<b>Three Months Ended June 30, 2015</b>						
Net revenue	\$ 1,423	\$ 669	\$ 2,092	\$ 4	\$ —	\$ 2,096
Operating income (loss)	268	194	462	—	(60)	402
<b>Three Months Ended June 30, 2014</b>						
Net revenue	\$ 1,302	\$ 655	1,957	\$ 84	\$ —	\$ 2,041
Operating income (loss)	243	206	449	(151)	(284)	14
	Reportable Segments		Total Reportable Segments	Cellular Baseband	All Other	Consolidated
	Broadband and Connectivity	Infrastructure and Networking				
(In millions)						
<b>Six Months Ended June 30, 2015</b>						
Net revenue	\$ 2,831	\$ 1,300	4,131	\$ 23	\$ —	\$ 4,154
Operating income (loss)	509	361	870	(7)	(238)	625
<b>Six Months Ended June 30, 2014</b>						
Net revenue	\$ 2,548	\$ 1,249	3,797	\$ 228	\$ —	\$ 4,025
Operating income (loss)	427	355	782	(290)	(308)	184

**Included In All Other Category:**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
	(In millions)			
Amortization of purchased intangible assets	\$ 33	\$ 56	\$ 70	\$ 115
Inventory charges related to the exit of the cellular baseband business	(1)	34	(3)	34
Impairments of long-lived assets	—	165	143	190
Settlement costs	1	16	1	18
Restructuring costs, net	4	23	11	28
Other charges (gains), net	22	(7)	18	(59)
Miscellaneous corporate allocation variances	1	(3)	(2)	(18)
Total other operating costs and expenses	\$ 60	\$ 284	\$ 238	\$ 308
Total operating loss for the “All Other” category	\$ (60)	\$ (284)	\$ (238)	\$ (308)

**Significant Customer and Geographical Information**

Sales to our significant customers, including sales to their manufacturing subcontractors, as a percentage of net revenue were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Two largest customers	25.0%	24.4%	25.7%	27.3%
Five largest customers as a group	41.3	43.0	41.3	44.2

The geographical distribution of our shipments, as a percentage of product revenue, was as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Hong Kong	36.4%	32.5%	34.5%	30.0%
China (exclusive of Hong Kong)	25.3	22.1	24.7	22.4
Singapore, Taiwan, Thailand and Japan	20.8	29.4	23.9	32.1
United States	5.0	4.9	4.8	4.6
Europe	1.7	2.0	1.8	2.0
Other	10.8	9.1	10.3	8.9
	100.0%	100.0%	100.0%	100.0%

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Statement

The information contained in this Quarterly Report on Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended December 31, 2014, referred to as our 2014 Annual Report, and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The information in this Form 10-Q is also not a complete description of our business or the risks associated with an investment in our common stock. You should read the following discussion and analysis in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related Notes thereto contained in Part I, Item 1 of this Report and the various other disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our 2014 Annual Report and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.

The section entitled "Risk Factors" contained in Part II, Item 1A of this Report, and similar discussions in our other SEC filings, describe some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should carefully consider those risks, in addition to the other information in this Report and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates, forecasts and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under the section entitled "Risk Factors" in Part II, Item 1A of this Report. These forward-looking statements speak only as of the date of this Report. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

### Additional Information

Investors and others should note that we announce material financial information using our company website ([www.broadcom.com](http://www.broadcom.com)), our investor relations website ([investors.broadcom.com](http://investors.broadcom.com)), SEC filings, press releases, public conference calls and webcasts. Information about Broadcom and our business may also be announced by posts on the following social media channels:

- B-Connected Blog ([blog.broadcom.com](http://blog.broadcom.com))
- Broadcom's Twitter feed ([www.twitter.com/Broadcom](http://www.twitter.com/Broadcom))
- Broadcom's Facebook page ([www.facebook.com/Broadcom](http://www.facebook.com/Broadcom))

The information that we post on these social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in Broadcom to review the information that we post on these social media channels. These channels may be updated from time to time on our website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

### Overview

Broadcom Corporation (including our subsidiaries, referred to collectively in this Report as "Broadcom," "we," "our" and "us") is a global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom provides one of the industry's broadest portfolio of highly-integrated system-on-a-chip solutions, or SoCs, that seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments.

Our solutions are used globally by leading manufacturers and are embedded in an array of communications products. Because we leverage our technologies across different markets, certain of our integrated circuits may be incorporated into products used in multiple platforms. We utilize independent foundries and third-party subcontractors to manufacture, assemble

and test all of our semiconductor products. Our business is structured around two reportable segments: (i) Broadband and Connectivity; and (ii) Infrastructure and Networking.

### **Pending Acquisition by Avago Technologies Limited**

On May 28, 2015, we entered into an Agreement and Plan of Merger, or the Avago Agreement, with Avago Technologies Limited, or Avago, and certain of its subsidiaries, under which Avago will acquire Broadcom. We currently expect the transaction to close by the end of the first quarter of 2016. See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding this transaction.

### **Operating Results for the Three and Six Months Ended June 30, 2015**

In the three months ended June 30, 2015, our net income was \$386 million, as compared to a net income of \$209 million in the three months ended March 31, 2015 and as compared to a net loss of \$1 million in the three months ended June 30, 2014. This resulting increase from the prior quarter in profitability was primarily the result of a 1.8% sequential increase in net revenue, gross margin improvement of 240 basis points, and a decrease in impairment charges of long-lived assets of \$143 million. This resulting increase in profitability year-over-year was primarily the result of a 2.7% sequential increase in net revenue, gross margin improvement of 440 basis points, a combined net reduction of \$90 million for research and development and selling, general and administrative expenses, primarily associated with the restructuring plan that we initiated in July 2014, and a decrease in impairment charges of long-lived assets of \$165 million. In the six months ended June 30, 2015 our net income was \$595 million, as compared to net income of \$164 million in the six months ended June 30, 2014. This year-over-year increase was the result of a 3.2% increase in net revenue, gross margin improvement of 390 basis points, and a combined net reduction of \$195 million for research and development and selling, general and administrative expenses, primarily associated with the restructuring plan that we initiated in 2014, and a decrease in impairment charges of long-lived assets of \$47 million, offset in part by an increase in other charges (gains), net of \$77 million.

As discussed in further detail elsewhere in this Report, other highlights during the six months ended June 30, 2015 include the following:

- Our cash and cash equivalents and marketable securities were \$6.35 billion at June 30, 2015, compared with \$5.99 billion at December 31, 2014.
- Cash flow from operations generated \$777 million during the six months ended June 30, 2015, as compared to \$831 million in the six months ended June 30, 2014.
- We repurchased 10.4 million shares of our Class A common stock at a weighted average price of \$44.40 in the six months ended June 30, 2015. In connection with the Avago Agreement, we agreed to discontinue future share repurchases, under these programs.
- We paid \$168 million in dividends to holders of our Class A and Class B common stock in the six months ended June 30, 2015.
- In the three months ended March 31, 2015, we recorded impairment charges related to our knowledge-based processors of \$135 million, related to our acquisition of NetLogic Microsystems, Inc., or NetLogic.
- In March 2015, we paid \$156 million upon close of escrow for the purchase of land, which we are using to construct a new corporate campus in Orange County, California, totaling up to 2 million square feet in order to meet the requirements projected in our long-term business plan. This payment included \$110 million for the purchase of the land and \$46 million for prepaid taxes and refundable deposits.
- We recorded acquisition-related costs of approximately \$22 million, primarily for outside legal and financial advisory fees associated with the pending acquisition of Broadcom by Avago in the three and six months ended June 30, 2015.

## Reportable Segments

As discussed in Note 11 of Notes to Unaudited Condensed Consolidated Financial Statements, all prior-period amounts below have been adjusted retrospectively to reflect the inclusion of stock-based compensation and our reportable segment changes that occurred in 2014.

The following table presents details of our reportable segments, and the "Cellular Baseband" and "All Other" categories:

	Reportable Segments		Total Reportable Segments	Cellular Baseband	All Other	Consolidated
	Broadband and Connectivity	Infrastructure and Networking				
(In millions)						
<b>Three Months Ended June 30, 2015</b>						
Net revenue	\$ 1,423	\$ 669	\$ 2,092	\$ 4	\$ —	\$ 2,096
Operating income (loss)	268	194	462	—	(60)	402
Operating margin	18.8%	29.0%	22.1%	— %		19.2%
<b>Three Months Ended March 31, 2015</b>						
Net revenue	\$ 1,408	\$ 631	\$ 2,039	\$ 19	\$ —	\$ 2,058
Operating income (loss)	241	167	408	(7)	(178)	223
Operating margin	17.1%	26.5%	20.0%	(36.8)%		10.8%
<b>Three Months Ended June 30, 2014</b>						
Net revenue	\$ 1,302	\$ 655	1,957	\$ 84	\$ —	\$ 2,041
Operating income (loss)	243	206	449	(151)	(284)	14
Operating margin	18.7%	31.5%	22.9%	(179.8)%		0.7%

	Reportable Segments		Total Reportable Segments	Cellular Baseband	All Other	Consolidated
	Broadband and Connectivity	Infrastructure and Networking				
(In millions)						
<b>Six Months Ended June 30, 2015</b>						
Net revenue	\$ 2,831	\$ 1,300	4,131	\$ 23	\$ —	\$ 4,154
Operating income (loss)	509	361	870	(7)	(238)	625
Operating margin	18.0%	27.8%	21.1%	(30.4)%		15.0%
<b>Six Months Ended June 30, 2014</b>						
Net revenue	\$ 2,548	\$ 1,249	3,797	\$ 228	\$ —	\$ 4,025
Operating income (loss)	427	355	782	(290)	(308)	184
Operating margin	16.8%	28.4%	20.6%	(127.2)%		4.6%

See Notes 10 and 11 of Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding our reportable segments and our "Cellular Baseband" and "All Other" categories.

The increase in operating income for our Broadband and Connectivity reportable segment in the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, resulted primarily from modest growth in net revenue combined with favorable product mix. The increase in operating income for our Broadband and Connectivity reportable segment in the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, resulted primarily from a 9.3% increase in net revenue, offset in part by an increase in additional research and development expenses. The increase in operating income in the six months ended June 30, 2015, as compared to the six months ended June 30, 2014, resulted primarily from a 11.1% increase in net revenue, offset in part by additional research and development expenses. The increase in operating income for our Infrastructure and Networking reportable segment in the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, resulted primarily from a 6.0% increase in net revenue. The decrease in operating income for our Infrastructure and Networking reportable segment in the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, resulted primarily from an increase in operating expenses, offset in part by a 2.1% increase in net revenue. The increase in operating income in the six months ended June 30, 2015, as compared

to the six months ended June 30, 2014, resulted primarily from a 4.1% increase in net revenue, offset in part by a slight increase in operating expenses. As discussed in Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements, in July 2014 we decided to wind down our cellular baseband business as the commercial and economic opportunity was not sufficient to justify continued investment.

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles, or U.S. GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, stock-based compensation expense, long-lived asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs, litigation and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected. For a description of our critical accounting policies and estimates, please refer to the “Critical Accounting Policies and Estimates” section in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2014 Annual Report. There have been no material changes in any of our critical accounting policies and estimates during the six months ended June 30, 2015.

### Net Revenue

The following tables present net revenue from each of our reportable segments and the Cellular Baseband category:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Broadband and Connectivity	\$ 1,423	\$ 1,408	\$ 1,302	\$ 15	1.1 %	\$ 121	9.3 %
Infrastructure and Networking	669	631	655	38	6.0	14	2.1
Total reportable segments	2,092	2,039	1,957	53	2.6	135	6.9
Cellular Baseband	4	19	84	(15)	(78.9)	(80)	(95.2)
Total net revenue	\$ 2,096	\$ 2,058	\$ 2,041	\$ 38	1.8	\$ 55	2.7

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
(In millions, except percentages)				
Broadband and Connectivity	\$ 2,831	\$ 2,548	\$ 283	11.1 %
Infrastructure and Networking	1,300	1,249	51	4.1
Total reportable segments	4,131	3,797	334	8.8
Cellular Baseband	23	228	(205)	(89.9)
Total net revenue	\$ 4,154	\$ 4,025	\$ 129	3.2

	Three Months Ended			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(as a % of net revenue)				
Broadband and Connectivity	67.9%	68.4%	63.8%	68.1%	63.3%
Infrastructure and Networking	31.9	30.7	32.1	31.3	31.0
Total reportable segments	99.8	99.1	95.9	99.4	94.3
Cellular Baseband	0.2	0.9	4.1	0.6	5.7
Total net revenue	100.0%	100.0%	100.0%	100.0%	100.0%

**Broadband and Connectivity.** The increase in net revenue in the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, resulted primarily from increases in sales of our broadband modem solutions of \$44 million, our wireless connectivity products of \$17 million and other broadband and connectivity technologies of \$6 million, offset in part by decreases in sales of our set-top box (STB) solutions of \$52 million. The increase in net revenue in the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, resulted primarily from increases in sales of our broadband modem solutions of \$70 million, our wireless connectivity products of \$64 million and other broadband and connectivity technologies of \$48 million, offset in part by decreases in sales of STB solutions of \$61 million. The increase in net revenue in the six months ended June 30, 2015, as compared to the six months ended June 30, 2014, resulted primarily from increases in sales of our broadband modem solutions of \$131 million, our wireless connectivity products of \$102 million, and other broadband and connectivity technologies of \$86 million, offset in part by STB solutions of \$36 million. Growth in sales of broadband modem solutions is generally driven by global deployments and upgrades of broadband infrastructure and the adoption of new features and technologies (including DOCSIS 3.0 and VDSL). The increase in wireless connectivity sales was driven by strong demand for our latest generation of integrated solutions that include a richer mix of features. The decreases in STB were driven in part by uncertainty regarding the timing of business combinations involving certain service providers in the broadband and pay TV segments.

**Infrastructure and Networking.** The increase in net revenue for the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, resulted primarily from increases in sales of Ethernet switches and PHYs of \$33 million and other infrastructure and networking technologies of \$5 million. The increase in net revenue in the three months ended June 30, 2015, as compared to the three months ended June 30, 2014, resulted from increases in sales of our Ethernet switches and PHYs of \$29 million, offset in part by decreases in sales of other infrastructure and networking technologies of \$15 million. The increase in net revenue in the six months ended June 30, 2015, as compared to the six months ended June 30, 2014, resulted primarily from increases in sales of our Ethernet switches and PHYs of \$67 million, offset in part by decreases in sales of other infrastructure and networking technologies of \$16 million. Growth in Ethernet switches and PHYs is generally driven by continued build outs of packet-based networks to support the delivery of video and mobile data over the Internet, an increase in hosted services and cloud computing, and the ongoing growth in unified communications in the enterprise.

**Cellular Baseband.** The decrease in the Cellular Baseband category resulted from our decision in July 2014 to wind down our cellular baseband business as the commercial and economic opportunity did not sufficiently justify continued investment. Due to our announced exit from the cellular baseband business, we expect associated revenue to trend to zero over the next twelve months.

**Rebates.** We recorded rebates to certain customers of \$219 million, or 10.4% of net revenue, \$221 million, or 10.7% of net revenue, and \$176 million, or 8.6% of net revenue, in the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively. We recorded customer rebates of \$440 million, or 10.6% of net revenue, and \$363 million, or 9.0% of net revenue, in the six months ended June 30, 2015 and 2014, respectively. The change in rebates as a percentage of net revenue was attributable to a change in the mix of sales to customers that participate in rebate programs, primarily in the Broadband and Connectivity reportable segment. We reverse the accrual of unclaimed rebate amounts as specific rebate programs contractually end or when we believe unclaimed rebates are no longer subject to payment and will not be paid. We reversed accrued rebates of \$7 million, \$4 million and \$13 million in the three months ended June 30, 2015, March 31, 2015 and June 30, 2014, respectively. We reversed accrued rebates of \$11 million and \$19 million in the six months ended June 30, 2015 and June 30, 2014, respectively. We anticipate that accrued rebates will vary in future periods based upon the level of overall sales to customers that participate in our rebate programs.

### Concentration of Net Revenue

Sales to our significant customers, including sales to their manufacturing subcontractors, as a percentage of net revenue were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Two largest customers	25.0%	24.4%	25.7%	27.3%
Five largest customers as a group	41.3	43.0	41.3	44.2

We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. Our largest customers and their respective contributions to our total net revenue have varied and will likely continue to vary from period to period. For information regarding the geographical distribution of our shipments, as a percentage of product revenue, see further discussion in Note 11 of Notes to Unaudited Condensed Consolidated Financial Statements.

From time to time, our key customers place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the seasonal variations in consumer products and changes in the overall economic environment. For these and other reasons, our total net revenue and results of operations for the three months ended June 30, 2015, and prior periods may not necessarily be indicative of future net revenue and results of operations.

### Cost of Revenue, Gross Profit and Gross Margin

The following tables present total net revenue, cost of revenue, gross profit and gross margin:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
	(In millions, except percentages)						
Net revenue	\$ 2,096	\$ 2,058	\$ 2,041	\$ 38	1.8 %	\$ 55	2.7 %
Cost of revenue	939	972	1,005	(33)	(3.4)	(66)	(6.6)
Gross profit	\$ 1,157	\$ 1,086	\$ 1,036	\$ 71	6.5	\$ 121	11.7
Gross margin	55.2%	52.8%	50.8%				

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
	(In millions, except percentages)			
Net revenue	\$ 4,154	\$ 4,025	\$ 129	3.2 %
Cost of revenue	1,911	2,009	(98)	(4.9)
Gross profit	\$ 2,243	\$ 2,016	\$ 227	11.3
Gross margin	54.0%	50.1%		

*Cost of Revenue and Gross Margin.* Cost of revenue consists of the cost of purchasing finished silicon wafers manufactured by independent foundries, costs associated with our purchase of assembly, test and quality assurance services and packaging materials for semiconductor products, as well as royalties and license fees paid to vendors and to non-practicing entities, or NPEs. Also included in cost of revenue is the amortization of purchased technology and inventory valuation step-up, and manufacturing overhead, including costs of personnel and equipment associated with manufacturing support, product warranty costs, provisions for excess and obsolete inventories, and stock-based compensation expense for personnel engaged in manufacturing support.

Gross margin increased in the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, primarily due to a reduction in excess and obsolete inventory expense. The improvements in gross margin for the three

and six months ended June 30, 2015, as compared to the three and six months ended June 30, 2014, were driven by decreases of (i) \$80 million and \$205 million, respectively, in revenue related to our cellular baseband business (which products tend to have below average gross margins), (ii) amortization of purchase intangible assets of \$16 million and \$30 million, respectively, and (iii) \$34 million of excess and obsolete inventory expense related to the exit of the cellular baseband business in the three months ended June 30, 2014.

### Research and Development Expense

Research and development expense consists primarily of salaries and related costs, including stock-based compensation, for employees engaged in research, design and development activities. In addition, we incur development and design costs, which are primarily costs related to engineering design tools, mask and prototyping costs, testing and subcontracting; and costs related to facilities and equipment expense.

The following tables present details of research and development expense:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 395	\$ 380	\$ 456	\$ 15	3.9 %	\$ (61)	(13.4)%
Development and design costs	73	87	86	(14)	(16.1)	(13)	(15.1)
Other	70	72	92	(2)	(2.8)	(22)	(23.9)
Research and development	\$ 538	\$ 539	\$ 634	\$ (1)	(0.2)	\$ (96)	(15.1)
(as a % of net revenue)	25.7%	26.2%	31.1%				
Employees	7,850	7,800	9,750	50	0.6	(1,900)	(19.5)

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
(In millions, except percentages)				
Salaries and benefits	\$ 775	\$ 912	\$ (137)	(15.0)%
Development and design costs	160	174	(14)	(8.0)
Other	142	184	(42)	(22.8)
Research and development	\$ 1,077	\$ 1,270	\$ (193)	(15.2)
(as a % of net revenue)	25.9%	31.6%		

The increase in salaries and benefits for the three months ended June 30, 2015, as compared to the three months ended March 31, 2015, was primarily attributable to an increase in cash compensation levels in connection with our annual merit review program, as well as additional incentive compensation anticipated to be paid due to our stronger relative rate of revenue growth compared to the semiconductor industry. The decrease in salaries and benefits for the three and six months ended June 30, 2015, as compared to the three and six months ended June 30, 2014, was primarily attributable to our restructuring plan related to the exit from our cellular baseband business initiated in July 2014, partially offset by increases in headcount in each of our current reportable segments and increased incentive compensation. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. The decreases in the *Other* line item from the three and six months ended June 30, 2015, as compared to the three months ended March 31, 2015 and the three and six months ended June 30, 2014, is primarily attributable to a decrease in depreciation and facility expenses related to the exit of the cellular baseband business. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements for further information.

We remain committed to significant research and development efforts to extend our technology leadership in the wired and wireless communications markets in which we operate. Factors that may impact research and development costs include the diversification of the markets we serve, new product or market opportunities, the number of design wins that go into production, changes in our compensation policies, and any expansion into new markets and technologies, including acquisitions. For the six months ended June 30, 2015, approximately 60% and 25% of our products were manufactured in 40 nanometers and 65 nanometers, respectively. We are designing most new products in 40 nanometers and 28 nanometers, and

are beginning to develop products leveraging FinFET technologies. We currently hold approximately 10,950 U.S. and more than 3,925 foreign patents and have more than 5,950 additional U.S. and foreign pending patent applications. We maintain an active program of filing for and acquiring additional U.S. and foreign patents in wired and wireless communications and other fields.

### ***Selling, General and Administrative Expense***

Selling, general and administrative expense consists primarily of salaries and related costs, including stock-based compensation expense, for employees engaged in selling, general and administrative activities. We also incur legal and other professional fees, facilities expenses and communications expenses.

The following tables present details of selling, general and administrative expense:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 136	\$ 120	\$ 123	\$ 16	13.3 %	\$ 13	10.6 %
Legal and accounting fees	16	17	19	(1)	(5.9)	(3)	(15.8)
Other	36	40	40	(4)	(10.0)	(4)	(10.0)
Selling, general and administrative	\$ 188	\$ 177	\$ 182	\$ 11	6.2	\$ 6	3.3
(as a % of net revenue)	9.0%	8.6%	8.9%				
Employees	1,950	1,950	2,050	—	—	(100)	(4.9)

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
(In millions, except percentages)				
Salaries and benefits	\$ 256	\$ 244	\$ 12	4.9 %
Legal and accounting fees	33	40	(7)	(17.5)
Other	76	83	(7)	(8.4)
Selling, general and administrative	\$ 365	\$ 367	\$ (2)	(0.5)
(as a % of net revenue)	8.8%	9.1%		

The increase in salaries and benefits for the three and six months ended June 30, 2015, as compared to the three months ended March 31, 2015, and the three and six months ended June 30, 2014 was primarily attributable result of an increase in cash compensation levels in connection with our annual merit review program, as well as additional incentive compensation anticipated to be paid due to our stronger relative rate of revenue growth compared to the semiconductor industry. The decreases in the *Other* line item was primarily attributable to a decrease in facilities expenses. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements for further information. We also incurred certain costs related to the Avago Agreement that are discussed in Other Charges (Gains), Net below.

### ***Stock-Based Compensation Expense***

The following tables present details of total stock-based compensation expense that is included in salaries and benefits in each functional line item in our unaudited condensed consolidated statements of income:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of revenue	\$ 4	\$ 5	\$ 5	\$ (1)	(20.0)%	\$ (1)	(20.0)%
Research and development	56	60	80	(4)	(6.7)	(24)	(30.0)
Selling, general and administrative	26	25	28	1	4.0	(2)	(7.1)
Stock-based compensation	\$ 86	\$ 90	\$ 113	\$ (4)	(4.4)	\$ (27)	(23.9)
(as a % of net revenue)	4.1%	4.4%	5.5%				

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
(In millions, except percentages)				
Cost of revenue	\$ 9	\$ 11	\$ (2)	(18.2)%
Research and development	116	164	(48)	(29.3)
Selling, general and administrative	51	58	(7)	(12.1)
Stock-based compensation	\$ 176	\$ 233	\$ (57)	(24.5)
(as a % of net revenue)	4.2%	5.8%		

The decrease in stock-based compensation in the three and six months ended June 30, 2015, as compared to the three and six months ended June 30, 2014, was primarily attributable to the cancellation of equity awards held by employees who were terminated due to the decision to exit our cellular baseband business. In the six months ended June 30, 2015, we granted equity awards with a fair value of \$294 million, primarily related to our regular annual equity compensation review program, which will be expensed over the next four years, as compared to \$400 million in six months ended June 30, 2014.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the *remainder* of 2015 and through 2019 related to unvested share-based payment awards:

	2015	2016	2017	2018	2019	Total
(In millions)						
Unearned stock-based compensation	\$ 168	\$ 252	\$ 163	\$ 80	\$ 11	\$ 674

If there are any modifications or cancellations of the underlying unvested awards, including the cancellation of awards held by employees impacted by our current restructuring plan, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards or assume unvested equity awards in connection with acquisitions. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of activity related to share-based awards.

#### ***Amortization of Purchased Intangible Assets***

The following tables present details of the amortization of purchased intangible assets *included* in the cost of revenue and other operating expense categories:

	Three Months Ended			Quarter over Quarter		Year over Year	
	June 30, 2015	March 31, 2015	June 30, 2014	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of revenue	\$ 31	\$ 36	\$ 47	\$ (5)	(13.9)%	\$ (16)	(34.0)%
Other operating expenses	2	1	9	1	100.0	(7)	(77.8)
	\$ 33	\$ 37	\$ 56	\$ (4)	(10.8)	\$ (23)	(41.1)

	Six Months Ended		Year over Year	
	June 30, 2015	June 30, 2014	\$ Change	% Change
	(In millions, except percentages)			
Cost of revenue	\$ 67	\$ 97	\$ (30)	(30.9)%
Other operating expenses	3	18	(15)	(83.3)
	<u>\$ 70</u>	<u>\$ 115</u>	<u>\$ (45)</u>	<u>(39.1)</u>

The decrease in amortization of purchased intangible assets is primarily the result of the NetLogic impairment charges recognized in 2014 and 2015.

The following table presents details of the amortization of existing purchased intangible assets (including IPR&D), currently estimated to be expensed in the *remainder* of 2015 and thereafter:

	Purchased Intangible Asset Amortization by Year						Total
	2015	2016	2017	2018	2019	Thereafter	
	(In millions)						
Cost of revenue	\$ 63	\$ 94	\$ 75	\$ 59	\$ 45	\$ 114	\$ 450
Other operating expenses	2	3	2	3	2	—	12
	<u>\$ 65</u>	<u>\$ 97</u>	<u>\$ 77</u>	<u>\$ 62</u>	<u>\$ 47</u>	<u>\$ 114</u>	<u>\$ 462</u>

#### ***Impairment of Goodwill and Other Long-Lived Assets***

We recorded impairment charges of long-lived assets of \$143 million and \$190 million in the six months ended June 30, 2015 and 2014, respectively. See discussion of our impairment of long-lived assets in Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements.

#### ***Restructuring Costs, Net***

We recorded restructuring costs of \$11 million and \$28 million in the six months ended June 30, 2015 and 2014, respectively. We expect to record additional restructuring charges of up to \$5 million over the next 12 months, primarily for costs associated with the closure of one additional facility. See discussion of our restructuring costs as it relates to our decision to exit from our cellular baseband business in Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements.

#### ***Other Charges (Gains), Net***

We recorded other charges of \$18 million and other gains of \$59 million in the six months ended June 30, 2015 and 2014, respectively. See discussion of our Other Charges (Gains), Net in Notes 1 and 2 of the Notes to Unaudited Condensed Consolidated Financial Statements as it relates to the Avago Agreement in the three months ended June 30, 2015, and the sale of certain Ethernet controller-related assets to QLogic Corporation in the three months ended March 31, 2014, referred to as the QLogic Transaction.

#### ***Provision for Income Taxes***

The following table presents details of the provision for income taxes and our effective tax rates:

	Three Months Ended			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(In millions, except percentages)				
Provision for income taxes	\$ 8	\$ 9	\$ 2	\$ 17	\$ 5
Effective tax rates	2.0%	4.1%	200.0%	2.8%	3.0%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate and domestic tax losses recorded without tax benefits. See discussion of Income Taxes in Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information in determining our annualized effective tax rates.

## Liquidity and Capital Resources

### Working Capital and Cash and Marketable Securities.

The following table presents working capital, cash and cash equivalents, and marketable securities:

	June 30, 2015	December 31, 2014	\$ Change
(In millions)			
Working capital	\$ 3,317	\$ 3,522	\$ (205)
Cash and cash equivalents	\$ 1,976	\$ 2,545	\$ (569)
Short-term marketable securities	1,208	1,061	147
Long-term marketable securities	3,161	2,383	778
Total cash and cash equivalents and marketable securities	\$ 6,345	\$ 5,989	\$ 356

See the summary of cash, cash equivalents, short and long-term marketable securities by major security type and discussion of market risk that follows in Item 3. *Quantitative and Qualitative Disclosures about Market Risk*.

### Cash Provided by and Used in the Six Months Ended June 30, 2015 and 2014

	Six Months Ended June 30,	
	2015	2014
(In millions)		
Net cash provided by operating activities	\$ 777	\$ 831
Net cash used in investing activities	(1,112)	(17)
Net cash used in financing activities	(234)	(107)
Increase (decrease) in cash and cash equivalents	(569)	707
Cash and cash equivalents at beginning of period	2,545	1,657
Cash and cash equivalents at end of period	\$ 1,976	\$ 2,364

### Operating Activities

In the six months ended June 30, 2015, our operating activities provided \$777 million in cash. This was primarily the result of net income of \$595 million and net non-cash operating expenses of \$474 million, offset in part by changes in operating assets and liabilities of \$292 million. In the six months ended June 30, 2014, our operating activities provided \$831 million in cash. This was primarily the result of net income of \$164 million, net non-cash operating expenses of \$590 million and changes in operating assets and liabilities of \$77 million.

Our days sales outstanding increased from 34 days at December 31, 2014 to 40 days at June 30, 2015. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Additionally, accounts receivable could increase due to fluctuations in concentrations of revenue with customers under rebate programs, which may result in higher levels of accounts receivables and accrued rebates on our balance sheet. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may have difficulty gaining access to sufficient credit on a timely basis.

Our inventory days on hand increased from 48 days at December 31, 2014 to 59 days at June 30, 2015. In the future, our inventory levels will continue to be determined by the level of purchase orders we receive and the stage at which our products

are in their respective product life cycles, our ability, and the ability of our customers, to manage inventory under hubbing arrangements, and competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

### ***Investing Activities***

Investing activities used \$1.11 billion in cash in the six months ended June 30, 2015, which was primarily the result of \$173 million of property and equipment purchases to support our research and development efforts (which includes the purchase of land for the construction of a new corporate campus of \$110 million in March 2015), \$15 million in purchases of other assets and \$924 million in net purchases of marketable securities. Investing activities used \$17 million in cash in the six months ended June 30, 2014, which was primarily the result of \$158 million of capital equipment purchases to support our research and development efforts, offset in part by \$90 million of proceeds from the QLogic Transaction and \$57 million in net proceeds of marketable securities.

### ***Financing Activities***

Our financing activities used \$234 million in cash in the six months ended June 30, 2015, which was primarily the result of \$463 million in repurchases of our Class A common stock, dividend payments of \$168 million, and \$78 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, or RSUs, offset in part by \$475 million in proceeds received from issuances of common stock upon the exercise of stock options. Our financing activities used \$107 million in cash in the six months ended June 30, 2014, which was primarily the result of \$191 million in repurchases of our Class A common stock, dividend payments of \$140 million and \$59 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to RSUs, offset in part by \$283 million in proceeds received from issuances of common stock upon the exercise of stock options.

The timing and number of stock option exercises and employee stock purchases and the amount of cash proceeds we receive from these equity awards are not within our control. As it is now our practice to issue restricted stock units, or RSUs, instead of stock options we will likely not generate as much cash from the exercise of stock options as we have in the past. Unlike the exercise of stock options, the issuance of shares upon vesting of RSUs does not result in any cash proceeds to Broadcom and in fact requires the use of cash, as we currently allow employees to have a portion of the shares issued upon vesting of RSUs withheld to satisfy minimum statutory withholding taxes. This withholding procedure requires that we pay cash to the appropriate tax authorities on each participating employee's behalf.

### ***Short and Long-Term Financing Arrangements***

At June 30, 2015, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

#### ***Registration Statements***

We have a Form S-4 acquisition shelf registration statement on file with the SEC. The registration statement on Form S-4 enables us to issue up to 30 million shares of our Class A common stock in one or more acquisition transactions. These transactions may include the acquisition of assets, businesses or securities by any form of business combination. To date no securities have been issued pursuant to the S-4 registration statement, which does not have an expiration date mandated by SEC rules.

*Senior Notes*

The following table summarizes details of our senior unsecured notes, or Notes:

Date Issued	Maturity Date	Interest Rate	Effective Yield	Issuance Price	(In millions)	
					June 30, 2015	December 31, 2014
November 2011	November 2018	2.700%	2.762%	99.609%	\$ 500	\$ 500
August 2012	August 2022	2.500	2.585	99.255	500	500
July 2014	August 2024	3.500	3.546	99.615	350	350
July 2014	August 2034	4.500	4.546	99.400	250	250
					1,600	1,600
	Unaccreted discount				(6)	(7)
	Long-term debt				\$ 1,594	\$ 1,593

The outstanding Notes described above contain a number of restrictive covenants, including, but not limited to, restrictions on our ability to grant liens on assets; enter into sale and lease-back transactions; or merge, consolidate or sell assets. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued and unpaid interest on the Notes. We were in compliance with all senior unsecured notes debt covenants as of June 30, 2015.

Relative to our overall indebtedness, the outstanding Notes rank in right of payment (i) equal with all of our other existing and future senior unsecured indebtedness (ii) senior to all of our existing and future subordinated indebtedness, and (iii) effectively subordinated to all of our subsidiaries' existing and future indebtedness and other obligations (including secured and unsecured obligations) and subordinated to our existing and future secured indebtedness and other obligations, to the extent of the assets securing such indebtedness and other obligations.

*Credit Facility*

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million. We amended this credit facility in July 2014, primarily to extend the maturity date to July 31, 2019, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. Loans made under the credit facility (other than swing line loans) bear interest, at our option, at either a Base Rate plus a margin that varies from 0.000% to 0.250% or a Eurodollar Rate plus a margin that varies from 0.625% to 1.250%. Swing line loans under the credit facility bear interest applicable to Base Rate loans. We are also required to pay a commitment fee on any unused commitments at a rate that varies from 0.060% to 0.150% per annum. We have not drawn on the credit facility since its inception.

We may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional \$100 million. The credit facility contains customary representations, warranties and covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00. We were in compliance with all credit facility covenants as of June 30, 2015.

*Other Notes and Borrowings*

We had no other significant notes or borrowings as of June 30, 2015.

*Commitments and Other Contractual Obligations*

There have been no material changes in the six months ended June 30, 2015, to the amounts presented in the table under the "Commitments and Other Contractual Obligations" section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" of our 2014 Annual Report.

As discussed previously, Avago and Broadcom may each terminate the Avago Agreement under certain circumstances, and in connection with the termination of the Avago Agreement under specified circumstances, Avago or Broadcom may be required to pay the other party a termination fee of up to \$1 billion. Additionally, in the event that either Avago or Broadcom

terminates the Avago Agreement as a result of the failure by either party's shareholders to approve the Transaction, Broadcom or Avago, as the case may be, must pay the other party a fee of approximately \$333 million.

### ***Prospective Capital Needs***

We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from operations and from the issuance of common stock through our employee stock option and purchase plans, will be sufficient to cover our working capital needs, capital expenditures, investment requirements, commitments, repurchases of our Class A common stock and quarterly dividends for at least the next 12 months. This includes the construction of a new corporate campus. However, it is possible that we may choose to raise additional funds or draw on our existing credit facility to finance our activities beyond the next 12 months or to consummate acquisitions of other businesses, assets, products or technologies. If needed, we may be able to raise such funds by selling equity or debt securities to the public or to selected investors or by borrowing money from financial institutions. We could also reduce certain expenditures, such as repurchases of our Class A common stock and payments of our quarterly dividends.

We earn a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. For at least the next 12 months, we have sufficient cash in the U.S. and expect domestic cash flow to sustain our operating activities and cash commitments for investing and financing activities, such as acquisitions, quarterly dividends, share buy-backs and repayment of debt. In addition, we expect existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months. As of June 30, 2015 we have approximately \$3.72 billion of cash, cash equivalents, and marketable securities held by our foreign subsidiaries. We do not expect that potential taxes on a repatriation of our foreign earnings, which are permanently reinvested, would have a material effect on our overall liquidity because such potential taxes would be substantially offset by our domestic net operating loss and tax credit carryforwards. Nevertheless, some of a repatriation would be subject to US federal income taxes, less foreign tax credits. In addition, a repatriation of our foreign earnings could result in higher and more volatile income tax rates and could be dilutive to our earnings.

In addition, even though we may not need additional funds, we may still elect to sell additional equity or debt securities or utilize or increase our existing credit facilities for other reasons. However, we may not be able to obtain additional funds on a timely basis at acceptable terms, if at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to those of our Class A common stock.

### ***Off-Balance Sheet Arrangements***

At June 30, 2015, we had no material off-balance sheet arrangements, other than our facility operating leases.

## **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

### **Interest Rate Risk**

We manage our total portfolio to encompass a diversified pool of investment-grade securities to preserve principal and maintain liquidity. The average credit rating of our marketable securities portfolio by major credit rating agencies was Aa3/AA-. Investments in both fixed rate and floating rate instruments carry a degree of interest rate risk. Fixed rate securities may have their market value adversely impacted due to an increase in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income, net, may fall short of expectations due to changes in interest rates or if the decline in fair value of our publicly traded fixed income investments is judged to be other-than-temporary. We may suffer losses in principal if we are forced to sell securities that have declined in market value due to changes in interest rates. However, because any fixed income securities we hold are classified as available-for-sale, no gains or losses are realized in the income statement due to changes in interest rates unless such securities are sold prior to maturity or unless declines in value are determined to be other-than-temporary. These securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive loss, a component of shareholders' equity, net of tax.

To assess the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of June 30, 2015, a 100 basis point increase in interest rates across all

maturities would result in a \$47 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

Actual future gains and losses associated with our investments may differ from the sensitivity analysis performed as of June 30, 2015 due to the inherent limitations associated with predicting the changes in the timing and level of interest rates and our actual exposures and positions.

A hypothetical increase of 100 basis points in short-term interest rates would not have a material impact on our revolving credit facility, which bears a floating interest rate. This sensitivity analysis assumes all other variables will remain constant in future periods.

Our Notes bear fixed interest rates, and therefore, would not be subject to interest rate risk.

### **Exchange Rate Risk**

We consider our direct exposure to foreign exchange rate fluctuations to be minimal. Currently, sales to customers and arrangements with third-party manufacturers provide for pricing and payment in United States dollars and, therefore, are not subject to exchange rate fluctuations. Increases in the value of the United States' dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Our direct exposure to foreign exchange rate fluctuations is limited primarily to employee costs for employees based outside of the U.S., as well as financial assets denominated in foreign currencies. Fluctuations in currency exchange rates could affect our business in the future.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We are committed to maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2015, the end of the period covered by this Report.

### **Changes in Internal Control Over Financial Reporting**

During the three months ended June 30, 2015, we transitioned to a new enterprise resource planning (ERP) system and, accordingly, modified certain existing as well as implemented new processes and internal controls to adapt to our new ERP system. We believe that the new ERP system and related changes to processes and internal controls will enhance our internal control over financial reporting while providing us with the ability to scale our business. We have taken the necessary steps to monitor and maintain appropriate internal control over financial reporting during 2015 and will continue to evaluate the operating effectiveness of related key controls during subsequent periods.

Other than these new control procedures, there has been no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended June 30, 2015, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Inherent Limitations on Internal Control**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of management override or improper acts, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to management override, error or improper acts may occur and not be detected. Any resulting misstatement or loss may have an adverse and material effect on our business, financial condition and results of operations.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

The information set forth under Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” immediately below.

### **Item 1A. Risk Factors**

*Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other information contained in this Report and in our other filings with the SEC, including our 2014 Annual Report and subsequent reports on Forms 10-Q and 8-K. 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 deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Broadcom, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our Class A common stock will likely decline, and you may lose all or part of your investment.*

#### **Our quarterly operating results may fluctuate significantly.**

Our quarterly net revenue and operating results have fluctuated significantly in the past and may vary from quarter to quarter. Variability in the nature of our operating results may be attributed to the factors identified throughout this “Risk Factors” section, many of which may be outside our control, including:

- changes in economic conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry;
- our dependence on a few significant customers and/or design wins for a substantial portion of our revenue;
- our exit or entry into various markets and our ability to align our resources to areas of strategic focus;
- changes in customer product needs and market acceptance of our products;
- seasonality in sales of consumer and enterprise products in which our products are incorporated;
- timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers, to manage inventory;
- competitive pressures and other factors such as the qualification, availability and pricing of competing products and technologies and the resulting effects on sales and pricing of our products;
- goodwill and other purchased intangible impairment charges;
- the impact of a significant natural disaster, such as an earthquake, severe weather, tsunami or other flooding, or a nuclear crisis, as well as interruptions or shortages in the supply of utilities such as water and electricity, in a key location such as our corporate headquarters or our Northern California facilities, both of which are located near major earthquake fault lines, in our Singapore distribution center or in a key location of one of our suppliers, foundries or customers;
- the impact of enterprise system failures or network disruptions, the lack of system redundancies, and the potential failure of our disaster recovery planning to cover various unanticipated occurrences; and
- the impact of tax examinations.

**The announcement and pendency of our agreement to be acquired by Avago may have an adverse effect on our business and our share price.**

Our pending acquisition by Avago could have an adverse effect on our revenue in the near term if our customers delay, defer or cancel purchases pending completion of the merger. While we are attempting to address this risk through communications with our customers, current and prospective customers may be reluctant to purchase our products due to potential uncertainty about the direction of our product offerings and the support and service of our products after the merger is consummated. Additionally, we are subject to additional risks in connection with the announcement and pendency of the merger, including:

- the pendency and outcome of any legal proceedings that have been or may be instituted against us, our directors and others relating to the transactions contemplated by the Avago Agreement;
- potential adverse effects on our relationships with our current suppliers and other business partners, or those with which we are seeking to establish business relationships;
- the restrictions imposed on our business and operations pursuant to certain covenants set forth in the Avago Agreement, which may prevent us from pursuing certain opportunities without Avago's approval;
- that we may forego opportunities we might otherwise pursue absent the Avago Agreement;
- potential adverse effects on our ability to attract, recruit, retain and motivate current and prospective employees who may be uncertain about their future roles and relationships with us following the completion of the merger; and
- the diversion of our employees' and management's attention due to activities related to the transactions contemplated by the Avago Agreement.

We have filed with the SEC a preliminary proxy statement and intend to file a definitive proxy statement and other relevant materials in connection with the Avago Agreement and the merger. The definitive proxy statement will be sent or given to our shareholders. We urge our shareholders to read the proxy statement and the other relevant materials because they contain important information about the Transaction, including, but not limited to, other risks relating to the Transaction.

**Litigation challenging the Avago Agreement may prevent the Transaction from being consummated at all or within the expected timeframe.**

Multiple class action lawsuits have been filed against us, our Board of Directors and other parties to the Avago Agreement, challenging our acquisition by Avago. Those lawsuits brought by purported shareholders of Broadcom seek, among other things, to enjoin consummation of the Transaction. One of the conditions to the consummation of the Transaction is that no governmental entity having jurisdiction over Broadcom, Avago, or any of the other parties to the agreement shall have issued an order, decree or ruling or taken any other material action enjoining or otherwise prohibiting consummation of any of the Transactions (as defined in the Avago Agreement) substantially on the terms contemplated by the Avago Agreement. As such, if any of the plaintiffs are successful in their efforts, then our acquisition by Avago may not be consummated at all or within the expected timeframe. For additional information regarding this litigation, see Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements.

**The failure of our pending acquisition by Avago to be completed may adversely affect our business and our share price.**

Our and Avago's obligations to consummate our acquisition by Avago are subject to the satisfaction or waiver of certain customary conditions, including (i) approval of the Transaction by both our and Avago's shareholders, (ii) the expiration or termination of the waiting period under the HSR Act, (iii) receipt of regulatory clearance under certain foreign anti-trust laws, including those of China and the European Union, (iv) the absence of any law or order prohibiting or restraining the Transaction or any law making the consummation of the Transaction illegal, (v) there being no event that has or would reasonably be expected to have a material adverse effect on either us or Avago, (vi) subject to certain exceptions, the accuracy of the representations and warranties of the parties in the definitive agreement, and (vii) performance by us and Avago of our respective obligations under the Avago Agreement. There can be no assurance that these conditions to the completion of the Transaction will be satisfied in a timely manner or at all. In addition, other factors, such as Avago's ability to obtain the debt financing it needs to consummate the Transaction, may affect when and whether the merger will occur. If the Transaction is not completed, our share price could fall to the extent that our current price reflects an assumption that the acquisition will be completed. Furthermore, if the acquisition is not completed, we may suffer other consequences that could adversely affect our business, results of operations and share price, including the following:

- we could be required to pay a termination fee of up to \$1 billion to Avago under certain circumstances as described in the Avago Agreement;

- we could be required to pay a termination fee of approximately \$333 million to Avago in the event our shareholders fail to approve the Transaction;
- we would have incurred significant costs in connection with the acquisition that we would be unable to recover;
- we may be subject to legal proceedings related to the acquisition;
- the failure of the acquisition to be consummated may result in negative publicity and a negative impression of us in the investment community;
- any disruptions to our business resulting from the announcement and pendency of the acquisition, including any adverse changes in our relationships with our customers, vendors and employees, may continue or intensify in the event the merger is not consummated;
- we may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures; and
- we may experience a departure of employees.

**We depend on a few significant customers for a substantial portion of our revenue.**

We derive a substantial portion of our revenue from sales to a relatively small number of customers. Sales to our five largest customers represented 41.3%, and 44.2% of our total net revenue in the six months ended June 30, 2015 and 2014, respectively. Sales to two significant customers represented 25.7% and 27.3% of our total net revenue in the six months ended June 30, 2015 and 2014, respectively. We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. The loss of any significant customer could materially and adversely affect our financial condition and results of operations. Also, as our significant customers become larger relative to our business and the industry, they may be able to leverage pricing pressure through the supply chain, vertical integration or other avenues, thereby adversely affecting our gross margins. In addition, we may face onerous remedies to one or more of our largest customers if we fail to meet our supply commitments or otherwise fail to perform our contractual obligations.

A significant portion of our revenue in any period may also depend on a single product design win with a large customer. As a result, the loss of any such key design win or any significant delay in the ramp of volume production of the customer's products into which our product is designed could materially and adversely affect our financial condition and results of operations. We may not be able to maintain sales to certain of our key customers or continue to secure key design wins for a variety of reasons, including:

- agreements with our customers typically do not require them to purchase a minimum quantity of our products; and
- our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty.

Additionally, in markets where we have a strong presence, our future growth will not necessarily be dependent on or correlate to our technical or design win success, but rather, may be dependent on (and may be constrained by) the growth rate of the overall market for the end product devices.

The loss of a key customer or design win, a reduction in sales to any key customer, a significant delay or negative development in our customers' product development plans, or our inability to attract new significant customers or secure new key design wins could seriously impact our revenue and materially and adversely affect our results of operations.

**We may fail to appropriately adjust our operations in response to changes in our strategy or market demand.**

We significantly modified the scope of our operations and workforce in recent years. In response to changes in industry and market conditions, we may from time to time strategically realign our resources. These circumstances could cause the need to implement restructuring actions and other cost saving measures. Our operations are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term, such as research and development expenses related to our highly skilled workforce.

During other periods, our growth has placed a significant strain on our management personnel, systems and resources. To respond to such periods of increased demand, we would need to expand, train, manage and motivate our workforce, and to upgrade or enhance our existing IT systems. For example, in response to prior periods of growth, we began upgrading our enterprise resource planning system and expect to continue to do so during 2015. We may not be successful in implementing new systems, including our new enterprise resource planning system, which could involve business disruptions, including impeding the shipment of our products, short-term impacts to working capital and cash flow, and potential increases to excess and obsolete inventory. If we are unable to effectively manage expanding operations during growth periods, we may be unable to adjust our business quickly enough to meet competitive challenges or exploit potential market opportunities.

Any of these circumstances could materially and adversely affect our current or future business.

**We face intense competition.**

The semiconductor industry and the wired and wireless communications markets are intensely competitive. We expect competition to continue to increase as new markets develop, as industry standards become well known and as other competitors enter our business. We also expect to encounter further consolidation in the markets in which we compete.

Some of our competitors have longer operating histories and presences in key markets, greater name recognition, larger customer bases, and significantly greater financial, research and development, sales and marketing, manufacturing, distribution, technical and other resources than we do, and in some cases operate their own fabrication facilities. These competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the promotion and sale of their products. We also face competition from newly established competitors, suppliers of products, and customers who choose to develop their own semiconductor solutions.

Existing or new competitors may develop technologies that more effectively address our markets with products that offer enhanced features and functionality, lower power requirements, lower cost or greater levels of integration. The trend of increasingly integrated SoCs and chipset solutions in particular could pose a risk to various lines of our business, especially with respect to our connectivity products, as customers may opt for a solution that includes functionality that was previously sourced from us on a standalone basis.

Increased competition also has resulted in and is likely to continue to result in increased expenditures on research and development, a decline in average selling prices, reduced gross margins and loss of market share in certain markets. These factors in turn create increased pressure to consolidate to remain competitive. We cannot provide assurance that we will be able to continue to compete successfully against current or new competitors. If we do not compete successfully, we may lose market share in our existing markets and our revenues may fail to increase or may decline.

**Our operating results may be adversely impacted by worldwide economic uncertainties and specific conditions in the markets we address.**

We operate primarily in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, the semiconductor industry has experienced significant downturns characterized by decreases in product demand, excess customer inventories and accelerated erosion of prices. The semiconductor industry also periodically experiences increased demand and production capacity constraints, which may affect our ability to ship products. Economic volatility can cause extreme difficulties for our customers and vendors in accurately forecasting and planning future business activities. This unpredictability could cause our customers to reduce spending on our products and services, which would delay and lengthen sales cycles. Furthermore, during challenging economic times our customers and vendors may face challenges in gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. As a result, we may experience growth patterns that are different than the demand for our customers' products, particularly during periods of high volatility.

We cannot predict the timing, strength or duration of any economic slowdown or recovery or the impact of such events on our customers, our vendors or us. The combination of our lengthy sales cycle coupled with challenging macroeconomic conditions and supply chain cross-dependencies could have a compound impact on our business. The impact of market volatility is not limited to revenue but may also affect our gross margins and other financial metrics. Any downturn in the semiconductor industry may be severe and prolonged, and any failure of the industry or wired and wireless communications markets to fully recover from downturns could seriously impact our revenue and harm our business, financial condition and results of operations.

**We may be unable to attract, retain or motivate key personnel.**

Our future success depends on our ability to attract, retain and motivate senior management and qualified technical personnel. Competition for these employees is intense. If we are unable to attract, retain and motivate such personnel in sufficient numbers and on a timely basis, we will experience difficulty in implementing our current business and product plans. In that event, we may be unable to successfully meet competitive challenges or to exploit potential market opportunities, which could adversely affect our business and results of operations. Our Transaction with Avago may adversely impact our ability to attract and retain key employees.

**We manufacture and sell complex products and may be unable to successfully develop and introduce new products.**

We expect that a high percentage of our future sales will come from sales of new products. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions and sometimes short product life cycles. The markets for some of these products are new to us and may be immature and/or unpredictable. These markets may not develop into profitable opportunities and we have in the past invested substantial resources in emerging technologies that did not achieve the market acceptance or commercial success that we had expected. As a result, it is difficult to anticipate our future revenue streams from, or the sustainability of, our new products.

Our industry is dynamic and we are required to devote significant resources to research and development to remain competitive. Such costs increase with the advancement of technologies and manufacturing in smaller geometry processes, which can adversely affect our operating margin. The development of new silicon devices is highly complex, and due to supply chain cross-dependencies and other issues, we may experience delays in completing the development, production and introduction of our new products. We may choose to discontinue one or more products or product development programs to dedicate more resources to other products. The discontinuation of an existing or planned product may adversely affect our relationship with one or more of our customers and/or cause other negative consequences.

Our ability to successfully develop and deliver new products will depend on various factors, including our ability to:

- effectively identify and capitalize upon opportunities in new markets;
- timely complete and introduce new integrated products;
- transition our semiconductor products to increasingly smaller line width geometries;
- obtain sufficient foundry capacity (including at smaller geometry processes) and packaging materials;
- license any desired third party technology or intellectual property rights; and
- qualify and obtain industry interoperability certification of our products.

If we are not able to develop and introduce new products in a cost effective and timely manner, we will be unable to attract new customers or to retain our existing customers which would materially and adversely affect our results of operations.

We have experienced hardware and software defects and bugs associated with the introduction of our highly complex products. If any of our products contain defects or bugs, or have reliability, quality, security or compatibility problems, our reputation may be damaged and customers may be reluctant to buy our products. These problems could interrupt or delay sales and shipments of our products to customers. To alleviate these problems, we may have to divert our resources from other development efforts. In addition, these problems could result in claims against us by our customers or others, including possible claims for consequential damages and/or lost profits. As we transition to manufacturing our products in smaller geometry processes, such as 28 nanometers and below, these risks are enhanced.

**We are exposed to risks associated with our international operations.**

We currently obtain substantially all of our manufacturing, assembly and testing services from suppliers located outside the United States. Products shipped to destinations outside the United States, primarily in Asia, represented 95.2% and 95.4% of our product revenue in the six months ended June 30, 2015 and 2014, respectively. Substantially all of our products are shipped through our logistical facilities in Singapore. An increasing portion of our product sales is made through distributors, which increases our exposure to the risks described below. In addition, we undertake various sales and marketing activities through regional offices in a number of countries. We intend to continue expanding our business activities outside the United States and to open other design and operational centers abroad.

International operations are subject to many inherent risks, including but not limited to:

- political, social and economic instability;
- exposure to different business practices and legal and compliance standards;
- continuation of overseas conflicts and the risk of terrorist attacks and resulting heightened security;
- the imposition of governmental controls and restrictions and unexpected changes in regulatory requirements;
- nationalization of business and blocking of cash flows;
- logistical delays or disruptions;
- changes in taxation and tariffs; and
- difficulties in staffing and managing international operations.

Our operations are subject to increasingly complex foreign and U.S. laws and regulations, including but not limited to anti-corruption laws, such as the Foreign Corrupt Practices Act and the UK Bribery Act and equivalent laws in other jurisdictions, antitrust or competition laws, and data privacy laws, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our reputation, our expansion efforts, our ability to attract and retain employees, our business, and our operating results. Although we have implemented policies, procedures and training designed to ensure compliance with these laws and regulations, there can be no complete assurance that any individual employee, contractor, or agent will not violate our policies. Additionally, the costs of complying with these laws (including the costs of investigations, auditing and monitoring) could also adversely affect our current or future business.

Economic conditions in our primary markets, particularly in Asia, may negatively impact the demand for our products in those geographies. Also, all of our sales to date have been denominated in U.S. dollars. Accordingly, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in foreign markets or require us to assume the risk of denominating certain sales in foreign currencies. We anticipate that these factors will impact our business to a greater degree as we further expand our business activities.

**Our stock price is highly volatile.**

The market price of our Class A common stock has fluctuated substantially in the past and is likely to continue to be highly volatile and subject to wide fluctuations. From January 1, 2012 through June 30, 2015 our Class A common stock has traded at prices as low as \$23.25 and as high as \$57.70 per share. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control.

In addition, the market prices of securities of semiconductor and other technology companies have been and remain volatile. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to the operating performance of the specific companies. If our operating results do not meet the expectations of securities analysts or investors, who may derive their expectations by extrapolating data from recent historical operating results, our financial forecasts, or company presentations, then the market price of our Class A common stock will likely decline. Accordingly, you may not be able to resell your shares of common stock at or above the price you paid. In the past, we, and other companies that have experienced volatility in the market price of their securities, have been the subject of securities class action litigation.

Due to the nature of our compensation programs, most of our executive officers sell shares of our common stock periodically, often pursuant to trading plans established under Rule 10b5-1 of the Exchange Act. As a result, sales of shares by our executive officers may not be indicative of their respective opinions of Broadcom's performance at the time of sale or of our potential future performance. Nonetheless, the market price of our stock may be affected by sales of shares by our executive officers.

**Our business is subject to potential tax liabilities.**

We are subject to income taxes in the United States and various foreign jurisdictions. The amount of income taxes we pay is subject to our interpretation and application of tax laws in jurisdictions in which we file. Changes in current or future laws or regulations, the imposition of new or changed tax laws or regulations or new related interpretations by taxing authorities in the U.S. or foreign jurisdictions, or changes in our tax planning strategies could adversely affect our results of operations and could lead to volatility with respect to tax expenses and liabilities from period to period. We are subject to examinations and tax audits. There can be no assurance that the outcomes from these audits will not have an adverse effect on our net operating loss and research and development tax credit carryforwards, our financial position, or our operating results.

**We may be required to defend against alleged infringement of intellectual property rights of others and/or may be unable to adequately protect or enforce our own intellectual property rights.**

Companies in the semiconductor industry, particularly those in the wired and wireless communications markets, aggressively protect and pursue their intellectual property rights. From time to time, we receive notices from competitors and other operating companies, as well as notices from "non-practicing entities," or NPEs, that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. We may also be required to indemnify some customers and strategic partners under our agreements if a third party alleges or if a court finds that our products or activities have infringed upon, misappropriated or misused another party's proprietary rights. We have received requests from certain customers and strategic partners to include increasingly broad indemnification provisions in our agreements with them. Additionally, our

products may contain technology provided to us by other parties such as contractors, suppliers or customers. We may have little or no ability to determine in advance whether such technology infringes the intellectual property rights of a third party. Our contractors, suppliers and licensors may not be required to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages.

Furthermore, our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes, or confidential employee, customer or supplier data. Any of our existing or future patents may be challenged, invalidated or circumvented. We engage in litigation to enforce or defend our intellectual property rights, protect our trade secrets, or determine the validity and scope of the proprietary rights of others, including our customers. We also enter into confidentiality agreements with our employees, consultants and strategic partners and control access to and distribution of our technologies, documentation and other proprietary information. Despite these efforts, internal or external parties may attempt to copy, disclose, obtain or use our products, services or technology without our authorization. If we cannot adequately protect our technology, our competitors may be able to offer products similar to ours.

Intellectual property litigation can be expensive, time consuming and distracting to management. An adverse determination in any of these types of disputes could prevent us from manufacturing or selling some of our products or could prevent us from enforcing our intellectual property rights. Settlements can involve royalty or other payments that could reduce our profit margins and adversely affect our financial results. Additionally, identifying unauthorized use of our products and technologies is difficult and time consuming. The initiation of litigation may adversely affect our relationships and agreements with certain customers that have a stake in the outcome of the litigation proceedings.

#### **We are subject to order and shipment uncertainties.**

It is difficult to accurately predict demand for our semiconductor products. We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel, change or defer purchase orders on short notice without incurring a significant penalty. Our ability to accurately forecast customer demand is further impaired by delays inherent in our lengthy sales cycle. We operate in a dynamic industry and use significant resources to develop new products for existing and new markets. After we have developed a product, there is no guarantee that our customers will integrate our product into their equipment or devices and, ultimately, bring those equipment and devices incorporating our product to market. In these situations, we may never produce or deliver a significant number of our products, even after incurring substantial development expenses. From the time a customer elects to integrate our solution into their product, it is typically six to 24 months before high volume production of that product commences. After volume production begins, we cannot be assured that the equipment or devices incorporating our product will gain market acceptance.

Our products are incorporated into complex devices and systems, creating supply chain cross-dependencies. Accordingly, supply chain disruptions affecting components of our customers' devices and/or systems could negatively impact the demand for our products, even if the supply of our products is not directly affected.

Our product demand forecasts are based on multiple assumptions, each of which may introduce error into our estimates. In the event we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell. As a result, we could hold excess or obsolete inventory, which would reduce our profit margins and adversely affect our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we could forego revenue opportunities and potentially lose market share and damage our customer relationships. Also, due to our industry's use of "just-in-time" inventory management, any disruption in the supply chain could lead to more immediate shortages in product or component supply. Additionally, any enterprise system failures, including in connection with implementing our new enterprise resource planning system and/or other new systems, could impact our ability to fulfill orders and interrupt other processes.

A portion of our inventory is maintained under hubbing and distribution arrangements whereby products are delivered to a customer or third party warehouse based upon the customer's projected needs. Under these arrangements, we do not recognize product revenue until the customer reports that it has removed our product from the warehouse to incorporate into its end products. Our ability to effectively manage inventory levels may be impaired under such arrangements, which could increase expenses associated with insurance costs, excess and obsolete product inventory and negatively impact our cash flow.

#### **We depend on third parties to fabricate, assemble and test our products.**

As a fabless semiconductor company, we do not own or operate fabrication, assembly or test facilities. As a result, we

face competition for manufacturing capacity in the open market. We rely on third parties to manufacture, assemble and test substantially all of our semiconductor devices. Accordingly, we cannot directly control our product delivery schedules and quality assurance. This lack of control could result in product shortages or quality assurance problems. These issues could delay shipments of our products or increase our assembly or testing costs. In addition, the consolidation of foundry subcontractors, as well as the increasing capital intensity and complexity associated with fabrication in smaller process geometries has limited our diversity of suppliers and increased our risk of a “single point of failure.” Specifically, as we move to smaller geometries, we have become increasingly reliant on TSMC (Taiwan Semiconductor Manufacturing Company) for the manufacture of product at and below 40 nanometers. The lack of diversity of suppliers could also drive increased wafer prices and adversely affect our results of operations, including our gross margins.

We do not have long-term agreements with any of our direct or indirect suppliers, including our manufacturing, assembly or test subcontractors. We typically procure services from these suppliers on a per order basis. In the event our third-party foundry subcontractors experience a disruption or limitation of manufacturing, assembly or testing capacity, we may not be able to obtain alternative manufacturing, assembly and testing services in a timely manner, or at all. Furthermore, our foundries must have new manufacturing processes qualified if there is a disruption in an existing process, which could be time-consuming. We could experience significant delays in product shipments if we are required to find alternative manufacturers, assemblers or testers for our products. We are continuing to develop relationships with additional third-party subcontractors to assemble and test our products.

Because we rely on outside foundries and other third party suppliers, we face several significant risks in addition to those discussed above, including:

- a lack of guaranteed supply of wafers and other components and potential higher wafer and component prices due to supply constraints;
- the limited availability of, or potential delays in obtaining access to, key process technologies; and
- the location of foundries and other suppliers in regions that are subject to earthquakes, tsunamis and other natural disasters.

The manufacture of integrated circuits is a highly complex and technologically demanding process. Our foundries have from time to time experienced lower than anticipated manufacturing yields. This often occurs during the production of new products or the installation and start-up of new process technologies. In addition, we are dependent on our foundry subcontractors to successfully transition to smaller geometry processes.

#### **Our systems are subject to security breaches and other cybersecurity incidents.**

We experience cyber attacks of varying degrees on a regular basis, and as a result, unauthorized parties have obtained, and may in the future obtain, access to our computer systems and networks. Such cyber attacks could result in the misappropriation of our proprietary information and technology or interrupt our business. The reliability and security of our information technology infrastructure and software and our ability to expand and continually update technologies in response to our changing needs is critical to our business. To the extent that any disruptions or security breaches result in significant loss or damage to our data, or inappropriate disclosure of significant proprietary information, it could cause damage to our reputation and affect our relationships with our customers and ultimately harm our business.

#### **We face risks associated with our acquisitions.**

An important element of our business strategy has involved expansion through the acquisition of businesses, assets, products or technologies. This expansion of our business through acquisitions allowed us to complement our existing product offerings, expand our market coverage, increase our engineering workforce and/or enhance our technological capabilities. Due to the Avago Agreement, we may be precluded from consummating future acquisitions. Further, we may not realize the desired benefit from prior acquisitions.

Acquisitions can also result in adverse tax consequences, warranty or product liability exposure related to acquired assets, additional stock-based compensation expense, write up of acquired inventory to fair value, and the recording and later amortization of amounts related to certain purchased intangible assets, all of which can adversely affect our reported results on a GAAP basis. Furthermore, we have in the past and may in the future record goodwill and other purchased intangible assets in connection with an acquisition and incur impairment charges.

**Government regulation may adversely affect our business.**

The effects of regulation on our customers or the industries in which they operate may materially and adversely impact our business. For example, regulatory policies of the Federal Communications Commission that affect the ability of cable or satellite operators or telephone companies to offer certain services to their customers could impede sales of our products in the United States. We and our customers are also subject to various import and export laws and regulations that apply to the encryption or other features contained in some of our products. If we fail to continue to comply with these regulations, we may be unable to manufacture the affected products at foreign foundries or ship these products to certain customers, or we may incur penalties or fines.

As described above under the risk factor entitled “We are exposed to risks associated with our international operations,” our business is also increasingly subject to complex foreign and U.S. laws and regulations, including but not limited to, anti-corruption laws, such as the Foreign Corrupt Practices Act and the UK Bribery Act and equivalent laws in other jurisdictions, antitrust or competition laws, and data privacy laws, among others. Foreign governments may also impose tariffs, duties and other import restrictions on components that we obtain from non-domestic suppliers and may impose export restrictions on products that we sell internationally. These tariffs, duties or restrictions could materially and adversely affect our business, financial condition and results of operations.

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the SEC requires disclosures relating to the sourcing of certain minerals from the Democratic Republic of Congo and adjoining countries. Those rules, or similar rules that may be adopted in other jurisdictions, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

**Our future ability to return capital to shareholders in the form of dividends may be impacted by the availability of U.S. cash.**

Given that the majority of our cash is generated overseas, we may be limited in our ability to consistently increase or maintain the level of capital return in the form of dividends or share repurchases. In January 2010, our Board of Directors adopted a dividend policy pursuant to which Broadcom would pay quarterly dividends on our common stock. From 2011 through 2014 and again in 2015 our Board of Directors increased the quarterly dividend payment. We cannot provide assurance that we will continue to increase our dividend payment or declare dividends in any particular amounts or at all.

Future dividends may be affected by, among other factors:

- use of cash to consummate various transactions;
- our views on potential future capital requirements for investments in acquisitions and the funding of our research and development;
- changes in federal and state income tax laws or corporate laws; and
- changes to our business model.

A reduction in our dividend payments could have a negative effect on our stock price.

Our Board has also approved various share repurchase programs. In connection with the Avago Agreement, we discontinued our share repurchase programs in the three months ended June 30, 2015.

**Our articles of incorporation and bylaws contain anti-takeover provisions.**

Our articles of incorporation and bylaws contain provisions that could make it more difficult for a third party to acquire a majority of our outstanding voting stock. For example, our Board of Directors may issue shares of Class B common stock in connection with certain acquisitions, which shares have superior voting rights entitling the holder to ten votes for each share held on matters that we submit to a shareholder vote (as compared to one vote per share in the case of our Class A common stock). Furthermore, our Board of Directors has the authority to fix the rights and preferences of shares of our preferred stock and to issue shares of common or preferred stock without a shareholder vote. These provisions, among others, may discourage certain types of transactions involving an actual or potential change in our control.

**Our co-founders and their affiliates may strongly influence the outcome of matters that require the approval of our shareholders, such as approval of the Avago Agreement and the Transaction.**

As of June 30, 2015 our co-founders, directors, executive officers and their respective affiliates beneficially owned 8.4% of our outstanding common stock and held 46.3% of the total voting power held by our shareholders. As a result, the voting power of these shareholders may strongly influence the outcome of matters that require the approval of our shareholders, including, for example, certain significant corporate transactions (including approval of the Avago Agreement and the Transaction). In particular, as of June 30, 2015 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samuelli, beneficially owned a total of 7.9% of our outstanding common stock, held 46.1% of the total voting power held by our Class A and Class B shareholders, and beneficially owned over 99% of our Class B common stock. Because of their significant Class B common stock ownership, the requirement for separate approval of the Transaction by each class, and their entry into agreements to support approval of the Avago Agreement and the Transaction, our other Class B shareholders will not be able to prevent the Transaction from being consummated. Additionally, with respect to any actions requiring the approval of our shareholders voting together as a single class our other Class A and Class B shareholders may not be able to effect certain actions or transactions, without the approval of one or both of these shareholders.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In the three months ended June 30, 2015, we issued approximately 1 million shares of Class A common stock upon conversion of a like number of shares of Class B common stock in connection with their disposition. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. The offers and sales of those securities were effected without registration in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

**Issuer Purchases of Equity Securities**

In February 2010 we announced that our Board of Directors had authorized an evergreen share repurchase program intended to offset dilution associated with our stock incentive plans. The maximum number of shares of our Class A common stock that may be repurchased in any one year under this program (including under an accelerated share repurchase or similar arrangement) is equal to the total number of shares issued pursuant to our equity awards in the previous year and the current year. This program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors. The program may be complemented by one or more additional share repurchase programs in the future.

In November 2014 our Board of Directors authorized an additional share repurchase program for the repurchase of such number of shares incremental to the number allowed under the evergreen program that would yield a total share repurchase for 2015 of up to \$1 billion. In connection with the Avago Agreement, we agreed to discontinue future share repurchases under these programs.

The following table presents details of our various repurchases during the three months ended June 30, 2015:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May yet be Purchased under the Plans
(In millions, except per share data)				
April 2015	1.6	\$ 44.68	1.6	
May 2015	0.8	45.03	0.8	
June 2015	—	—	—	
Total	2.4	\$ 44.79	2.4	\$ —

In connection with the Avago Agreement, we discontinued our share repurchase programs in the three months ended June 30, 2015.

Repurchases under our share repurchase programs were intended to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 promulgated under the Exchange Act. Our share repurchase programs do not obligate us to acquire any particular amount of our stock and may be suspended at any time at our discretion.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**(a) *Exhibits.* The following Exhibits are attached hereto and incorporated herein by reference:

<u>Exhibit Number</u>	<u>Description</u>
2.1*	Agreement and Plan of Merger, dated as of May 28, 2015, by and among the Company, Avago Technologies Limited, Pavonia Limited, Safari Cayman L.P., Avago Technologies Cayman Holdings Ltd., Avago Technologies Cayman Finance Limited, Buffalo CS Merger Sub, Inc. and Buffalo UT Merger Sub, Inc.
10.1**	Support Agreement, dated as of May 28, 2015, by and among the Company, Avago Technologies Limited, Pavonia Limited, Henry T. Nicholas III, Ph.D. as trustee of the Nicholas Technology Holding Trust, Nicholas Investment Holdings, LLC, Henry T. Nicholas III, Ph.D., as custodian for Brett R. Nicholas, UTMA/CA, Henry T. Nicholas III, Ph.D., as custodian for Mathew C. Nicholas, UTMA/CA, and Henry T. Nicholas III, Ph.D., as custodian for Shelby V. Nicholas, UTMA/CA
10.2***	Support Agreement, dated as of May 28, 2015, by and among the Company, Avago Technologies Limited, Pavonia Limited, Henry Samueli, Ph.D., H&S Investments I, L.P., HS Management, L.P., HS Portfolio L.P., H&S Portfolio II, L.P. and H&S Ventures LLC
10.3 **** †	Form of Amendment to the Letter Agreement, dated August 9, 2010, between the Company and Scott McGregor and to the Letter Agreements, dated August 9, 2010 and for the Change in Control Severance Benefit Program for each of Eric K. Brandt, Arthur Chong, Cindy Fiorillo, Michael Hurlston, Neil Kim, Daniel A. Marotta, Nancy Phillips, and Rajiv Ramaswami
10.4 †	Amendment to Restricted Stock Units Award Program
10.5 †	Amendment to Performance Bonus Plan
31.1	Certifications of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certifications of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and furnished herewith pursuant to SEC Release No. 33-8238
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* Exhibit 2.1 is incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on May 29, 2015. Certain schedules and exhibits were omitted pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

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- \*\* Exhibit 10.1 is incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K filed on May 29, 2015.
- \*\*\* Exhibit 10.2 is incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K filed on May 29, 2015.
- \*\*\*\* Exhibit 10.3 is incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K filed on May 29, 2015.
- † A contract, compensatory plan or arrangement in which directors or executive officers are eligible to participate.

**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.

BROADCOM CORPORATION,  
a California corporation  
(Registrant)

/s/ ERIC K. BRANDT

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Eric K. Brandt  
*Executive Vice President and Chief Financial Officer*  
(Principal Financial Officer)

/s/ CINDY A. FIORILLO

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Cindy A. Fiorillo  
*Senior Vice President, Finance and Corporate Controller*  
(Principal Accounting Officer)

July 30, 2015

**Summary of Amendment to Restricted Stock Unit Incentive Award Program**

On May 27, 2015, the Compensation Committee of the Board of Directors of Broadcom Corporation (the “Company”) approved an amendment to the Company’s Restricted Stock Unit Incentive Award Program to provide that (i) any awards of restricted stock units that would otherwise have been granted to Scott A. McGregor, President and Chief Executive Officer; Eric K. Brandt, Executive Vice President and Chief Financial Officer; Daniel A. Marotta, Executive Vice President and General Manager, Broadband and Connectivity Group; and Rajiv Ramaswami, Ph.D., Executive Vice President and General Manager, Infrastructure and Networking Group (the “Executives”) and to Henry Samueli, Ph.D., Chairman of the Board and Chief Technical Officer, at a time or times subsequent to the closing of the Transactions (as defined in the Agreement and Plan of Merger by and among the Company and Avago Technologies Limited and certain of its subsidiaries (the “Avago Agreement”)) in respect of performance cycles that have concluded prior to the closing of the Transactions, will be paid in cash to the Executives, and granted as time-based restricted stock units to Dr. Samueli, in all cases immediately prior to the closing of the Transactions and (ii) with respect to the performance cycle in effect at the time of the closing of the Transactions, achievement of the performance goals will be measured as of the closing of the Transactions and the Executives will receive a pro-rata cash payment, and Dr. Samueli will receive a pro-rated grant of time-based restricted stock units, in all cases based on such performance and partial performance cycle, which cash payment for the Executives will be determined pursuant to the terms of the Avago Agreement and based on the value of the restricted stock units they otherwise would have received.

**Summary of Amendment to Performance Bonus Plan**

On May 27, 2015, the Compensation Committee of the Board of Directors of Broadcom Corporation (the “Company”) approved an amendment to the Company’s Performance Bonus Plan to provide that with respect to the annual performance period in effect at the time of the closing of the Transactions (as defined in the Agreement and Plan of Merger by and among the Company and Avago Technologies Limited and certain of its subsidiaries), achievement of the performance goals will be measured as of the closing of the Transactions and the following executives will receive a pro rata cash payment at the closing based on such actual performance and partial annual performance period: Scott A. McGregor, President and Chief Executive Officer; Eric K. Brandt, Executive Vice President and Chief Financial Officer; Daniel A. Marotta, Executive Vice President and General Manager, Broadband and Connectivity Group; and Rajiv Ramaswami, Ph.D., Executive Vice President and General Manager, Infrastructure and Networking Group.

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

I, Scott A. McGregor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadcom Corporation;
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 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 the 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.

/s/ SCOTT A. MCGREGOR

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Scott A. McGregor  
*President and Chief Executive Officer*  
(Principal Executive Officer)

Date: July 30, 2015

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

I, Eric K. Brandt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadcom Corporation;
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 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 the 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.

/s/ ERIC K. BRANDT

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Eric K. Brandt  
*Executive Vice President and  
Chief Financial Officer*  
(Principal Financial Officer)

Date: July 30, 2015

The following certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and pursuant to SEC Release No. 33-8238 are being “furnished” to the SEC rather than “filed” either as part of the Report or as a separate disclosure statement, and are not to be incorporated by reference into the Report or any other filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. The foregoing certifications shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of Section 18 or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended.

**Certification of Chief Executive Officer**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Broadcom Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2015 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. MCGREGOR

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Scott A. McGregor  
Chief Executive Officer

Date: July 30, 2015

**Certification of Chief Financial Officer**

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Broadcom Corporation (the “Company”) hereby certifies, to such officer’s knowledge, that:

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2015 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ERIC K. BRANDT

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Eric K. Brandt  
Chief Financial Officer

Date: July 30, 2015