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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2013

or

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

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

Commission file number: 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)  
(Registrant's telephone number, including area code): (949) 926-5000  
Securities registered pursuant to Section 12(b) of the Act:

Title of Class  
Class A Common Stock, \$0.0001 par value

Name of Exchange on Which Registered  
The Nasdaq Stock Market LLC  
(Nasdaq Global Select Market)

#### Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

(Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on was \$17.83 billion (based on the closing sales price of the registrant's common stock on the Nasdaq Global Select Market on June 30, 2013). As of December 31, 2013 there were 531 million shares of Class A common stock and 50 million shares of Class B common stock outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference certain information from the registrant's definitive proxy statement for the 2014 Annual Meeting of Shareholders to be filed on or before April 30, 2014

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**BROADCOM CORPORATION**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013**  
**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I</b>	
<a href="#">Item 1. Business</a>	<a href="#">1</a>
<a href="#">Item 1A. Risk Factors</a>	<a href="#">12</a>
<a href="#">Item 1B. Unresolved Staff Comments</a>	<a href="#">21</a>
<a href="#">Item 2. Properties</a>	<a href="#">21</a>
<a href="#">Item 3. Legal Proceedings</a>	<a href="#">21</a>
<a href="#">Item 4. Mine Safety Disclosure</a>	<a href="#">21</a>
<b>PART II</b>	
<a href="#">Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">22</a>
<a href="#">Item 6. Selected Financial Data</a>	<a href="#">24</a>
<a href="#">Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">26</a>
<a href="#">Item 7A. Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">47</a>
<a href="#">Item 8. Financial Statements and Supplementary Data</a>	<a href="#">48</a>
<a href="#">Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	<a href="#">48</a>
<a href="#">Item 9A. Controls and Procedures</a>	<a href="#">48</a>
<a href="#">Item 9B. Other Information</a>	<a href="#">49</a>
<b>PART III</b>	
<a href="#">Item 10. Directors, Executive Officers and Corporate Governance</a>	<a href="#">50</a>
<a href="#">Item 11. Executive Compensation</a>	<a href="#">50</a>
<a href="#">Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	<a href="#">50</a>
<a href="#">Item 13. Certain Relationships and Related Transactions, and Director Independence</a>	<a href="#">50</a>
<a href="#">Item 14. Principal Accounting Fees and Services</a>	<a href="#">50</a>
<b>PART IV</b>	
<a href="#">Item 15. Exhibits, Financial Statement Schedules</a>	<a href="#">51</a>

## Cautionary Statement

All statements included or incorporated by reference in this Annual Report on Form 10-K, 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. Examples of forward-looking statements include, but are not limited to, statements concerning projected total net revenue, costs and expenses and product and total gross margin; our accounting estimates, assumptions and judgments; the demand for our products; our dependence on a few key customers and/or design wins for a substantial portion of our revenue; our commitment to research and development efforts; the characteristics of our patents; the accuracy of our estimates and forecasts; estimates related to the amount and/or timing of the expensing of unearned stock-based compensation expense and stock-based compensation as a percentage of revenue; manufacturing, assembly and test capacity; the effect that economic conditions, seasonality and volume fluctuations in the demand for our customers' consumer-oriented products will have on our quarterly operating results; our ability to adjust operations in response to changes in demand for existing products and services or the demand for new products requested by our customers; the competitive nature of and anticipated growth in our markets; the expected benefits of the Renesas transaction; our expected annual cost savings related to our restructuring plan; our ability to consummate acquisitions and integrate their operations successfully; our ability to migrate to smaller process geometries; our success in pending intellectual property litigation matters; our potential needs for additional capital; inventory and accounts receivable levels; our ability to obtain future tax incentives; our ability to permanently reinvest our foreign earnings; the effect of potential changes in U.S. or foreign tax laws and regulations or the interpretation thereof; the level of accrued rebates; and our intention to continue to pay dividends. These forward-looking statements are based on our current expectations, estimates 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 I, 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.

## PART I

### Item 1. Business

#### Overview

Broadcom Corporation (including our subsidiaries, referred to collectively in this Annual Report as "Broadcom," "we," "our" and "us") is a global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom was incorporated in California in August 1991. Our Class A common stock trades on the Nasdaq Global Select Market<sup>®</sup> under the symbol BRCM. Our principal executive offices are located at 5300 California Avenue, Irvine, California 92617-3038, and our telephone number at that location is 949.926.5000. Our Internet address is [www.broadcom.com](http://www.broadcom.com). The inclusion of our Internet address in this Report does not include or incorporate by reference into this Report any information on our website. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other U.S. Securities and Exchange Commission (SEC) filings are available free of charge through the investor relations section of our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. The SEC also maintains a web site, [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Communications technologies continue to evolve rapidly due to growth in the number of connected devices, continual increased demand for faster speeds across wired and wireless networks, the emergence of new

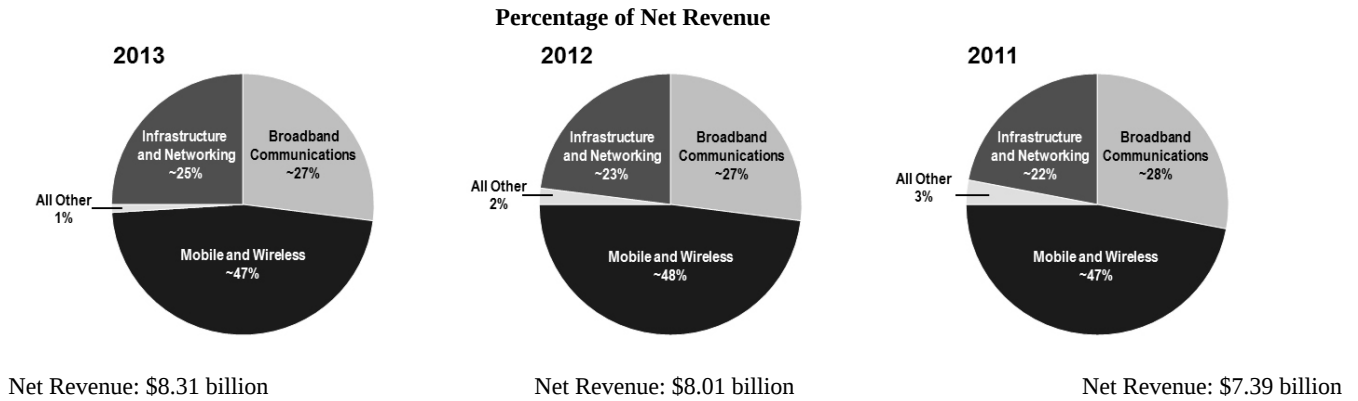
communications standards, and the introduction of new technologies and features. Success in this field is influenced by the strength of a supplier’s intellectual property, or IP, portfolio and the ability to integrate that IP into complex, single-chip solutions. We have one of the strongest IP portfolios among global fabless semiconductor suppliers, as ranked by the Institute of Electrical and Electronics Engineers (IEEE). Our strategy centers on designing highly-complex and highly-integrated semiconductor solutions that leverage our leading IP portfolio and target a broad range of wired and wireless communications markets. We provide the industry’s broadest portfolio of highly-integrated system-on-a-chip solutions, or SoC’s, that seamlessly deliver voice, video, data and multimedia connectively in the home, office and mobile environments. This focus on integration enables Broadcom to provide products that deliver leading performance, consume relatively low power and take up a minimal amount of space within our customers’ products. Our strong and growing IP portfolio and solid track record in designing highly-integrated SoC’s enables us to quickly and efficiently respond to a rapidly evolving marketplace for communication solutions.

### Reportable Segments

Our solutions are used globally by leading manufacturers and are embedded in an array of communications products that are structured around three core platforms: Broadband Communications (*Solutions for the Home*), Mobile and Wireless (*Solutions for the Hand*) and Infrastructure and Networking (*Solutions for Infrastructure*). Our diverse product portfolio includes:

- *Solutions for the Home* - Highly-integrated and complete platform solutions for set-top boxes and broadband access.
- *Solutions for the Hand* - Platforms primarily for mobile devices that include low-power, high-performance and highly integrated wireless connectivity solutions, cellular SoCs and other technologies.
- *Solutions for Infrastructure* - Highly-integrated platforms for Infrastructure deployments that include Ethernet switches and PHYs, automotive Ethernet, communication processors and wireless infrastructure solutions, and Ethernet controllers.

Net revenue for these reportable segments is presented below. “All Other” is comprised of income from our April 2009 agreement with Qualcomm Incorporated, or the Qualcomm Agreement (see detailed discussion in “Overview” section in Item 7. *Management’s Discussion and Analysis of Financial Condition and Results of Operations*).



## **Broadband Communications Reportable Segment (Solutions for the Home)**

### ***Set-Top Boxes***

Global service providers are increasingly introducing new and enhanced technologies and services in set-top boxes, or STBs, including increased transcoding, digital video recording functionality, higher definition, increased networking capabilities, and more tuners to enable faster channel change and more simultaneous recordings. Service providers are also looking to deploy High Efficiency Video Coding, or HEVC, a video compression format that is a successor to the H.264/MPEG-4 format. HEVC enables Ultra HD services because it effectively doubles the capacity of existing networks to deploy new or existing content. With Ultra HD TV prices falling rapidly, content owners are increasingly exploring creating and transmitting their own Ultra HD content.

We offer complete platform solutions for cable, satellite, IP and terrestrial STBs that enable service providers to deploy a broad array of features and services for consumers. More specifically, for STBs, our solutions include cable, satellite, IP and terrestrial set-top box SoC's, digital television adaptors and over-the-top platform solutions. Our family of set-top box solutions, across IP, Satellite and Cable, support the complete range of resolutions, from standard definition, to high definition, to most recently Ultra HD. We also provide MoCA and Powerline networking SoCs.

### ***Broadband Access***

Global service providers continue to deploy next generation broadband access technologies across multiple standards, including DSL, cable and fiber, to deliver more bandwidth and faster speeds to consumers. Over the coming years, we see global service providers moving toward DOCSIS 3.1 for cable modem technologies, G.Fast for DSL, and deploying more fiber-based solutions to increase speeds and bandwidth for customers.

We offer complete platform solutions for DSL, cable and fiber for both central office deployments and consumer premise equipment (CPE). For CPE deployments, we see increased movement toward residential gateways, which are frequently powered by our platform solutions. For the central office, our solutions include cable modem termination systems for cable deployments, optical line termination for Fiber deployments, and DSLAM's for DSL deployments.

### ***Wireless Infrastructure***

Service providers are also increasingly looking to deploy femtocell and small cell solutions to add capacity and coverage to their cellular network topology. Femtocells are deployed primarily in residences to enhance cellular coverage in the home. Small cells are low-powered radio access nodes that operate in licensed and unlicensed spectrum with a range of 10 meters to 2 kilometers. Service providers are planning to deploy small cells primarily for data offloading to increase efficiency in use of spectrum. We offer complete 3G/4G platform solutions for femtocells and small and residential cells.

## **Mobile and Wireless Reportable Segment (Solutions for the Hand)**

### ***Wireless Connectivity***

Our wireless connectivity solutions include integrated and discrete Wi-Fi, Bluetooth and near field communication, or NFC, solutions. Devices incorporating our connectivity solutions include: smartphones; tablets; laptops, and related peripherals; wireless home routers and gateways; printers; handheld media devices; home gaming systems; smart TVs and connected STBs; and a range of wearable and connected devices, including watches and glasses, smoke alarms and thermostats.

#### ***Wi-Fi***

Wireless local area networking, also known as Wi-Fi, allows devices on a local area network to communicate

wirelessly. It adds the convenience of mobility to the utility of high-speed data networks. Wi-Fi has been embedded into a wide range of devices including smartphones, tablets, home gateways and routers, personal computers, digital cameras, printers, gaming devices, STBs, and HDTVs. We offer a family of high performance, low power Wi-Fi chipsets that support all current 802.11 standards, including 802.11a/b/g, 802.11n and 802.11ac. 802.11ac, the latest generation of Wi-Fi technology, enables up to gigabit+ speeds and improved range while delivering data in a more power-efficient manner. We also support Wi-Fi Direct, WiFi Display and Miracast across our product portfolio, allowing direct communication between devices (or, peer-to-peer data transfers) without requiring an access point.

#### *Bluetooth*

The Bluetooth short-range wireless networking standard is a low power technology that enables direct connectivity between devices. We offer a complete family of Bluetooth silicon and software solutions for mobile phones, PCs, HDTVs, peripherals, gaming, wearables, the internet of things (IoT) and many other applications. Our family of Bluetooth solutions enables manufacturers to easily and cost-effectively add Bluetooth functionality to virtually any device. We continue to drive the evolution of Bluetooth with support of the Bluetooth Low Energy (BLE) standard, or Bluetooth Smart, an emerging standard for supporting low power applications such as health and fitness, medical devices, and wearable devices, including watches, glasses, wristbands, smoke alarms, pet monitoring solutions and many other implementations.

#### *Near Field Communications (NFC)*

NFC, an ultra short-range wireless standard that enables simple pairing between devices, has been adopted for contactless payment systems and can also be implemented to facilitate simple pairing between a variety of devices, including smartphones, tablets, TVs, remote controls, wireless mice, and Bluetooth headsets. We have developed a family of low-power NFC solutions that enable cost-effective deployments of NFC in consumer devices.

#### *Wireless Connectivity Combo Chips*

Our customers constantly demand connectivity solutions at a lower cost, with higher performance, longer battery life and a smaller footprint. We have created a family of connectivity combo chips that integrate multiple wireless technologies into a single chip. For example, we offer combo solutions that integrate a complete Bluetooth system (with BLE), a complete Wi-Fi system, NFC, and a high performance FM stereo radio receiver.

#### **Cellular SoCs**

We offer a broad portfolio of cellular SoC's that support 2G, 3G and 4G cellular standards. More specifically, we support GSM/GPRS, WCDMA, HSDPA, HSUPA, HSPA+, and LTE.

Our cellular SoC's also incorporate additional functionality outside of the core cellular modem. For instance, we integrate an application processing subsystem, as well as provide dedicated support for graphics and video and an image processing subsystem. Our product offerings currently include single-core, dual-core and quad-core 3G SoC's and a dual-core LTE SoC.

As part of our broader and complete cellular platform, we provide cellular RF and a family of power management devices that intelligently manage power consumption to improve battery life. Our complete cellular platform also includes our complete range of technologies, including Wi-Fi, Bluetooth, GPS, NFC, and connectivity combo chips described in more detail above.

#### ***Other Technologies (incorporated primarily into handheld devices)***

##### *Location (GPS)*

Location-based technologies in general, and Global Positioning System, or GPS, in particular, have long been a standard feature in navigation devices and have become a common feature in smartphones and tablets. In addition

to GPS, other satellite-based navigation systems have been deployed, such as Global Navigation Satellite System (GNSS), which encompasses a plurality of satellite-based navigation systems. Reliance on additional satellite coverage, compared with a system that relies only on a GPS solution, offers significant improvement in location determination, location accuracy and time-to-first-fix.

We offer a family of GPS, assisted GPS (A-GPS) and GNSS semiconductor products, software and data services. Our location-based services technology delivers data to our GNSS devices, further enhancing performance and reliability. These GPS solutions are part of a broader location platform that leverages a broad range of communications technologies, including WiFi, Bluetooth, MEMS sensors and GPS, to provide more accurate location, navigation and more functionality indoors, including indoor location and navigation.

#### *Touch Controllers*

We offer a family of touch controllers, which are integrated circuits designed to process signals from touch screens on mobile devices. Our touch controllers can be found in smartphones and tablets.

### **Infrastructure and Networking Reportable Segment (Solutions for Infrastructure)**

Our solutions in this reportable segment include: Ethernet switches and PHYs, which includes switches and fabrics; copper and optical transceivers; backplane and optical front-end physical layer devices; communications processors and solutions for wireless infrastructure, including multicore processors and microwave backhaul and knowledge-based processors. We provide Ethernet connectivity for the automotive market. We also offer a family of Ethernet Controllers.

Products incorporating our solutions in this reportable segment include: service provider metro equipment; edge and core routers, wireless infrastructure and wireless access points; switches and routers; servers and workstations; network interface cards; LAN on motherboard applications; optical networks and dense wave division multiplexing applications; security appliances; storage controllers; and microwave links for wireless backhaul.

#### ***Ethernet Switch and PHY***

Ethernet is a ubiquitous interconnection technology that enables high performance and cost effective networking infrastructure across the enterprise, service provider, data center and small and medium business spaces.

*Ethernet Switch.* We offer a broad set of Ethernet switching products that are optimized for service provider networks, data center implementations, enterprise and small-and-medium businesses. These solutions range from low-cost five port switch chips to complete solutions enabling in excess of 400 terabits of switching capacity in a multi-chassis configuration. More specifically:

- *Data center* - High capacity, low latency switching silicon that supports advanced protocols around virtualization and multi-pathing. Our Trident and DNX Ethernet switching fabric technologies provide the ability to build highly scalable flat networks supporting tens of thousands of servers and supporting 100 gigabits per second (Gbps) Ethernet.
- *Service provider* - Our service provider switch portfolio enables carrier/service provider networks to support a large number of services in the wireless backhaul, access, aggregation and core of their networks. Our SBX NPU product family provides a full duplex 100 Gbps fully programmable packet processor.
- *Enterprise and small-and-medium businesses (SMB)* - For enterprise applications, our XGS™ product family combines multi-layer switching capabilities and wire-speed Gigabit, 10, 40 and 100 Gbps Ethernet switching performance for unified wired and wireless enterprise business networks. Our family of SMB Ethernet switch products are designed to support lower power modes and comply with industry standards around energy efficient Ethernet.

*Ethernet Copper Transceivers.* Our high performance Ethernet transceivers are built upon a proprietary digital signal processing communication architecture optimized for high-speed network connections and support the latest standards and advanced features, such as energy efficient Ethernet, data encryption and time synchronization at one or 10 Gbps.

*Automotive Ethernet.* As consumer demand for in-vehicle connectivity continues to grow, automotive manufacturers are under pressure to deliver competitive, innovative features while minimizing cost. Broadcom's BroadR-Reach® automotive solutions allow multiple in-vehicle systems (such as infotainment, on-board diagnostics and automated driver assistance) to simultaneously access information over unshielded single twisted pair cable. Our automotive Ethernet product portfolio consists of five devices (including three highly integrated switches with embedded PHYs and two stand-alone PHY solutions) that deliver high-performance bandwidth of 100Mbps and beyond while dramatically reducing connectivity costs and cabling weight, as well as increasing energy efficiency.

*Backplane and Optical Front-End Physical Layer Devices.* To address increasing volumes of data traffic both in data centers and service provider networks, we offer a portfolio of 10G and 40G Ethernet transceivers, 100 Gbps gear boxes, forward error correction solutions, and chips for backplanes and optical interconnect. These devices are low-power solutions for very high density 10, 40 and 100 Gbps switching solutions. We also offer 2.5 Gbps and 10 Gbps SONET/SDH/OTN transceivers that enable the development of low-cost, high-density optical transport equipment, enabling telecommunications and service providers to efficiently deliver data and voice traffic over existing fiber networks.

### ***Communication Processors and Wireless Infrastructure***

*Multicore Communication Processor.* Used in building current and next-generation server, storage, data networking and wireless equipment, our XLP® multicore solutions provide leading central processing unit (CPU) performance utilizing quad issue, quad threaded and out-of-order execution. These CPU cores are coupled with high performance on-chip fabric and accelerators, enabling multi-chip cache coherent configurations. Broadcom's high-speed communications processors support complex networking applications, such as deep content switching, routing and load balancing at wireline speed. In addition to our XLP line, we provide the StrataGX line of highly integrated processor and networking solutions based on ARM processors.

*Knowledge-Based Processors (KBP).* Broadcom's knowledge-based processors enable high-performance decision-making for packet processing in a variety of advanced devices in the enterprise, metro, access, edge and core networking spaces. This family features the ability to process packets at wire-speed while consuming relatively little power.

*Microwave Modems and RF.* Our family of microwave modems and RF chip sets allows our customers to build high performance wireless backhaul and LAN extension products for service providers. They include features such as dual polarization for increased throughput, integrated networking functionality and full path protection.

### ***Ethernet Controllers***

Our family of Ethernet controllers offers comprehensive solutions for servers, workstations, and desktop and notebook computers, supporting multiple generations of Ethernet technology. Gigabit and 10 Gigabit Ethernet controllers deliver high performance dual-port and quad-port, single-chip converged network interface controller (C-NIC) at 1 Gbps or 10 Gbps rates, without requiring external packet memory.

### ***Custom Silicon Products***

We offer customers a range of custom application-specific integrated circuit, or ASIC, products that integrate customer-specific intellectual property into larger, more highly integrated solutions. This approach enables our customers to leverage their own intellectual property while still benefiting from the cost, power and performance benefits of a more integrated single-chip solution.

## Licensing of Intellectual Property

We generate licensing revenue and related income from the licensing of our intellectual property. The vast majority of our licensing revenue and related income has been derived from the Qualcomm Agreement. The income from the Qualcomm Agreement represented 1.0%, 2.3% and 2.8% of our total net revenue in 2013, 2012 and 2011, respectively. The income from the Qualcomm Agreement terminated in April 2013. It is unlikely that we will be able to enter into similar arrangements of this magnitude in the future.

## Reference Platforms

To assist our customers in developing products, we develop reference platforms designed around our integrated circuit products that represent prototypical system-level applications. These reference platforms generally include an extensive suite of software drivers, as well as protocol and application layer software. By providing reference platforms that may ultimately be incorporated into our customers' end products, we believe we enable our customers to achieve easier and faster transitions from the initial prototype designs through final production releases. We believe these reference platform designs also significantly enhance customers' confidence that our products will meet their market requirements and product introduction schedules.

## Customers and Strategic Relationships

We sell our products to leading wired and wireless communications manufacturers. We have also established strategic relationships with multiservice operators that provide wired and wireless communications services to consumers and businesses. Our leading customers currently shipping wired and/or wireless communications equipment and devices incorporating our products include:

- Alcatel-Lucent
- Apple
- Arris
- Cisco
- Hewlett-Packard
- Huawei Technologies
- Pace
- Samsung
- Thomson
- ZTE

A small number of customers have historically accounted for a substantial portion of our net revenue. Contributions to our net revenue by these customers have increased in the last several years. Sales to our five largest customers represented 48.3%, 46.9% and 42.3% of our net revenue in 2013, 2012 and 2011, respectively. In 2013, 2012 and 2011 sales to Samsung represented 21.3%, 17.3%, and 10.0% of our net revenue, respectively. In 2013, 2012 and 2011 sales to Apple represented 13.3%, 14.6%, and 13.1% of our net revenue, respectively. See Note 12 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report. We expect that our key customers will continue to account for a substantial portion of our net revenue in 2014 and in the foreseeable future. We typically sell products pursuant to purchase orders that customers can generally cancel, change or defer on short notice without incurring a significant penalty.

## Research and Development

We have assembled a large team of experienced engineers and technologists, many of whom are leaders in their particular field or discipline. As of December 31, 2013 we had approximately 9,800 research and development employees (or approximately 78% of our total employees), including over 850 employees with Ph.D.s. These key employees are involved in advancing our core technologies, as well as product development. We believe that increased intellectual property integration and the timely introduction of new products are essential to our growth. Because SoC solutions benefit from the same underlying core technologies, we are able to address a wide range of communications markets with a relatively focused investment in research and development. Our research and development expense was \$2.49 billion, \$2.32 billion and \$1.98 billion in 2013, 2012 and 2011, respectively. These amounts included stock-based compensation expense for employees engaged in research and development of \$363 million, \$368 million and \$363 million in 2013, 2012 and 2011, respectively. We have design centers throughout the

United States, including our principal design facilities in Irvine, California and Santa Clara County, California. Internationally, we have design facilities in Asia, Europe and the Middle East.

Our revenue and our research and development costs as a percentage of revenue are subject to the cyclical and seasonality of our industry. Our research and development costs on an absolute dollar basis are not, however, meaningfully affected by these patterns. We endeavor to manage our cost structure to attain long-term business objectives, rather than focusing on short-term profit targets.

## **Manufacturing**

### ***Wafer Fabrication***

We depend on multiple foundry subcontractors located in Asia to manufacture a majority of our products. Our key silicon foundries are:

- Taiwan Semiconductor Manufacturing Corporation, or TSMC, in Taiwan;
- United Microelectronics Corporation in Singapore and Taiwan;
- Semiconductor Manufacturing International Corporation in China; and
- GlobalFoundries, Inc. (formerly Chartered Semiconductor Manufacturing) in Singapore and Germany.

By subcontracting manufacturing, we focus resources on design and test applications where we believe we have greater competitive advantages. This strategy also avoids the high capital cost of owning and operating semiconductor wafer fabrication facilities. See “*Risk Factors*” under Item 1A of this Report for a discussion of the risks associated with our dependence on independent foundry subcontractors.

Most of our products are manufactured using complementary metal oxide semiconductor, or CMOS, process technology. Our products are currently fabricated on a variety of processes ranging from 500 nanometers to 28 nanometers. We generally evaluate the benefits of migrating to smaller geometry process technologies based on the benefits in performance, power and/or cost. In 2013, approximately 35% of our products were manufactured in 40 nanometers and 45% in 65 nanometers. We are designing most new products in 40 nanometers and 28 nanometers, and are beginning to evaluate FinFET technologies. See “*Risk Factors*” under Item 1A of this Report for a discussion of the risks associated with transitioning to smaller geometry process technologies.

### ***Assembly and Test***

Our products are tested at either the wafer level and/or the packaged finished products level. Our product testing is conducted by independent foundries, and independent test subcontractors. The die are assembled into finished products by independent assembly and package subcontractors. A majority of our test and assembly is performed by the following independent subcontractors:

- Advanced Semiconductor Engineering (ASE) in Singapore, China and Taiwan (test, assembly and packaging);
- Siliconware Precision in Taiwan (test, assembly and packaging);
- United Test and Assembly Center in Singapore, China and Thailand (test, assembly and packaging);
- Amkor in Korea, Philippines, Taiwan and China (assembly and packaging only); and
- STATSChipPAC in Singapore, Korea, Malaysia and China (test, assembly and packaging);

See “*Risk Factors*” under Item 1A of this Report for a discussion of the risks associated with our dependence on third party assembly and test subcontractors.

## **Quality Assurance**

We consider product reliability from the initial stage of the design cycle through each specific design process, from layout through testing. Our operations and quality engineering teams closely manage the interface between manufacturing and design engineering. We evaluate each assembly and foundry subcontractor. We also participate in quality and reliability monitoring by reviewing electrical and parametric data from our wafer foundry and assembly subcontractors. We closely monitor wafer foundry production to ensure consistent overall quality, reliability and yield levels. All of our principal independent foundries and package assembly facilities are currently ISO 9001 certified, a comprehensive International Standards Organization specified quality system acknowledgment. As part of our total quality program, we received ISO 9001 certification for our Singapore distribution facility.

### ***Environmental Management***

We assess the environmental impact of our products to international standards. Our manufacturing subcontractors have registered our manufacturing flow to ISO 14000, the international standard related to environmental management. Lead-free solutions in electronic components and systems are receiving increasing attention within the semiconductor industry. Our products are compliant with the Restriction of Hazardous Substances Directive, or RoHS, the European legislation that restricts the use of a number of substances, including lead, and current European REACH (Regulation, Evaluation and Authorization of Chemicals) laws.

### ***Product Distribution***

Due largely to the location of our customers and their fabrication facilities, the majority of our products are shipped internationally to customers through our distribution center in Singapore and a smaller portion domestically via an operations and distribution center in Irvine, California. Net product revenue derived from actual shipments to international destinations, primarily in Asia represented 96.4%, 96.4% and 96.5% of our net revenue in 2013, 2012 and 2011, respectively.

## **Sales and Marketing**

Our sales and marketing strategy is to achieve design wins with technology leaders by providing quality, state-of-the-art products, superior engineering execution, and superior sales, field application and engineering support. We market and sell our products in the United States through a direct sales force, distributors and manufacturers' representatives. The majority of our domestic sales occur through our direct sales force, which is based in offices located in California and throughout the United States. We market and sell our products internationally through regional offices primarily in Asia, Europe and North America, as well as through a network of independent and fulfillment distributors and representatives in Asia, Australia, Europe and North America. We or our customers select these independent entities based on their ability to provide effective field sales, marketing communications and technical support to our customers. All international sales to date have been in U.S. dollars. We present revenue from independent customers by geographic area in Note 12 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

## **Backlog**

Our sales are primarily made through standard purchase orders for delivery of products. We follow industry practice that allows customers to cancel, change or defer orders with limited advance notice prior to shipment. Given this practice, we do not believe that backlog is a reliable indicator of future revenue levels.

## **Competition**

The semiconductor industry in general, and wired and wireless communications markets in particular, are intensely competitive and are characterized by constant innovation, rapid change, rapid cadence through technology standards, short product life cycles and steady price erosion. We believe that the principal factors of competition for integrated circuit providers in general, or their product offerings in particular, include:

- product quality and reputation
- product capabilities
- level of integration
- engineering execution and scale
- reliability
- power efficiency
- circuit board footprint
- market presence
- standards compliance
- system cost
- breadth of intellectual property
- customer interface and support
- time-to-market
- security

We believe that we currently compete favorably with respect to each of these factors.

We compete with a number of major domestic and international suppliers of integrated circuits and related applications, including the following, among others:

<b><u>Broadband Communications</u></b>	<b><u>Mobile and Wireless</u></b>	<b><u>Infrastructure and Networking</u></b>
<ul style="list-style-type: none"><li>• Entropic Communications, Inc.</li><li>• Intel Corporation</li><li>• Marvell Technology Group Ltd.</li><li>• Mediatek Inc.</li><li>• STMicroelectronics NV</li></ul>	<ul style="list-style-type: none"><li>• CSR plc</li><li>• Intel Corporation</li><li>• Marvell Technology Group Ltd.</li><li>• Mediatek Inc.</li><li>• QUALCOMM Incorporated</li></ul>	<ul style="list-style-type: none"><li>• Cavium, Inc.</li><li>• Freescale Semiconductor, Ltd.</li><li>• Intel Corporation</li><li>• Marvell Technology Group Ltd.</li><li>• PMC-Sierra, Inc.</li></ul>

We also compete with suppliers of system-level and motherboard-level solutions incorporating integrated circuits that are proprietary or sourced from manufacturers other than Broadcom. This competition, along with Moore's law, has resulted and may continue to result in declining average selling prices for our products in certain markets. We also may face competition from newly established competitors, suppliers of products based on new or emerging technologies, and customers that choose to develop their own silicon solutions. We also expect to encounter consolidation in the markets in which we compete.

Some of our competitors operate their own fabrication facilities and have longer operating histories and presence in key markets, greater name recognition, larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution and other resources than we do. As a result, these competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or devote greater resources to the promotion and sale of their products. Current and potential competitors have established or may establish financial or strategic relationships among themselves or with existing or potential customers, resellers or other third parties, and may refuse to provide us with information necessary to permit the interoperability of our products with theirs. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share. In addition, competitors may develop technologies that more effectively address our markets with products that offer enhanced features, lower power requirements or lower costs. Increased competition could result in pricing pressures, decreased gross margins and loss of market share and may materially and adversely affect our business, financial condition and results of operations. See "Risk Factors" under Item 1A of this Report for further discussion of the risks associated with competition.

### **Seasonality**

An increasing number of our products continue to be incorporated into consumer electronic products, which are subject to seasonality and fluctuations in demand, and tend to have stronger sales in the middle of the fiscal year as manufacturers prepare for the major holiday selling seasons.

### **Intellectual Property**

Our success and future product revenue growth depend, in part, on our ability to protect our intellectual property. We rely primarily on patents, copyrights, trademarks and trade secrets, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. However, these may not provide meaningful or adequate protection for our intellectual property.

We currently hold more than 9,000 U.S. and more than 3,850 foreign patents (up from more than 7,800 U.S. and more than 3,100 foreign patents from the prior year) and have more than 9,000 additional U.S. and foreign pending patent applications. We believe that no single patent is solely responsible for protecting our products and that the duration of our patents is adequate relative to the expected lives of our products.

We generally enter into confidentiality agreements with our employees and strategic partners, and typically control access to and distribution of product documentation and other proprietary information. Despite these precautions, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes, develop similar technology independently, or design around our patents. As such, any rights granted under our patents may not provide us with meaningful protection. In addition, we may not be able to successfully enforce our patents against infringing products in every jurisdiction. See “*Risk Factors*” under Item 1A of this Report for further discussion of the risks associated with patents and intellectual property.

Some or all of our patents have in the past been licensed and may in the future be licensed to certain of our competitors through cross-license agreements, such as the Qualcomm Agreement. Moreover, because we have participated and continue to participate in developing various industry standards, we may be required to license some of our patents to others, including competitors, who develop products based on those standards.

Companies in and related to the semiconductor industry and the wired and wireless communications markets often aggressively protect and pursue their intellectual property rights. We are currently engaged in litigation and may need to engage in additional litigation to enforce our intellectual property rights or the rights of our customers, to protect our trade secrets, or to determine the validity and scope of proprietary rights of others, including our customers. In addition, we are currently engaged in litigation and may engage in future litigation with parties that claim that we infringed their patents or misappropriated or misused their trade secrets. Such litigation could result in substantial costs and diversion of our resources and could materially and adversely affect our business, financial condition and results of operations. For a detailed description of various outstanding intellectual property litigation matters, see Note 9 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

## **Employees**

As of December 31, 2013 we had approximately 12,550 employees, including 9,800 individuals engaged in research and development, 1,000 engaged in sales and marketing, 750 engaged in manufacturing operations, and 1,000 engaged in general and administrative activities. Although we have works council or employee representatives in certain countries, our U.S. employees are not represented by a labor union.

## **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 Annual Report on Form 10-K.

## **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 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 are likely to continue to 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;
- 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.

### **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. Contributions to our net revenue by these customers have increased in the last several years. Sales to our five largest customers represented 48.3%, 46.9% and 42.3% of our total net revenue in 2013, 2012 and 2011, respectively. Sales to two significant customers, those representing 10% or more of total net revenue, represented 34.6%, 31.9% and 23.1% of our total net revenue in 2013, 2012 and 2011, 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.

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.

In addition, the vast majority of our licensing revenue and related income to date has been derived from the Qualcomm Agreement. From April 2009 through June 30, 2013, we recorded \$856 million in income derived from this agreement. The income from the Qualcomm Agreement is non-recurring and terminated in April 2013. It is unlikely that we will be able to enter into additional such arrangements of this magnitude in the future.

The loss of a key customer or design win, a reduction in sales to any key customer, significant delay 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 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 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, 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, 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. 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.

### **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 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 that we had expected. In particular, we have made a significant investment in LTE technology, including the recent acquisition of the LTE related assets of Renesas Electronics Corporation. Failure to ramp LTE products could materially adversely

affect our results of operations and our long term view of the viability of our mobile and wireless segment. 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 could cause us to incur an impairment charge.

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

Through internal growth and acquisitions, 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 be required to strategically realign our resources. These circumstances could cause the need to implement restructuring actions and a number of 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.

As a result of our effort to reduce our expenses and better align our resources to areas of strategic focus, we implemented a restructuring plan in the third quarter of 2013. The plan focused primarily on workforce reductions and included employees from our transaction with Renesas Electronics Corporation. We cannot provide assurance that our restructuring efforts will be successful, that future operations will improve or that the completion of the restructuring will not disrupt our operations.

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 are required to expand, train, manage and motivate our workforce, and to upgrade or enhance our existing IT systems. For example, over the next eighteen months, we plan to upgrade our enterprise resource planning system. We may not be successful in implementing new systems,

which could involve business disruptions, including impeding the shipment of our products. 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 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 international destinations, primarily in Asia, represented 96.4%, 96.4% and 96.5% of our product revenue in 2013, 2012 and 2011, respectively. Substantially all of our products are shipped through our logistical facilities in Singapore. An increasing portion of our product sales is made through international 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 international business activities 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 international 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 international 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 overseas markets, particularly in Asia, may negatively impact the demand for our products abroad. Also, all of our international 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 international 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 international business activities.

**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, or the imposition of new or changed tax laws or regulations or new related interpretations by taxing authorities in the U.S. or foreign jurisdictions, could adversely affect our results of operations. 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.

In certain foreign jurisdictions, we operate under favorable tax incentives. For instance, in Singapore we currently operate under tax incentives, which are effective through March 31, 2014, that reduce our Singapore taxes on substantially all of our operating income in that jurisdiction. Such tax incentives often require us to meet specified employment and investment criteria in such jurisdictions. In a period of tight manufacturing capacity, our ability to meet Singapore content requirements in our products may be more limited, which may have adverse tax consequences. More generally, if any of our tax incentives are terminated, or if we fail to meet the criteria to continue to enjoy such holidays or incentives, our results of operations and our foreign tax provisions may be materially and adversely affected. For periods after March 31, 2014, we expect to utilize our Irish trading company for certain foreign operations, which we believe would result in a similar foreign tax provision as our current Singapore tax incentive. No assurance can be given that there will not be an adverse effect on our future foreign tax provisions and results of operations.

**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, 2010 through December 31, 2013 our Class A common stock has traded at prices as low as \$23.25 and as high as \$47.39 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 Internet-related, 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, 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 each quarter or otherwise periodically, often pursuant to trading plans established under Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or 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 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. An increasing number of our products are being incorporated into consumer electronic products, which are subject to significant seasonality and fluctuations in demand. 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 product 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 face risks associated with our acquisition strategy.**

A key element of our business strategy involves expansion through the acquisition of businesses, assets, products or technologies. The expansion of our business through acquisitions allows us to complement our existing product offerings, expand our market coverage, increase our engineering workforce and/or enhance our technological capabilities. We may not be able to identify or consummate future acquisitions or realize the desired benefit from these acquisitions.

We face a number of challenges associated with our acquisition strategy that could disrupt our ongoing business and distract our management team, including:

- lower gross margins, revenue and operating income than originally anticipated at the time of acquisition and other financial challenges;
- delays in the timing and successful integration of an acquired company's technologies, and/or launch of products;
- the loss of key personnel;
- challenges in obtaining necessary transition services; and
- becoming subject to intellectual property or other litigation.

Acquisitions can result in increased debt or contingent liabilities. While we believe we will have the ability to service any additional debt we may potentially issue in connection with acquisitions, our ability to make principal and interest payments when due depends upon our future performance, which will be subject to general economic conditions, industry cycles, and business and other factors affecting our operations, including the other risk factors described in this section, many of which are beyond our control. 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. For example, in the three months ended June 30, 2013, we recorded a significant purchased intangible impairment charge in connection with our acquisition of NetLogic.

**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 and 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 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 recent and any future restructuring plans may adversely impact our ability to attract and retain key employees.

**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 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 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 for the manufacture of product at and below 40 nanometers. The lack of diversity of suppliers could also drive increased wafer prices, adversely affect our results of operations, including our product 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.

**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 adopted new disclosure requirements in 2012 relating to the sourcing of certain minerals from the Democratic Republic of Congo and certain other adjoining countries. Those rules, which will require reporting in 2014, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

**Our co-founders and their affiliates may strongly influence the outcome of matters that require the approval of our shareholders.**

As of December 31, 2013 our co-founders, directors, executive officers and their respective affiliates beneficially owned 9.6% of our outstanding common stock and held 48.6% 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 the election of our Board of Directors and certain significant corporate transactions. In particular, as of December 31, 2013 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samuelli, beneficially owned a total of 8.6% of our outstanding common stock and held 48.2% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we may not be able to engage in certain transactions, and our shareholders may not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. In addition, repurchases of shares of our Class A common stock under our share repurchase program would result in an increase in the total voting power of our co-founders, directors, executive officers and their affiliates, as well as other continuing shareholders.

**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.

**There can be no assurance that we will continue to declare cash dividends.**

In January 2010, our Board of Directors adopted a dividend policy pursuant to which Broadcom would pay quarterly dividends on our common stock. In January 2011, 2012, 2013 [and again in 2014] our Board of Directors increased the quarterly dividend payment. We intend to continue to pay such dividends subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our shareholders and are in compliance with all laws and agreements of Broadcom applicable to the declaration and payment of cash dividends.

Future dividends may be affected by, among other factors:

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

Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to increase our dividend payment or declare dividends in any particular amounts or at all. A reduction in our dividend payments could have a negative effect on our stock price.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

We lease facilities in Irvine (our corporate headquarters), Sunnyvale, Santa Clara, San Jose and San Diego, California. These facilities are our principal design facilities and each includes administration, sales and marketing, research and development and operations functions. We lease additional design facilities throughout the United States. Internationally, we lease a distribution center that includes engineering design and administrative facilities in Singapore as well as engineering design and administrative facilities in Asia, Europe and the Middle East. In addition, we lease various sales and marketing facilities in the United States and several other countries.

We lease our facilities and certain engineering design tools and information systems equipment under operating lease agreements. Our leased facilities comprise an aggregate of 4.4 million square feet. Our principal facilities in Irvine comprise 0.92 million square feet and have lease terms that expire at various dates through 2017. In light of these lease term expirations, we are currently evaluating future facility options in Orange County and other locations. We believe that the facilities under lease will be adequate for at least the next 12 months. For additional information regarding our obligations under property leases, see Note 9 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

**Item 3. Legal Proceedings**

The information set forth under Note 9 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report, is incorporated herein by reference.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market Information and Holders**

Our Class A common stock is traded on the Nasdaq Global Select Market under the symbol BRCM. The following table sets forth, for the periods indicated, the high and low sale prices for our Class A common stock on the Nasdaq Global Select Market:

	2013		2012	
	High	Low	High	Low
Fourth Quarter	\$ 29.75	\$ 24.60	\$ 35.00	\$ 29.95
Third Quarter	\$ 34.96	\$ 23.25	\$ 37.00	\$ 28.60
Second Quarter	\$ 37.85	\$ 31.25	\$ 39.23	\$ 30.95
First Quarter	\$ 35.50	\$ 32.12	\$ 39.66	\$ 29.00

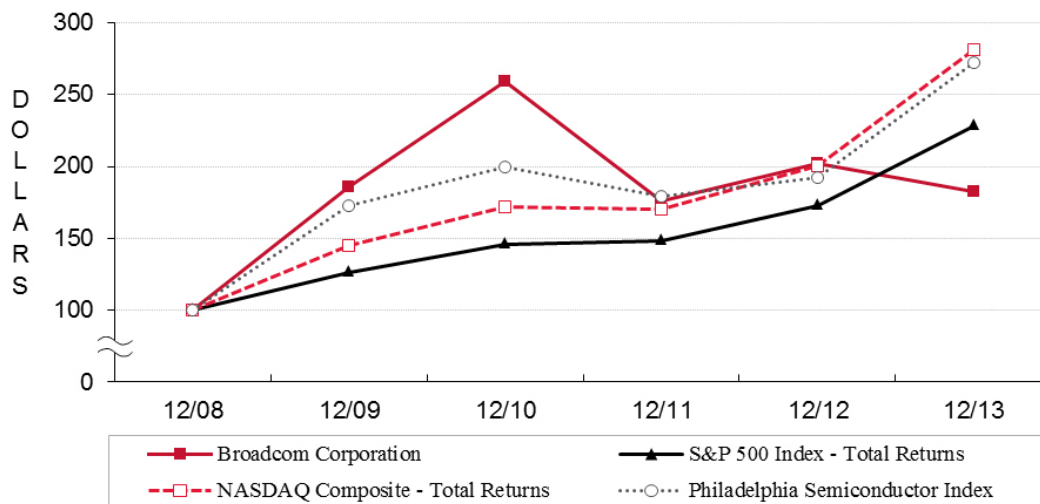
As of December 31, 2013 and 2012 there were 843 and 938 record holders of our Class A common stock and 128 and 137 record holders of our Class B common stock, respectively. On January 29, 2014, the last reported sale price of our Class A common stock on the Nasdaq Global Select Market was \$28.69 per share.

Our Class B common stock is not publicly traded. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock and in most instances automatically converts upon sale or other transfer.

**Stock Performance Graph**

The following graph compares the cumulative five-year total return attained by shareholders on Broadcom Corporation’s common stock relative to the cumulative total returns of the S&P 500 index, the Philadelphia Semiconductor index, and the NASDAQ Composite index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on December 31, 2008 and its relative performance is tracked through December 31, 2013. Shareholder returns over the indicated periods should not be considered indicative of future stock prices or shareholder returns.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN  
AMONG BROADCOM CORPORATION, THE S&P 500 INDEX,  
THE NASDAQ COMPOSITE INDEX AND THE PHILADELPHIA SEMICONDUCTOR INDEX**



**Dividend Policy**

In January 2010 our Board of Directors adopted a dividend policy pursuant to which we intend to pay quarterly cash dividends on our common stock. Our Board of Directors declared quarterly cash dividends of \$0.11, \$0.10, and \$0.09 per common share payable to holders of our common stock in each quarter of 2013, 2012 and 2011, respectively. In 2013, 2012 and 2011 we paid \$254 million, \$224 million and \$194 million, respectively, in dividends to holders of our Class A and Class B common stock.

The cash dividend policy and the payment of future cash dividends under that policy are subject to the Board of Directors' continuing determination that the dividend policy and the declaration of dividends thereunder are in the best interests of our shareholders and are in compliance with all laws and agreements of Broadcom applicable to the declaration and payment of cash dividends.

**Recent Sales of Unregistered Securities**

In 2013 we issued an aggregate of 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, or the Securities Act.

**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 other 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 an additional share repurchase program in the future.

The following table presents details of our various repurchases during the three months ended December 31, 2013:

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)				
October 2013	0.1	\$ 24.97	0.1	
November 2013	—	—	—	
December 2013	—	—	—	
Total	0.1	\$ 24.97	0.1	N/A

Repurchases under our share repurchase programs were and are intended to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 promulgated under the Exchange Act.

**Item 6. Selected Consolidated Financial Data**

The following tables set forth our selected consolidated financial data. We prepared this information using our consolidated financial statements for each of the five years ended December 31, 2013. In addition, the consolidated financial statements include the results of operations of acquisitions commencing on the respective acquisition dates. See Note 3 of Notes to Consolidated Financial Statements.

You should read this selected consolidated financial data together with the Consolidated Financial Statements and related Notes contained in this Report and in our prior and subsequent reports filed with the SEC, as well as the section of this Report and our other reports entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

	Year Ended December 31,				
	2013	2012	2011	2010	2009
(In millions, except per share data)					
<b>Consolidated Statements of Income Data</b>					
Net revenue:					
Product revenue	\$ 8,219	\$ 7,820	\$ 7,182	\$ 6,612	\$ 4,319
Income from Qualcomm Agreement <sup>(1)</sup>	86	186	207	206	171
Total net revenue	8,305	8,006	7,389	6,818	4,490
Costs and expenses:					
Cost of product revenue <sup>(2)</sup>	4,088	4,027	3,626	3,284	2,210
Research and development <sup>(2)</sup>	2,486	2,318	1,983	1,763	1,535
Selling, general and administrative <sup>(2)</sup>	706	696	682	589	479
Amortization of purchased intangible assets	57	113	30	28	15
Impairments of long-lived assets	511	90	92	19	19
Restructuring costs, net	29	7	16	—	8
Settlement costs (gains)	(69)	79	(18)	53	118
Charitable contribution	25	—	25	—	50
Total operating costs and expenses	7,833	7,330	6,436	5,736	4,434
Income from operations	472	676	953	1,082	56
Interest income (expense), net	(30)	(30)	(5)	9	14
Other income, net	3	10	8	7	2
Income before income taxes	445	656	956	1,098	72
Provision for (benefit of) income taxes	21	(63)	29	16	7
Net income	\$ 424	\$ 719	\$ 927	\$ 1,082	\$ 65
Net income per share (basic) <sup>(3)</sup>	\$ 0.74	\$ 1.29	\$ 1.72	\$ 2.13	\$ 0.13
Net income per share (diluted) <sup>(3)</sup>	\$ 0.73	\$ 1.25	\$ 1.65	\$ 1.99	\$ 0.13
Dividends per share	\$ 0.44	\$ 0.40	\$ 0.36	\$ 0.32	\$ —

(1) Includes income relating to the Qualcomm Agreement that was entered into with Qualcomm in April 2009. Income from this agreement terminated in April 2013.

(2) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in connection with acquisitions. See Note 8 of Notes to Consolidated Financial Statements.

(3) See Notes 1 and 2 of Notes to Consolidated Financial Statements for an explanation of the calculation of net income per share.

	December 31,				
	2013	2012	2011	2010	2009
	(In millions)				
<b>Consolidated Balance Sheet Data</b>					
Cash and cash equivalents and short-term and long-term marketable securities	\$ 4,371	\$ 3,722	\$ 5,205	\$ 4,058	\$ 2,368
Working capital	2,419	2,099	4,653	2,913	1,767
Goodwill and purchased intangible assets, net	4,937	5,512	2,187	2,043	1,481
Total assets	11,495	11,208	9,040	7,944	5,127
Total debt	1,394	1,693	1,196	697	—
Total shareholders' equity	8,371	7,839	6,521	5,826	3,892

The following table presents details of product and total gross margin as a percentage of product and total revenue, respectively:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
<b>Supplemental Gross Margin Data</b>					
Product gross margin	50.3%	48.5%	49.5%	50.3%	48.8%
Total gross margin	50.8	49.7	50.9	51.8	50.8

The following table presents details of total stock-based compensation expense that is *included* in each functional line item in the consolidated statements of income data above:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(In millions)				
<b>Supplemental Data on Stock-Based Compensation Expense</b>					
Cost of product revenue	\$ 25	\$ 27	\$ 24	\$ 23	\$ 25
Research and development	363	368	363	342	352
Selling, general and administrative	130	148	126	119	120

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

You should read the following discussion and analysis in conjunction with our Consolidated Financial Statements and related Notes thereto included in Part IV, Item 15 of this Report and the "Risk Factors" included in Part I, Item 1A of this Report, as well as other cautionary statements and risks described elsewhere in this Report, before deciding to purchase, hold or sell our common stock.

**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 products seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments. We provide the industry's broadest portfolio of state-of-the-art system-on-a-chip solutions, or SoC's.

We sell our products to leading wired and wireless communications manufacturers that are structured around three core platforms: Broadband Communications (Home), Mobile and Wireless (Hand), and Infrastructure and Networking (Infrastructure). Because we leverage our technologies across different markets, certain of our integrated circuits may be incorporated into products used in multiple markets. We utilize independent foundries and third-party subcontractors to manufacture, assemble and test all of our semiconductor products.

**Operating Results for the Year Ended December 31, 2013**

In 2013 our net income was \$424 million as compared to net income of \$719 million in 2012. The resulting decrease in profitability was primarily the result of charges for the impairment of purchased intangibles assets of \$511 million and an increase in research and development expenses associated with our acquisition of LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction, in October 2013, with no associated revenue, offset in part by (i) a 3.7% increase in total net revenue, (ii) higher gross margins due in part to product mix and the reduction of inventory valuation step-up expense, (iii) a decrease in settlement costs of \$73 million, and (iv) a one-time settlement gain of \$75 million.

**Reportable Segments**

The following table presents details of our reportable segments and the "All Other" category:

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking		
	(In millions)				
<b>Year Ended December 31, 2013</b>					
Net revenue	\$ 2,220	\$ 3,919	\$ 2,080	\$ 86	\$ 8,305
Operating income (loss)	538	365	655	(1,086)	472
<b>Year Ended December 31, 2012</b>					
Net revenue	\$ 2,156	\$ 3,809	\$ 1,855	\$ 186	\$ 8,006
Operating income (loss)	504	561	484	(873)	676
<b>Year Ended December 31, 2011</b>					
Net revenue	\$ 2,039	\$ 3,484	\$ 1,659	\$ 207	\$ 7,389
Operating income (loss)	391	572	545	(555)	953

*Broadband Communications.* The increase in operating income from 2011 to 2013 resulted from the reduced investment in digital television and Blu-Ray Disc products; improved gross margin from the deployment of optimized solutions for developing markets; and an increased customer base, primarily with STBs. There were no material negative trends in the operating results in the above table for our Broadband Communications reportable segment.

*Mobile and Wireless.* The decrease in operating income from 2011 to 2013 resulted primarily from a significant increase in research and development expense in cellular baseband technologies, including LTE, partially offset by increased operating income related to wireless connectivity products and other technologies incorporated into handheld devices. Due to the lengthy product development and sales cycle for LTE products, our ongoing investment in LTE-related technologies, including the Renesas Transaction, negatively impacted our operating income and is expected to continue to do so until we realize significant revenue.

*Infrastructure and Networking.* The decrease in operating income from 2011 to 2012 was driven primarily by a decrease in revenue in Ethernet Switch and PHY. The increase in operating income from 2012 to 2013 was driven primarily by moderating growth in research and development spending as compared to revenue growth. There were no material negative trends in the operating results in the above table for our Infrastructure and Networking reportable segment.

For additional information about our business enterprise segments and the "All Other" category (including revenue and expense items reported under the "All Other" category), see further discussion in Note 12 of Notes to Consolidated Financial Statements, as well as "Net Revenue By Reportable Segments" discussion below.

Other highlights during 2013 include the following:

- Our cash and cash equivalents and marketable securities were \$4.37 billion at December 31, 2013, compared with \$3.72 billion at December 31, 2012. We generated cash flow from operations of \$1.79 billion during 2013 as compared to \$1.93 billion in 2012.
- In January 2013 our Board of Directors adopted an amendment to our existing dividend policy pursuant to which we increased our quarterly cash dividend by 10.0% to \$0.11 per share (\$0.44 per share on an annual basis) payable to holders of our common stock.
- We repurchased 20.2 million shares of our Class A common stock at a weighted average price of \$29.59.
- In June 2013 we recorded purchased intangible impairment charges of \$501 million, primarily related to our acquisition of NetLogic and, to a lesser extent, our acquisition of Provigent, Inc.
- In July 2013 we received a settlement payment of \$75 million and recorded a one-time settlement gain.
- In September 2013 we contributed \$25 million to the Broadcom Foundation.
- In September 2013 our Board of Directors approved and we initiated a global restructuring plan to reduce our expenses and better align our resources to areas of strategic focus. We recorded net restructuring costs of \$29 million in 2013, and expect to record additional costs of approximately \$5 million in the three months ending March 31, 2014.
- On October 1, 2013 we completed the Renesas Transaction. In connection with the transaction we paid approximately \$142 million in net cash.

See Note 13 of Notes to Consolidated Financial Statements for details of our quarterly financial data.

Our product revenue consists principally of sales of semiconductor devices and, to a lesser extent, licensing of our intellectual property, software licenses and royalties, development, support and maintenance agreements, data services and cancellation fees. The majority of our product sales occur through the efforts of our direct sales force. The remaining balance of our product sales occurs through distributors. Income from the Qualcomm Agreement was derived from our April 2009 agreement with Qualcomm Incorporated, or the Qualcomm Agreement, which provided for the the licensing of our intellectual property to Qualcomm. The income from the Qualcomm Agreement terminated in April 2013. It is unlikely that we will be able to enter into similar arrangements of this magnitude in the future.

### ***Factors That May Impact Net Income***

Our net income has been affected in the past, and may continue to be affected in the future, by various factors, including, but not limited to, the following:

- our product mix and volume of product sales and corresponding gross margin (see further discussion below under “*Factors That May Impact Net Revenue*” and “*Factors That May Impact Product Gross Margin*”);
- levels of research and development and other operating costs (organic or acquired);
- stock-based compensation expense;
- licensing and income from intellectual property;
- impairment of goodwill and other long-lived assets;
- deferral of revenue and costs under multiple-element arrangements;
- amortization of purchased intangible assets;
- settlement costs or gains;
- cash-based incentive compensation expense;
- litigation costs and insurance recoveries;
- changes in tax laws, adjustments to tax reserves and the results of income tax audits;
- the loss of interest income resulting from lower average interest rates and investment balance reductions resulting from expenditures on repurchases of our Class A common stock, dividends and acquisitions of businesses;
- restructuring costs;
- other-than-temporary impairment of marketable securities; and
- charitable contributions.

*Product Cycles.* The cycle for test, evaluation and adoption of our products by customers can range from three to more than nine months, with an additional three to more than twelve months before a customer commences volume production of equipment or devices incorporating our products. Due to this lengthy sales cycle, we may experience significant delays from the time we incur expenses for research and development, selling, general and administrative efforts, and investments in inventory, to the time we generate corresponding revenue, if any. The rate of new orders may vary significantly from month to month and quarter to quarter. If anticipated sales or shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our results of operations for that quarter, and potentially for future quarters, would be materially and adversely affected.

*Acquisition Strategy.* An element of our business strategy involves the acquisition of businesses, assets, products or technologies that allow us to reduce the time or costs required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing product offerings, augment our engineering workforce, and enhance our technological capabilities. From 2011 through 2013, we made acquisitions totaling \$4.07 billion in net cash consideration, of which \$185 million, \$189 million and \$3.70 billion related to our Broadband Communications, Mobile and Wireless, and Infrastructure and Networking reportable segments, respectively. We plan to continue to evaluate strategic opportunities as they arise, including acquisitions and other business combination transactions, strategic relationships, capital infusions and the purchase or sale of assets.

The accompanying Consolidated Financial Statements include the results of operations of our acquired companies commencing on their respective acquisition dates. See Note 3 of Notes to Consolidated Financial Statements for additional information related to these acquisitions.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles, or 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 obligations, inventory valuation, stock-based compensation expense, goodwill and purchased intangible asset recoverability, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance liabilities, 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.

We believe the following are critical accounting policies that require us to make significant estimates, assumptions or judgments:

- *Net Revenue.* We recognize product revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) our price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. These criteria are usually met at the time of product shipment.

In arrangements that include a combination of semiconductor products and other elements, judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which the amount of revenue should be allocated among the accounting units. We allocate the arrangement consideration based on each element's relative fair value using vendor-specific objective evidence, or VSOE, third-party evidence, or estimated selling prices, as the basis of fair value. Revenue is recognized for the accounting units when the basic revenue recognition criteria are met.

A portion of our sales is made through distributors under agreements allowing for pricing credits and/or rights of return. These pricing credits and/or rights of return provisions prevent us from being able to reasonably estimate the final price of the inventory to be sold and the amount of inventory that could be returned pursuant to these agreements. As a result, we have concluded the price to the customer is not fixed or determinable at the time we deliver products to our distributors, which is a judgment that impacts the timing of revenue recognition. Accordingly, product revenue from sales made through these distributors is not recognized until the distributors ship the product to their customers. In addition, distributors provide us with periodic data regarding product, price, quantity, and customers when products are shipped to their customers, as well as the quantities of our products that they still have in stock. For specialized shipping terms we may rely on data provided by our freight forwarding providers. For our licensing revenue we rely on data provided by the licensee. Any error in the data provided to us by customers, distributors or other third parties could lead to inaccurate reporting of our total net revenue and net income.

- *Sales Returns and Pricing Adjustments.* Establishing accruals for sales returns and pricing adjustments requires the use of judgment and estimates that impact the amount and timing of revenue recognition. We record reductions of revenue for estimated product returns and pricing adjustments, such as competitive pricing programs and rebates, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns, analysis of credit memo data, specific criteria included in rebate agreements, and other factors known at the time. We accrue 100% of potential rebates at the time of sale and do not apply a breakage factor. We reverse the accrual of unclaimed rebate amounts as specific rebate programs contractually end and when we believe unclaimed rebates are no longer subject to payment and will not be paid. Thus the reversal of unclaimed rebates may have a positive impact on our net revenue and net income in subsequent periods. Additional reductions of revenue would result if actual product returns or pricing adjustments exceed our estimates.
- *Inventory Write-Downs and Warranty Reserves.* We write down the carrying value of our inventory to net realizable value for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future

demand and market conditions. If our judgments about actual demand and market conditions are less favorable than those projected at the time we issue our financial statements, additional inventory write-downs could be required. Our products typically carry a one to three year warranty. We establish reserves for estimated product warranty costs at the time revenue is recognized. Determining the amount of the warranty charges related to warranty issues requires management to make estimates and judgments based on historical experience, test data and various other assumptions that we believe to be reasonable under the circumstances. The results of these judgments form the basis for our estimate of the total charge to cover anticipated customer warranty, repair, return and replacement and other associated costs. However, if actual repair, return, replacement and other associated costs exceed our estimates, we may be required to record additional reserves, which would increase our cost of revenue and reduce our product gross margins.

- *Stock-Based Compensation Expense.* All share-based payments are recognized in our financial statements based upon their respective grant date fair values. Beginning in 2011, we stopped granting stock options. We currently issue restricted stock units and maintain an employee stock purchase plan. The fair value of our restricted stock units is based on the closing market price of our Class A common stock on the date of grant less our expected dividend yield. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense.
- *Goodwill and Purchased Intangible Assets.* We evaluate goodwill by reporting unit either on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist that would more likely than not reduce the fair value of a reporting unit below its carrying value or for other purchased intangible assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Significant management judgment is required in performing these tests and in the creation of the forecasts of future operating results that are used in the discounted cash flow method of valuation, including (i) estimation of future cash flows, which is dependent on internal forecasts, (ii) estimation of the long-term rate of growth for our business, (iii) estimation of the useful life over which cash flows will occur, (iv) terminal values, if applicable, and (v) the determination of our weighted average cost of capital, which helps determine the discount rate. It is possible that these forecasts may change and our performance projections included in our forecasts of future results prove to be inaccurate. If our actual results, or the forecasts and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges. The value of our goodwill and purchased intangible assets could also be impacted by future adverse changes such as: (i) a decline in the valuation of technology company stocks, including the valuation of our common stock, (ii) a significant slowdown in the worldwide economy or the semiconductor industry, or (iii) the abandonment of any of our acquired in-process research and development, or IPR&D, projects.

In light of the reduction in estimated future cash flows that resulted in the significant impairment of purchased intangible assets related to our Infrastructure and Networking reporting unit in the three months ended June 30, 2013, and as a result of our stock price decline during the three months ended September 30, 2013, we determined our goodwill had potentially been impaired. Accordingly, we performed the first step of the quantitative goodwill impairment assessment for each of our reporting units for recoverability of goodwill at August 31, 2013 but determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value by greater than 20%.

- *Deferred Taxes and Uncertain Tax Positions.* We utilize the asset and liability method of accounting for income taxes. We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our cumulative losses in the U.S. and certain foreign jurisdictions, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance against our net deferred tax assets is

appropriate in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we record valuation allowances to reduce our net deferred tax assets to the amount we believe is more likely than not to be realized. In the future, if we realize a deferred tax asset that currently carries a valuation allowance, we may record a reduction of income tax expense in the period of such realization. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine the liability no longer applies. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than we expect the ultimate assessment to be. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

- *Litigation and Settlement Costs.* We are involved in disputes, litigation and other legal proceedings. We prosecute and defend these matters aggressively. However, there are many uncertainties associated with any litigation, and we cannot provide assurance that these actions or other third party claims against us will be resolved without costly litigation and/or substantial settlement costs. In addition, the resolution of intellectual property litigation may require us to pay damages for past alleged infringement or to obtain a license under the other party's intellectual property rights that could require one-time license fees or running royalties, which could adversely impact product gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees involved in such litigation may perform for Broadcom. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected.

We account for intellectual property settlement agreements as multiple element arrangements and allocate the consideration to the identifiable elements based on relative fair value. Generally the identifiable elements are (i) the licensing of intellectual property for future use and (ii) payments related to alleged prior infringement. We continually evaluate the uncertainties associated with litigation and record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether a liability can be reasonably estimated. Accordingly, the outcomes of legal proceedings and/or our ability to settle disputes on terms acceptable to us are subject to significant uncertainty. Should we choose to pay significant sums in settling a dispute or should material legal matters be resolved against us, the operating results of a particular reporting period could be materially adversely affected. Given the complexity of evaluating the probability and range of potential litigation losses and appropriately allocating the consideration in multiple element arrangements relating to settlements of intellectual property litigation, we frequently use third-party valuation and law firms to assist us in this regard.

See Notes 1 and 10 of Notes to Consolidated Financial Statements for additional information regarding our critical and significant accounting policies, as well as a detailed analysis of goodwill and purchased intangible assets.

## Results of Operations

The following table sets forth certain Consolidated Statements of Income data expressed as a percentage of net revenue for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
<b>Net revenue:</b>			
Product revenue	99.0 %	97.7 %	97.2 %
Income from Qualcomm Agreement	1.0	2.3	2.8
<b>Total net revenue</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Costs and expenses:</b>			
Cost of product revenue	49.2	50.3	49.1
Research and development	29.9	29.0	26.9
Selling, general and administrative	8.5	8.7	9.2
Amortization of purchased intangible assets	0.7	1.4	0.4
Impairments of long-lived assets	6.2	1.1	1.2
Restructuring costs	0.3	0.1	0.2
Settlement costs (gains)	(0.8)	1.0	(0.2)
Charitable contribution	0.3	—	0.3
<b>Total operating costs and expenses</b>	<b>94.3</b>	<b>91.6</b>	<b>87.1</b>
Income from operations	5.7	8.4	12.9
Interest expense, net	(0.4)	(0.4)	(0.1)
Other income, net	0.1	0.2	0.1
Income before income taxes	5.4	8.2	12.9
Provision for (benefit of) income taxes	0.3	(0.8)	0.4
<b>Net income</b>	<b>5.1 %</b>	<b>9.0 %</b>	<b>12.5 %</b>

The following table presents supplementary financial data as a percentage of net revenue:

	Year Ended December 31,		
	2013	2012	2011
<b>Net Revenue By Reportable Segment</b>			
Broadband Communications	26.7%	26.9%	27.6%
Mobile and Wireless	47.3	47.6	47.1
Infrastructure and Networking	25.0	23.2	22.5
All Other (1)	1.0	2.3	2.8
<b>Gross Margin Data</b>			
Product gross margin	50.3%	48.5%	49.5%
Total gross margin	50.8	49.7	50.9
<b>Stock-Based Compensation Expense (included in each functional line item)</b>			
Cost of product revenue	0.3%	0.3%	0.3%
Research and development	4.4	4.6	4.9
Selling, general and administrative	1.6	1.8	1.7

(1) Income from the Qualcomm Agreement.

## Net Revenue By Reportable Segments

The following tables present net revenue from each of our reportable segments:

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Broadband Communications	\$ 2,220	\$ 2,156	\$ 2,039	\$ 64	3.0 %	\$ 117	5.7 %
Mobile and Wireless	3,919	3,809	3,484	110	2.9	325	9.3
Infrastructure and Networking	2,080	1,855	1,659	225	12.1	196	11.8
All Other <sup>(1)</sup>	86	186	207	(100)	(53.8)	(21)	(10.1)
Total net revenue	\$ 8,305	\$ 8,006	\$ 7,389	\$ 299	3.7	\$ 617	8.4

(1) Income from the Qualcomm Agreement.

*Broadband Communications.* The increase in 2013 net revenue resulted primarily from an increase in sales of our set-top box (STB) solutions of \$132 million, partially offset by a reduction in sales of our digital television and Blu-ray Disc products of \$44 million and a decrease in sales of our broadband modem products of \$24 million. The increase in 2012 net revenue resulted primarily from an increase in sales of our broadband modems of \$157 million and STB solutions of \$39 million, partially offset by a reduction in sales of our digital television and Blu-ray Disc products of \$79 million. Revenue growth for our STB solutions is generally driven by global subscriber growth, the adoption of new communication features (including multi-stream transcoding and MoCA 2.0), market share gains, geographic expansion, particularly in developing markets, and the roll-out of more highly integrated platforms by global service providers. The decrease in sales of our digital television and Blu-ray Disc products was the result of our decision to exit from those particular consumer electronic markets and reallocate resources to more attractive opportunities. Growth in sales of broadband modem solutions is generally driven by new and faster technology standards, such as the transition from DOCSIS 2.0 to DOCSIS 3.0, share gains, subscriber growth, and momentum in emerging areas, such as small cells.

*Mobile and Wireless.* The increase in 2013 net revenue resulted primarily from an increase in sales of both our wireless connectivity products of \$78 million and cellular SoCs of \$47 million, partially offset by a decrease in our discrete multimedia co-processor products of \$36 million. In addition, we also saw an increase in sales of other technologies incorporated primarily into handheld devices of \$21 million in 2013, as growth in sales of touch controllers and VoIP products was partially offset by a decrease in sales of WiMAX products. The increase in 2012 net revenue resulted primarily from an increase in sales of our wireless connectivity products of \$250 million, other wireless technology products of \$141 million and cellular SoCs of \$63 million, partially offset by a decrease in sales of our discrete multimedia co-processors of \$129 million. Growth in our wireless connectivity business is generally driven by increased demand for higher-end end-devices which require Wi-Fi, Bluetooth and near field communication (NFC) connectivity. The ramp of new connectivity technologies and devices with richer features also contributed to growth. For example, in connectivity, we are seeing the transition from single to dual-band Wi-Fi and from 802.11n to 802.11ac. The increase in revenue for our cellular SoCs has been generally driven by (i) growth in sales of SoCs; and (ii) increased SoC feature richness (including the migration from 2G to 3G), which tends to drive higher average selling prices. This trend has been partially offset by intense price competition for 3G SoCs. The decrease in sales of our discrete multimedia co-processors was driven by the end of life of certain customer products incorporating that technology.

*Infrastructure and Networking.* The increase in 2013 net revenue resulted primarily from an increase in sales of our Ethernet switches, PHYs and controllers of \$182 million and communication processor and wireless infrastructure of \$43 million. The increase in 2012 net revenue resulted primarily from sales of our communication processors of \$264 million, partially offset by softness in sales of Ethernet switches, PHYs and controllers of \$68 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. The increase in sales of our communication processors in 2012 resulted from our acquisition of NetLogic in February 2012.

### **Concentration of Net Revenue**

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

	Year Ended December 31,		
	2013	2012	2011
Samsung	21.3%	17.3%	10.0%
Apple	13.3	14.6	13.1
Five largest customers as a group	48.3	46.9	42.3

No other customer represented more than 10% of our annual net revenue in these years.

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 additional information about geographical information of our net revenue, see further discussion in Note 12 of Notes to Consolidated Financial Statements.

### **Factors That May Impact Net Revenue**

The demand for our products and the subsequent recognition of net revenue has been affected in the past, and may continue to be affected in the future, by various factors, including, but not limited to, the following:

- general economic and specific conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry, and trends in the wired and wireless communications markets in various geographic regions, including seasonality in sales of consumer products into which our products are incorporated;
- the timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers and distributors, to manage inventory;
- the timing of our distributors' shipments to their customers or when products are taken by our customers under hubbing arrangements;
- our ability to specify, develop or acquire, complete, introduce, market and transition to volume production new products and technologies in a cost effective and timely manner;
- our ability to successfully ramp cellular SoC's;
- the rate at which our present and future customers and end-users adopt and ramp our products and technologies;
- the qualification, availability and pricing of competing products and technologies and the resulting effects on sales and pricing of our products; and
- the availability of credit and financing, which may lead certain of our customers to reduce their level of purchases or to seek credit or other accommodations from us.

**Rebates.** We recorded rebates to certain customers of \$888 million, or 10.7% of net revenue, \$727 million, or 9.1% of net revenue and \$643 million, or 8.7% of net revenue, in 2013, 2012 and 2011, respectively. The increase in rebates as a percent of net revenue was attributable to a change in the mix of sales to customers that participate in rebate programs, primarily in the Mobile and Wireless 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 \$21 million, \$18 million and \$13 million, in 2013, 2012 and 2011, 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.

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 year ended December 31, 2013 and prior periods may not necessarily be indicative of future net revenue and results of operations.

**Net Revenue, Cost of Product Revenue, Product Gross Margin, and Total Gross Margin**

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Product revenue	\$ 8,219	\$ 7,820	\$ 7,182	\$ 399	5.1 %	\$ 638	8.9 %
Income from Qualcomm Agreement	86	186	207	(100)	(53.8)	(21)	(10.1)
Total net revenue	\$ 8,305	\$ 8,006	\$ 7,389	\$ 299	3.7	\$ 617	8.4
Cost of product revenue	\$ 4,088	\$ 4,027	\$ 3,626	\$ 61	1.5	\$ 401	11.1
Product gross margin	50.3%	48.5%	49.5%				
Total gross margin	50.8%	49.7%	50.9%				

*Cost of Product Revenue and Product Gross Margin.* Cost of product revenue comprises the cost of our semiconductor devices, which 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 product 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. Product gross margin is product revenue less cost of product revenue divided by product revenue and does not include income from the Qualcomm Agreement. Total gross margin is total net revenue less cost of product revenue divided by total net revenue.

Product gross margin in 2013 increased to 50.3% primarily due to a reduction of inventory valuation step-up of \$71 million and a decrease in amortization of purchased intangibles of \$27 million, offset in part by an increase in excess and obsolete inventory expense of \$20 million and a decrease in cancellation fees of \$7 million. The decrease in 2013 amortization of purchased intangible assets primarily related to completed technology and customer relationships no longer being expensed due to the asset impairment charges taken during the year (see discussion below) and other assets becoming fully amortized in 2012. The decrease in the inventory valuation step-up was primarily the result of the sell through of inventory acquired from the acquisitions of NetLogic and BroadLight, Inc., or BroadLight, in 2012. Product gross margin in 2012 decreased to 48.5% primarily because of increases in amortization of purchased intangibles and inventory valuation step-up of \$144 million and \$48 million, respectively, offset in part by revenue generated by our acquisition of NetLogic (which business generally has higher product gross margins), and increases in cancellation fees received of \$11 million. The increase in the amortization of purchased intangibles and inventory valuation step-up were primarily the result of our acquisitions of NetLogic and BroadLight. Product gross margin includes \$39 million, \$27 million and \$23 million of licensing revenue related to our intellectual property in 2013, 2012 and 2011, respectively. Product gross margin also includes \$27 million, \$27 million and \$8 million of licensing costs related to NPEs in 2013, 2012, and 2011, respectively.

### Factors That May Impact Product Gross Margin

Our product gross margin has been affected in the past, and may continue to be affected in the future, by various factors, including, but not limited to, the following:

- our product mix and volume of product sales (including sales to high volume customers);
- introduction of products with lower margins;
- the positions of our products in their respective life cycles;
- the effects of competition;
- the effects of competitive pricing programs and rebates;
- provisions for excess and obsolete inventories and their relationship to demand volatility;
- manufacturing cost efficiencies and inefficiencies;
- our ability to create cost advantages through successful integration and convergence;
- fluctuations in direct product costs such as silicon wafer costs and assembly, packaging and testing costs;
- our ability to advance to the next technology node faster than our competitors;
- licensing royalties payable by us, including licensing fees paid to NPEs;
- the consolidation of foundry subcontractors that could potentially drive increased wafer prices;
- product warranty costs;
- fair value and related amortization of acquired tangible and intangible assets; and
- amortization of acquired inventory valuation step-up.

Our product and total gross margin may also be impacted by additional stock-based compensation expense, as discussed below, and the amortization of purchased intangible assets related to future acquisitions.

### Research and Development Expense

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

The following table presents details of research and development expense:

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 1,420	\$ 1,293	\$ 1,096	\$ 127	9.8 %	\$ 197	18.0%
Stock-based compensation	363	368	363	(5)	(1.4)	5	1.4
Development and design costs	373	351	278	22	6.3	73	26.3
Other	330	306	246	24	7.8	60	24.4
Research and development	\$ 2,486	\$ 2,318	\$ 1,983	\$ 168	7.2	\$ 335	16.9

The increase in 2013 salaries and benefits was primarily attributable to an increase in headcount of approximately 1,100 personnel, bringing headcount to over 9,800 at December 31, 2013, which represents a 12.6% increase from our December 31, 2012 levels. Approximately 80% of the increase in headcount was the result of the Renesas Transaction in October 2013. This increase was offset by lower incentive compensation. See below for discussion of stock-based compensation. The increase in development and design costs in 2013 was primarily due to an increase in engineering design tool expenses. The increase in 2012 salaries and benefits and stock-based compensation were primarily attributable to an increase in headcount of approximately 1,450 personnel, bringing headcount to approximately 8,700 at December 31, 2012, which represents a 20.0% increase from our December 31, 2011 levels. Approximately 40% of the increase in headcount was the result of our acquisitions of NetLogic and

BroadLight. Development and design costs increased in 2012 due to increases in prototyping costs, engineering design tool expenses and licensing fees. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. As we transition to 40 nanometers and 28 nanometers products, tape-out costs could increase. The increases in the *Other* line item in the above table are primarily attributable to increases in depreciation and facility expenses.

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 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. In 2013, approximately 35% of our products were manufactured in 40 nanometers and 45% in 65 nanometers. We are designing most new products in 40 nanometers and 28 nanometers, and are beginning to evaluate FinFET technologies. We currently hold more than 9,000 U.S. and more than 3,850 foreign patents and more than 9,000 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 personnel-related expenses, including stock-based compensation expense, legal and other professional fees, facilities expenses and communications expenses.

The following table presents details of selling, general and administrative expense:

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 343	\$ 344	\$ 293	\$ (1)	(0.3)%	\$ 51	17.4 %
Stock-based compensation	130	148	126	(18)	(12.2)	22	17.5
Legal and accounting fees	98	84	149	14	16.7	(65)	(43.6)
Other	135	120	114	15	12.5	6	5.3
Selling, general and administrative	<u>\$ 706</u>	<u>\$ 696</u>	<u>\$ 682</u>	<u>\$ 10</u>	1.4	<u>\$ 14</u>	2.1

The decrease in 2013 salaries and benefits was primarily attributable to lower incentive compensation, offset by an increase in headcount of approximately 100 personnel, bringing headcount to over 2,000 at December 31, 2013, which represents a 5.3% increase from our December 31, 2012 level. Approximately 50% of the increase in headcount was the result of the Renesas Transaction in October 2013. See below for discussion of stock-based compensation. The increase in 2012 salaries and benefits and stock-based compensation were primarily attributable to an increase in headcount of approximately 150 personnel, bringing headcount to approximately 1,900 at December 31, 2012, which represents an 8.6% increase from our December 31, 2011 levels. Approximately 90% of the increase in headcount was the result of our acquisitions of NetLogic and BroadLight. The decreases in 2012 legal and accounting fees was primarily driven by the conclusion of several outstanding legal matters, including the settlement of a shareholder derivative action in 2011 and certain patent infringement claims. In 2011 legal and accounting fees included a final \$25 million payment to the plaintiffs' counsel for attorneys' fees, expenses and costs. Legal fees consist primarily of attorneys' fees and expenses related to our outstanding intellectual property and prior years' securities litigation, patent prosecution and filings and various other transactions. Legal fees fluctuate from period to period due to the nature, scope, timing and costs of the matters in litigation. See Note 9 of Notes to the Consolidated Financial Statements for further information. The increases in the *Other* line item in the above table are primarily attributable to increases in facilities expenses in 2013 and increases in travel expenses in 2012.

### Stock-Based Compensation Expense

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

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of product revenue	\$ 25	\$ 27	\$ 24	\$ (2)	(7.4)%	\$ 3	12.5%
Research and development	363	368	363	(5)	(1.4)	5	1.4
Selling, general and administrative	130	148	126	(18)	(12.2)	22	17.5
	<u>\$ 518</u>	<u>\$ 543</u>	<u>\$ 513</u>	<u>\$ (25)</u>	<u>(4.6)</u>	<u>\$ 30</u>	<u>5.8</u>

In 2013, 2012 and 2011, we granted equity awards with a fair value of \$478 million, \$453 million and \$458 million, respectively, primarily related to our regular annual equity compensation review program. In 2012 we assumed equity awards that had originally been granted by NetLogic and BroadLight, which awards had a fair value of \$215 million. The decrease in 2013 from 2012 expense related primarily to non-recurring accelerated vesting of equity awards in 2012 upon the termination of certain employees with change in control agreements in connection with our acquisition of NetLogic.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in 2014 through 2018 related to unvested share-based payment awards:

	2014	2015	2016	2017	2018	Total
(In millions)						
Unearned stock-based compensation	\$ 399	\$ 249	\$ 125	\$ 23	\$ —	\$ 796

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 to employees or assume unvested equity awards in connection with acquisitions.

It is our long-term objective that total stock-based compensation approximates 5% of total net revenue. See Note 8 of Notes to Consolidated Financial Statements for a discussion of activity related to share-based awards.

### Amortization of Purchased Intangible Assets

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

	Year Ended December 31,			2013 vs 2012		2012 vs 2011	
	2013	2012	2011	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of product revenue	\$ 171	\$ 198	\$ 54	\$ (27)	(13.6)%	\$ 144	266.7%
Other operating expenses	57	113	30	(56)	(49.6)	83	276.7
	<u>\$ 228</u>	<u>\$ 311</u>	<u>\$ 84</u>	<u>\$ (83)</u>	<u>(26.7)</u>	<u>\$ 227</u>	<u>270.2</u>

The decrease in 2013 amortization of purchased intangible assets primarily related to completed technology and customer relationships no longer being expensed due to the asset impairments charges taken during the year (see discussion below) and other assets becoming fully amortized in 2012. In 2012 we recorded purchased intangible

assets of \$1.78 billion primarily related to our acquisitions of NetLogic and BroadLight, which resulted in an increase in amortization of purchased intangible assets in 2012.

The following table presents details of the amortization of existing purchased intangible assets (including IPR&D), which is currently estimated to be expensed in 2014 and thereafter:

	Purchased Intangible Asset Amortization by Year							Total
	2014	2015	2016	2017	2018	Thereafter		
	(In millions)							
Cost of product revenue	\$ 197	\$ 180	\$ 159	\$ 137	\$ 116	\$ 294	\$ 1,083	
Other operating expenses	34	14	5	3	2	3	61	
	<u>\$ 231</u>	<u>\$ 194</u>	<u>\$ 164</u>	<u>\$ 140</u>	<u>\$ 118</u>	<u>\$ 297</u>	<u>\$ 1,144</u>	

We amortize our intangible assets with definitive lives using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line method. In addition, based on our current assumptions, IPR&D assets will be reclassified to development technology through 2016 and amortized over their estimated useful lives. If we acquire additional purchased intangible assets in the future, our cost of product revenue or operating expenses will be increased by the amortization of those assets.

### ***In-Process Research and Development***

We capitalized IPR&D of \$267 million for NetLogic and \$45 million for Provigent, in 2012 and 2011, respectively. For a description of our valuation techniques and significant assumptions underlying the valuation of the ongoing development projects that were in process at the date of acquisition and were capitalized as IPR&D, see the discussion in Note 3 of Notes to the Consolidated Financial Statements. In 2013 we reclassified \$83 million of IPR&D costs to developed technology primarily related to digital front end (DFE) processors from our acquisition of NetLogic. These purchased intangible assets were subsequently impaired as discussed below.

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

We performed annual impairment assessments of the carrying value of goodwill in October 2013, 2012 and 2011. Upon completion of these assessments, we determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value.

During the six months ended June 30, 2013 we had a steady reduction in near-term sales forecasts for NetLogic products included in the Infrastructure and Networking reportable segment, sold into the service provider market, which caused us to review our long-term forecasts. In addition, we reduced our longer-term expectations of the size of the addressable market for these products. As a result of these triggering events, we performed a detailed impairment analysis of the long-lived assets associated with these products during the three months ended June 30, 2013. Based on our analysis, we determined certain assets acquired from NetLogic were not recoverable, requiring us to reduce the associated carrying value to fair value. Specifically, we impaired \$238 million of completed technology, \$88 million of IPR&D and \$48 million of customer relationships related to our embedded and knowledge-based processor products. We also impaired \$87 million of completed technology related to our DFE processor products. For DFE, one of our smaller product lines, our customers indicated that they prefer custom solutions as opposed to standard merchant solutions. In response, we have decided to redirect our efforts by focusing on developing customized solutions and have consequently fully impaired the assets related to the acquired DFE merchant product line.

In 2013 and 2012 we recorded impairment charges of \$41 million and \$49 million, respectively, each related to our acquisition of Provigent, Inc. included in the Infrastructure and Networking reportable segment. The primary factor contributing to these impairment charges was the continued reduction in revenue outlook for certain products and the resulting decrease in the estimated cash flows identified with impaired assets over those respective years.

In 2011 we recorded impairment charges of \$74 million, related to our 2010 acquisition of Beceem Communications, Inc., or Beceem, included in our Mobile and Wireless reportable segment. The primary factor contributing to this impairment charge was the continued reduction in the forecasted cash flows derived from the acquired WiMAX products as wireless service providers have accelerated their adoption of Long Term Evolution (LTE) products.

In 2012 we recorded impairment charges of \$38 million related to six other acquisitions and \$3 million related to certain computer software and equipment. In 2011 we recorded other impairment charges of \$18 million, primary relating to the reduction in revenue outlook for certain products and the resulting decrease in the estimated cash flows identified with the impaired assets.

For the carrying balances of our goodwill by reporting segment and a description of our valuation techniques and significant assumptions as well as details of our other long-lived assets and related impairment charges taken, see the discussion in Note 10 of Notes to the Consolidated Financial Statements.

#### ***Settlement Costs (Gains)***

In 2013 we received a payment of \$75 million, net of contingent legal fees, and recorded this as a gain on settlement. In addition, we recorded settlement costs of \$6 million related to patent infringement claims in 2013.

In 2012 we recorded net settlement costs of \$79 million, which was comprised of \$88 million of settlement costs related to patent infringement claims, offset by settlement gains of \$9 million (primarily related to the resolution of certain employment tax matters). In 2012 we received a payment of \$58 million related to a partial settlement and license agreement. We accounted for this transaction as a multiple element arrangement and immediately recognized a \$2 million gain on settlement of litigation and allocated the remaining \$56 million to the licensing of intellectual property. The licensing portion will be recorded as net revenue over the ten year term of the license.

In 2011 we recorded net settlement gains of \$18 million, which was comprised of \$55 million of settlement gains (primarily related to the settlement of a shareholder derivative action), offset by settlement costs of \$37 million related to the settlement of patent infringement claims.

For a further discussion of our settlement costs and litigation matters, see Note 9 of Notes to the Consolidated Financial Statements.

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

In September 2013 our Board of Directors approved and we initiated a global restructuring plan to reduce our expenses and better align our resources to areas of strategic focus. We recorded net restructuring costs of \$29 million in 2013 and expect to record additional costs of approximately \$5 million in the three months ending March 31, 2014. Excluding the simultaneous integration actions to synergize our research and development efforts in conjunction with the Renesas Transaction, we currently believe the actions that we have taken should result in a reduction of our anticipated growth in operating expenses of approximately \$50 million in 2014.

In 2012 we incurred \$7 million in restructuring costs primarily associated with additional costs for retention bonuses and facilities relating to the restructuring plan noted below, and severance and facility charges associated with synergies identified during the integration of our acquisition of NetLogic. These restructuring plans were completed in 2012.

As part of our regular portfolio management review process and in light of our decision to significantly reduce our investment in our digital television and Blu-ray Disc product lines within our Broadband Communications operating segment, in September 2011 we implemented a restructuring plan to reduce our worldwide headcount by approximately 300 employees. In connection with this plan, in 2011 we recorded \$16 million in net restructuring

costs, of which \$12 million was related to severance and other charges associated with our reduction in workforce across multiple locations and functions, and \$4 million was related to the closure of three of our facilities. We did not realize any net cost savings from this restructuring plan as we allocated resources to higher return opportunities.

See Note 11 of Notes to the Consolidated Financial Statements.

### **Charitable Contribution**

In 2009 we established the Broadcom Foundation, or the Foundation, to support science, technology, engineering and mathematics programs, as well as a broad range of community services and contributed \$50 million to the Foundation. In June 2011 we contributed an additional \$25 million to the Foundation. Approximately \$2 million of the \$25 million contribution came from Dr. Henry Samueli, our Chairman of the Board of Directors and Chief Technical Officer, who made such payment to Broadcom in connection with the settlement of a shareholder derivative action as further described in Note 9 of Notes to the Consolidated Financial Statements. In September 2013 we contributed an additional \$25 million to the Broadcom Foundation. These payments were recorded as an operating expense in our consolidated statements of income in 2011 and 2013, respectively.

### **Interest Expense and Other Income, Net**

The following table presents interest expense and other income, net:

	Year Ended December 31,			2013 vs 2012	2012 vs 2011
	2013	2012	2011	\$ Change	
	(In millions)				
Interest expense, net	\$ (30)	\$ (30)	\$ (5)	\$ —	\$ (25)
Other income, net	3	10	8	(7)	2
	<u>\$ (27)</u>	<u>\$ (20)</u>	<u>\$ 3</u>	<u>\$ (7)</u>	<u>\$ (23)</u>

Interest expense, net, reflects interest expense on our senior unsecured notes with an outstanding principal balance at December 31, 2013 of \$1.40 billion, offset by interest income earned on cash, cash equivalents and marketable securities balances. Other income, net, primarily includes gains and losses on foreign currency transactions, asset disposals and strategic investments.

The increases in interest expense from 2011 through 2013 was driven primarily by interest expense related to our senior unsecured notes of \$700 million issued in November 2010, \$500 million issued in November 2011, and \$500 million issued in August 2012.

### **Provision for (Benefit of) Income Taxes**

	Year Ended December 31,		
	2013	2012	2011
	(In millions, except percentages)		
Provision for (benefit of) income taxes	\$ 21	\$ (63)	\$ 29
Effective tax rates	4.7%	(9.6)%	3.0%

The federal statutory rate was 35% for 2013, 2012 and 2011. The differences between our effective tax rates and the federal statutory tax rate primarily relate to foreign earnings taxed at substantially lower rates than the federal statutory rate due principally to our tax incentives in Singapore and domestic tax losses recorded without tax benefits. During 2013, we recorded tax benefits resulting from the reduction of certain foreign deferred tax liabilities of \$10 million and tax benefits resulting from the expiration of statutes of limitations for the assessment of taxes primarily in various foreign jurisdictions of \$9 million. We also recorded a tax provision of \$3 million in 2013 resulting from tax legislation enacted in

Israel on August 5, 2013. During 2012 we recorded tax benefits resulting from the reduction of certain foreign deferred tax liabilities of \$12 million and tax benefits resulting from reductions in our U.S. valuation allowance on certain deferred tax assets due to recording net deferred tax liabilities for identifiable intangible assets under purchasing accounting of \$51 million for certain acquisitions. We realized tax benefits resulting from the reversal of certain prior period tax accruals of \$13 million and \$9 million in 2012 and 2011, respectively. These reversals resulted primarily from the expiration of the statutes of limitations for the assessment of taxes related to certain foreign subsidiaries. We recorded a tax provision of \$13 million in 2011 resulting from legislation enacted in Israel on December 5, 2011, which increased tax rates for 2012 and later years applicable to our Israel net deferred tax liabilities, principally related to purchased intangible assets.

We operate under tax incentives in Singapore, which are effective through March 2014. The tax incentives are conditional upon our meeting certain employment and investment thresholds. The impact of the Singapore tax incentives decreased Singapore taxes by \$423 million, \$399 million and \$368 million for 2013, 2012 and 2011, respectively. The benefit of the tax incentives on net income per share (diluted) was \$0.73, \$0.69 and \$0.65 for 2013, 2012 and 2011, respectively. For periods after March 31, 2014, we expect to utilize our Irish trading company for certain foreign operations, which we believe would result in a similar foreign tax provision as our current Singapore tax incentive.

### Subsequent Events

In January 2014 our Board of Directors adopted an amendment to our existing dividend policy pursuant to which we intend to increase the quarterly cash dividend by 9% to \$0.12 per share (\$0.48 per share on an annual basis) and declared a quarterly cash dividend of \$0.12 per share payable to holders of our common stock.

### Liquidity and Capital Resources

#### Working Capital and Cash and Marketable Securities.

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

	December 31,		
	2013	2012	\$ Change
(In millions)			
Working capital	\$ 2,419	\$ 2,099	\$ 320
Cash and cash equivalents	\$ 1,657	\$ 1,617	40
Short-term marketable securities	775	757	18
Long-term marketable securities	1,939	1,348	591
Total cash and cash equivalents and marketable securities	\$ 4,371	\$ 3,722	\$ 649

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 7A. *Quantitative and Qualitative Disclosures about Market Risk.*

#### Cash Provided and Used in 2013, 2012 and 2011.

The following table presents cash provided and used:

	Year Ended December 31,		
	2013	2012	2011
(In millions)			
Net cash provided by operating activities	\$ 1,785	\$ 1,931	\$ 1,838
Net cash provided by (used in) investing activities	(996)	(4,796)	863
Net cash provided by (used in) financing activities	(749)	336	(177)
Increase (decrease) in cash and cash equivalents	40	(2,529)	2,524
Cash and cash equivalents at beginning of period	1,617	4,146	1,622
Cash and cash equivalents at end of period	\$ 1,657	\$ 1,617	\$ 4,146

### ***Operating Activities***

In 2013 our operating activities provided \$1.79 billion in cash. This was primarily the result of net income of \$424 million and net non-cash operating expenses of \$1.43 billion, offset in part by changes in operating assets and liabilities of \$67 million. In 2012 our operating activities provided \$1.93 billion in cash. This was primarily the result of net income of \$719 million, net non-cash operating expenses of \$1.06 billion and changes in operating assets and liabilities of \$152 million. In 2011 our operating activities provided \$1.84 billion in cash. This was primarily the result of net income of \$927 million, net non-cash operating expenses of \$782 million and changes in operating assets and liabilities of \$129 million.

Our days sales outstanding increased from 32 days at December 31, 2012 to 35 days at December 31, 2013. 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. 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 at December 31, 2013 remained flat at 47 days. 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 \$996 million in cash in 2013, which was primarily the result of \$611 million in net purchases of marketable securities, \$228 million of capital equipment purchases mostly to support our research and development efforts, \$142 million in net cash paid for the Renesas Transaction and \$15 million of purchases of strategic investments.

Investing activities used \$4.80 billion in cash in 2012, which was primarily the result of \$3.58 billion in net cash paid for our acquisitions, primarily NetLogic and BroadLight, \$244 million of capital equipment purchases mostly to support our research and development efforts and \$997 million in net purchases of marketable securities, offset in part by \$27 million of proceeds from the sale of strategic investments.

Investing activities provided \$863 million in cash in 2011, which was primarily the result of \$1.38 billion in net proceeds from sales and maturities of marketable securities, offset in part by \$347 million in net cash paid primarily for the acquisitions of Provigent and SC Square Ltd. and \$163 million of capital equipment purchases, mostly to support our research and development efforts.

### ***Financing Activities***

Our financing activities used \$749 million in cash in 2013, which was primarily the result of \$597 million in repurchases of our Class A common stock, the repayment of long-term debt of \$300 million, dividends paid of \$254 million and \$130 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by \$532 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan.

Our financing activities provided \$336 million in cash in 2012, which was primarily the result of \$492 million in proceeds from the issuance of long-term debt and \$311 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan, offset in part dividends paid of \$224 million, \$153 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, \$57 million in payments of contingent consideration and debt assumed from certain acquisitions, and \$33 million in repurchases of shares of our Class A common stock.

Our financing activities used \$177 million in cash in 2011, which was primarily the result of \$670 million in repurchases of shares of our Class A common stock, dividends paid of \$194 million and \$155 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by \$494 million in proceeds from the issuance of our long-term debt and \$348 million in proceeds received from issuances of common stock upon exercise of stock options and pursuant to our employee stock purchase plan.

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 general 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 December 31, 2013, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

#### ***Registration Statement***

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.

#### ***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. This credit facility, which was amended in October 2011, has a maturity date of November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. We have not drawn on the credit facility since its inception.

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 and a consolidated interest coverage ratio of no less than 3.00 to 1.00. We were in compliance with all credit facility debt covenants as of December 31, 2013.

### Senior Notes

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

Date Issued	Maturity Date	Interest Rate	Effective Yield	Original Issue Discount	December 31,		\$ Change
					2013	2012	
November 2010	November 2013	1.500%	1.605%	99.694%	\$ —	\$ 300	\$ (300)
November 2010	November 2015	2.375	2.494	99.444	400	400	—
November 2011	November 2018	2.700	2.762	99.609	500	500	—
August 2012	August 2022	2.500	2.585	99.255	500	500	—
					\$ 1,400	\$ 1,700	\$ (300)
Unaccreted discount					(6)	(7)	1
Less current portion of long-term debt					—	(300)	300
Long-term debt					\$ 1,394	\$ 1,393	\$ 1

Proceeds from the issuance of the 2022 Notes are being utilized for general corporate purposes, which included the repayment of our 1.500% 2013 Notes. Proceeds from the issuance of the 2018 Notes were utilized to help fund the acquisition of NetLogic. Proceeds from the issuance of the 2013 Notes and the 2015 Notes were utilized for general corporate purposes.

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 December 31, 2013.

### Other Notes and Borrowings

We had no other significant notes or borrowings as of December 31, 2013.

### Commitments and Other Contractual Obligations

The following table presents details of our commitments and other contractual obligations, which are currently estimated to be paid in 2014 and thereafter:

	Payment Obligations by Year						Total
	2014	2015	2016	2017	2018	Thereafter	
(In millions)							
Operating leases	\$ 170	\$ 143	\$ 100	\$ 58	\$ 42	\$ 43	\$ 556
Inventory and related purchase obligations	724	—	—	—	—	—	724
Other obligations	206	41	24	3	—	—	274
Long-term debt and related interest	36	435	26	26	526	550	1,599
	\$ 1,136	\$ 619	\$ 150	\$ 87	\$ 568	\$ 593	\$ 3,153

We lease our facilities and certain engineering design tools and information systems equipment under operating lease agreements. Our leased facilities comprise an aggregate of 4.4 million square feet. Our principal facilities in Irvine have lease terms that expire at various dates through 2017 with an aggregate rent of \$88 million (included in the table above).

Inventory and related purchase obligations represent purchase commitments for silicon wafers and assembly and test services. We depend upon third party subcontractors to manufacture our silicon wafers and provide assembly and test services. Due to lengthy subcontractor lead times, we must order these materials and services from subcontractors well in advance. We expect to receive and pay for these materials and services within the ensuing six months. Our subcontractor relationships typically allow for the cancellation of outstanding purchase orders but require payment of all expenses incurred through the date of cancellation.

Other obligations represent purchase commitments for lab test equipment, computer hardware, information systems infrastructure, mask and prototyping costs, intellectual property licensing arrangements and other commitments made in the ordinary course of business.

For purposes of the table above, obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on current manufacturing needs and are typically fulfilled by our vendors within a relatively short time horizon. We have additional purchase orders (not included in the table above) that represent authorizations to purchase rather than binding agreements. We do not have significant agreements for the purchase of inventories or other goods specifying minimum quantities or set prices that exceed our expected requirements.

Unrecognized tax benefits were \$403 million, of which \$57 million would result in potential cash payment of taxes and \$346 million would result in a reduction in certain net operating loss and tax credit carryforwards. We are not including any amount related to uncertain tax positions in the table presented above because of the difficulty in making reasonably reliable estimates of the timing of settlements with the respective taxing authorities. In addition to the unrecognized tax benefits, we have also recorded a liability for potential tax penalties and interest of \$30 million and \$6 million, respectively, at December 31, 2013.

### ***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. 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. If we were to repatriate our foreign earnings, which are permanently reinvested, it would not result in a significant tax liability because the amounts would be offset by our remaining net operating loss and tax credit carryforwards. As of December 31, 2013 we had approximately \$2.39 billion of cash, cash equivalents, and marketable securities held by our foreign subsidiaries.

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.

Although we believe that we have sufficient capital to fund our activities for at least the next 12 months, our future capital requirements may vary materially from those now planned. We anticipate that the amount of capital we will need in the future will depend on many factors, including:

- general economic and specific conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry, and trends in the wired and wireless communications markets in various geographic regions, including seasonality in sales of consumer products into which our products are incorporated;
- the overall levels of sales of our semiconductor products, licensing revenue, and product gross margins;
- our business, product, capital expenditure and research and development plans, and product and technology roadmaps;
- the market acceptance of our products;
- acquisitions of businesses, assets, products or technologies;
- the unavailability of credit and financing, which may lead certain of our customers to reduce their levels of purchases or to seek credit or other accommodations from us;
- litigation expenses, settlements and judgments, customer indemnification claims and other types of litigation risks;
- payment of cash dividends;
- required levels of research and development and other operating costs;
- volume price discounts and customer rebates;
- the levels of inventory and accounts receivable that we maintain;
- licensing royalties payable by us, including licensing fees paid to NPEs;
- capital improvements for new and existing facilities;
- changes in our compensation policies;
- the issuance of restricted stock units and the related cash payments we make for withholding taxes due from employees;
- repurchases of our Class A common stock;
- changes in tax laws;
- technological upgrades and improvements in our infrastructure technology systems;
- our competitors' responses to our products and our anticipation of and responses to their products;
- our relationships with suppliers and customers;
- the availability and cost of sufficient foundry, assembly and test capacity and packaging materials; and
- the level of exercises of stock options and stock purchases under our employee stock purchase plan.

In addition, we may require additional capital to accommodate planned future long-term growth, hiring, infrastructure and facility needs.

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

At December 31, 2013 we had no material off-balance sheet arrangements, other than our facility operating leases.

#### ***Item 7A. 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 December 31, 2013, a 100 basis point increase in interest rates across all maturities would result in a \$30 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 December 31, 2013 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. Fluctuations in currency exchange rates could affect our business in the future.

### **Item 8. Financial Statement and Supplementary Data**

The financial statements and supplementary data required by this item are included in Part IV, Item 15 of this Report.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. 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 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, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures and implementing controls and procedures based on the application of management's judgment.

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 December 31, 2013, the end of the period covered by this Report.

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

There has been no change 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 December 31, 2013 that has materially affected, or is 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.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control — Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in *Internal Control — Integrated Framework (1992)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2013. The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in Part IV.

### **Item 9B. Other Information**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance**

(a) *Identification and Business Experience of Directors.* The information under the caption “Election of Directors,” appearing in our Definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2014 Annual Meeting of Shareholders, referred to as the 2014 Proxy Statement, is hereby incorporated by reference.

(b) *Identification and Business Experience of Executive Officers.* The information under the caption “Executive Compensation and Other Information — Executive Officers,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

(c) *Compliance with Section 16(a) of the Exchange Act.* The information under the caption “Ownership of Securities — Section 16(a) Beneficial Ownership Reporting Compliance,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

(d) *Code of Ethics.* The information under the caption “Corporate Governance and Board Matters,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

(e) *Audit Committee.* The information under the caption “Corporate Governance and Board Matters — Audit Committee,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

### **Item 11. Executive Compensation**

The information under the caption “Executive Compensation and Other Information” and “Corporate Governance and Board Matters — Compensation of Non-Employee Directors,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information under the captions “Equity Compensation Plan Information” and “Ownership of Securities,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information under the captions “Certain Relationships and Related Transactions” and “Corporate Governance and Board Matter — Director Independence” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

### **Item 14. Principal Accounting Fees and Services**

The information under the caption “Audit Information — Fees Paid to Independent Registered Public Accounting Firm,” appearing in the 2014 Proxy Statement, is hereby incorporated by reference.

**PART IV****Item 15. Exhibits, Financial Statement Schedule****(a) 1. Financial Statements.**

The following Broadcom consolidated financial statements, and related notes thereto, and the related Reports of our Independent Registered Public Accounting Firm are filed as part of this Form 10-K:

	<u>Page</u>
<a href="#">Reports of Independent Registered Public Accounting Firm</a>	<a href="#">F-1</a>
<a href="#">Consolidated Balance Sheets as of December 31, 2013 and 2012</a>	<a href="#">F-3</a>
<a href="#">Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011</a>	<a href="#">F-4</a>
<a href="#">Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011</a>	<a href="#">F-5</a>
<a href="#">Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012 and 2011</a>	<a href="#">F-6</a>
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011</a>	<a href="#">F-6</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">F-8</a>

**2. Financial Statement Schedules.**

The following financial statement schedule of Broadcom is filed as part of this Form 10-K:

	<u>Page</u>
<a href="#">Schedule II — Consolidated Valuation and Qualifying Accounts</a>	<a href="#">S-1</a>

All other schedules have been omitted because they are not applicable or not required, or the information is included in the Consolidated Financial Statements or Notes thereto.

**3. Exhibits.**

The exhibits listed on the exhibit index following the Signature page are filed as part of, or hereby incorporated by reference into, this Form 10-K.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
Broadcom Corporation:

We have audited the accompanying consolidated balance sheets of Broadcom Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule of valuation and qualifying accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Broadcom Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Broadcom Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 30, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Irvine, California  
January 30, 2014

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Broadcom Corporation:

We have audited Broadcom Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Broadcom Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Broadcom Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Broadcom Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated January 30, 2014, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Irvine, California  
January 30, 2014

**CONSOLIDATED BALANCE SHEETS**  
(In millions, except par value)

	December 31,	
	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,657	\$ 1,617
Short-term marketable securities	775	757
Accounts receivable, net of allowance for doubtful accounts of \$8 million in 2013 and 2012	795	740
Inventory	525	527
Prepaid expenses and other current assets	163	140
Total current assets	3,915	3,781
Property and equipment, net	593	485
Long-term marketable securities	1,939	1,348
Goodwill	3,793	3,726
Purchased intangible assets, net	1,144	1,786
Other assets	111	82
Total assets	\$ 11,495	\$ 11,208
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ —	\$ 300
Accounts payable	585	549
Wages and related benefits	243	241
Deferred revenue and income	21	22
Accrued liabilities	647	570
Total current liabilities	1,496	1,682
Long-term debt	1,394	1,393
Other long-term liabilities	234	294
Commitments and contingencies		
Shareholders' equity:		
Convertible preferred stock, \$.0001 par value:		
Authorized shares - 6 - none issued and outstanding	—	—
Class A common stock, \$.0001 par value:		
Authorized shares - 2,500		
Issued and outstanding shares - 531 in 2013 and 518 in 2012	—	—
Class B common stock, \$.0001 par value:		
Authorized shares - 400		
Issued and outstanding shares - 50 in 2013 and 51 in 2012	—	—
Additional paid-in capital	12,475	12,403
Accumulated deficit	(4,107)	(4,531)
Accumulated other comprehensive income (loss)	3	(33)
Total shareholders' equity	8,371	7,839
Total liabilities and shareholders' equity	\$ 11,495	\$ 11,208

See accompanying notes.

**CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share data)

	Year Ended December 31,		
	2013	2012	2011
Net revenue:			
Product revenue	\$ 8,219	\$ 7,820	\$ 7,182
Income from Qualcomm Agreement	86	186	207
Total net revenue	8,305	8,006	7,389
Costs and expenses:			
Cost of product revenue	4,088	4,027	3,626
Research and development	2,486	2,318	1,983
Selling, general and administrative	706	696	682
Amortization of purchased intangible assets	57	113	30
Impairments of long-lived assets	511	90	92
Restructuring costs	29	7	16
Settlement costs (gains)	(69)	79	(18)
Charitable contribution	25	—	25
Total operating costs and expenses	7,833	7,330	6,436
Income from operations	472	676	953
Interest expense, net	(30)	(30)	(5)
Other income, net	3	10	8
Income before income taxes	445	656	956
Provision for (benefit of) income taxes	21	(63)	29
Net income	\$ 424	\$ 719	\$ 927
Net income per share (basic)	\$ 0.74	\$ 1.29	\$ 1.72
Net income per share (diluted)	\$ 0.73	\$ 1.25	\$ 1.65
Weighted average shares (basic)	574	558	539
Weighted average shares (diluted)	584	576	563
Dividends per share	\$ 0.44	\$ 0.40	\$ 0.36

The following table presents details of total stock-based compensation expense *included* in each functional line item in the consolidated statements of income above:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Cost of product revenue	\$ 25	\$ 27	\$ 24
Research and development	363	368	363
Selling, general and administrative	130	148	126

See accompanying notes.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**

	Year Ended December 31,		
	2013	2012	2011
Net income	\$ 424	\$ 719	\$ 927
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments, net of \$0 tax in 2013, 2012 and 2011	35	14	(61)
Unrealized gains on marketable securities, net of \$0 tax in 2013, 2012 and 2011	1	3	2
Other comprehensive income (loss)	36	17	(59)
Comprehensive income	\$ 460	\$ 736	\$ 868

See accompanying notes.

F-5

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In millions)

	Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Paid-In Capital	Deficit	Income (Loss)	Shareholders' Equity
Balance at December 31, 2010	539	\$ —	\$ 11,994	\$ (6,177)	\$ 9	\$ 5,826
Shares issued pursuant to stock awards, net	19	—	65	—	—	65
Employee stock purchase plan	4	—	111	—	—	111
Repurchases of Class A common stock	(17)	—	(668)	—	—	(668)
Dividends paid	—	—	(194)	—	—	(194)
Stock-based compensation expense	—	—	513	—	—	513
Other comprehensive loss	—	—	—	—	(59)	(59)
Net income	—	—	—	927	—	927
Balance at December 31, 2011	545	—	11,821	(5,250)	(50)	6,521
Shares issued pursuant to stock awards, net	20	—	33	—	—	33
Employee stock purchase plan	5	—	126	—	—	126
Equity issued in business combinations	—	—	137	—	—	137
Repurchases of Class A common stock	(1)	—	(33)	—	—	(33)
Dividends paid	—	—	(224)	—	—	(224)
Stock-based compensation expense	—	—	543	—	—	543
Other comprehensive income	—	—	—	—	17	17
Net income	—	—	—	719	—	719
Balance at December 31, 2012	569	—	12,403	(4,531)	(33)	7,839
Shares issued pursuant to stock awards, net	26	—	263	—	—	263
Employee stock purchase plan	6	—	139	—	—	139
Repurchases of Class A common stock	(20)	—	(597)	—	—	(597)
Dividends paid	—	—	(254)	—	—	(254)
Stock-based compensation expense	—	—	521	—	—	521
Other comprehensive income	—	—	—	—	36	36
Net income	—	—	—	424	—	424
Balance at December 31, 2013	581	\$ —	\$ 12,475	\$ (4,107)	\$ 3	\$ 8,371

See accompanying notes.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Year Ended December 31,		
	2013	2012	2011
<b>Operating activities</b>			
Net income	\$ 424	\$ 719	\$ 927
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	173	134	108
Stock-based compensation expense	518	543	513
Acquisition-related items:			
Amortization of purchased intangible assets	228	311	84
Impairments of long-lived assets	511	90	92
Non-cash settlement gains	(2)	(7)	(14)
Gain on strategic investments and other	—	(11)	(1)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(55)	(16)	154
Inventory	2	(5)	207
Prepaid expenses and other assets	(25)	(8)	(28)
Accounts payable	24	72	(201)
Deferred revenue and income	(15)	45	(33)
Accrued settlement costs	(35)	54	21
Other accrued and long-term liabilities	37	10	9
Net cash provided by operating activities	<u>1,785</u>	<u>1,931</u>	<u>1,838</u>
<b>Investing activities</b>			
Net purchases of property and equipment	(228)	(244)	(163)
Net cash paid for acquired companies	(142)	(3,582)	(347)
Sales (purchases) of strategic investments	(15)	27	(2)
Purchases of marketable securities	(2,682)	(2,551)	(2,768)
Proceeds from sales and maturities of marketable securities	2,071	1,554	4,143
Net cash provided by (used in) investing activities	<u>(996)</u>	<u>(4,796)</u>	<u>863</u>
<b>Financing activities</b>			
Issuance of long-term debt, net	—	492	494
Payments of long-term debt	(300)	—	—
Repurchases of Class A common stock	(597)	(33)	(670)
Dividends paid	(254)	(224)	(194)
Payment of assumed contingent consideration and debt	—	(57)	—
Proceeds from issuance of common stock	532	311	348
Minimum tax withholding paid on behalf of employees for restricted stock units	(130)	(153)	(155)
Net cash provided by (used in) financing activities	<u>(749)</u>	<u>336</u>	<u>(177)</u>
Increase (decrease) in cash and cash equivalents	40	(2,529)	2,524
Cash and cash equivalents at beginning of period	1,617	4,146	1,622
Cash and cash equivalents at end of period	<u>\$ 1,657</u>	<u>\$ 1,617</u>	<u>\$ 4,146</u>
<b>Supplemental disclosure of cash flow information</b>			
Income taxes paid	<u>\$ 18</u>	<u>\$ 25</u>	<u>\$ 23</u>
Interest paid	<u>\$ 40</u>	<u>\$ 27</u>	<u>\$ 14</u>

See accompanying notes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2013**

## **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® products seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments. We provide the industry’s broadest portfolio of state-of-the-art system-on-a-chip solutions, or SoCs.

### **Basis of Presentation**

Our consolidated financial statements include the accounts of Broadcom and our subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts previously reported as licensing revenue have been reclassified to product revenue to conform to the current period presentation. Such reclassifications had an impact of \$27 million and \$23 million in 2012 and 2011, respectively, and did not affect total net revenue, net income, shareholders’ equity or cash flows.

In February 2012 we completed our acquisition of NetLogic Microsystems, Inc., or NetLogic. The consolidated financial statements include the results of operations of NetLogic as of the acquisition date and are included in our Infrastructure and Networking reportable segment. See Note 3 for a further discussion.

### **Foreign Currency**

The functional currency for most of our international operations is the U.S. dollar. Assets and liabilities denominated in foreign currencies are translated using the exchange rates on the balance sheet dates. Revenues and expenses are translated using the average exchange rates prevailing during the year. Any translation adjustments resulting from this process are shown separately as a component of accumulated other comprehensive income (loss) within shareholders’ equity in the consolidated balance sheets. Foreign currency transaction gains and losses are reported in other income, net in the consolidated statements of income.

### **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, stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs or reversals, litigation and other loss contingencies. 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.

## Revenue Recognition

We derive revenue principally from sales of integrated circuit products, royalties and license fees for our intellectual property and software and related services. The timing of revenue recognition and the amount of revenue actually recognized for each arrangement depends upon a variety of factors, including the specific terms of each arrangement and the nature of our deliverables and obligations. Determination of the appropriate amount of revenue recognized involves judgment and estimates that we believe are reasonable, but actual results may differ. We recognize product revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price to the customer is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured. These criteria are usually met at the time of product shipment. However, we do not recognize revenue when any future performance obligations remain. We record reductions of revenue for estimated product returns and pricing adjustments, such as competitive pricing programs and rebates, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns, analysis of credit memo data, specific criteria included in rebate agreements, and other factors known at the time. We accrue 100% of potential rebates at the time of sale and do not apply a breakage factor. We reverse the accrual for unclaimed rebate amounts as specific rebate programs contractually end and when we believe unclaimed rebates are no longer subject to payment and will not be paid. See Note 2 for a summary of our rebate activity.

### *Distributor Revenue*

A portion of our product sales is made through distributors under agreements allowing for pricing credits and/or rights of return. These pricing credits and/or right of return provisions prevent us from being able to reasonably estimate the final price of the inventory to be sold and the amount of inventory that could be returned pursuant to these agreements. As a result, the fixed and determinable revenue recognition criterion has not been met at the time we deliver products to our distributors. Accordingly, product revenue from sales made through these distributors is not recognized until the distributors ship the product to their customers.

### *Software, Royalties and Cancellation Fee Revenue*

Revenue from software licenses is recognized when all of the software revenue recognition criteria are met and, if applicable, when vendor specific objective evidence, or VSOE, exists to allocate the total license fee to each element of multiple-element software arrangements, including post-contract customer support. Post-contract support is recognized ratably over the support period. When a contract contains multiple elements wherein the only undelivered element is post-contract customer support and VSOE of the fair value of post-contract customer support does not exist, revenue from the entire arrangement is recognized ratably over the support period. Software royalty revenue is recognized in arrears on a quarterly basis, based upon reports received from licensees during the period, unless collectability is not reasonably assured, in which case revenue is recognized when payment is received from the licensee. Revenue from cancellation fees is recognized when cash is received from the customer.

### *Licensing Revenue*

We license or otherwise provide rights to use portions of our intellectual property, which includes certain patent rights essential to and/or utilized in the manufacture and sale of certain wireless products. Licensees typically pay a license fee in one or more installments and ongoing royalties based on their sales of products incorporating or using our licensed intellectual property. License fees are recognized over the estimated period of benefit to the licensee or the term specified. We recognize licensing revenue on the sale of patents when all of the following criteria are met: (i) persuasive evidence of an arrangement exist, (ii) delivery has occurred, (iii) the price to be paid by the purchaser is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. These criteria are usually met at the time of patent transfer. We recognize royalty revenues based on royalties reported by licensees and when other revenue recognition criteria are met, which is generally a quarter in arrears from the period earned.

### *Income from the Qualcomm Agreement*

On April 26, 2009 we entered into a four-year Settlement and Patent License and Non-Assert Agreement, or the Qualcomm Agreement, with Qualcomm Incorporated, or Qualcomm. The Qualcomm Agreement was a multiple element arrangement which included: (i) an exchange of intellectual property rights, including in certain circumstances, by a series of covenants not to assert claims of patent infringement under future patents issued within one to four years of the execution date of the agreement, (ii) the assignment of certain existing patents by Broadcom to Qualcomm with Broadcom retaining a royalty-free license under these patents, and (iii) the settlement of all outstanding litigation and claims between Broadcom and Qualcomm. The total proceeds of \$891 million from the Qualcomm Agreement were allocated amongst the principal elements of the transaction, resulting in \$826 million of deferred income, which was recognized over the four year performance period of the agreement. The income from the Qualcomm Agreement terminated in April 2013, however, the term of the Qualcomm Agreement will continue until the expiration of the last to expire of the covered patents.

### *Deferred Revenue and Income*

We defer revenue and income when advance payments are received from customers before performance obligations have been completed and/or services have been performed. Deferred revenue does not include amounts from products delivered to distributors that the distributors have not yet sold through to their end customers.

### **Cost of Product Revenue**

Cost of product revenue comprises the cost of our semiconductor devices, which 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 paid to vendors for use of their technology. Also included in cost of product revenue is the amortization of purchased technology, 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.

### **Concentration of Credit Risk**

Sales to our recurring customers are generally made on open account while sales to occasional customers are typically made on a prepaid or letter of credit basis. We perform periodic credit evaluations of our recurring customers and generally do not require collateral. An allowance for doubtful accounts is maintained for potential credit losses, which losses historically have not been significant.

We invest our cash in U.S. Treasury instruments, in deposits and money market funds with major financial institutions and in commercial paper, asset-backed securities and corporate and agency bonds. We place our cash investments in instruments that meet high credit quality standards, as specified in our investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue, issuer or type of instrument. It is generally our policy to invest in instruments that have a final maturity of no longer than three years, with a portfolio weighted average maturity of no longer than 18 months.

### **Fair Value of Financial Instruments**

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.

### **Cash, Cash Equivalents and Marketable Securities**

We consider all highly liquid investments that are readily convertible into cash and have a maturity of three months or less at the time of purchase to be cash equivalents. The cost of these investments approximates their fair value. We maintain an investment portfolio of various security holdings, types and maturities. We define marketable securities as income yielding securities that can be readily converted into cash. Marketable securities' short-term and long-term classifications are based on remaining maturities at each reporting period. Examples of marketable securities include U.S. Treasury and agency obligations, commercial paper, asset-back securities and corporate bonds. We place our cash investments in instruments that meet various parameters, including credit quality standards as specified in our investment policy. We do not use derivative financial instruments.

We account for our investments in debt instruments as available-for-sale. Management determines the appropriate classification of such securities at the time of purchase and re-evaluates such classification as of each balance sheet date. Cash equivalents and marketable 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. We assess whether our investments with unrealized loss positions are other than temporarily impaired. Unrealized gains and losses and declines in value judged to be other than temporary are determined based on the specific identification method and are reported in other income, net in the consolidated statements of income.

### **Allowance for Doubtful Accounts**

We evaluate the collectibility of accounts receivable based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations subsequent to the original sale, we will record an allowance against amounts due, and thereby reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and our historical experience.

### **Inventory**

Inventory consists of work in process and finished goods and is stated at the lower of cost (first-in, first-out) or market. We write down the carrying value of our inventory to net realizable value for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future demand and market conditions, among other factors. Shipping and handling costs are classified as a component of cost of product revenue in the consolidated statements of income. Inventory acquired through business combinations is recorded at its acquisition date fair value which is the net realizable value less a normal profit margin depending on the stage of inventory completion.

## **Property and Equipment**

Property and equipment are carried at cost. Depreciation and amortization are provided using the straight-line method over the assets' estimated remaining useful lives, ranging from one to ten years. Depreciation and amortization of leasehold improvements are computed using the shorter of the remaining lease term or ten years.

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

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. Other long-lived assets primarily represent purchased intangible assets including developed technology, customer relationships and in-process research and development, or IPR&D. We currently amortize our intangible assets with definitive lives over periods ranging from one to fifteen years using a method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line amortization method. We capitalize IPR&D projects acquired as part of a business combination. On completion of each project, IPR&D assets are reclassified to developed technology and amortized over their estimated useful lives.

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

We evaluate goodwill on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values. We estimate the fair values of our reporting units using a combination of the income and market approach. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss.

During development, IPR&D is not subject to amortization and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. We first assess qualitative factors to determine whether it is more likely than not that the fair value of IPR&D is less than its carrying amount, and if so, we conduct a quantitative impairment test. The impairment test consists of a comparison of the fair value to its carrying amount. If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Once an IPR&D project is complete, it becomes a definite lived intangible asset and is evaluated for impairment in accordance with our policy for long-lived assets.

We test long-lived assets and purchased intangible assets (other than goodwill and IPR&D) for impairment if we believe indicators of impairment exist. We determine whether the carrying value of an asset or asset group is recoverable, based on comparisons to undiscounted expected future cash flows that the assets are expected to generate. If an asset is not recoverable, we record an impairment loss equal to the amount by which the carrying value of the asset exceeds its fair value. We primarily use the income valuation approach to determine the fair value of our long lived assets and purchased intangible assets.

## **Warranty**

Our products typically carry a one to three year warranty. We establish reserves for estimated product warranty costs at the time revenue is recognized based upon our historical warranty experience, and additionally for any known product warranty issues. If actual costs differ from our initial estimates, we record the difference in the period they are identified. Actual claims are charged against the warranty reserve. See Note 2 for a summary of our warranty activity.

## **Guarantees and Indemnifications**

In some agreements to which we are a party, we have agreed to indemnify the other party for certain matters, including, but not limited to product liability. We include intellectual property indemnification provisions in our standard terms and conditions of sale for our products and have also included such provisions in certain agreements with third parties. We have and will continue to evaluate and provide reasonable assistance for these other parties. This may include certain levels of financial support to minimize the impact of the litigation in which the other parties are involved. In connection with our senior unsecured notes, as described below, we have agreed to customary indemnification provisions with the underwriters. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions and no liabilities therefor have been recorded in the accompanying consolidated financial statements. However, the maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant.

We have obligations to indemnify certain of our present and former directors, officers and employees to the maximum extent not prohibited by law. Under these obligations, Broadcom is required (subject to certain exceptions) to indemnify each such director, officer and employee against expenses, including attorneys' fees, judgments, fines and settlements, paid by such individual. The potential amount of the future payments we could be required to make under these indemnification obligations could be significant. We maintain directors' and officers' insurance policies that may generally limit our exposure and enable us to recover a portion of the amounts paid with respect to such obligations.

## **Income Taxes**

We utilize the asset and liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our cumulative losses in the U.S. and certain foreign jurisdictions, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance against our net deferred tax assets is appropriate in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we record valuation allowances to reduce our net deferred tax assets to the amount we believe is more likely than not to be realized. In certain jurisdictions, we have tax deductions from stock-based compensation that exceed the stock-based compensation recorded for such instruments. To the extent such excess tax benefits are ultimately realized, they will increase shareholders' equity. We utilize the with-and-without approach in determining if and when such excess tax benefits are realized, and under this approach excess tax benefits related to stock-based compensation are the last to be realized.

Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense.

## **Research and Development Expense**

Research and development expenditures are expensed in the period incurred.

## **Stock-Based Compensation**

Broadcom has in effect stock incentive plans under which incentive stock options have been granted to employees and restricted stock units and non-qualified stock options have been granted to employees and non-employee members of the Board of Directors. We also have an employee stock purchase plan for all eligible employees. We are required to estimate the fair value of share-based awards on the date of grant. The value of the award is principally recognized as an expense ratably over the requisite service periods. The fair value of our restricted stock units is based on the closing market price of our Class A common stock on the date of grant less our expected dividend yield. We have estimated the fair value of stock options and stock purchase rights as of the date of grant or assumption using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the award, the expected volatility of our stock price and the expected dividend yield. We evaluate the assumptions used to value stock options and stock purchase rights on a quarterly basis. The fair values generated by the Black-Scholes model may not be indicative of the actual fair values of our equity awards, as it does not consider other factors important to those awards to employees, such as continued employment, periodic vesting requirements and limited transferability.

## **Litigation and Settlement Costs**

Legal costs are expensed as incurred. We are involved in disputes, litigation and other legal actions in the ordinary course of business. We continually evaluate uncertainties associated with litigation and record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements and (ii) the loss or range of loss can be reasonably estimated. In the event of settlement discussions, this generally occurs when an agreement in principle has been reached by both parties that includes substantive terms, conditions and amounts. If a settlement has more than one element, we account for the agreement as a multiple element arrangement and allocate the consideration to the identifiable elements based on relative fair value. Past multiple element settlement agreements have included the licensing of intellectual property for future use and payments related to alleged prior infringement.

We use a relief-from-royalty method to value patented technology in settlement agreements related to alleged patent infringement, based on market royalties for similar fundamental technologies. The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The royalty rate used is based on an analysis of empirical, market-derived royalty rates for guideline intangible assets. Revenue is projected over the expected remaining useful life of the patented technology, or the license period if shorter. The market-derived royalty rate is then applied to estimate the royalty stream related to past revenue over the applicable alleged infringement period as well as projected revenue. We then allocate the consideration transferred to the identifiable elements based on relative fair value of the past and future royalties. The portion that is attributed to payments related to alleged prior infringement is recorded as a charge to our consolidated statements of income. The remaining portion is attributed to the licensing of intellectual property for future use and is amortized to cost of revenue using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line amortization method.

## **Self-Insurance**

We are self-insured for certain healthcare benefits provided to our U.S. employees. The liability for the self-insured benefits is limited by the purchase of stop-loss insurance. Our stop-loss coverage provides payment for aggregate claims exceeding \$0.3 million per covered person for any given year.

Accruals for losses are made based on our claim experience and actuarial estimates based on historical data. Actual losses may differ from accrued amounts. Should actual losses exceed the amounts expected and if the recorded liabilities are insufficient, an additional expense will be recorded.

**Accumulated Comprehensive Loss**

Accumulated other comprehensive loss on the consolidated balance sheets at December 31, 2013 and 2012 represents accumulated translation adjustments and unrecognized gains and losses on investments classified as available for sale. This information is provided in our statements of comprehensive income.

**Net Income Per Share**

Net income per share (basic) is calculated by dividing net income by the weighted average number of common shares outstanding during the year. Net income per share (diluted) is calculated by adjusting outstanding shares, assuming any dilutive effects of stock options 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.

**2. Supplemental Financial Information****Net Revenue**

The following table presents details of our net product revenue:

	Year Ended December 31,		
	2013	2012	2011
Product sales through direct sales force	76.2%	77.4%	79.1%
Product sales maintained under fulfillment distributor arrangements	6.5	6.2	6.0
Product sales through distributors	17.3	16.4	14.9
	100.0%	100.0%	100.0%

**Inventory**

The following table presents details of our inventory:

	December 31,	
	2013	2012
	(In millions)	
Work in process	\$ 202	\$ 187
Finished goods	323	340
	\$ 525	\$ 527

## Property and Equipment

The following table presents details of our property and equipment:

	Useful Life (In years)	December 31,	
		2013	2012
		(In millions)	
Leasehold improvements	1 to 10	\$ 248	\$ 232
Office furniture and equipment	3 to 7	45	41
Machinery and equipment	5	725	555
Computer software and equipment	2 to 10	232	183
Construction in progress	N/A	54	27
		1,304	1,038
Less accumulated depreciation and amortization		(711)	(553)
		\$ 593	\$ 485

## Accrued Liabilities

The following table presents details of our accrued liabilities included in current liabilities:

	December 31,	
	2013	2012
	(In millions)	
Accrued rebates	\$ 409	\$ 383
Accrued royalties	15	21
Accrued settlement charges	66	68
Accrued legal costs	15	15
Accrued taxes	20	16
Warranty reserve	19	13
Restructuring liabilities	17	1
Other	86	53
	\$ 647	\$ 570

## Other Long-Term Liabilities

The following table presents details of our other long-term liabilities:

	December 31,	
	2013	2012
	(In millions)	
Deferred rent	\$ 46	\$ 54
Accrued taxes	72	67
Deferred tax liabilities	35	45
Accrued settlement charges	25	58
Deferred revenue	33	47
Other long-term liabilities	23	23
	\$ 234	\$ 294

**Accrued Rebate Activity**

The following table summarizes the activity related to accrued rebates:

	Year Ended December 31,	
	2013	2012
	(In millions)	
Beginning balance	\$ 383	\$ 317
Charged as a reduction of revenue	888	727
Reversal of unclaimed rebates	(21)	(18)
Payments	(841)	(643)
Ending balance	<u>\$ 409</u>	<u>\$ 383</u>

**Warranty Reserve Activity**

The following table summarizes activity related to the warranty reserve:

	Year Ended December 31,	
	2013	2012
	(In millions)	
Beginning balance	\$ 13	\$ 14
Charged to costs and expenses	12	5
Payments	(6)	(6)
Ending balance	<u>\$ 19</u>	<u>\$ 13</u>

**Charitable Contribution**

In 2009 we established the Broadcom Foundation, or the Foundation, to support science, technology, engineering and mathematics programs, as well as a broad range of community services, and contributed \$50 million to the Foundation. In June 2011 we contributed an additional \$25 million to the Broadcom Foundation. Approximately \$2 million of the \$25 million contribution came from Dr. Henry Samueli, our Chairman of the Board of Directors and Chief Technical Officer, who made such payment to Broadcom in connection with the settlement of a shareholder derivative litigation as further described in Note 9. In September 2013 we contributed an additional \$25 million to the Broadcom Foundation. These payments were recorded as an operating expense in our consolidated statements of income in 2011 and 2013, respectively.

**Computation of Net Income Per Share**

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

	Year Ended December 31,		
	2013	2012	2011
	(In millions, except per share data)		
Numerator: Net income	\$ 424	\$ 719	\$ 927
Denominator for net income per share (basic)	574	558	539
Effect of dilutive securities:			
Stock awards	10	18	24
Denominator for net income per share (diluted)	584	576	563
Net income per share (basic)	\$ 0.74	\$ 1.29	\$ 1.72
Net income per share (diluted)	\$ 0.73	\$ 1.25	\$ 1.65

Net income per share (diluted) does not include the effect of anti-dilutive common share equivalents resulting from outstanding equity awards. There were 39 million, 23 million and 18 million anti-dilutive common share equivalents in 2013, 2012 and 2011, respectively.

**Supplemental Cash Flow Information**

In 2011 we paid \$2 million related to share repurchases that had not settled by December 31, 2010. In 2013 and 2011, we received \$1 million and \$4 million related to stock option exercises that had not settled by December 31, 2012 and 2010 respectively. We had \$1 million related to stock options exercises that had not settled by December 31, 2013.

At December 31, 2013, 2012 and 2011 we had billings of \$29 million, \$29 million and \$43 million, respectively, for capital equipment that were accrued. The amounts accrued for capital equipment purchases have been excluded from the consolidated statements of cash flows and were paid in the subsequent period. In 2013 we also capitalized \$3 million of stock-based compensation expense for construction in process related to computer software and equipment.

**3. Business Combinations**

In October 2013 we acquired LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction. The transaction is expected to accelerate the availability of Broadcom's first multimode, carrier-validated LTE SoC platform. On February 17, 2012 we completed our acquisition of NetLogic, a publicly traded company that was a provider of high performance intelligent semiconductor solutions for next generation networks. Our primary reasons for acquiring NetLogic were to enhance our ability to deliver a complete, end-to-end network infrastructure solution for customers and to reduce both time-to-market and development costs. The addition of NetLogic also extends Broadcom's infrastructure portfolio with key technologies, including multi-core embedded processor and knowledge-based processor solutions, both critical enablers of the next generation infrastructure build-out. In addition, the Renesas Transaction, the NetLogic acquisition, and the other acquisitions noted in the table below allowed us to extend our roadmap to support customer requirements for rolling out next-generation fiber networks worldwide, enter into or expand our presence in the relevant wired and wireless communications market segments, reduce the time required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing product offerings, augment our engineering workforce, and enhance our technological capabilities.

From January 1, 2011 through December 31, 2013 we completed a number of acquisitions. The consolidated financial statements include the results of operations of these acquired companies commencing as of their respective acquisition dates. The following table presents details of the purchase consideration related to each company or assets acquired:

Company or Assets Acquired	Month Acquired	Business	Cash Consideration Paid	Cash Assumed	Equity Consideration Paid	Fair Value of Assumed Contingent Consideration and Debt	Contingent Consideration Maximum
(In millions)							
<b>2013 Acquisition</b>							
Renesas Transaction	October 2013	LTE	\$ 196	\$ 54	\$ —	\$ —	\$ —
<b>2012 Acquisitions</b>							
BroadLight, Inc.	April 2012	PON processors	\$ 200	\$ 22	\$ 3	\$ —	\$ 10
NetLogic Microsystems, Inc.	February 2012	Next generation networks	3,612	219	349	53	110
Other	Various	Various	11	—	—	—	—
			<u>\$ 3,823</u>	<u>\$ 241</u>	<u>\$ 352</u>	<u>\$ 53</u>	<u>\$ 120</u>
<b>2011 Acquisitions</b>							
SC Square Ltd.	May 2011	Security software	\$ 40	\$ —	\$ —	\$ —	\$ —
Provigent, Inc.	April 2011	Microwave backhaul systems	314	10	4	—	—
Other	Various	Various	3	—	—	—	—
			<u>\$ 357</u>	<u>\$ 10</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Total Acquisitions</b>			<u>\$ 4,376</u>	<u>\$ 305</u>	<u>\$ 356</u>	<u>\$ 53</u>	<u>\$ 120</u>

The NetLogic acquisition was paid in cash, except for certain equity awards with a fair value of \$349 million that were assumed. Approximately \$137 million of the equity consideration was recorded as goodwill and \$212 million will be recognized as stock-based compensation expense primarily over the two to three years from the closing date. A portion of the cash consideration in the BroadLight acquisition is currently held in escrow pursuant to the terms of the acquisition agreement and is reflected in goodwill as we believe the likelihood of the escrow fund being utilized by us is remote.

In connection with the NetLogic acquisition, our results of operations in 2012 included: (i) stock-based compensation of \$89 million, of which \$17 million related to the accelerated vesting of equity awards upon the termination of certain employees with change in control agreements, (ii) the amortization of purchased intangibles of \$190 million, and (iii) the amortization of acquired inventory valuation step-up of \$63 million.

We have estimated the fair value of the acquired assets and liabilities of the above acquisitions. We allocated the respective purchase prices to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated respective fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill, of which \$29 million is deductible for tax purposes. The principal factor that resulted in recognition of goodwill was that the purchase price for each acquisition was based on cash flow projections assuming the integration of any acquired technology and products with our products, which is of considerably greater value than utilizing each acquired company's technology or product on a standalone basis. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of the acquisitions.

Based upon those calculations, the purchase prices for the acquisitions were allocated as follows:

	2013	2012	2011
	(In millions)		
<b>Fair Market Values</b>			
Cash and cash equivalents	\$ 54	\$ 241	\$ 10
Short-term marketable securities	—	48	1
Accounts receivable, net	—	46	12
Inventory	—	101	30
Prepaid and other current assets	11	19	4
Property and equipment, net	39	17	3
Other assets	3	29	—
Purchased intangible assets	85	1,782	233
Goodwill	40	1,930	134
Total assets acquired	232	4,213	427
Accounts payable	10	47	7
Accrued liabilities	22	42	6
Deferred tax liabilities	—	67	—
Contingent consideration and debt	—	53	—
Long-term liabilities	4	44	57
Total liabilities assumed	36	253	70
Purchase price allocation	\$ 196	\$ 3,960	\$ 357

	Weighted Average Useful Life	2013	2012	2011
	(In years)	(In millions)		
<b>Purchased Intangible Assets:</b>				
Developed technology	13	\$ 85	\$ 1,288	\$ 148
In-process research and development	N/A	—	267	45
Customer relationships	4	—	212	37
Other	3	—	15	3
		\$ 85	\$ 1,782	\$ 233

#### Purchased Intangible Assets

Developed technology represents patented technology and completed technology. Patented technology is the fundamental technology that survives multiple product iterations, while completed technology is specific to certain products acquired. Both of these technologies have passed technological feasibility. We generally use a relief-from-royalty method or market transactions to value patented technology, based on market royalties or prices for similar fundamental technologies. The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The royalty rate used is based on an analysis of empirical, market-derived royalty rates for guideline intangible assets. Typically, revenue is projected over the expected remaining useful life of the patented technology. The market-derived royalty rate is then applied to estimate the royalty savings. To value completed technology, we generally use a multi-period excess earnings approach which calculates the value based on the risk-adjusted present value of the cash flows specific to the products, allowing for a reasonable return.

The fair value of the IPR&D from our acquisitions was determined using the income approach. Under the income approach, the expected future cash flows from each project under development are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return. Significant factors considered in the calculation of the rate of return are the weighted average cost of capital, the return on assets, as well as the risks inherent in the development process, including the likelihood of achieving technological success and market acceptance. Each project was analyzed to

determine the unique technological innovations, the existence and reliance on patented technology, the existence of any alternative future use or current technological feasibility, and the complexity, cost and time to complete the remaining development. Future cash flows for each project were estimated based on forecasted revenue and costs, taking into account the expected product life cycles, market penetration and growth rates. We believe the amount recorded as IPR&D, as well as developed technology, represented the fair value and approximate the amount a market participant would pay for these projects as of the acquisition date.

The following table summarizes the significant assumptions underlying the valuation of IPR&D at the date of acquisition:

Company Acquired	Development Projects	Weighted Average Estimated Percent Complete	Average Estimated Time to Complete	Estimated Cost to Complete	Risk Adjusted Discount Rate	IPR&D
			(In years)	(In millions)		(In millions)
<b>2012 Acquisitions</b>						
NetLogic Microsystems, Inc.	Next generation networks	10%	4.3	\$ 401	17%	\$ 267
<b>2011 Acquisitions</b>						
Provigent, Inc.	Microwave	41%	2.1	74	21%	45

In 2013, 2012 and 2011 there was no IPR&D related to our other acquisitions other than those listed above. Actual results to date have been consistent, in all material respects, with our assumptions at the time of the acquisitions.

Customer relationships represent the fair value of future projected revenue that will be derived from the sale of products to existing customers of the acquired companies.

### Contingent Earn-out Consideration

In connection with our NetLogic acquisition, we assumed a liability of \$53 million related to contingent consideration in connection with one of NetLogic's prior acquisitions and subsequently paid this amount in 2012. Additional cash consideration of up to \$57 million could have been paid to the former shareholders of this prior acquisition upon satisfaction of certain future performance goals. Additional contingent earn-out consideration of up to \$10 million in cash also could have been paid to the former holders of BroadLight capital stock and other rights upon satisfaction of certain future performance goals. As of December 31, 2013 we do not have any liabilities recorded in connection with contingent earn-out consideration, as these performance goals were not met and have now expired.

#### 4. Fair Value Measurements

*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:

<b>December 31, 2013</b>									
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Cash and Cash Equivalents</b>	<b>Short-Term Marketable Securities</b>	<b>Long-Term Marketable Securities</b>		
(In millions)									
Cash	\$ 307	\$ —	\$ —	\$ 307	\$ 307	\$ —	\$ —		
Level 1:									
Bank and time deposits	474	—	—	474	474	—	—		
Money market funds	277	—	—	277	277	—	—		
U.S. treasury and agency obligations	1,005	1	—	1,006	—	205	801		
Corporate bonds	—	—	—	—	—	—	—		
Subtotal	1,756	1	—	1,757	751	205	801		
Level 2:									
Commercial paper	690	—	—	690	599	91	—		
Corporate bonds	1,591	3	(1)	1,593	—	477	1,116		
Asset-backed securities and other	24	—	—	24	—	2	22		
Subtotal	2,305	3	(1)	2,307	599	570	1,138		
Level 3:									
None	—	—	—	—	—	—	—		
Total	<u>\$ 4,368</u>	<u>\$ 4</u>	<u>\$ (1)</u>	<u>\$ 4,371</u>	<u>\$ 1,657</u>	<u>\$ 775</u>	<u>\$ 1,939</u>		
<b>December 31, 2012</b>									
	<b>Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>	<b>Cash and Cash Equivalents</b>	<b>Short-Term Marketable Securities</b>	<b>Long-Term Marketable Securities</b>		
(In millions)									
Cash	\$ 213	\$ —	\$ —	\$ 213	\$ 213	\$ —	\$ —		
Level 1:									
Bank and time deposits	904	—	—	904	884	20	—		
Money market funds	250	—	—	250	250	—	—		
U.S. treasury and agency obligations	936	1	—	937	—	201	736		
Corporate bonds	1	—	—	1	—	1	—		
Subtotal	2,091	1	—	2,092	1,134	222	736		
Level 2:									
Commercial paper	432	—	—	432	270	162	—		
Corporate bonds	921	2	(1)	922	—	351	571		
Asset-backed securities and other	63	—	—	63	—	22	41		
Subtotal	1,416	2	(1)	1,417	270	535	612		
Level 3:									
None	—	—	—	—	—	—	—		
Total	<u>\$ 3,720</u>	<u>\$ 3</u>	<u>\$ (1)</u>	<u>\$ 3,722</u>	<u>\$ 1,617</u>	<u>\$ 757</u>	<u>\$ 1,348</u>		

There were no transfers between Level 1, Level 2 or Level 3 securities in the twelve months ended December 31, 2013. All of our long-term marketable securities had maturities of between one and three years in duration at December 31, 2013. Our cash, cash equivalents and marketable securities at December 31, 2013 consisted of \$1.98 billion held domestically, with the remaining balance of \$2.39 billion held by our foreign subsidiaries.

At December 31, 2013 we had 132 investments with a fair value of \$793 million that were in an unrealized loss position for less than twelve months. Our gross unrealized losses of \$1 million for these investments at December 31, 2013 were due to changes in market rates. We have determined that the gross unrealized losses on these investments at December 31, 2013 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 \$1.37 billion and \$1.75 billion as of December 31, 2013 and 2012 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, and goodwill and other long lived assets when they are held for sale or determined to be impaired. See Notes 3 and 10 for discussion on fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

## 5. Income Taxes

For financial reporting purposes, income (loss) before income taxes includes the following components:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
United States	\$ (171)	\$ 43	\$ (132)
Foreign	616	613	1,088
	<u>\$ 445</u>	<u>\$ 656</u>	<u>\$ 956</u>

A reconciliation of the provision for (benefit of) income taxes at the federal statutory rate compared to our provision for income taxes follows:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Statutory federal provision for income taxes	\$ 156	\$ 230	\$ 335
Increase (decrease) in taxes resulting from:			
Tax credits	(240)	—	(140)
Federal valuation allowance changes	207	(552)	154
Tax rate differential on foreign earnings	(190)	(281)	(353)
Stock-based compensation expense (benefit)	20	—	(1)
Foreign dividend distribution	—	538	—
Audit settlements and adjustments	23	—	—
Other	45	2	34
Provision for (benefit of) income taxes	<u>\$ 21</u>	<u>\$ (63)</u>	<u>\$ 29</u>

The income tax provision (benefit) consists of the following components:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Current:			
Federal	\$ (2)	\$ (4)	\$ —
State	(1)	2	(1)
Foreign	29	32	23
	<u>26</u>	<u>30</u>	<u>22</u>
Deferred:			
Federal	2	(50)	—
State	1	(1)	—
Foreign	(8)	(42)	7
	<u>(5)</u>	<u>(93)</u>	<u>7</u>
	<u>\$ 21</u>	<u>\$ (63)</u>	<u>\$ 29</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred taxes were as follows:

	December 31,	
	2013	2012
	(In millions)	
Deferred tax assets:		
Research and development and foreign tax credits	\$ 1,062	\$ 818
Capitalized research and development costs	77	106
Net operating loss carryforwards	78	53
Reserves and accruals not currently deductible for tax purposes	98	100
Stock-based compensation	63	98
Other	55	51
Gross deferred tax assets	1,433	1,226
Valuation allowance	(1,367)	(1,124)
Deferred tax assets, net	66	102
Deferred tax liabilities:		
Goodwill	(3)	—
Purchased intangible assets	(87)	(131)
Gross deferred tax liabilities	\$ (90)	\$ (131)
Net deferred tax liabilities	\$ (24)	\$ (29)

At December 31, 2013 and 2012, we had valuation allowances of approximately \$1.29 billion and \$1.06 billion against certain U.S. deferred tax assets, and valuation allowances of approximately \$81 million and \$64 million against deferred tax assets of certain foreign subsidiaries, respectively, to reflect the deferred tax asset at the net amount that is more likely than not to be realized. As a result of our recent cumulative tax losses in the U.S., which excludes the effect of the 2012 unusual and nonrecurring foreign dividend of approximately \$1.5 billion to enable our acquisition of NetLogic, and our cumulative tax losses in 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. We had net deferred tax liabilities of \$24 million and \$29 million at December 31, 2013 and 2012, respectively, primarily related to certain foreign jurisdictions where we do not have cumulative losses.

We operate under tax incentives in Singapore, which are effective through March 2014. The tax incentives are conditional upon our meeting certain employment and investment thresholds. The impact of the Singapore tax incentives decreased Singapore taxes by \$423 million, \$399 million and \$368 million for 2013, 2012 and 2011, respectively. The benefit of the tax incentives on net income per share (diluted) was \$0.73, \$0.69 and \$0.65 for 2013, 2012 and 2011, respectively.

Our deferred tax assets at December 31, 2013 and 2012 do not include \$726 million and \$715 million, respectively, of excess tax benefits from stock-based compensation that are a component of our net operating loss carryovers, research and development credits, and capitalized research and development expenses. Shareholders' equity will be increased by \$726 million to the extent such excess tax benefits are ultimately realized.

If and when recognized, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets at December 31, 2013 will be accounted for as follows: approximately \$1.36 billion will be recognized as a reduction of income tax expense and \$11 million will be recorded as an increase in shareholders' equity. In 2012 we recorded a \$33 million decrease in foreign deferred tax liabilities, as well as reductions in our U.S. valuation allowance on certain deferred tax assets due to recording net deferred tax liabilities for identifiable intangible assets under purchasing accounting of \$51 million for certain acquisitions.

At December 31, 2013 for our income tax filings we had federal, state, United Kingdom, Israel and Spain net operating loss carryforwards of approximately \$1.17 billion, \$2.11 billion, \$140 million, \$26 million and \$13 million, respectively. A valuation allowance has been provided on substantially all of these loss carryforwards. If unutilized, the federal net operating loss carryforwards will expire between 2019 and 2033, the state net operating loss carryforwards will expire between 2014 and 2033, and the Spain net operating loss carryforwards will expire between 2024 and 2030. The United Kingdom and Israel net operating losses have no expiration date. At December 31, 2013 we had Canada scientific research and experimental development expenditures of \$54 million available for tax deduction in future tax years. These future tax deductions can be carried forward indefinitely.

At December 31, 2013 for our income tax filings we had foreign tax credit carryforwards of approximately \$97 million, and federal, state, Canada and Spain research and development credit carryforwards of approximately \$944 million, \$835 million, \$41 million and \$8 million, respectively. A valuation allowance has been provided on substantially all of these credit carryforwards. These foreign tax credit carryforwards expire between 2016 and 2023, and these research and development credit carryforwards expire between 2019 and 2033, if not previously utilized. Certain state research and development credit carryforwards have no expiration date. As of December 31, 2012 we did not record federal research and development tax credits relating to qualified research expenditures for the 2012 tax year because the federal tax credit for increasing current year research and development activities had previously expired at December 31, 2011. However, on January 2, 2013 President Obama signed into law *The American Taxpayer Relief Act of 2012*, which contained a provision extending the federal research and development tax credit retroactively from January 1, 2012 through December 31, 2013. As a result of this legislation, in 2013 we increased our research and development credit carryforwards for amounts generated in 2012, by approximately \$124 million. This increase in deferred tax assets was fully offset with a valuation allowance resulting in no tax benefit being recorded for this item in 2013. No additional federal research and development tax credits are expected to be generated after December 31, 2013 unless the prior federal research and development tax credit provisions are extended to periods after December 31, 2013, or new federal research and development tax credit provisions are enacted into law. If the credit is extended in the future, we expect no effect on future results of operations or financial position because of our valuation allowance on our deferred tax assets.

At December 31, 2013, deferred taxes have not been provided on the excess of book basis over tax basis in the amount of approximately \$4.58 billion in the shares of certain foreign subsidiaries because their bases differences are not expected to reverse in the foreseeable future and are considered permanent in duration. These bases differences arose primarily through purchase accounting and the undistributed book earnings of foreign subsidiaries that we intend to reinvest indefinitely. The bases differences could reverse through amortization or impairment of certain intangible assets recorded under purchase accounting, a sale of the subsidiaries, the receipt of dividends from the subsidiaries, or various other events. We believe that U.S. income taxes and foreign withholding taxes would be substantially offset upon reversal of this excess book basis due to the existence of net operating loss and tax credit carryforwards.

The following table summarizes the activity related to our unrecognized tax benefits:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Beginning balance	\$ 331	\$ 212	\$ 187
Increase in current year	58	11	59
Expiration of the statutes of limitation for the assessment of taxes	(6)	(7)	(3)
Decrease resulting from audits	(20)	—	—
Increase (decrease) related to prior year tax positions	40	—	(31)
Increase related to acquisitions	—	115	—
Ending balance	<u>\$ 403</u>	<u>\$ 331</u>	<u>\$ 212</u>

The unrecognized tax benefits of \$403 million at December 31, 2013 included \$69 million of tax benefits that, if recognized, would reduce our annual effective tax rate. Approximately \$20 million of the tax benefit, if

recognized, would be credited to shareholder's equity. The remaining \$314 million, if recognized, would not result in a tax benefit since it would be fully offset with a valuation allowance. We reversed penalties and interest related to unrecognized tax benefits of \$2 million and \$1 million, respectively, during 2013, resulting from the expiration of statutes of limitation. We accrued potential penalties and interest of \$2 million and \$2 million, respectively, related to these unrecognized tax benefits during 2013, and in total, as of December 31, 2013, we recorded a liability for potential penalties and interest of \$30 million and \$6 million, respectively. We recognize potential accrued interest and penalties related to unrecognized tax benefits within the consolidated statements of income as income tax expense. We do not expect our unrecognized tax benefits to change significantly over the next twelve months.

In 2012, we accessed \$1.5 billion of cash from our foreign subsidiaries to facilitate the acquisition of NetLogic. This \$1.5 billion was treated as includable in our U.S. taxable income for 2012. Nevertheless, this did not result in a significant tax liability for us because it was substantially offset by our net operating loss and tax credit carryforwards. The acquisition of NetLogic was unusual and nonrecurring. The \$3.61 billion cash purchase price to acquire NetLogic greatly exceeded the purchase price of any prior cash acquisition we have made. Our previous cash acquisitions have been for significantly lower purchase prices, and we have never previously determined it prudent or necessary to access our prior years' foreign earnings to facilitate an acquisition. We do not currently expect any future need to access our prior years' foreign earnings, and therefore, aside from the \$1.5 billion used to facilitate the NetLogic acquisition, we intend to continue to permanently reinvest our foreign earnings.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. For federal income tax purposes, all years prior to 2007 are closed. The 2007 through 2013 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2004 through 2013 tax years generally remain subject to examination by tax authorities. Our income tax returns for the 2007, 2008 and 2009 tax years are currently under examination by the Internal Revenue Service. We do not expect the audit to have a material effect on our results of operations or financial position. However, our net operating loss carryforwards could be reduced with a corresponding reduction in our valuation allowance on deferred tax assets.

In December 2011 legislation was enacted in Israel which increased corporate tax rates for 2012 and later years. As a result of this legislation, we recorded a \$13 million tax provision in 2011 for the effect of this tax rate increase on our Israel net deferred tax liabilities, which were principally related to purchased intangible assets.

## 6. Debt and Credit Facility

### Senior Notes

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

Date Issued	Maturity Date	Interest Rate	Effective Yield	Original Issue Discount	December 31,	
					2013	2012
(In millions)						
November 2010	November 2013	1.500%	1.605%	99.694%	\$ —	\$ 300
November 2010	November 2015	2.375	2.494	99.444	400	400
November 2011	November 2018	2.700	2.762	99.609	500	500
August 2012	August 2022	2.500	2.585	99.255	500	500
					\$ 1,400	\$ 1,700
Unaccreted discount					(6)	(7)
Less current portion of long-term debt					—	(300)
					\$ 1,394	\$ 1,393

We may redeem the above outstanding Notes at any time prior to their maturity, subject to a specified make-whole premium as defined in the indenture governing the Notes. In the event of a change of control triggering event, each holder of Notes will have the right to require us to purchase for cash all or a portion of their Notes at a

redemption price of 101% of the aggregate principal amount of such Notes plus accrued and unpaid interest. Default can be triggered by any missed interest or principal payment, breach of covenant, or in certain events of bankruptcy, insolvency or reorganization.

The outstanding Notes contain a number of customary representations, warranties and 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 but unpaid interest on the Notes.

The outstanding Notes are recorded net of original issue discount. The discount and debt issuance costs associated with the issuance of the Notes are amortized to interest expense over their respective terms. The effective rates for the fixed-rate debt include the interest on the notes and the accretion of the original issue discount.

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. This credit facility, which was amended in October 2011, has a maturity date of November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. We have not drawn on our credit facility to date.

Any advances under a Eurodollar Rate Committed Loan will accrue interest at the British Bankers Association LIBOR, or BBA LIBOR, plus the Applicable Rate. Any advances under a US Dollar Base Rate Committed Loan will accrue interest at rates that are equal to the Applicable Rate plus the higher of (a) the Federal Funds Rate plus 0.5%, (b) Bank of America's "prime rate" as announced from time to time, or (c) BBA LIBOR plus 1.0%. The Applicable Rate is based on our senior debt credit ratings as published by Standard & Poor's Rating Services and Moody's Investors Service, Inc. and can range between 0.625% and 1.500% for Eurodollar Rate Committed Loans and 0.000% to 0.500% for US Dollar Base Rate Committed Loans. We are also required to pay an annual commitment fee of 0.07% on the actual daily unused amount of commitments. We may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional \$100 million. Borrowings of swing line loans bear interest at a rate equivalent to the US Dollar Base Rate Committed Loans noted above.

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 and a consolidated interest coverage ratio of no less than 3.00 to 1.00.

## 7. Shareholders' Equity

### Common Stock

At December 31, 2013 we had 2.5 billion authorized shares of Class A common stock and 400 million authorized shares of Class B common stock. The shares of Class A common stock and Class B common stock are substantially identical, except that holders of Class A common stock are entitled to one vote for each share held, and holders of Class B common stock are entitled to ten votes for each share held, on all matters submitted to a vote of the shareholders. In addition, holders of Class B common stock are entitled to vote separately on the proposed issuance of additional shares of Class B common stock in certain circumstances. The shares of Class B common stock are not publicly traded. Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock and in most instances automatically converts upon sale or other transfer. The Class A common stock and Class B common stock are sometimes collectively referred to herein as "common stock." In 2013, 2012 and 2011, 1 million, 2 million and 1 million shares, respectively, of Class B common stock were automatically converted into a like number of shares of Class A common stock upon sale or other transfer pursuant to the terms of our Articles of Incorporation.

### Quarterly Dividend

In January 2010 our Board of Directors adopted a dividend policy pursuant to which we intend to pay quarterly cash dividends on our common stock. Our Board of Directors declared quarterly cash dividends of \$0.11, \$0.10, and \$0.09 per common share payable to holders of our common stock in each quarter of 2013, 2012 and 2011, respectively. In 2013, 2012 and 2011 we paid \$254 million, \$224 million and \$194 million, respectively, in dividends to holders of our Class A and Class B common stock.

### Share Repurchase Program

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. Under the evergreen program we repurchased 20 million, 1 million, and 10 million shares of our Class A common stock at a weighted average price of \$29.59, \$31.91, and \$36.84 in 2013, 2012 and 2011, respectively.

In February 2011 we entered into an accelerated share repurchase, or ASR, agreement to repurchase \$300 million of our Class A common stock, which was recorded as a reduction to shareholders' equity. Under the ASR program we received and cancelled 7 million shares of our Class A common stock with a weighted average price of \$42.64 per share.

Repurchases under our share repurchase programs were and are 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.

### Registration Statement

We currently have a Form S-4 acquisition shelf registration statement on file with the SEC. The acquisition shelf 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.

## **8. Employee Benefit Plans**

### **Employee Stock Purchase Plan**

We have an employee stock purchase plan, or ESPP, for all eligible employees. Under the ESPP, employees may purchase shares of our Class A common stock at six-month intervals at 85% of fair market value (calculated in the manner provided in the plan). Employees purchase such stock using payroll deductions, which may not exceed 15% of their total cash compensation. Shares of Class A common stock are offered under the ESPP through a series of successive offering periods, generally with a maximum duration of 24 months, subject to an additional three-month extension under certain circumstances. The plan imposes certain limitations upon an employee's right to acquire Class A common stock, including the following: (i) no employee may purchase more than 9,000 shares of Class A common stock on any one purchase date, (ii) no employee may be granted rights to purchase more than \$25,000 worth of Class A common stock for each calendar year that such rights are at any time outstanding, and (iii) the maximum number of shares of Class A common stock purchasable in total by all participants in the ESPP on any purchase date is limited to 5 million shares. The number of shares of Class A common stock reserved for issuance under the plan automatically increases in January each year. The increase is equal to 1.25% of the total number of shares of common stock outstanding on the last trading day of the immediately preceding year, subject to an annual share limit.

In 2013, 2012 and 2011, 6 million, 5 million and 4 million shares, respectively, were issued under this plan at average per share prices of \$24.92, \$28.32, and \$29.93, respectively. At December 31, 2013, 18 million shares were available for future issuance under this plan.

### **Stock Incentive Plans**

We have in effect stock incentive plans under which incentive stock options have been granted to employees and restricted stock units and non-qualified stock options have been granted to employees and non-employee members of the Board of Directors. Our 2012 Stock Incentive Plan, as amended and restated, or the 2012 Plan, is the successor equity incentive plan to our 1998 Stock Incentive Plan. The number of shares of Class A common stock reserved for issuance under the 2012 Plan automatically increases in January each year. The increase is equal to 4.5% of the total number of shares of common stock outstanding on the last trading day of the immediately preceding year, subject to an annual share limit.

The Board of Directors or the Plan Administrator determines eligibility and vesting schedules for all equity awards granted under the plans and, for stock options, exercise prices. We grant restricted stock units to certain employees as part of our regular annual employee equity compensation review program as well as to selected new hires and to non-employee members of the Board of Directors. Restricted stock units are share awards that entitle the holder to receive freely tradable shares of our Class A common stock upon vesting. Generally, restricted stock units vest ratably on a quarterly basis over 16 quarters from the date of grant. On a limited basis, we grant certain restricted stock units that vest in their entirety after 3 years.

In January 2011 the Compensation Committee of our Board of Directors adopted a performance restricted stock units program, or the PRSU Program. Under the PRSU Program, if the performance goals established by the Compensation Committee for a specific one-year performance cycle are achieved, our participating executive officers have the opportunity to receive grants of PRSUs in the three calendar years following the performance cycle. We granted 0.6 million, 0.4 million, 0.2 million under this program in 2013, 2012 and 2011, respectively.

Beginning in 2011, we stopped granting and currently have no plans to grant stock options, other than in connection with acquisitions. Prior stock options granted generally had a term of 10 years, and in the case of new hires were generally granted such that they would vest and become exercisable at the rate of 25% after one year and ratably on a monthly basis over a period of 36 months thereafter. Subsequent option grants to existing employees were generally granted such that they would vest and become exercisable ratably on a monthly basis over a period of 48 months measured from the date of grant. However, certain options that have been granted under our 1998 Plan or

that were assumed by us in connection with certain of our acquisitions provide that the vesting of the options granted thereunder will accelerate in whole or in part upon the occurrence of certain specified events.

In connection with certain acquisitions, we have assumed stock options and restricted stock units, and have also exchanged stock options for restricted stock units granted under stock incentive plans or agreements established by the acquired company. As of December 31, 2013, 3 million shares of Class A common stock were reserved for issuance upon the exercise or issuance of equity instruments assumed under these incentive plans.

### Combined Incentive Plan Activity

Stock option activity is set forth below:

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term
	(In millions, except per share data)			(In years)
Balance at December 31, 2010	78	\$ 27.05		
Options granted under the 1998 Plan	—	45.82		
Options cancelled	(2)	30.08		
Options exercised	(10)	23.48		
Balance at December 31, 2011	66	27.47		
Options assumed	4	9.71		
Options cancelled	(1)	34.55		
Options exercised	(11)	17.09		
Balance at December 31, 2012	58	28.11		
Options cancelled	(1)	37.01		
Options exercised	(18)	22.49	\$ 156	
Balance at December 31, 2013	39	\$ 30.39	\$ 121	2.6
Exercisable at December 31, 2013	39	\$ 30.44	\$ 119	2.6
Expected to vest after December 31, 2013	—	\$ 21.96	\$ 2	6.0

The aggregate intrinsic value shown in the table above represents the difference between the fair market value of our Class A common stock on the date of exercise and the exercise price of each option, and was based on the closing price of our Class A common stock of \$29.65 on December 31, 2013.

Restricted stock unit activity is set forth below:

	Number of Shares	Restricted Stock Units Outstanding		Aggregate Intrinsic Value
		Weighted Average Grant-Date Fair Value per Share		
(In millions, except per share data)				
Balance at December 31, 2010	28	\$	27.17	
Restricted stock units granted	10		42.45	
Restricted stock units cancelled	(2)		31.63	
Restricted stock units vested	(14)		28.84	
Balance at December 31, 2011	22		32.88	
Restricted stock units granted	13		35.76	
Restricted stock units assumed	6		37.54	
Restricted stock units cancelled	(2)		34.79	
Restricted stock units vested	(14)		29.18	
Balance at December 31, 2012	25		35.55	
Restricted stock units granted	14		33.01	
Restricted stock units cancelled	(2)		35.04	
Restricted stock units vested	(13)		34.03	\$ 408
Balance at December 31, 2013	24	\$	34.91	\$ 708

The per share fair values of rights granted in connection with the employee stock purchase plan and stock options assumed from acquisitions have been estimated with the following weighted average assumptions:

	Employee Stock Purchase Rights			Employee Stock Options Assumed		
	2013	2012	2011	2013	2012	2011
Expected life (in years)	1.60	1.43	1.70	—	1.39	3.60
Implied volatility	0.35	0.39	0.37	—	0.41	0.34
Risk-free interest rate	0.25%	0.23%	0.50%	—	0.22%	1.56%
Expected dividend yield	1.58%	1.19%	0.99%	—	1.00%	0.80%
Weighted average fair value	\$ 7.80	\$ 9.61	\$ 11.01	—	\$ 27.54	\$ 11.72

### Stock-Based Compensation Expense

The following table presents details of total stock-based compensation expense that is *included* in each functional line item in the consolidated statements of income:

	Year Ended December 31,		
	2013	2012	2011
(In millions)			
Cost of product revenue	\$ 25	\$ 27	\$ 24
Research and development	363	368	363
Selling, general and administrative	130	148	126
	\$ 518	\$ 543	\$ 513

The following table presents details of unearned stock-based compensation currently estimated to be expensed in 2014 through 2018 related to unvested share-based payment awards:

	2014	2015	2016	2017	2018	Total
	(In millions)					
Unearned stock-based compensation	\$ 399	\$ 249	\$ 125	\$ 23	\$ —	\$ 796

The weighted-average period over which the unearned stock-based compensation is expected to be recognized is 1.31 years.

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.

### Shares Reserved For Future Issuance

We had the following shares of common stock reserved for future issuance upon the exercise or issuance of equity instruments:

	Number of Shares (In millions)
Stock options outstanding	39
Authorized for future grants under stock incentive plans	113
Authorized for future issuance under stock purchase plan	18
Restricted stock units outstanding	24
Balance at December 31, 2013	194

### 401(k) Savings and Investment Plan

We sponsor a defined contribution 401(k) savings and investment plan covering substantially all of our U.S. employees, subject to certain eligibility requirements. At our discretion, we may make contributions to this plan. We have a limited matching contribution policy under which we made \$18 million, \$16 million and \$14 million in contributions to participants in this plan in 2013, 2012 and 2011, respectively.

## 9. Commitments and Contingencies

### 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: recorded any accrual for loss contingencies associated with such legal proceedings; determined that an unfavorable outcome is probable or reasonably possible; or determined that the amount or range of any possible loss is reasonably estimable. We are engaged in numerous other legal actions not described below arising in the ordinary course of our business and, while there can be no assurance, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

From time to time we may conclude it is in the best interests of our shareholders, employees, and customers to settle one or more litigation matters, and any such settlement could include substantial payments; however, other than as noted below, we have not reached this conclusion with respect to any particular matter at this time. 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. It is difficult to predict whether a settlement is possible, the amount of an appropriate settlement or when is the opportune time to settle a matter in light of the numerous factors that go into the settlement decision.

### ***Intellectual Property Proceedings***

In September 2009 we filed a complaint against Emulex Corporation, or Emulex, alleging patent infringement. On July 3, 2012 Broadcom and Emulex entered into a partial settlement and license agreement for various asserted patents. Emulex received a license and release related to several Broadcom patents for certain products for certain fields of use and Emulex was required to make a payment of certain amounts to Broadcom.

In November 2009 we filed a complaint against the Commonwealth Scientific and Industrial Research Organisation, or CSIRO, seeking a declaratory judgment that a certain U.S. patent number is invalid, unenforceable and not infringed. CSIRO counterclaimed for infringement. In March 2012 Broadcom and CSIRO entered into a settlement agreement resolving the litigation and the Court dismissed the parties' claims with prejudice. The terms of the settlement agreement included a full release from liability for all asserted claims, the grant of a perpetual license under the asserted patent and all related patents to Broadcom, and the payment of certain amounts by Broadcom.

In August 2010 we filed a motion to intervene (i.e., to be added as a party) in U.S. Ethernet Innovations, LLC v. Acer, Inc., Case No. 10-cv-03724-JW (N.D. Cal.). In this case, U.S. Ethernet Innovations, LLC, or USEI, filed a patent infringement complaint alleging that numerous companies, including certain of our customers, infringe patents relating generally to Ethernet technology. USEI seeks monetary damages, attorney's fees, and an injunction. Defendants have filed answers denying the allegations in USEI's complaint and asserting counterclaims for declaratory judgment that USEI's patents are invalid, unenforceable, and not infringed. In November 2013 Broadcom and USEI entered into a settlement agreement resolving the litigation. The Court has dismissed the parties' claims with prejudice. The terms of the settlement and release agreement include a release from liability for asserted claims, a license to the asserted patents and payments of certain amounts by Broadcom.

In March 2013 NXP B.V. sued Nintendo, our customer, in the U.S. District Court for the District of Nevada, asserting five patents against the Wii U, a Nintendo product. In October 2013 NXP B.V. withdrew its complaint against Nintendo and filed a new complaint against us, Case No. 2-13-cv-01883 (D. Nev.), asserting the same five patents against our near field communications (NFC) products. We have not yet responded to the complaint. No trial date has been set.

In May 2013 we sued NXP Semiconductors USA, Inc. for patent infringement in the U.S. District Court for the Central District of California, Case No. SACV13-829-MRP-MAN (C.D. Cal.). The complaint accuses the NXP entities of infringing five of our patents and identifies certain NXP NFC and Secure Element products as representative accused products. No trial date has been set.

We and our subsidiaries are also involved in other intellectual property proceedings, claims and litigation. We will disclose the nature of any such matter if we believe it to be material. Particularly in the early stages of such proceedings, an assessment of materiality may be complicated by limited information, including, without limitation, limited information 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. Some of these intellectual property proceedings may involve, for example, "non-practicing entities" asserting claims addressing certain of our products. The resolution of intellectual property litigation can include, among other things, payment of damages, royalties, or other amounts, which could adversely impact our product gross margins in future periods, 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. In addition, from time to time we are approached by holders of intellectual property, including non-practicing entities, to engage in discussions about our obtaining licenses to their intellectual property. We will disclose the nature of any such discussion 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.

### **Other Proceedings**

In April 2008 we delivered a Notice of Arbitration and Arbitration Claim to our former independent registered public accounting firm Ernst & Young LLP, or EY, and certain related parties. The arbitration relates to the issues that led to the restatement of our financial statements for the periods from 1998 through March 31, 2006 as disclosed in an amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and an amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed with the SEC on January 23, 2007. In May 2008 EY delivered a Notice of Defense and Counterclaim. The arbitration hearing occurred in January 2013. In July 2013 we entered into a confidential settlement agreement with EY pursuant to which the parties mutually dismissed all claims, deny liability and EY paid a settlement amount to Broadcom.

In September 2013 the State Administration for Industry and Commerce, a Chinese regulatory agency, commenced an informal review of our compliance with China's antitrust laws. We are fully cooperating with this review.

### **General**

We and our subsidiaries are also involved in other legal proceedings, claims and litigation arising in the ordinary course of business. We will disclose the nature of any such matter if we believe it to be material.

The pending proceedings described above involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to prosecute and defend. 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 other litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. In the course of such settlement discussions, if we conclude that a settlement loss is probable and the settlement amount is estimable we may record settlement costs, notwithstanding not having reached a final settlement agreement. The settlement of any pending litigation or other proceedings could require us to incur substantial settlement payments and costs. Furthermore, the settlement 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. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected. See Note 1 for an additional discussion of our accounting policy under "Litigation and Settlement Costs".

### **Settlement Costs (Gains) and Other Related Items**

In the 2013 we received a payment of \$75 million, net of contingent legal fees, related to *Other Proceedings*, and recorded this as a gain on settlement. In addition, we recorded settlement costs of \$6 million primarily related to patent infringement claims in 2013.

In 2012 we recorded net settlement costs of \$79 million, which was comprised of \$88 million of settlement costs related to patent infringement claims, offset by settlement gains of \$9 million (primarily related to the resolution of certain employment tax matters). In 2012 we also received a payment of \$58 million related to a partial settlement and license agreement. We accounted for this transaction as a multiple element arrangement and immediately recognized a \$2 million gain on settlement of litigation and allocated the remaining \$56 million to the licensing of intellectual property. The licensing portion will be recorded as net revenue over the ten year term of the license.

In 2011 we recorded net settlement gains of \$18 million, which was comprised of \$55 million of settlement gains (primarily related to a settlement of our shareholder derivative action relating to our historical stock option accounting practices), offset by settlement costs of \$37 million related to the settlement of patent infringement

claims. With respect to the derivative action settlement the gains were comprised of: (i) a payment from Henry T. Nicholas, III, our former President and Chief Executive Officer and former Co-Chairman of the Board, of approximately \$27 million; (ii) the cancellation of unexercised stock options held by Dr. Henry Samueli, our Chairman of the Board and Chief Technical Officer, valued at approximately \$14 million, using a Black-Scholes analysis based on the closing price of Broadcom's Class A common stock on the date the settlement was deemed final (such stock options were originally valued at \$24 million for purposes of the settlement (using the same methodology used to value equity granted to employees in the February 2011 annual focal compensation review)); and (iii) a contribution by Dr. Samueli of approximately \$2 million in cash to the Broadcom Foundation (through Broadcom Corporation).

### Commitments and Other Contractual Obligations

The following table presents details of our commitments and other contractual obligations, which are currently estimated to be paid in 2014 and thereafter:

	Payment Obligations by Year						Total
	2014	2015	2016	2017	2018	Thereafter	
	(In millions)						
Operating leases	\$ 170	\$ 143	\$ 100	\$ 58	\$ 42	\$ 43	\$ 556
Inventory and related purchase obligations	724	—	—	—	—	—	724
Other obligations	206	41	24	3	—	—	274
Long-term debt and related interest	36	435	26	26	526	550	1,599
	<u>\$ 1,136</u>	<u>\$ 619</u>	<u>\$ 150</u>	<u>\$ 87</u>	<u>\$ 568</u>	<u>\$ 593</u>	<u>\$ 3,153</u>

Facilities rent expense in 2013, 2012 and 2011 was \$97 million, \$90 million and \$84 million, respectively.

Inventory and related purchase obligations represent purchase commitments for silicon wafers and assembly and test services. We depend upon third party subcontractors to manufacture our silicon wafers and provide assembly and test services. Due to lengthy subcontractor lead times, we must order these materials and services from subcontractors well in advance. We expect to receive and pay for these materials and services within the ensuing six months. Our subcontractor relationships typically allow for the cancellation of outstanding purchase orders, but require payment of all expenses incurred through the date of cancellation.

Other obligations represent purchase commitments for lab test equipment, computer hardware, information systems infrastructure, mask and prototyping costs, intellectual property licensing arrangements and other commitments made in the ordinary course of business.

For purposes of the table above, obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on current manufacturing needs and are typically fulfilled by our vendors within a relatively short time horizon. We have additional purchase orders (not included in the table above) that represent authorizations to purchase rather than binding agreements. We do not have significant agreements for the purchase of inventories or other goods specifying minimum quantities or set prices that exceed our expected requirements.

## 10. Goodwill and Other Purchased Intangible Assets

### Goodwill

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

	Reportable Segments			Foreign Currency	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking		
	(In millions)				
Goodwill	\$ 597	\$ 1,013	\$ 2,021	\$ (15)	\$ 3,616
Accumulated impairment losses	—	(543)	(1,286)	—	(1,829)
Goodwill at December 31, 2011	597	470	735	(15)	1,787
Goodwill recorded in connection with acquisitions	125	—	1,805	—	1,930
Transfer	48	—	(48)	—	—
Effects of foreign currency translation	—	—	—	9	9
Goodwill at December 31, 2012	770	470	2,492	(6)	3,726
Goodwill recorded in connection with acquisitions	—	40	—	—	40
Effects of foreign currency translation	—	—	—	27	27
Goodwill at December 31, 2013	\$ 770	\$ 510	\$ 2,492	\$ 21	\$ 3,793

### Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	December 31, 2013			December 31, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Developed technology	\$ 1,492	\$ (539)	\$ 953	\$ 1,748	\$ (443)	\$ 1,305
In-process research and development	130	—	130	311	—	311
Customer relationships	232	(176)	56	380	(222)	158
Other	34	(29)	5	37	(25)	12
	\$ 1,888	\$ (744)	\$ 1,144	\$ 2,476	\$ (690)	\$ 1,786

In 2013 we reclassified \$83 million of in-process research and development, or IPR&D, costs to developed technology primarily related to digital front end (DFE) processors from our acquisition of NetLogic. These purchased intangible assets were subsequently impaired as discussed below.

### Impairment of Purchased Intangible Assets

#### Goodwill

We evaluate goodwill for potential impairment on October 1 of each year or more frequently if indicators of impairment exist. For our annual impairment evaluation, in 2013 and 2011 we made a qualitative assessment of whether goodwill impairment exists and determined that it was more likely than not that the fair value of our reporting units exceeded their carrying values. Therefore, we did not perform the quantitative two-step goodwill impairment test. As discussed below, during our August 31, 2013 evaluation and our 2012 annual impairment

evaluation, we performed the first step of the quantitative goodwill impairment assessment for each of our reporting units and determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value. At December 31, 2013 our book value was \$8.37 billion while the market capitalization was \$17.23 billion.

In light of the reduction in estimated future cash flows that resulted in the significant impairment of purchased intangible assets related to our Infrastructure and Networking reporting unit in the three months ended June 30, 2013 (as discussed below), and as a result of our stock price decline in the three months ended September 30, 2013, we determined our goodwill had potentially been impaired. Accordingly, we performed the first step of the quantitative goodwill impairment assessment for each of our reporting units for recoverability of goodwill at August 31, 2013 but determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value by greater than 20%.

For the August 31, 2013 evaluation and 2012 annual impairment evaluation, we estimated the fair values of our reporting units using a combination of the income and market approach. The income approach utilizes estimates of discounted future cash flows. The market approach, based on a peer group of each reporting unit, utilizes market multiples for revenue and earnings before income taxes. The discounted cash flows for each reporting unit were based on discrete financial forecasts developed by management for planning purposes. Cash flows beyond the discrete forecasts were estimated using a terminal value calculation, which incorporated historical and forecasted financial trends for each identified reporting unit and considered perpetual earnings growth rates for publicly traded peer companies. Future cash flows were discounted to present value by incorporating appropriate present value techniques. These techniques utilized several unobservable inputs categorized as Level 3 inputs, including discount rates, perpetual growth rates, a market participant tax rate and estimated future cash flows.

Specifically, the income approach valuations included the following assumptions for August 31, 2013 and October 1, 2012:

	2013	2012
Discount rate	10.5 - 12.4%	12.0% - 14.3%
Perpetual growth rate	3.0% - 4.0%	4.0%
Market participant tax rate	15.0%	15.1%
Risk free rate	3.5%	2.4%
Peer company beta	0.82 - 1.30	1.19 - 1.21

#### ***Purchased Intangible Assets***

During the six months ended June 30, 2013 we had a steady reduction in near-term sales forecasts for NetLogic products included in the Infrastructure and Networking reportable segment, sold into the service provider market, which caused us to review our long-term forecasts. In addition, we downwardly revised our longer-term expectations of the size of the addressable market for these products. As a result of these triggering events, we performed a detailed impairment analysis of the long-lived assets associated with these products during the three months ended June 30, 2013. Based on our analysis, we determined certain assets acquired from NetLogic were not recoverable, requiring us to reduce the associated carrying value to fair value. Specifically, we impaired \$238 million of completed technology, \$88 million of IPR&D and \$48 million of customer relationships related to our embedded and knowledge-based processor products. We also impaired \$87 million of completed technology related to our DFE processor products. For DFE, one of our smaller product lines, our customers indicated that they prefer custom solutions as opposed to standard merchant solutions. In response, we have decided to redirect our efforts by focusing on developing customized solutions and have consequently fully impaired the assets related to the acquired DFE merchant product line.

In 2013 and 2012 we recorded impairment charges of \$41 million and \$49 million, respectively, related to our acquisition of Provigent, Inc. included in the Infrastructure and Networking reportable segment. The primary factor contributing to the Provigent impairments was the continued reduction in revenue outlook for certain products and

the resulting decrease to the estimated cash flows identified with impaired assets over those respective years.

In 2011 we recorded impairment charges of \$74 million, primarily related to our 2010 acquisition of Beceem Communications, Inc., or Beceem, included in our Mobile and Wireless reportable segment. The primary factor contributing to this impairment charge was the continued reduction in the forecasted cash flows derived from the acquired WiMAX products as wireless service providers have accelerated their adoption of Long Term Evolution (LTE) products.

In 2013, 2012 and 2011 we recorded additional impairment charges of \$9 million, \$38 million and \$18 million related to eight acquisitions. The primary factor contributing to the other impairment charges was the reduction in the revenue outlook for certain products and the resulting decrease to the estimated cash flows identified with the impaired assets. We also recorded an impairment charge of \$3 million related to certain computer software and equipment in 2012.

In determining the amount of the impairment charges we calculated fair values as of the impairment date for acquired intangible assets. The fair value was determined using the multiple period excess earnings method, described in Note 3. The fair values were determined using significant unobservable inputs categorized as Level 3 inputs. The key unobservable inputs utilized in the model include discount rates ranging from 15% to 25%, a market participant tax rate of 15%, and a probability adjusted level of future cash flows based on current product and market data.

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

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Cost of product revenue	\$ 171	\$ 198	\$ 54
Other operating expenses	57	113	30
	<u>\$ 228</u>	<u>\$ 311</u>	<u>\$ 84</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 2014 and thereafter:

	Purchased Intangible Asset Amortization by Year						Total
	2014	2015	2016	2017	2018	Thereafter	
	(In millions)						
Cost of product revenue	\$ 197	\$ 180	\$ 159	\$ 137	\$ 116	\$ 294	\$ 1,083
Other operating expenses	34	14	5	3	2	3	61
	<u>\$ 231</u>	<u>\$ 194</u>	<u>\$ 164</u>	<u>\$ 140</u>	<u>\$ 118</u>	<u>\$ 297</u>	<u>\$ 1,144</u>

## 11. Restructuring Costs

In September 2013 our Board of Directors approved and we initiated a global restructuring plan to reduce our expenses and better align our resources to areas of strategic focus. The plan focuses on cost reductions and operating efficiencies, including a reduction in our worldwide headcount and certain lease terminations. As part of this restructuring plan, and in connection with the closing of the Renesas Transaction, we determined that additional terminations of various Broadcom employees, as well as former Renesas employees, whose positions were expected to become redundant and additional lease terminations would be necessary. Notification to impacted employees was substantially complete on October 21, 2013 and additional employees affected by the Renesas Transaction were notified during the remainder of the year. As a result of the plan, we expect to reduce our worldwide headcount by up to 950 employees, of which 650 were terminated as of December 31, 2013.

In connection with the restructuring plan we recorded \$41 million in restructuring costs, of which \$40 million related to severance and other charges associated with our reduction in workforce across multiple locations and functions, and \$1 million was related to the closure of one of our facilities. As part of the Renesas Transaction, Renesas Electronics Corporation is required to reimburse us up to \$21 million for certain costs associated with employees terminated prior to June 30, 2014. As a result of this provision, we have recognized an indemnification asset of \$12 million as of December 31, 2013, which resulted in a reduction to the restructuring charges noted above. We expect to incur up to \$5 million of additional restructuring charges in connection with this plan.

Restructuring costs are primarily comprised of cash-based severance. We were substantially complete with the restructuring actions as of December 31, 2013, however, due to various complexities in our international locations, including consulting with works councils or employee representatives in certain of our European sites, some employee terminations will be finalized after December 31, 2013. We anticipate most of the expenses associated with this plan to be paid by March 31, 2014.

As part of our regular portfolio management review process and in light of our decision to significantly reduce our investment in our digital television and Blu-ray Disc product lines within our Broadband Communications operating segment, in September 2011 we implemented a restructuring plan to reduce our worldwide headcount by approximately 300 employees. In connection with this plan, in 2011 we recorded \$16 million in net restructuring costs, of which \$12 million was related to severance and other charges associated with our reduction in workforce across multiple locations and functions, and \$4 million was related to the closure of three of our facilities. In 2012 we incurred \$7 million in restructuring costs primarily associated with additional costs for retention bonuses and facilities relating to the restructuring plan noted above, and severance and facility charges associated with synergies identified during the integration of our acquisition of NetLogic.

The following table summarizes activity related to our restructuring liabilities:

	Year Ended December 31,	
	2013	2012
	(In millions)	
Beginning balance	\$ 1	\$ 8
Charged to expense	41	7
Cash payments	(25)	(14)
Ending balance	\$ 17	\$ 1

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

### Reportable Segments

Broadcom has three reportable segments consistent with our target markets. Our three reportable segments are: Broadband Communications (Home), Mobile and Wireless (Hand), and Infrastructure and Networking (Infrastructure). 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, the income we receive from the Qualcomm Agreement, and other licensing revenue. While we derive some revenue from other sources, that revenue is not material as it represents less than 1% of our total net revenue. Such revenue is classified under product revenue for reporting purposes. We group our net revenue consistent with our three target markets which comprise our reportable segments, as discussed above.

With respect to the sales of integrated circuit products, we have approximately 550 products that are grouped into approximately 70 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; and
- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

We also report an “All Other” category, which is income from the Qualcomm Agreement, since it was principally the result of corporate efforts, and also includes operating expenses that we do not allocate to our other operating 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 stock-based compensation, amortization of purchased intangible assets, amortization of acquired inventory valuation step-up, impairment of goodwill and other long-lived assets, net settlement costs (gains), net restructuring costs, charitable contributions, non-recurring legal fees, change in contingent earnout liability, employer payroll tax on certain stock option exercises, 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 stock-based compensation and acquisition-related items in the “All Other” category as decisions regarding equity compensation are made at the corporate level and 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 an operating segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

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

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking		
	(In millions)				
<b>Year Ended December 31, 2013</b>					
Net revenue	\$ 2,220	\$ 3,919	\$ 2,080	\$ 86	\$ 8,305
Operating income (loss)	538	365	655	(1,086)	472
<b>Year Ended December 31, 2012</b>					
Net revenue	\$ 2,156	\$ 3,809	\$ 1,855	\$ 186	\$ 8,006
Operating income (loss)	504	561	484	(873)	676
<b>Year Ended December 31, 2011</b>					
Net revenue	\$ 2,039	\$ 3,484	\$ 1,659	\$ 207	\$ 7,389
Operating income (loss)	391	572	545	(555)	953

**Included in "All Other" category:**

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Net revenue	\$ 86	\$ 186	\$ 207
Stock-based compensation	\$ 518	\$ 543	\$ 513
Amortization of purchased intangible assets	228	311	84
Amortization of acquired inventory valuation step-up	1	72	24
Impairments of long-lived assets	511	90	92
Settlement costs (gains)	(69)	79	(18)
Restructuring costs, net	29	7	16
Charitable contribution	25	—	25
Non recurring legal fees	—	—	25
Change in contingent earnout liability	—	—	(1)
Employer payroll tax on certain stock option exercises	6	10	8
Miscellaneous corporate allocation variances	(77)	(53)	(6)
Total other operating costs and expenses	\$ 1,172	\$ 1,059	\$ 762
Total operating loss for the "All Other" category	\$ (1,086)	\$ (873)	\$ (555)

**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:

	Year Ended December 31,		
	2013	2012	2011
Samsung	21.3%	17.3%	10.0%
Apple	13.3	14.6	13.1
Five largest customers as a group	48.3	46.9	42.3

Sales to Samsung and Apple were primarily related to our Mobile and Wireless reportable segment. No other customer represented more than 10% of our annual net revenue in these years.

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

	Year Ended December 31,		
	2013	2012	2011
China (exclusive of Hong Kong)	23.7%	29.0%	31.5%
Hong Kong	27.5	26.9	25.9
Singapore, Taiwan, Thailand and Japan	34.5	31.1	27.3
United States	3.6	3.6	3.5
Europe	1.4	1.0	1.6
Other	9.3	8.4	10.2
	100.0%	100.0%	100.0%

We do not own or operate a fabrication facility. Four independent third-party foundries located in Asia manufacture a majority of our semiconductor devices in current production, including one foundry that accounts for approximately half of our production. Any sudden demand for an increased amount of semiconductor devices or sudden reduction or elimination of any existing source or sources of semiconductor devices could result in a material delay in the shipment of our products. In addition, substantially all of our products are assembled and tested by five

different independent third-party subcontractors in Asia, including one subcontractor that accounts for approximately a third of our production. We do not have long-term agreements with any of these suppliers. Any problems associated with the fabrication facilities or the delivery, quality or cost of our products could have a material adverse effect on our business, results of operations and financial condition.

We have an international distribution center that includes engineering design and administrative facilities in Singapore as well as engineering design facilities in Belgium, Canada, China, Denmark, France, Greece, India, Israel, Japan, Korea, the Netherlands, Taiwan and the United Kingdom. At December 31, 2013, \$183 million, or approximately 27.8%, of our tangible long-lived assets were located outside the United States.

### 13. Quarterly Financial Data (Unaudited)

The following table presents our unaudited quarterly financial data. In our opinion, this information has been prepared on a basis consistent with that of our audited consolidated financial statements and all necessary material adjustments, consisting of normal recurring accruals and adjustments, have been included to present fairly the unaudited quarterly financial data. Our quarterly results of operations for these periods are not necessarily indicative of future results of operations.

	Total Net Revenue	Gross Profit	Net Income (Loss)	Diluted Net Income (Loss) Per Share
(In millions, except per share data)				
<b>Year Ended December 31, 2013</b>				
Fourth Quarter	\$ 2,064	\$ 1,038	\$ 168 <sup>(1)</sup>	\$ 0.29
Third Quarter	2,146	1,102	316 <sup>(2)</sup>	0.55
Second Quarter	2,090	1,060	(251) <sup>(3)</sup>	(0.43)
First Quarter	2,005	1,017	191	0.33
<b>Year Ended December 31, 2012</b>				
Fourth Quarter	\$ 2,080	\$ 1,055	\$ 251	\$ 0.43
Third Quarter	2,128	1,065	220 <sup>(4)</sup>	0.38
Second Quarter	1,971	950	160	0.28
First Quarter	1,827	909	88 <sup>(5)</sup>	0.15

<sup>(1)</sup> Includes restructuring costs of \$17 million.

<sup>(2)</sup> Includes settlement gains of \$75 million, a charitable contribution of \$25 million and restructuring costs of \$12 million.

<sup>(3)</sup> Includes impairment of long-lived assets of \$501 million.

<sup>(4)</sup> Includes impairment of long-lived assets of \$48 million.

<sup>(5)</sup> Includes settlement costs of \$86 million and impairment of long-lived assets charges of \$28 million.

### 14. Subsequent Events

In January 2013 our Board of Directors adopted an amendment to our existing dividend policy pursuant to which we intend to increase the quarterly cash dividend by 9% to \$0.12 per share (\$0.48 per share on an annual basis) and declared a quarterly cash dividend of \$0.12 per share payable to holders of our common stock.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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/ SCOTT A. MCGREGOR

Scott A. McGregor  
President and Chief Executive Officer

Date: January 30, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ SCOTT A. MCGREGOR</u> Scott A. McGregor	President and Chief Executive Officer and Director (Principal Executive Officer)	January 30, 2014
<u>/s/ HENRY SAMUELI</u> Henry Samuelli, Ph.D.	Chairman of the Board and Chief Technical Officer	January 30, 2014
<u>/s/ ERIC K. BRANDT</u> Eric K. Brandt	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	January 30, 2014
<u>/s/ ROBERT L. TIRVA</u> Robert L. Tirva	Senior Vice President and Corporate Controller (Principal Accounting Officer)	January 30, 2014
<u>/s/ ROBERT J. FINOCCHIO, JR.</u> Robert J. Finocchio, Jr.	Director	January 30, 2014
<u>/s/ NANCY H. HANDEL</u> Nancy H. Handel	Director	January 30, 2014
<u>/s/ EDDY W. HARTENSTEIN</u> Eddy W. Hartenstein	Director	January 30, 2014
<u>/s/ MARIA M. KLAWE</u> Maria M. Klawe, Ph.D.	Director	January 30, 2014
<u>/s/ JOHN E. MAJOR</u> John E. Major	Lead Independent Director	January 30, 2014
<u>/s/ WILLIAM T. MORROW</u> William T. Morrow	Director	January 30, 2014
<u>/s/ ROBERT E. SWITZ</u> Robert E. Switz	Director	January 30, 2014

**SCHEDULE II — CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS**  
**BROADCOM CORPORATION**

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
(In millions)					
<b>Year ended December 31, 2013:</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 8	\$ —	\$ —	\$ —	\$ 8
Sales returns	12	48	—	(53)	7
Restructuring liabilities	1	41	—	(25)	17
Total	<u>\$ 21</u>	<u>\$ 89</u>	<u>\$ —</u>	<u>\$ (78)</u>	<u>\$ 32</u>
<b>Year ended December 31, 2012:</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 9	\$ —	\$ —	\$ (1)	\$ 8
Sales returns	10	31	—	(29)	12
Restructuring liabilities	8	7	—	(14)	1
Total	<u>\$ 27</u>	<u>\$ 38</u>	<u>\$ —</u>	<u>\$ (44)</u>	<u>\$ 21</u>
<b>Year ended December 31, 2011:</b>					
Deducted from asset accounts:					
Allowance for doubtful accounts	\$ 9	\$ —	\$ —	\$ —	\$ 9
Sales returns	14	37	—	(41)	10
Restructuring liabilities	—	16	—	(8)	8
Total	<u>\$ 23</u>	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ (49)</u>	<u>\$ 27</u>

## EXHIBIT INDEX

Exhibit Number	Description	Where Located			
		Form	File No.	Exhibit No.	Filing Date
2.1	Agreement and plan of Merger, dated as of September 11, 2011, by and among Broadcom, NetLogic Microsystems and I&N Acquisition Corp.	8-K	000-23993	2.1	9/12/2011
3.1	Second Amended and Restated Articles of Incorporation filed with the California Secretary of State on June 8, 2006	8-K	000-23993	3.1	8/10/2006
3.2	Amended and Restated Bylaws, as amended through August 16, 2012	8-K	000-23993	3.1	8/16/2012
4.1	Indenture, dated November 1, 2010, between the registrant and Wilmington Trust FSB	8-K	000-23993	4.1	11/1/2010
4.2	Supplemental Indenture, dated November 1, 2010, between the registrant and Wilmington Trust FSB, including the form of Broadcom's 2.375% Senior Notes due 2015	8-K	000-23993	4.2	11/1/2010
4.3	Second Supplemental Indenture, dated November 9, 2011, between the registrant and Wilmington Trust, National Association, including the form of Broadcom's 2.700% Senior Notes due 2018	8-K	000-23993	4.1	11/9/2011
4.4	Third Supplemental Indenture, dated August 16, 2012, between Broadcom and Wilmington Trust, National Association, including the forms of Broadcom's 2.500% Senior Notes due 2022	8-K	000-23993	4.1	8/16/2012
10.1*	Performance Bonus Plan (as amended and restated March 5, 2010)	8-K	000-23993	99.1	3/9/2010
10.2*	Fourth Amendment dated August 9, 2010 to Letter Agreement between the registrant and Scott A. McGregor	10-Q	000-23993	10.1	10/26/2010
10.3*	Third Amendment dated August 9, 2010 to Letter Agreement between the registrant and Eric K. Brandt	10-Q	000-23993	10.2	10/26/2010
10.4*	Form of Revised Letter Agreement for Change in Control Severance Benefit Program dated August 9, 2010 between the registrant and Thomas F. Lagatta; and each of the following executive officers: Arthur Chong, Neil Kim, Daniel A. Marotta, Robert A. Rango, and Terri L. Timberman;	10-Q	000-23993	10.5	10/26/2010
10.5*	Revised Letter Agreement for Change in Control Severance Benefit Program dated August 9, 2010 between the registrant and Robert L. Tirva	10-Q	000-23993	10.6	10/26/2010

Exhibit Number	Description	Where Located				
		Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.6*	Amendment dated August 9, 2010 to Letter Agreement for Change in Control Severance Benefit Program between the registrant and Rajiv Ramaswami	10-Q	000-23993	10.4	10/26/2010	
10.7*	Agreement for Change in Control Severance Benefit Program dated April 1, 2013 between the registrant and Michael E. Hurlston	10-Q	000-23993	10.1	4/23/2013	
10.8*	Severance Benefit Plan for Vice Presidents and Above and Summary Plan Description effective June 1, 2010 (Amended December 16, 2011)	10-K	000- 23993	10.7	1/31/2013	
10.9*	1998 Stock Incentive Plan, as amended and restated November 11, 2010	10-K	000-23993	10.14	2/2/2011	
10.10*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for executive officers	10-K	000-23993	10.17	2/4/2009	
10.11*	1998 Stock Incentive Plan form of Stock Option Agreement for executive officers	10-K	000-23993	10.21	2/4/2009	
10.12*	1998 Stock Incentive Plan form of Automatic Stock Option Agreement for Non-Employee Directors (under prior Director Automatic Grant Program)	10-Q	000-23993	10.2	11/9/2004	
10.13*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Scott A. McGregor	10-K	000-23993	10.18	2/2/2011	
10.14*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for executive officers other than Scott A. McGregor	10-K	000-23993	10.19	2/2/2011	
10.15*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for executive officers (for RSUs governed by the Special RSU Program)	10-K	000-23993	10.20	2/2/2011	
10.16*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Non-Employee Directors (Annual Award)	10-K	000-23993	10.29	2/4/2009	
10.17*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Non-Employee Directors (Pro-rated Awards)	10-K	000-23993	10.30	2/4/2009	
10.18*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Initial Awards under prior Director Automatic Grant Program)	10-Q	000-23993	10.3	5/4/2005	
10.19*	2012 Stock Incentive Plan	S-8	333- 186334	99.1	1/31/2013	

Exhibit Number	Description	Where Located				Filed Herewith
		Form	File No.	Exhibit No.	Filing Date	
10.20*	2012 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Scott A. McGregor					X
10.21*	2012 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for executive officers other than Scott A. McGregor					X
10.22*	2012 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for executive officers (for RSUs governed by the special RSU program (3 year cliff vesting))					X
10.23*	2012 Stock Incentive Plan form of Notice of Grant of Stock Option and form of Stock Option Agreement for executive officers					X
10.24*	2012 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Non-Employee Directors (Annual Award)					X
10.25*	2012 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for Non-Employee Directors (Pro-rated Awards)					X
10.26*	Restricted Stock Units Incentive Award Program	8-K	000-23993	10.1	1/20/2011	
10.27*	Restricted Stock Unit Incentive Award Program — Form of Award Letter	8-K	000-23993	10.2	1/20/2011	
10.28*	Form of Indemnification Agreement for Directors, Elected Officers and certain employees or agents of the registrant	8-K	000-23993	10.1	6/24/2008	
10.29††	Settlement and Patent License and Non-Assert Agreement by and between Qualcomm Incorporated and the registrant	8-K/A	000-23993	10.1	7/23/2009	
10.30	Credit Agreement, dated as of November 19, 2010, by and among the registrant, Bank of America, N.A. and the other lenders party thereto.	8-K	000-23993	10.1	11/22/2010	
10.31	First Amendment to Credit Agreement dated as of October 31, 2011 by and among the registrant, the lenders party thereto, and Bank of America, N.A.	8-K	000-2393	10.1	11/1/2011	
10.32	Lease Agreement dated May 18, 2000 between M-D Downtown Sunnyvale, LLC and the registrant	10-K	000-23993	10.21	3/31/2003	
10.33	Amendment dated September 30, 2005 to Lease Agreement dated May 18, 2000 between M-D Downtown Sunnyvale, LLC and the registrant	10-K	000-23993	10.43	2/4/2009	
10.34	Second Amendment dated October 15, 2010 to Lease Agreement dated May 18, 2000 between M-D Downtown Sunnyvale, LLC and the registrant	10-K	000-23993	10.36	2/2/2011	

Exhibit Number	Description	Where Located				Filed Herewith
		Form	File No.	Exhibit No.	Filing Date	
10.35††	Lease Agreement dated December 29, 2004 between Irvine Commercial Property Company and the registrant	10-K	000-23993	10.38	3/1/2005	
10.36	First Amendment, Second Amendment, and Third Amendment dated June 7, 2005, April 9, 2007 and April 9, 2007, respectively, to Lease dated December 29, 2004 between Irvine Commercial Property Company LLC and the registrant	10-Q	000-23993	10.20	10/24/2007	
10.37	Fourth Amendment dated November 19, 2007 to Lease dated December 29, 2004 between Irvine Commercial Property Company LLC and the registrant	10-K	000-23993	10.43	1/28/2008	
10.38	Fifth Amendment dated February 26, 2013 to Lease dated December 29, 2004 between The Irvine Company LLC and the registrant					X
10.39	Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant	10-K	000-23993	10.44	1/28/2008	
10.40	First Amendment dated November 12, 2008 to Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant	10-K	000-23993	10.49	2/4/2009	
10.41	Second Amendment, Third Amendment, and Fourth Amendment dated July 30, 2010, September 14, 2010 and November 15, 2010, respectively, to Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant	10-K	000-23993	10.42	2/2/2011	
10.42	Fifth and Sixth Amendment dated April 24, 2011 and August 2, 2011, respectively to Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant	10-K	000-23993	10.45	2/1/2012	
10.43	Seventh Amendment dated June 28, 2012 to Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant	10-K	000- 23993	10.37	1/30/2013	
10.44	Eighth Amendment dated February 26, 2013 to Lease Agreement dated October 31, 2007 between The Irvine Company LLC and the registrant					X
21.1	Subsidiaries of the Company					X
23.1	Consent of KPMG LLP					X
31.1	Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X

Exhibit Number	Description	Where Located				Filed Herewith
		Form	File No.	Exhibit No.	Filing Date	
31.2	Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
*	A contract, compensatory plan or arrangement in which directors or executive officers are eligible to participate.					
††	Confidential treatment has previously been granted by the SEC for certain portions of the referenced exhibit pursuant to Rule 406 under the Securities Act.					

**BROADCOM CORPORATION**  
**RESTRICTED STOCK UNIT ISSUANCE AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Participant is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to the Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units.** The Corporation hereby awards to the Participant, as of the Award Date, Restricted Stock Units under the Plan. Each Restricted Stock Unit represents the right to receive one share of Common Stock on the vesting date specified for that unit in accordance with the express provisions of this Agreement. The number of shares of Common Stock subject to the awarded Restricted Stock Units, the applicable vesting schedule for those shares, the date or dates on which those vested shares shall become issuable to Participant and the remaining terms and conditions governing the award (the "Award") shall be as set forth in this Agreement.

**AWARD SUMMARY**

Participant: \_\_\_\_\_

Award Date: \_\_\_\_\_, 20\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_, 20\_\_\_\_ (the "Vesting Commencement Date")

Number of Shares Subject to Award: \_\_\_\_\_ shares of Common Stock (the "Shares")

Vesting Schedule: The Shares shall vest in a series of sixteen (16) successive equal quarterly installments upon the Participant's completion of each successive three (3)-month period of Service (each date on which such three (3)-month period ends, a "Vesting Date") over the forty-eight (48)-month period measured from the Vesting Commencement Date (the "Normal Vesting Schedule"). However, the Shares may also vest in whole or in part on an accelerated basis in accordance with the provisions of Sections 3 and 5 of this Agreement.

Issuance Schedule: Subject to Section 8 of this Agreement, each quarterly installment of Shares to which the Participant becomes entitled in accordance with the Normal Vesting Schedule shall be issued, subject to the Corporation's collection of the applicable Withholding Taxes, on the date that installment vests in accordance with such schedule or as soon thereafter as administratively practicable, but in no event later than thirty (30) days after the applicable Vesting Date. Any Shares that vest on an accelerated basis pursuant to Section 3 or 5 of this Agreement shall be issued in accordance with the applicable provisions of such section. The Corporation shall in all instances collect the applicable Withholding Taxes with respect to the issued Shares pursuant to the procedures set forth in Section 7 of this Agreement.

2. **Limited Transferability.** Prior to actual receipt of the Shares that become issuable hereunder, the Participant may not transfer any interest in the Award or the underlying Shares or pledge or otherwise hedge the sale of those Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. Any attempt by the Participant to do so will result in an immediate forfeiture of all of the Restricted Stock Units awarded to the Participant hereunder. Any Shares that vest hereunder but which otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of inheritance or to the Participant's designated beneficiary or beneficiaries of this Award. The Participant may also direct the Corporation to immediately re-issue the stock certificates for any Shares that in fact vest and become issuable to Participant under the Award during his or her lifetime to one or more designated Family Members or a trust established for the Participant and/or his or her Family Members. The Participant may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Cessation of Service.**

(a) Except as otherwise provided in this Section 3 or Section 5 below, should the Participant cease Service for any reason prior to a Vesting Date, then the Award shall be immediately cancelled with respect to those unvested Shares. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

(b) The Normal Vesting Schedule requires continued Service by the Participant through each Vesting Date as a condition to the vesting of that quarterly installment and the rights and benefits provided under this Agreement with respect to that installment. Accordingly, if the Participant's Service terminates for any reason prior to an applicable quarterly Vesting Date, this Award shall be immediately cancelled, and no further Restricted Stock Units shall thereafter vest. Service for only a portion of a quarterly vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting for that quarter or avoid or mitigate the cancellation and forfeiture of the Restricted Stock Units that will occur upon the termination of his Service prior to vesting in all the Restricted Stock Units subject to this Award. Upon the cancellation of one or more Restricted Stock Units, the Participant shall cease to have any right or entitlement to receive any Shares under those cancelled units.

(c) The Participant also has an employment agreement with the Corporation in the form of an amended and restated letter agreement and appendix (the "Employment Agreement") pursuant to which the Participant's equity or equity-based awards from the Corporation, including this Award, may vest in whole or in part on an accelerated basis in connection with the Participant's cessation of Employee status under various specified circumstances. The Employment Agreement also sets forth the date or dates on which the shares of Common Stock subject to the awards that vest on such an accelerated basis, including the Shares subject to this Award, are to be issued, subject to certain required delays as set forth in the Employment Agreement. The terms and provisions of the Employment Agreement, as they apply to this Award, are hereby incorporated by reference into this Agreement and shall have the same force and effect as if expressly set forth in this Agreement.

(d) In the event the Participant's Employee status terminates prior to vesting in all the Shares due to his death or Disability, then the applicable death and Disability provisions of the Employment Agreement shall govern the Participant's rights and entitlements.

#### **4. Shareholder Rights.**

(a) The Restricted Stock Units subject to this Award do not impose any fiduciary obligations upon the Corporation and create only a contractual obligation on the part of the Corporation to issue the Shares that vest in accordance with the express terms of this Agreement. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind.

(b) Participant shall not have any shareholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

(c) Except as otherwise provided in Section 6, no adjustments will be made to this Award for dividends or other shareholder distributions for which the record date is prior to the date Participant becomes the record holder of the Shares subject to this Award.

## 5. Change of Control.

(a) Any Restricted Stock Units subject to this Award at the time of a Change in Control may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a cash retention program of the successor entity that preserves the Fair Market Value (at the time of the Change in Control) of the unvested shares of Common Stock subject to the Award and provides for the subsequent vesting and payout of that value in accordance with the same vesting and issuance schedules applicable to the Award. In the event of such assumption or continuation of this Award or such replacement of the Award with a cash retention program, no accelerated vesting of the Restricted Stock Units or the underlying Shares shall occur at the time of the Change in Control.

(b) In the event this Award is assumed or otherwise continued in effect, the Restricted Stock Units subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the Shares subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the Restricted Stock Units subject to the Award at that time, substitute one or more shares of its own common stock with a fair market value equal to the cash consideration paid per share of Common Stock in the Change in Control transaction, provided the substituted common stock is readily tradable on an established U.S. securities exchange or market.

(c) If the Participant's Employee status continues until the Change in Control and the Restricted Stock Units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with a cash retention program in accordance with Section 5(a), then those units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant upon such Change in Control or at the earlier of (1) such later time or times as the consideration is paid to the other holders of Common Stock in connection with the Change in Control or (2) such time or times that are in accordance with the issuance schedules applicable to the Award, provided that in no circumstances will the consideration per Share be distributed at such time or times that would cause the Participant to include amounts payable in respect of the Restricted Stock Units in income under Code Section 409A.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

6. **Adjustment in Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award. The adjustments shall be made by the Plan Administrator in such manner as the Plan Administrator deems appropriate to reflect such change, and those adjustments shall be final, binding and conclusive. In the event of a Change in Control, the provisions of Section 5 shall be controlling.

7. **Issuance of Shares of Common Stock.**

(a) Except as otherwise provided in Section 5(c), on any applicable date that Shares are to be issued pursuant to this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on that date.

(b) The applicable Withholding Taxes with respect to the issued Shares or any other consideration distributed to Participant shall be collected from Participant as and when such taxes become due. Participant may, with respect to the issued Shares, satisfy the applicable Withholding Taxes through one or more of the following methods:

(i) The delivery of a separate check payable to the Corporation;

(ii) if and to the extent expressly authorized by the Plan Administrator at the time, through a share withholding procedure, pursuant to which the Corporation will automatically withhold, immediately upon the issuance of the Shares, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of such Withholding Taxes (the "Share Withholding Method"); ***provided, however***, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Participant will be notified (either in writing or through electronic transmission) of the time or times when the Share Withholding Method will actually be available with respect to one or more vested Shares that become issuable under this Agreement (such notification will also set forth the procedures authorized and established by the Plan Administrator for such purpose);

(iii) irrevocable instructions given by Participant to a broker to remit to the Corporation cash, in an amount equal to such Withholding Taxes, from a previously established account Participant maintains with such broker; or

(iv) to the extent the Share Withholding Method is not otherwise available at the time one or more vested Shares become issuable, Participant may also satisfy the applicable Withholding Taxes with respect to those Shares through the use of proceeds from a next day sale of the issued Shares, **provided and only if** (i) such a sale is permissible under the Corporation's insider trading policies governing sales of Corporation shares and (ii) such transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

(c) If any withholding event is other than the issuance of the Shares, or if the Corporation for any reason is unable to collect the applicable Withholding Taxes with respect to the issuance of the Shares through any of the foregoing collection procedures specified in this Section 7, then the Corporation shall be entitled to require Participant to make a cash payment and/or to deduct from other compensation payable to him or her the amount of such applicable Withholding Taxes.

(d) Notwithstanding the foregoing provisions of this Section 7, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest hereunder, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Section 7(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Section 5 or Section 7(b), the settlement of all Restricted Stock Units that vest under the Award shall be made solely in shares of Common Stock. In no event, however, shall any fractional shares be issued. Accordingly, the total number of shares of Common Stock to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole share to avoid the issuance of a fractional share.

8. **Code Section 409A Limitations.** Notwithstanding any provision in this Agreement to the contrary, should this Agreement be deemed a deferred compensation arrangement subject to Section 409A of the Code:

- In no event shall the Shares that become issuable under this Agreement in connection with the Participant's cessation of Employee status be actually issued, nor shall Participant have any right to the issuance of those Shares, prior to the date on which the Participant incurs a Separation from Service due to that cessation of Employee status.

- If the issuance date for the Shares (or the distribution date of any other amounts due the Participant hereunder) is tied to the Participant's Separation from Service in accordance with the applicable provisions of this Agreement or the Employment Agreement, then in no event will the Shares be issued (or such amounts be distributed) prior to the **earlier** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, the Shares shall be issued (or any other amounts due the Participant hereunder shall be distributed) in a lump sum on the first day of the seventh (7th) month after the date of Participant's Separation from Service, or if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

In addition, it is the intent of the Corporation and the Participant that the provisions of this Agreement comply with all applicable requirements of Section 409A of the Code. Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the applicable requirements or limitations of Code Section 409A, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the applicable Treasury Regulations thereunder.

9. **Deferred Release Date.** Should the applicable Restricted Stock Unit issuance date occur during any period Participant is under investigation by the Corporation for any act or transaction that might constitute grounds for termination for Misconduct, then those issued Shares and/or the net proceeds from any sale or sales of those Shares during such period (the gross sale proceeds less withholding taxes due the Corporation and broker commissions) will be held by the Corporation in escrow until such time as the investigation is satisfactorily completed. If it is determined that Participant has not engaged in any action or transaction that might constitute grounds for a termination for Misconduct, then the escrowed Shares and/or funds will be released to Participant, subject to the Corporation's collection of all applicable Withholding Taxes not otherwise previously collected, as soon as administratively practicable following the completion of the investigation, but in no event later than the close of the calendar

year in which such determination is made. If it is determined that the Participant has engaged in any act or transaction that constitutes grounds for termination for Misconduct, then Participant shall cease to have any further right, title or interest in the escrowed Shares and/or funds, and those Shares and funds shall be returned to the Corporation.

10. **Securities Law Compliance.** The Corporation shall use its reasonable commercial efforts to assure that all Shares issued pursuant to this Agreement are registered under the federal securities laws. However, no Shares will be issued pursuant to this Award if such issuance would otherwise constitute a violation of any applicable federal or state securities laws or regulations or the requirements of any Stock Exchange on which the Common Stock may then be listed. The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Shares hereunder shall defer the Corporation's obligation with respect to the issuance of such Shares until such approval shall have been obtained.

11. **Transfer Restriction.** None of the issued Shares may be sold or transferred in contravention of (i) any market blackout periods the Corporation may impose from time to time or (ii) the Corporation's insider trading policies to the extent applicable to you from time to time.

12. **Parachute Payment** . In the event the accelerated vesting and issuance of the Shares subject to this Award would otherwise constitute a parachute payment under Code Section 280G, then the applicable parachute payment provisions of the Employment Agreement shall govern the Participant's rights and entitlements.

13. **Notice.** Any notice to be given or delivered to the Corporation relating to this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice to be given or delivered to Participant relating to this Agreement shall be in writing and addressed to Participant at the address indicated below his or her signature line on the last page of this Agreement or such other address of which Participant may later advise the Corporation in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon Participant and the legal representatives, heirs and the legatees of his or her estate.

15. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in the Award.

16. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

17. **At Will Employment.** Nothing in this Agreement or the Award shall provide Participant with any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way Participant's right or the right of the Corporation to terminate Participant's Service at any time for any reason, with or without cause, or for no reason.

18. **Mandatory Arbitration.** ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN PARTICIPANT AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE AWARD OF RESTRICTED STOCK UNITS EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN THE COUNTY IN WHICH PARTICIPANT IS (OR HAS MOST RECENTLY BEEN) EMPLOYED BY THE CORPORATION (OR ANY PARENT OR SUBSIDIARY) AT THE TIME OF SUCH ARBITRATION. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY THE CORPORATION. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A

**PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.**

19. **Electronic Delivery.** The Corporation may, in its sole discretion, decide to deliver any document related to the Award, the Plan or future awards that may be granted under the Plan by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

20. **Remaining Terms.** The remaining terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations that may from time to time be adopted under the Plan. The official prospectus summarizing the principal features of the Plan and the restricted stock units issuable under the Plan is available for review on the Corporation's website at <http://finbu.broadcom.com/stock/default.aspx>. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall be controlling. In the event of any conflict between the provisions of this Agreement and those of the Employment Agreement, the provisions of the Employment Agreement shall be controlling. Provisions of the Plan that confer discretionary authority on the Board or the Plan Administrator do not (and shall not be deemed to) confer in Participant any rights, except to the extent such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Plan Administrator expressly conferred by appropriate action after the date hereof.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year first indicated above.

**BROADCOM CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PARTICIPANT**

Signature: \_\_\_\_\_

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

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX A**

**DEFINITIONS**

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.

B. **Award** shall mean the award of Restricted Stock Units made to the Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the Restricted Stock Units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Section 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger, consolidation or other reorganization, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the successor corporation are immediately after such transaction, beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned Broadcom's outstanding voting securities immediately prior to such transaction,

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of Broadcom's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act, other than Broadcom or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, Broadcom, becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of Broadcom's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding

immediately after the consummation of such transaction or series of related transactions, whether the transaction or transactions involve a direct issuance from Broadcom or the acquisition of outstanding securities held by one or more of Broadcom's existing shareholders, or

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; provided, however, that solely for purposes of determining whether a permissible Section 409A distribution can be made under Section 5(d) in connection with such Change in Control event, the period for measuring a change in the composition of the Board shall be limited to a period of twelve (12) consecutive months or less;

**Provided, however,** that if this Agreement is deemed to constitute a deferred compensation arrangement for purposes of Code Section 409A, then for purposes of any circumstances in which a Change in Control constitutes a payment date or settlement date with respect to the Restricted Stock Units subject hereto, including without limitation, pursuant to Section 5(c) above, the foregoing shall only constitute a Change in Control to the extent that such transaction(s) also constitute a "change in control event" within the meaning of Code Section 409A.

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Common Stock** shall mean shares of the Corporation's Class A common stock.

H. **Corporation** shall mean Broadcom Corporation, a California corporation, and any successor corporation to all or substantially all of the assets or voting stock of Broadcom Corporation that shall by appropriate action adopt the Plan.

I. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

J. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global Select Market (or the Nasdaq Global Market), then the Fair Market Value

shall be the closing selling price per share of Common Stock at the close of regular trading hours (i.e. before after-hours trading begins) on the Nasdaq Global Select Market (or the Nasdaq Global Market) on the date in question, as such price is reported by the Nasdaq Global Select Market (or the Nasdaq Global Market) either as reported on the Nasdaq website (www.nasdaq.com), or otherwise. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, the then Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, the then Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

L. **Family Members** shall mean, with respect to the Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

M. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Participant, any unauthorized use or disclosure by the Participant of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by the Participant adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss the Participant or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

N. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

O. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

P. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the

determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Q. **Plan** shall mean the Corporation's 2012 Stock Incentive Plan, as amended and restated from time to time.

R. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

S. **Separation from Service** shall mean a "separation from service" from the Corporation (within the meaning of Section 409A of the Code).

T. **Service** shall mean the Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to the Participant serving in any of the foregoing capacities. For purposes of the Award, the Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to such Participant or (ii) the entity for which the Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Participant may subsequently continue to perform services for that entity.

U. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

V. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

W. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the issuance of the shares of Common Stock to which the Participant becomes entitled under this Agreement or any other consideration that becomes payable to Participant with respect to those shares.

**BROADCOM CORPORATION**  
**RESTRICTED STOCK UNIT ISSUANCE AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Participant is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to the Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units.** The Corporation hereby awards to the Participant, as of the Award Date, Restricted Stock Units under the Plan. Each Restricted Stock Unit represents the right to receive one share of Common Stock on the vesting date specified for that unit in accordance with the express provisions of this Agreement. The number of shares of Common Stock subject to the awarded Restricted Stock Units, the applicable vesting schedule for those shares, the date or dates on which those vested shares shall become issuable to Participant and the remaining terms and conditions governing the award (the "Award") shall be as set forth in this Agreement.

**AWARD SUMMARY**

Participant: \_\_\_\_\_

Award Date: \_\_\_\_\_, 20\_\_\_\_

Vesting Commencement Date: \_\_\_\_\_, 20\_\_\_\_ (the "Vesting Commencement Date")

Number of Shares Subject to Award: \_\_\_\_\_ shares of Common Stock (the "Shares")

Vesting Schedule: The Shares shall vest in a series of sixteen (16) successive equal quarterly installments upon the Participant's completion of each successive three (3)-month period of continuous Service (each date on which such three (3)-month period ends, a "Vesting Date") over the forty-eight (48)-month period measured from the Vesting Commencement Date (the "Normal Vesting Schedule"). However, the Shares may also vest in whole or in part on an accelerated basis in accordance with the provisions of Sections 3 and 6 of this Agreement.

Issuance Schedule: Subject to Section 9 of this Agreement, each quarterly installment of Shares to which the Participant becomes entitled in accordance with the Normal Vesting Schedule shall be issued, subject to the Corporation's collection of the applicable Withholding Taxes, on the date that installment vests in accordance with such schedule or as soon thereafter as administratively practicable, but in no event later than thirty (30) days after the applicable Vesting Date. Any Restricted Stock Units that vest on an accelerated basis pursuant to Section 3 or 6 of this Agreement shall be issued in accordance with the applicable provisions of such section. The Corporation shall in all instances collect the applicable Withholding Taxes with respect to the issued Shares pursuant to the procedures set forth in Section 8 of this Agreement.

2. **Limited Transferability.** Prior to actual receipt of the Shares that become issuable hereunder, the Participant may not transfer any interest in the Award or the underlying Shares or pledge or otherwise hedge the sale of those Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. Any attempt by the Participant to do so will result in an immediate forfeiture of all of the Restricted Stock Units awarded to the Participant hereunder. Any Shares that vest hereunder but which otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of inheritance or to the Participant's designated beneficiary or beneficiaries of this Award. The Participant may also direct the Corporation to immediately re-issue the stock certificates for any Shares that in fact vest and become issuable to Participant under the Award during his or her lifetime to one or more designated Family Members or a trust established for the Participant and/or his or her Family Members. The Participant may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Cessation of Service.**

(a) Except as otherwise provided in this Section 3 or Section 6 below, should the Participant cease Service for any reason prior to a Vesting Date, then the Award shall be immediately cancelled with respect to those unvested Shares. Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled units.

(b) The Normal Vesting Schedule requires continued active Service by the Participant through each Vesting Date as a condition to the vesting of that quarterly installment and the rights and benefits provided under this Agreement with respect to that installment. Accordingly, if the Participant's Service terminates for any reason prior to an applicable quarterly Vesting Date, this Award shall be immediately cancelled, and no further Restricted Stock Units shall thereafter vest. Service for only a portion of a quarterly vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting for that quarter or avoid or mitigate the cancellation and forfeiture of the Restricted Stock Units that will occur upon the termination of his or her Service prior to vesting in all the Restricted Stock Units subject to this Award. Upon the cancellation of one or more Restricted Stock Units, the Participant shall cease to have any right or entitlement to receive any Shares under those cancelled units.

(c) The Participant is also a participant in the Corporation's special officer severance program pursuant to the terms of the letter agreement between the Corporation and the Participant (the "Severance Agreement"). The Severance Agreement sets forth certain terms and conditions under which the Participant's equity or equity-based awards from the Corporation, including this Award, may vest in whole or in part on an accelerated basis in connection with the Participant's cessation of Employee status under various specified circumstances. The Severance Agreement also sets forth the date or dates on which the shares of Common Stock subject to the awards that vest on such an accelerated basis, including the Shares subject to this Award, are to be issued, subject to certain required delays as set forth in the Severance Agreement. The terms and provisions of the Severance Agreement, as they apply to this Award, are hereby incorporated by reference into this Agreement and shall have the same force and effect as if expressly set forth in this Agreement.

(d) In the event that Participant's Employee status terminates prior to vesting in all the Shares due to his or her death or Disability, then the applicable death and Disability provisions of the Severance Agreement shall govern the Participant's rights and entitlements.

4. **Leaves of Absence/Change of Employee Status.** The Participant shall not be deemed to have ceased Service while on a leave of absence authorized by the Corporation, except to the extent otherwise provided in the Appendix to this Agreement with respect to the date on which Participant is deemed to have a Separation from Service. Except as otherwise provided in the Corporation's Leave of Absence Policy for Equity Award Programs ("LOA Policy"), as may be in effect and may be amended from time to time, while on a statutorily protected or other Corporation-approved leave of absence, as set forth in the LOA Policy, the Restricted Stock Units shall continue to vest for such period of time, and shall terminate and be forfeited by Participant at such time, as set forth in the LOA Policy.

## 5. Shareholder Rights.

(a) The Restricted Stock Units subject to this Award do not impose any fiduciary obligations upon the Corporation and create only a contractual obligation on the part of the Corporation to issue the Shares that vest in accordance with the express terms of this Agreement. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind.

(b) Participant shall not have any shareholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

(c) Except as otherwise provided in Section 7, no adjustments will be made to this Award for dividends or other shareholder distributions for which the record date is prior to the date Participant becomes the record holder of the Shares subject to this Award.

## 6. Change of Control.

(a) Any Restricted Stock Units subject to this Award at the time of a Change in Control may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a cash retention program of the successor entity that preserves the Fair Market Value (at the time of the Change in Control) of the unvested shares of Common Stock subject to the Award and provides for the subsequent vesting and payout of that value in accordance with the same vesting and issuance schedules applicable to the Award. In the event of such assumption or continuation of this Award or such replacement of the Award with a cash retention program, no accelerated vesting of the Restricted Stock Units or the underlying Shares shall occur at the time of the Change in Control.

(b) In the event this Award is assumed or otherwise continued in effect, the Restricted Stock Units subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the Shares subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the Restricted Stock Units subject to the Award at that time, substitute one or more shares of its own common stock with a fair market value equal to the cash consideration paid per share of Common Stock in the Change in Control transaction, provided the substituted common stock is readily tradable on an established U.S. securities exchange or market.

(c) Any Restricted Stock Units that are assumed or otherwise continued in effect in connection with a Change in Control or replaced with a cash retention

program under Section 6(a) shall be subject to accelerated vesting in accordance with the applicable terms and conditions of the Severance Agreement incorporated herein.

(d) If Participant's Employee status continues until the Change in Control and the Restricted Stock Units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with a cash retention program in accordance with Section 6(a), then those units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant at such time or times that are in accordance with the issuance schedule applicable to the Award, and otherwise consistent with the terms of the Severance Agreement, provided that in no circumstances will the consideration per Share be distributed at such time or times that would cause the Participant to include amounts payable in respect of the Restricted Stock Units in income under Code Section 409A.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award. The adjustments shall be made by the Plan Administrator in such manner as the Plan Administrator deems appropriate to reflect such change, and those adjustments shall be final, binding and conclusive. In the event of a Change in Control, the provisions of Section 6 shall be controlling.

8. **Issuance of Shares of Common Stock.**

(a) Except as otherwise provided in Section 6(d), on any applicable date that Shares are to be issued pursuant to this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on that date.

(b) The applicable Withholding Taxes with respect to the issued Shares or any other consideration distributed to Participant shall be collected from Participant as and when such taxes become due. Participant may, with respect to the issued Shares, satisfy the applicable Withholding Taxes through one or more of the following methods:

(i) The delivery of a separate check payable to the Corporation;

(ii) if and to the extent expressly authorized by the Plan Administrator at the time, through a share withholding procedure, pursuant to which the Corporation will automatically withhold, immediately upon the issuance of the Shares, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of such Withholding Taxes (the "Share Withholding Method"); **provided, however**, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Participant will be notified (either in writing or through electronic transmission) of the time or times when the Share Withholding Method will actually be available with respect to one or more vested Shares that become issuable under this Agreement (such notification will also set forth the procedures authorized and established by the Plan Administrator for such purpose);

(iii) irrevocable instructions given by Participant to a broker to remit to the Corporation cash, in an amount equal to such Withholding Taxes, from a previously established account Participant maintains with such broker; or

(iv) to the extent the Share Withholding Method is not otherwise available at the time one or more vested Shares become issuable, Participant may also satisfy the applicable Withholding Taxes with respect to those Shares through the use of proceeds from a next day sale of the issued Shares, **provided and only if** (i) such a sale is permissible under the Corporation's insider trading policies governing sales of Corporation shares and (ii) such transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

(c) If any withholding event is other than the issuance of the Shares, or if the Corporation for any reason is unable to collect the applicable Withholding Taxes with respect to the issuance of the Shares through any of the foregoing collection procedures specified in this Section 8, then the Corporation shall be entitled to require Participant to make a cash payment and/or to deduct from other compensation payable to him or her the amount of such applicable Withholding Taxes.

(d) Notwithstanding the foregoing provisions of this Section 8, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder.

Accordingly, to the extent the issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest hereunder, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Section 8(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Section 3, Section 6 or Section 8(b), the settlement of all Restricted Stock Units that vest under the Award shall be made solely in shares of Common Stock. In no event, however, shall any fractional shares be issued. Accordingly, the total number of shares of Common Stock to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole share to avoid the issuance of a fractional share.

9. **Code Section 409A Limitations.** Notwithstanding any provision in this Agreement to the contrary, should this Agreement be deemed a deferred compensation arrangement subject to Section 409A of the Code:

- In no event shall the Shares that become issuable under this Agreement in connection with the Participant's cessation of Employee status be actually issued, nor shall Participant have any right to the issuance of those Shares, prior to the date on which the Participant incurs a Separation from Service due to that cessation of Employee status

- If the issuance date for the Shares is tied to the Participant's Separation from Service in accordance with the applicable provisions of this Agreement or the Severance Agreement, then in no event will the Shares be issued (or such amounts be distributed) prior to the **earlier** of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, the Shares shall be issued in a lump sum on the first day of the seventh (7th) month after the date of Participant's Separation from Service, or if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

In addition, it is the intent of the Corporation and the Participant that the provisions of this Agreement comply with all applicable requirements of Section 409A of the Code. Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the applicable requirements or limitations of Code Section 409A, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the applicable Treasury Regulations thereunder.

10. **Deferred Release Date.** Should the Restricted Stock Unit issuance date occur during any period Participant is under investigation by the Corporation for any act or transaction that might constitute grounds for termination for Misconduct, then those issued Shares and/or the net proceeds from any sale or sales of those Shares during such period (the gross sale proceeds less withholding taxes due the Corporation and broker commissions) will be held by the Corporation in escrow until such time as the investigation is satisfactorily completed. If it is determined that Participant has not engaged in any action or transaction that might constitute grounds for a termination for Misconduct, then the escrowed Shares and/or funds will be released to Participant, subject to the Corporation's collection of all applicable Withholding Taxes not otherwise previously collected, as soon as administratively practicable following the completion of the investigation, but in no event later than the close of the calendar year in which such determination is made. If it is determined that the Participant has engaged in any act or transaction that constitutes grounds for termination for Misconduct, then Participant shall cease to have any further right, title or interest in the escrowed Shares and/or funds, and those Shares and funds shall be returned to the Corporation.

11. **Securities Law Compliance.** The Corporation shall use its reasonable commercial efforts to assure that all Shares issued pursuant to this Agreement are registered under the federal securities laws. However, no Shares will be issued pursuant to this Award if such issuance would otherwise constitute a violation of any applicable federal or state securities laws or regulations or the requirements of any Stock Exchange on which the Common Stock may then be listed. The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Shares hereunder shall defer the Corporation's obligation with respect to the issuance of such Shares until such approval shall have been obtained.

12. **Transfer Restriction.** None of the issued Shares may be sold or transferred in contravention of (i) any market blackout periods the Corporation may impose from time to time or (ii) the Corporation's insider trading policies to the extent applicable to you from time to time.

13. **Parachute Payment .** In the event the accelerated vesting and issuance of the Shares subject to this Award would otherwise constitute a parachute payment under Code Section 280G, then the applicable parachute payment provisions of the Severance Agreement shall govern the Participant's rights and entitlements.

14. **Notice.** Any notice to be given or delivered to the Corporation relating to this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice to be given or delivered to Participant relating to this Agreement shall be in writing and addressed to Participant at the address indicated below his or her signature line on the last page of this Agreement or such other address of which Participant may later advise the Corporation in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

15. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon Participant and the legal representatives, heirs and the legatees of his or her estate.

16. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in the Award.

17. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

18. **At Will Employment.** Nothing in this Agreement or the Award shall provide Participant with any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way Participant's right or the right of the Corporation to terminate Participant's Service at any time for any reason, with or without cause, or for no reason.

19. **Mandatory Arbitration.** ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN PARTICIPANT AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE AWARD OF RESTRICTED STOCK UNITS EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN THE COUNTY IN WHICH PARTICIPANT IS (OR HAS MOST RECENTLY BEEN) EMPLOYED BY THE CORPORATION (OR ANY PARENT OR SUBSIDIARY) AT THE TIME OF SUCH ARBITRATION. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE

**RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY THE CORPORATION. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.**

20. **Electronic Delivery.** The Corporation may, in its sole discretion, decide to deliver any document related to the Award, the Plan or future awards that may be granted under the Plan by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

21. **Remaining Terms.** The remaining terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations that may from time to time be adopted under the Plan. The official prospectus summarizing the principal features of the Plan and the restricted stock units issuable under the Plan is available for review on the Corporation's website at <http://finbu.broadcom.com/stock/default.aspx>. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall be controlling. In the event of any conflict between the provisions of this Agreement and those of the Severance Agreement, the provisions of the Severance Agreement shall be controlling. Provisions of the Plan that confer discretionary authority on the Board or the Plan Administrator do not (and shall not be deemed to) confer in Participant any rights, except to the extent such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Plan Administrator expressly conferred by appropriate action after the date hereof.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year first indicated above.

**BROADCOM CORPORATION**

By:

Title:

\_\_\_\_\_  
\_\_\_\_\_

**PARTICIPANT**

Signature:

Name:

Address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPENDIX A**

**DEFINITIONS**

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.

B. **Award** shall mean the award of Restricted Stock Units made to the Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the Restricted Stock Units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Section 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger, consolidation or other reorganization, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the successor corporation are immediately after such transaction, beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned Broadcom's outstanding voting securities immediately prior to such transaction,

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of Broadcom's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act, other than Broadcom or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, Broadcom, becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of Broadcom's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding

immediately after the consummation of such transaction or series of related transactions, whether the transaction or transactions involve a direct issuance from Broadcom or the acquisition of outstanding securities held by one or more of Broadcom's existing shareholders, or

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; provided, however, that solely for purposes of determining whether a permissible Section 409A distribution can be made under Section 6(d) in connection with such Change in Control event, the period for measuring a change in the composition of the Board shall be limited to a period of twelve (12) consecutive months or less;

**Provided, however,** that if this Agreement is deemed to constitute a deferred compensation arrangement for purposes of Code Section 409A, then for purposes of any circumstances in which a Change in Control constitutes a payment date or settlement date with respect to the Restricted Stock Units subject hereto, including without limitation, pursuant to Section 6(d) above, the foregoing shall only constitute a Change in Control to the extent that such transaction(s) also constitute a "change in control event" within the meaning of Code Section 409A.

F. **Code** shall mean the Internal Revenue Code of 1986, as amended.

G. **Common Stock** shall mean shares of the Corporation's Class A common stock.

H. **Corporation** shall mean Broadcom Corporation, a California corporation, and any successor corporation to all or substantially all of the assets or voting stock of Broadcom Corporation that shall by appropriate action adopt the Plan.

I. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

J. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global Select Market (or the Nasdaq Global Market), then the Fair Market Value

shall be the closing selling price per share of Common Stock at the close of regular trading hours (i.e. before after-hours trading begins) on the Nasdaq Global Select Market (or the Nasdaq Global Market) on the date in question, as such price is reported by the Nasdaq Global Select Market (or the Nasdaq Global Market) either as reported on the Nasdaq website (www.nasdaq.com), or otherwise. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, the then Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, the then Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

L. **Family Members** shall mean, with respect to the Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

M. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Participant, any unauthorized use or disclosure by the Participant of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by the Participant adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss the Participant or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

N. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.

O. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

P. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the

determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Q. **Plan** shall mean the Corporation's 2012 Stock Incentive Plan, as amended and restated from time to time.

R. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

S. **Separation from Service** shall mean a "separation from service" from the Corporation (within the meaning of Section 409A of the Code).

T. **Service** shall mean the Participant's performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee or a consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to the Participant serving in any of the foregoing capacities. For purposes of the Award, the Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to such Participant or (ii) the entity for which the Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Participant may subsequently continue to perform services for that entity.

U. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

V. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

W. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the issuance of the shares of Common Stock to which the Participant becomes entitled under this Agreement or any other consideration that becomes payable to Participant with respect to those shares.

**BROADCOM CORPORATION**  
**RESTRICTED STOCK UNIT ISSUANCE AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Participant is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to the Participant under the Stock Issuance Program.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Restricted Stock Units.** The Corporation hereby awards to the Participant, as of the Award Date, Restricted Stock Units under the Plan. Each Restricted Stock Unit represents the right to receive one share of Common Stock (or, as applicable, the cash equivalent of one share of Common Stock) on the vesting date specified for that unit in accordance with the express provisions of this Agreement. The number of shares of Common Stock subject to the awarded Restricted Stock Units, the applicable vesting schedule for those shares, the date or dates on which those vested shares shall become issuable to Participant and the remaining terms and conditions governing the award (the "Award") shall be as set forth in this Agreement.

**AWARD SUMMARY**

Participant: \_\_\_\_\_

Award Date: \_\_\_\_\_, 20\_\_

Vesting Commencement Date \_\_\_\_\_, 20\_\_ (the "Vesting Commencement Date")

Number of Shares Subject to Award: \_\_\_\_\_ shares of Common Stock (the "Shares")

**Vesting Schedule:** The Shares shall vest upon the Participant's continuation in Service through the end of the three (3)-year period measured from the Vesting Commencement Date (the "Required Service Period"). However, the Shares may vest in whole or in part on an accelerated basis in accordance with the provisions of Sections 3 and 6 of this Agreement.

**Issuance Schedule:** Subject to the delayed issuance provisions of Section 9 of this Agreement (to the extent applicable), the Shares to which the Participant becomes entitled upon continuation in Service through the completion of the Required Service Period shall be issued upon the completion of such period or as soon thereafter as administratively practicable, but in no event later than thirty (30) days after the completion of such period. Any Restricted Stock Units which vest on an accelerated basis pursuant to Section 3 or 6 of this Agreement shall be settled in accordance with the applicable provisions of such section. The Corporation shall in all instances collect the applicable Withholding Taxes with respect to the issued Shares pursuant to the procedures set forth in Section 8 of this Agreement.

2. **Limited Transferability.** Prior to actual receipt of the Shares that become issuable (or cash that becomes payable, if applicable) hereunder, the Participant may not transfer any interest in the Award or the underlying Shares or pledge or otherwise hedge the sale of those Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. Any attempt by the Participant to do so will result in an immediate forfeiture of all of the Restricted Stock Units awarded to the Participant hereunder. Any Shares that vest (or cash that becomes payable, if applicable) hereunder but which otherwise remain unissued (or unpaid) at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of inheritance or to the Participant's designated beneficiary or beneficiaries of this Award. The Participant may also direct the Corporation to immediately re-issue the stock certificates for any Shares that in fact vest and become issuable to Participant under the Award during his or her lifetime to one or more designated Family Members or a trust established for the Participant and/or his or her Family Members. The Participant may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Cessation of Service.**

(a) Except as otherwise provided in this Section 3 or Section 6 below, should the Participant cease Service for any reason prior to the completion of the Required Service Period, then this Award will be immediately cancelled with respect to all Shares subject to this Award. Except as otherwise provided in this Section 3 or Section 6 below, Service for only a portion of the Required Service Period, even if a substantial portion, will not entitle Participant to any proportionate vesting or avoid or mitigate the cancellation and forfeiture of the Restricted Stock Units that will occur upon the termination of Participant's Service prior to the completion of the Required Service Period. Upon the cancellation of one more Restricted Stock Units, the Participant shall cease to have any right or entitlement to receive any Shares or other payment under those cancelled units.

(b) The Participant is also a participant in the Corporation's special officer severance program pursuant to the terms of the letter agreement and appendix between the Corporation and the Participant (the "Severance Agreement"). The Severance Agreement sets forth certain terms and conditions under which the Participant's equity or equity-based awards from the Corporation, including this Award, may vest in whole or in part on an accelerated basis in connection with the Participant's cessation of Employee status under various specified circumstances. The Severance Agreement also sets forth the date or dates on which the shares of Common Stock subject to the awards that vest on such an accelerated basis, including the Shares subject to this Award, are to be issued, subject to certain required delays as set forth in the Severance Agreement. The terms and provisions of the Severance Agreement, as they apply to this Award, are hereby incorporated by reference into this Agreement and shall have the same force and effect as if expressly set forth in this Agreement.

(c) The following special vesting acceleration provisions shall be in effect for this Award and the underlying Shares to the extent the various vesting acceleration provisions applicable to this Award pursuant to the terms and conditions of the Severance Agreement incorporated herein would not otherwise result in the accelerated vesting of the Award and the underlying Shares under the terms and conditions set forth below:

(i) If (A) Participant's Employee status is terminated by the Corporation without Cause other than in connection with a Reduction in Force prior to the completion of the Required Service Period and (B) Participant delivers his or her required Release to the Corporation within twenty-one (21) days after the date of such termination (or within forty-five (45) days after such termination date, to the extent such longer period is required under applicable law) and that Release becomes effective in accordance with applicable law, then Participant shall vest in fifty percent (50%) of the number of Restricted Stock Units subject to this Award in which the Participant would have otherwise been vested at the time of such termination had the Restricted Stock Units vested in successive equal quarterly installments over the three (3)-year period measured from the Vesting Commencement Date; **provided, however**, that notwithstanding anything contained to the contrary herein, in the event that any Restricted Stock Units vest pursuant to this Section 3(c)(i), such Restricted Stock Units shall be settled in cash or cash equivalents in an amount determined by multiplying the number of Restricted Stock Units so vested by the Fair Market Value of a share of Common Stock on the applicable termination date, which amount shall, subject to Section 9 below, be paid to Participant on the sixtieth (60<sup>th</sup>) day following Participant's Separation from Service, subject to the foregoing conditions.

(ii) If (A) Participant's Employee status is terminated by the Corporation without Cause in connection with a Reduction in Force prior to the completion of the Required Service Period and (B) Participant delivers his or her required Release to the Corporation within twenty-one (21) days after the date of such termination (or within forty-five (45) days after such termination date, to the extent such longer period is required under applicable law) and that Release becomes effective in accordance with applicable law, then Participant shall vest in the number of Restricted Stock Units subject to this Award (and the underlying Shares) in which the Participant would have otherwise been vested at the time of such

termination had the Restricted Stock Units vested in successive equal quarterly installments over the three (3)-year period measured from the Vesting Commencement Date; **provided, however**, that notwithstanding anything contained to the contrary herein, in the event that any Restricted Stock Units vest pursuant to this Section 3(c)(ii), such Restricted Stock Units shall be settled in cash or cash equivalents in an amount determined by multiplying the number of Restricted Stock Units so vested by the Fair Market Value of a share of Common Stock on the applicable termination date, which amount shall, subject to Section 9 below, be paid to Participant on the sixtieth (60<sup>th</sup>) day following Participant's Separation from Service, subject to the foregoing conditions.

(d) In no event, however, shall the number of Restricted Stock Units that vest on an accelerated basis in accordance with Section 3(c) exceed the number of unvested Restricted Stock Units subject to this Award immediately prior to the date of Participant's termination of Employee status.

(e) In the event that Participant's Employee status terminates prior to vesting in all the Shares due to his or her death or Disability, then the applicable death and Disability provisions of the Severance Agreement shall govern the Participant's rights and entitlements.

4. **Leaves of Absence/Change of Employee Status**. Participant shall not be deemed to have ceased Service while on a leave of absence authorized by the Corporation, except to the extent otherwise provided in the Appendix to this Agreement with respect to the date on which Participant is deemed to have a Separation from Service. Except as otherwise provided in the Corporation's Leave of Absence Policy for Equity Award Programs ("LOA Policy"), as may be in effect and may be amended from time to time, while on a statutorily protected or other Corporation-approved leave of absence, as set forth in the LOA Policy, the Restricted Stock Units shall continue to vest for such period of time, and shall terminate and be forfeited by Participant at such time, as set forth in the LOA Policy.

5. **Shareholder Rights**.

(a) The Restricted Stock Units subject to this Award do not impose any fiduciary obligations upon the Corporation and create only a contractual obligation on the part of the Corporation to issue the Shares that vest in accordance with the express terms of this Agreement. The Restricted Stock Units shall not be treated as property or as a trust fund of any kind.

(b) Participant shall not have any shareholder rights, including voting, dividend or liquidation rights, with respect to the Shares subject to the Award until Participant becomes the record holder of those Shares upon their actual issuance following the Corporation's collection of the applicable Withholding Taxes.

(c) Except as otherwise provided in Section 7, no adjustments will be made to this Award for dividends or other shareholder distributions for which the record date is prior to the date Participant becomes the record holder of the Shares subject to this Award.

**6. Change of Control.**

(a) Any Restricted Stock Units subject to this Award at the time of a Change in Control may be assumed by the successor entity or otherwise continued in full force and effect or may be replaced with a cash retention program of the successor entity that preserves the Fair Market Value (at the time of the Change in Control) of the unvested shares of Common Stock subject to the Award and provides for the subsequent vesting and payout of that value in accordance with the same vesting and issuance schedules applicable to the Award. In the event of such assumption or continuation of this Award or such replacement of the Award with a cash retention program, no accelerated vesting of the Restricted Stock Units or the underlying Shares shall occur at the time of the Change in Control.

(b) In the event this Award is assumed or otherwise continued in effect, the Restricted Stock Units subject to the Award shall be adjusted immediately after the consummation of the Change in Control so as to apply to the number and class of securities into which the Shares subject to those units immediately prior to the Change in Control would have been converted in consummation of that Change in Control had those Shares actually been issued and outstanding at that time. To the extent the actual holders of the outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation (or parent entity) may, in connection with the assumption or continuation of the Restricted Stock Units subject to the Award at that time, substitute one or more shares of its own common stock with a fair market value equal to the cash consideration paid per share of Common Stock in the Change in Control transaction, provided the substituted common stock is readily tradable on an established U.S. securities exchange or market.

(c) Any Restricted Stock Units that are assumed or otherwise continued in effect in connection with a Change in Control or replaced with a cash retention program under Section 6(a) shall be subject to accelerated vesting in accordance with the applicable terms and conditions of the Severance Agreement incorporated herein.

(d) If Participant's Employee status continues until the Change in Control and the Restricted Stock Units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with a cash retention program in accordance with Section 6(a), then those units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant at such time or times that are in accordance with the issuance schedules applicable to the Award, and otherwise consistent with the terms of the Severance Agreement, provided that in no circumstances will the consideration per Share be distributed at such time or times that would cause the Participant to include amounts payable in respect of the Restricted Stock Units in income under Code Section 409A.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure

or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments shall be made by the Plan Administrator to the total number and/or class of securities issuable pursuant to this Award. The adjustments shall be made by the Plan Administrator in such manner as the Plan Administrator deems appropriate to reflect such change, and those adjustments shall be final, binding and conclusive. In the event of a Change in Control, the provisions of Section 6 shall be controlling.

8. **Issuance of Shares of Common Stock.**

(a) Except as otherwise provided in Section 6(d), on any applicable date that Shares are to be issued pursuant to this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on that date.

(b) The applicable Withholding Taxes with respect to the issued Shares or any other consideration distributed to Participant shall be collected from Participant as and when such taxes become due. Participant may, with respect to the issued Shares, satisfy the applicable Withholding Taxes through one or more of the following methods:

(i) The delivery of a separate check payable to the Corporation;

(ii) if and to the extent expressly authorized by the Plan Administrator at the time, through a share withholding procedure, pursuant to which the Corporation will automatically withhold, immediately upon the issuance of the Shares, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of such Withholding Taxes (the "Share Withholding Method"); ***provided, however***, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Participant will be notified (either in writing or through electronic transmission) of the time or times when the Share Withholding Method will actually be available with respect to one or more vested Shares that become issuable under this Agreement (such notification will also set forth the procedures authorized and established by the Plan Administrator for such purpose);

(iii) irrevocable instructions given by Participant to a broker to remit to the Corporation cash, in an amount equal to such Withholding Taxes, from a previously established account Participant maintains with such broker; or

(iv) to the extent the Share Withholding Method is not otherwise available at the time one or more vested Shares become issuable, Participant may also satisfy the applicable Withholding Taxes with respect to those Shares through the use of proceeds from a next day sale of the issued Shares, **provided and only if** (i) such a sale is permissible under the Corporation's insider trading policies governing sales of Corporation shares and (ii) such transaction is not otherwise deemed to constitute a prohibited loan under Section 402 of the Sarbanes-Oxley Act of 2002.

(c) If any withholding event is other than the issuance of the Shares, or if the Corporation for any reason is unable to collect the applicable Withholding Taxes with respect to the issuance of the Shares through any of the foregoing collection procedures specified in this Section 8, then the Corporation shall be entitled to require Participant to make a cash payment and/or to deduct from other compensation payable to him or her the amount of such applicable Withholding Taxes.

(d) Notwithstanding the foregoing provisions of this Section 8, the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the vesting of the Shares or any other amounts hereunder (the "Employment Taxes") shall in all events be collected from the Participant no later than the last business day of the calendar year in which the Shares or other amounts vest hereunder. Accordingly, to the extent the issuance date for one or more vested Shares or the distribution date for such other amounts is to occur in a year subsequent to the calendar year in which those Shares or other amounts vest hereunder, the Participant shall, on or before the last business day of the calendar year in which the Shares or other amounts vest, deliver to the Corporation a check payable to its order in the dollar amount equal to the Employment Taxes required to be withheld with respect to those Shares or other amounts. The provisions of this Section 8(d) shall be applicable only to the extent necessary to comply with the applicable tax withholding requirements of Code Section 3121(v).

(e) Except as otherwise provided in Section 3, Section 6 or Section 8(b), the settlement of all Restricted Stock Units that vest under the Award shall be made solely in shares of Common Stock. In no event, however, shall any fractional shares be issued. Accordingly, the total number of shares of Common Stock to be issued at the time the Award vests shall, to the extent necessary, be rounded down to the next whole share to avoid the issuance of a fractional share.

9. **Code Section 409A Limitations.** Notwithstanding any provision in this Agreement to the contrary, should this Agreement be deemed a deferred compensation arrangement subject to Section 409A of the Code:

- In no event shall the Shares that become issuable (or cash that becomes payable) under this Agreement in connection with the Participant's cessation of Employee status be actually issued (or paid), nor shall Participant have any right to the issuance of those Shares (or payment), prior to the date on which the Participant incurs a Separation from Service due to that cessation of Employee status.

- If the issuance date for the Shares (or the cash payment date) is tied to the Participant's Separation from Service in accordance with the applicable provisions of this Agreement, then in no event will the Shares be issued (or such amounts be distributed) prior to the *earlier* of (i) the first day of the seventh (7th) month following the date of such Separation from Service or (ii) the date of Participant's death, if Participant is deemed at the time of such Separation from Service to be a specified employee under Section 1.409A-1(i) of the Treasury Regulations issued under Code Section 409A, as determined by the Plan Administrator in accordance with consistent and uniform standards applied to all other Code Section 409A arrangements of the Corporation, and such delayed commencement is otherwise required to avoid a prohibited distribution under Code Section 409A(a)(2). Upon the expiration of the applicable deferral period, the Shares shall be issued (or cash paid) in a lump sum on the first day of the seventh (7th) month after the date of Participant's Separation from Service, or if earlier, the first day of the month immediately following the date the Corporation receives proof of Participant's death.

In addition, it is the intent of the Corporation and the Participant that the provisions of this Agreement comply with all applicable requirements of Section 409A of the Code. Accordingly, to the extent there is any ambiguity as to whether one or more provisions of this Agreement would otherwise contravene the applicable requirements or limitations of Code Section 409A, then those provisions shall be interpreted and applied in a manner that does not result in a violation of the applicable requirements or limitations of Code Section 409A and the applicable Treasury Regulations thereunder.

10. **Deferred Release Date.** Should the applicable Restricted Stock Units issuance date occur during any period Participant is under investigation by the Corporation for any act or transaction that might constitute grounds for termination for Cause, then any cash payments, issued Shares and/or the net proceeds from any sale or sales of those Shares during such period (the gross sale proceeds less withholding taxes due the Corporation and broker commissions) will be held by the Corporation in escrow until such time as the investigation is satisfactorily completed. If it is determined that Participant has not engaged in any action or transaction that might constitute grounds for a termination for Cause, then the escrowed Shares and/or funds will be released to Participant, subject to the Corporation's collection of all applicable Withholding Taxes not otherwise previously collected, as soon as administratively practicable following the completion of the investigation, but in no event later than the close of the calendar year in which such determination is made. If it is determined that the Participant has engaged in any act or transaction that constitutes grounds for termination for Cause, then

Participant shall cease to have any further right, title or interest in the escrowed Shares and/or funds, and those Shares and funds shall be returned to the Corporation.

11. **Securities Law Compliance.** The Corporation shall use its reasonable commercial efforts to assure that all Shares issued pursuant to this Agreement are registered under the federal securities laws. However, no Shares will be issued pursuant to this Award if such issuance would otherwise constitute a violation of any applicable federal or state securities laws or regulations or the requirements of any Stock Exchange on which the Common Stock may then be listed. The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Shares hereunder shall defer the Corporation's obligation with respect to the issuance of such Shares until such approval shall have been obtained.

12. **Transfer Restriction.** None of the issued Shares may be sold or transferred in contravention of (i) any market blackout periods the Corporation may impose from time to time or (ii) the Corporation's insider trading policies to the extent applicable to you from time to time.

13. **Parachute Payment .** In the event the accelerated vesting and issuance of the Shares subject to this Award would otherwise constitute a parachute payment under Code Section 280G, then the applicable parachute payment provisions of the Severance Agreement shall govern the Participant's rights and entitlements.

14. **Notice.** Any notice to be given or delivered to the Corporation relating to this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice to be given or delivered to Participant relating to this Agreement shall be in writing and addressed to Participant at the address indicated below his or her signature line on the last page of this Agreement or such other address of which Participant may later advise the Corporation in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

15. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon Participant and the legal representatives, heirs and the legatees of his or her estate.

16. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in the Award.

17. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

18. **At Will Employment.** Nothing in this Agreement or the Award shall provide Participant with any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way Participant's right or the right of the Corporation to terminate Participant's Service at any time for any reason, with or without cause, or for no reason.

19. **Mandatory Arbitration.** ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN PARTICIPANT AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE AWARD OF RESTRICTED STOCK UNITS EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN THE COUNTY IN WHICH PARTICIPANT IS (OR HAS MOST RECENTLY BEEN) EMPLOYED BY THE CORPORATION (OR ANY PARENT OR SUBSIDIARY) AT THE TIME OF SUCH ARBITRATION. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY THE CORPORATION. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.

20. **Electronic Delivery.** The Corporation may, in its sole discretion, decide to deliver any document related to the Award, the Plan or future awards that may be granted under the Plan by electronic means, and Participant hereby consents to receive such documents by electronic delivery.

21. **Remaining Terms.** The remaining terms and conditions of this Award are governed by the Plan, and this Award is also subject to all interpretations, amendments, rules and regulations that may from time to time be adopted under the Plan. The official prospectus summarizing the principal features of the Plan and the restricted stock units issuable under the Plan is available for review on the Corporation's website at <http://finbu.broadcom.com/stock/default.aspx>. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall be controlling. In the event of any conflict between the provisions of this Agreement and those of the Severance Agreement, the provisions of the Severance Agreement shall be controlling. Provisions of the Plan that confer discretionary authority on the Board or the Plan Administrator do not (and shall not be deemed to) confer in Participant any rights, except to the extent such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Plan Administrator expressly conferred by appropriate action after the date hereof.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the day and year first indicated above.

**BROADCOM CORPORATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PARTICIPANT**

Signature: \_\_\_\_\_

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

Address: \_\_\_\_\_

**APPENDIX A**

**DEFINITIONS**

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.

B. **Award** shall mean the award of Restricted Stock Units made to the Participant pursuant to the terms of this Agreement.

C. **Award Date** shall mean the date the Restricted Stock Units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Section 1 of the Agreement.

D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause** shall mean the Participant's commission of any one or more of the following acts: (i) willful damage to the property, business, business relationships, reputation or goodwill of the Corporation or any Parent or Subsidiary; (ii) commission of a felony or a misdemeanor involving moral turpitude; (iii) theft, dishonesty, fraud or embezzlement; (iv) willful violation of any rules or regulations of any governmental or regulatory body that is or is reasonably expected to be injurious to the Corporation or any Parent or Subsidiary; (v) the use of alcohol, narcotics or other controlled substances to the extent that Participant is prevented from efficiently performing services for the Corporation or any Parent or Subsidiary; (vi) willful injury to any other employee of the Corporation or any Parent or Subsidiary; (vii) willful injury to any person in the course of performance of services for the Corporation or any Parent or Subsidiary; (viii) disclosure to a competitor or other unauthorized persons of confidential or proprietary information or secrets of the Corporation or any Parent or Subsidiary or any other material breach of the provisions of the Confidentiality and Invention Assignment Agreement between the Participant and the Corporation; (ix) solicitation of business on behalf of a competitor or a potential competitor of the Corporation or any Parent or Subsidiary; (x) harassment of any other employee of the Corporation or any Parent or Subsidiary or the commission of any act that otherwise creates an offensive work environment for other employees of the Corporation or any Parent or Subsidiary; (xi) material breach of any of the terms of or policies in the Corporation's Code of Ethics and Corporate Conduct; or (xii) failure for any reason within five (5) days after receipt by Participant of written notice thereof from the Corporation, to correct, cease or otherwise alter any insubordination, failure to comply with instructions, neglect of the material duties to be performed by Participant or other act or omission to act that in the opinion of the Corporation does or may adversely affect the business or operations of the Corporation or any Parent or Subsidiary.

F. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger, consolidation or other reorganization, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the successor corporation are immediately after such transaction, beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned Broadcom's outstanding voting securities immediately prior to such transaction,

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of Broadcom's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act, other than Broadcom or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, Broadcom, becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of Broadcom's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether the transaction or transactions involve a direct issuance from Broadcom or the acquisition of outstanding securities held by one or more of Broadcom's existing shareholders, or

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination; provided, however, that solely for purposes of determining whether a permissible Section 409A distribution can be made under Section 6(d) in connection with such Change in Control event, the period for measuring a change in the composition of the Board shall be limited to a period of twelve (12) consecutive months or less;

**Provided, however,** that if this Agreement is deemed to constitute a deferred compensation arrangement for purposes of Code Section 409A, then for purposes of any circumstances in which a Change in Control constitutes a payment or settlement date with respect to the Restricted Stock Units subject hereto, including without limitation, pursuant to Section 6(d) above, the foregoing shall only constitute a Change in Control to the extent that such transaction(s) also constitute a “change in control event” within the meaning of Code Section 409A.

G. **Code** shall mean the Internal Revenue Code of 1986, as amended.

H. **Common Stock** shall mean shares of the Corporation’s Class A common stock.

I. **Corporation** shall mean Broadcom Corporation, a California corporation, and any successor corporation to all or substantially all of the assets or voting stock of Broadcom Corporation that shall by appropriate action adopt the Plan.

J. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

K. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global Select Market (or the Nasdaq Global Market), then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular trading hours (i.e. before after-hours trading begins) on the Nasdaq Global Select Market (or the Nasdaq Global Market) on the date in question, as such price is reported by the Nasdaq Global Select Market (or the Nasdaq Global Market) either as reported on the Nasdaq website ([www.nasdaq.com](http://www.nasdaq.com)), or otherwise. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, the then Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, the then Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

- L. **Family Members** shall mean, with respect to the Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.
- M. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended from time to time.
- N. **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.
- O. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- P. **Plan** shall mean the Corporation's 2012 Stock Incentive Plan, as amended and restated from time to time.
- Q. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.
- R. **Reduction in Force** shall mean the Corporation's unilateral layoff of Employees effected in connection with a restructuring, reorganization, down-sizing or elimination of one or more business units, departments, facilities or locations of the Corporation or any Parent or Subsidiary.
- S. **Release** shall mean the general waiver and release (in form satisfactory to the Corporation) of all claims against the Corporation, its affiliates and successors relating to or arising from the Participant's period of Service with the Corporation (or any Parent or Subsidiary) and/or the termination of that Service relationship.
- T. **Separation from Service** shall mean a "separation from service" from the Corporation (within the meaning of Section 409A of the Code).
- U. **Service** shall mean the Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to the Participant serving in any of the foregoing capacities. For purposes of the Award, the Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Participant no longer performs services in any of the foregoing capacities for the

Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to such Participant or (ii) the entity for which the Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Participant may subsequently continue to perform services for that entity.

V. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

W. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

X. **Withholding Taxes** shall mean the federal, state and local income taxes and the employee portion of the federal, state and local employment taxes required to be withheld by the Corporation in connection with the issuance of the shares of Common Stock to which the Participant becomes entitled under this Agreement or any other consideration that becomes payable to Participant with respect to those shares.

**BROADCOM CORPORATION**  
**NOTICE OF GRANT OF STOCK OPTION**

Notice is hereby given of the following option grant (the "Option") to purchase shares of the Common Stock of Broadcom Corporation (the "Corporation"):

Optionee:  
Grant Date:  
Vesting Commencement Date:  
Exercise Price: \$ per share  
Number of Option Shares:  
Expiration Date:  
Type of Option: [Incentive Stock Option or Non-Statutory Stock Option](#)

**Exercise Schedule:** The Option shall become exercisable in forty-eight (48) successive equal monthly installments upon Optionee's completion of each additional month of Service over the forty-eight (48) month period measured from the first anniversary of the Vesting Commencement Date. In no event shall the Option become exercisable for any additional Option Shares after Optionee's cessation of Service.

Optionee understands and agrees that the Option is granted subject to and in accordance with the terms of the Broadcom Corporation 2012 Stock Incentive Plan, as amended and restated (the "Plan"). Optionee further agrees to be bound by the terms of the Plan and the terms of the Option as set forth in the Stock Option Agreement attached hereto as Exhibit A. Optionee hereby acknowledges receipt of a copy of the official prospectus for the Plan in the form attached hereto as Exhibit B. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices. The Option shall also be governed by the terms of the special officer severance program to which the Optionee is a party that will provide Optionee with certain additional benefits in the event Optionee's employment with the Corporation terminates under certain prescribed circumstances.

*No Employment or Service Contract.* Nothing in this Notice or in the attached Stock Option Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

*Definitions.* All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the attached Stock Option Agreement.

Date: \_\_\_

Broadcom Corporation \_\_\_

Optionee

By: \_\_\_ \_\_\_

Address

—

**Attachments: A — Stock Option Agreement; B — Plan Summary and Prospectus**

**BROADCOM CORPORATION**  
**STOCK OPTION AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or of the board of directors of any Parent or Subsidiary and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Option.** The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.

2. **Option Term.** This option shall have a maximum term of ten (10) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 7.

3. **Limited Transferability.** This option shall be neither transferable nor assignable by Optionee other than by will or by the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, if this option is designated a Non-Statutory Option in the Grant Notice, then this option may, in connection with the Optionee's estate plan, be assigned in whole or in part during Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established for the exclusive benefit of Optionee and/or one or more such family members. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

4. **Dates of Exercise.** This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 7. Notwithstanding the foregoing, should the Optionee elect to exercise this option during any period during which the Optionee is under investigation by the

Corporation for Misconduct, then any Option Shares acquired by the Optionee as a result of such exercise and/or the net proceeds of any sale or sales of those acquired Option Shares (the gross sale proceeds less the Exercise Price and any applicable withholding taxes due the Corporation and broker commissions) during such period shall be held by the Corporation in escrow until such time as the investigation is satisfactorily completed.

5. **Cessation of Service/Termination of Option.** The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Should Optionee cease to remain in Service for any reason (other than death, Permanent Disability or Misconduct) while holding this option, then Optionee shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee cease Service by reason of his or her death, then this option, to the extent outstanding at that time but not otherwise vested and exercisable for all the Option Shares, shall immediately vest and become exercisable for all the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully-vested shares. The personal representative of Optionee's estate or the person or persons to whom this option is transferred pursuant to Optionee's will or in accordance with the laws of inheritance following Optionee's death or any person to whom this option is transferred during Optionee's lifetime pursuant to Paragraph 3, as the case may be, shall have the right to exercise this option. However, such right shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee's death or (ii) the Expiration Date.

(c) Should Optionee cease Service by reason of Permanent Disability, then this option, to the extent outstanding at that time but not otherwise vested and exercisable for all the Option Shares, shall immediately vest and become exercisable for all the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully-vested shares. Optionee (or any person to whom this option is transferred during Optionee's lifetime pursuant to Paragraph 3) shall have a period of twelve (12) months measured from the date of such cessation of Service during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.

(d) The applicable post-Service exercise period in effect for this option pursuant to the foregoing provisions of this Paragraph 5 shall automatically be extended by an additional period of time equal in duration to any interval within that otherwise applicable post-Service exercise period during which the exercise of this option or the immediate sale of the Option Shares acquired hereunder cannot be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of this option beyond the Expiration Date.

(e) During the limited period of post-Service exercisability, this option may not be exercised in the aggregate for more than the number of vested Option Shares for which the option is exercisable at the time of Optionee's cessation of Service, including any Option Shares that vest on an accelerated basis upon Optionee's cessation of Service by reason of death or Permanent Disability. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any vested Option Shares for which the option has not been exercised. Except as otherwise provided in the Severance Agreement (as defined in Paragraph 6 below) or as otherwise specifically authorized by the Plan Administrator pursuant to an express written agreement with Optionee, no additional Option Shares shall vest, whether pursuant to the normal exercise/vesting schedule set forth in the Grant Notice or the special vesting acceleration provisions of Paragraph 7, following Optionee's cessation of Service.

(f) Should Optionee's Service be terminated for Misconduct or should Optionee engage in Misconduct at any time Optionee holds this option, then this option shall terminate immediately and cease to remain outstanding.

6. **Officer Severance Agreement.** Optionee is also a participant in the Corporation's special officer severance program pursuant to the terms of the letter agreement between the Corporation and Optionee dated August 9, 2010, as may be amended from time to time (the "Severance Agreement"). The Severance Agreement sets forth certain terms and conditions under which Optionee's equity or equity-based awards from the Corporation, including this option, may vest in whole or in part on an accelerated basis in connection with Optionee's cessation of Employee status under various specified circumstances. In addition, the post-Service exercise period for this option may also, subject to the applicable terms and conditions of the Severance Agreement, be extended under certain specified circumstances until the *earlier* of (A) the end of the twenty-four (24)-month period measured from the date of Optionee's cessation of Employee status or (if later) the end of the one-month period measured from each installment date on which this option become exercisable, whether pursuant to the terms of this Agreement or the Severance Agreement, or (B) the Expiration Date of this option. The terms and provisions of the Severance Agreement, as they apply to this option, are hereby incorporated by reference into this Agreement and shall have the same force and effect as if expressly set forth in this Agreement. In the event of any conflict between the provisions of this Agreement and those of the Severance Agreement, the provisions of the Severance Agreement shall be controlling.

#### **7. Special Acceleration of Option.**

(a) This option to the extent outstanding at the time of a Change in Control but not otherwise fully exercisable, shall NOT become exercisable on an accelerated basis if and to the extent: (i) this option is, in connection with the Change in Control, to be assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) this option is to be replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on the Option Shares for which this option is not

otherwise at that time exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for the subsequent vesting and payout of that spread in accordance with the same option exercise/vesting schedule set forth in the Grant Notice and the special acceleration provisions of Paragraphs 5(b) and 5(c) of this Agreement. However, if none of the foregoing conditions apply to this option at the time of Change in Control, then this option shall automatically accelerate so that such option shall, immediately prior to the effective date of that Change in Control, become exercisable for all the shares of Common Stock at the time subject to this option and may be exercised for any or all of those shares as fully vested shares of Common Stock.

(b) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent this option is assumed by the successor corporation (or parent thereof) in connection with the Change in Control or is otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction.

(c) If this option is assumed in connection with a Change in Control or is otherwise to continue in full force and effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control transaction, the successor corporation may, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction, provided the substituted common stock is readily tradable on an established United States securities exchange.

(d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

8. **Adjustment in Option Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, equitable adjustments shall be made by the Plan Administrator to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made by the Plan Administrator in such manner as the Plan Administrator deems appropriate to reflect such change, and those adjustments shall be final, binding and conclusive.

9. **Shareholder Rights.** The holder of this option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and any required withholding taxes and become a holder of record of the purchased shares.

10. **Manner of Exercising Option.**

(a) To exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise for the Option Shares for which the option is exercised or comply with such other procedures as the Corporation may establish for notifying the Corporation of the exercise of this option for one or more Option Shares, except as provided in Section 10(a)(ii)(D).

(ii) Pay the aggregate Exercise Price (and, with respect to subsection (D) below, any applicable withholding taxes) for the purchased shares in one or more of the following forms:

(A) cash or check made payable to the Corporation;

(B) shares of Common Stock valued at Fair Market Value on the Exercise Date and held by Optionee (or any other person or persons exercising the option) for any requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes;

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (I) to a Corporation-designated brokerage firm<sup>(1)</sup> to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise, and (II) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on the settlement date to complete the sale; or

(D) if Optionee ceases Service for any reason other than death, Permanent Disability or Misconduct, and the entire exercise period applicable to this option remaining after such cessation of Service falls within a market blackout period which the Corporation may impose from time to time, through an automatic exercise of this option and share withholding procedure, pursuant to which any portion of this option which has not been exercised previously shall be automatically exercised on the last business day of such exercise period and the Corporation shall automatically

withhold on such day a number of Shares subject to this option having a Fair Market Value (measured as of the exercise date) equal to (i) the aggregate exercise price of the shares of Common Stock with respect to which this option is being exercised and (ii) the amount necessary to satisfy any applicable withholding taxes; *provided*, that that subject to Section 9(c) below, *such automatic exercise shall only occur if* the Fair Market Value per share on the last business day of the exercise period of this option is equal to or greater than 101% of the exercise price per share of this option and, *provided, further*, that the Plan Administrator shall have the discretionary authority to revoke or amend this Section 10(a)(ii)(D) at any time without the consent of Optionee.

Except to the extent the procedure set forth in either Section 10(a)(ii)(C) or Section 10(a)(ii)(D) is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Notice of Exercise delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Subject to Section 9(a)(ii)(D) above, if applicable, make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all Federal, state and local income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

**11. Authorized Leave of Absence/Change of Status.** Optionee shall not be deemed to have ceased Service while on a leave of absence authorized by the Corporation, except to the extent otherwise provided in the Appendix to this Agreement with respect to the date on which Optionee is deemed to have a Separation from Service. Except as otherwise provided in the Corporation's Leave of Absence Policy for Equity Award Programs ("LOA Policy"), as may be in effect and may be amended from time to time, while on a statutorily protected or other Corporation-approved leave of absence, as set forth in the LOA Policy, this option to purchase Option Shares shall continue to vest for such period of time, and shall terminate and be forfeited by Participant at such time, as set forth in the LOA Policy.

**12. Parachute Payment.** In the event the accelerated vesting of this option would otherwise constitute a parachute payment under Code Section 280G, then the applicable parachute

payment provisions of the Severance Agreement shall govern the Optionee's rights and entitlements.

**13. Compliance with Laws and Regulations.**

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any Stock Exchange on which the Common Stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

**14. Successors and Assigns.** Except to the extent otherwise provided in Paragraphs 3 and 7, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns and the legal representatives, heirs and legatees of Optionee's estate.

**15. Notices.** Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

**16. Construction.** This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in this option.

**17. Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

**18. Mandatory Arbitration. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN OPTIONEE AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE OPTION EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE**

SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN THE COUNTY IN WHICH THE OPTIONEE IS (OR HAS MOST RECENTLY BEEN) EMPLOYED BY THE CORPORATION (OR ANY PARENT OR SUBSIDIARY) AT THE TIME OF SUCH ARBITRATION. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY THE CORPORATION. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.

19. **Excess Shares.** If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without shareholder approval be issued under the Plan, then this option shall not become exercisable with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

20. **Additional Terms Applicable to an Incentive Option.** In the event this option is designated an Incentive Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Total and Permanent Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Total and Permanent Disability. For such purpose Total and Permanent Disability shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to continue for a consecutive period of twelve (12) months or more.

(b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should such One Hundred Thousand Dollar (\$100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.

(c) Should the exercisability of this option be accelerated upon a Change in Control, then this option shall qualify for favorable tax treatment as an Incentive Option only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Change in Control occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should the applicable One Hundred Thousand Dollar (\$100,000) limitation be exceeded in the calendar year of such Change in Control, the option may nevertheless be exercised for the excess shares in such calendar year as a Non-Statutory Option.

(d) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Options, this option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

## APPENDIX

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Stock Option Agreement.

B. **Board** shall mean the Corporation's Board of Directors.

C. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger, consolidation or other reorganization, unless securities representing more than fifty percent (50%) of the total combined voting power of the outstanding securities of the successor corporation are immediately after such transaction, beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned Broadcom's outstanding voting securities immediately prior to such transaction,

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of Broadcom's assets,

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of Securities Exchange Act of 1934, as amended (the "**1934 Act**"), other than Broadcom or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, Broadcom, becomes directly or indirectly (whether as a result of a single acquisition or by reason of one or more acquisitions within the twelve (12)-month period ending with the most recent acquisition) the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of Broadcom's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether the transaction or transactions involve a direct issuance from Broadcom or the acquisition of outstanding securities held by one or more of Broadcom's existing shareholders, or

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such

period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

E. **Code** shall mean the Internal Revenue Code of 1986, as amended.

F. **Common Stock** shall mean the Corporation's Class A Common Stock.

G. **Corporation** shall mean Broadcom Corporation, a California corporation, and any corporate successor to all or substantially all of the assets or voting stock of Broadcom Corporation, which shall by appropriate action adopt the Plan.

H. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

I. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 10 of the Agreement.

J. **Exercise Price** shall mean the exercise price per Option Share as specified in the Grant Notice.

K. **Expiration Date** shall mean the date on which the option expires as specified in the Grant Notice.

L. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global Select Market (or the Nasdaq Global Market), then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the Nasdaq Global Select Market (or the Nasdaq Global Market) on the date in question, as such price is reported by the Nasdaq Global Select Market (or the Nasdaq Global Market). If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

M. **Grant Date** shall mean the date of grant of the option as specified in the Grant Notice.

N. **Grant Notice** shall mean the Notice of Grant of Stock Option, in written or electronic format, accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.

O. **Incentive Option** shall mean an option that satisfies the requirements of Code Section 422.

P. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Optionee or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

Q. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

R. **Notice of Exercise** shall mean the notice of exercise in form and substance as prescribed by the Corporation.

S. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.

T. **Optionee** shall mean the person to whom the option is granted as specified in the Grant Notice.

U. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

V. **Permanent Disability** shall mean the inability of Optionee to perform his or her duties with the Corporation (or any Parent or Subsidiary) on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness that is (i) determined to be total and permanent by two (2) physicians selected by the Corporation or its insurers and reasonably acceptable to Optionee or Optionee's legal representative, and (ii) entitles Optionee to the payment of long-term disability benefits from the Corporation's long-term disability plan. The process for determining Optionee's Permanent Disability in accordance with the foregoing shall be completed no later than the *later* of (i) the close of the calendar year in which Optionee's Service terminates by reason of the physical or mental

impairment triggering the determination process or (ii) the fifteenth day of the third calendar month following such termination of Service.

W. **Plan** shall mean the Corporation's 2012 Stock Incentive Plan.

X. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

Y. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the Securities Exchange Act of 1934, as amended.

Z. **Service** shall mean the Optionee's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to the Optionee serving in any of the foregoing capacities. For purposes of the Award, the Optionee shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to such Optionee or (ii) the entity for which the Optionee is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee may subsequently continue to perform services for that entity.

AA. **Stock Exchange** shall mean the American Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the New York Stock Exchange.

BB. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

Dear \_\_\_\_\_:

Broadcom Corporation (the "Corporation") is pleased to present you with the documentation for your award of Restricted Stock Units (the "Units") under the Director Automatic Grant Program in effect under the Corporation's 2012 Stock Incentive Plan (the "Plan"). The Units will entitle you to receive shares of the Corporation's Class A common stock (the "Common Stock") in a series of quarterly installments over your period of continued Service.

The Units are a non-voting bookkeeping device used under the Plan solely to determine the share issuances eventually to be made to you as and when the Units vest. Each Unit represents the right to receive one share of Common Stock on the applicable vesting date of that Unit. Unlike a typical stock option grant, the shares will be issued to you for your continued Service over the vesting period, without any cash payment required from you.

Capitalized terms not otherwise defined in the body of this Agreement shall have the meaning assigned to them in the attached Appendix.

This Agreement sets forth the number of Units and underlying number of shares of Common Stock subject to your award, the applicable vesting schedule for those Units and underlying shares, the dates on which your vested shares will be issued to you and the remaining terms and conditions governing your award (the "Award").

Award Date: \_\_\_\_\_, 20\_\_

Number of Units Subject to Award: \_\_\_\_\_ Units representing an equal number of shares of Common Stock (the "Shares")

Vesting Schedule: The Units will vest in four (4) successive equal quarterly installments over your period of continued Service measured from the Award Date. Provided you continue in such Service, the first three such quarterly vesting dates will occur on August 5, 20\_\_\_\_, November 5, 20\_\_\_\_ and February 5, 20\_\_\_\_, respectively, and the final quarterly vesting date will occur upon your continuation in Service through the *earlier of* May 5, 20\_\_\_\_ or the day immediately preceding the date of the first annual meeting of the Corporation's shareholders following the Award Date. The Units will also be subject to accelerated vesting in accordance with the applicable provisions of Paragraphs 1 and 6 below.

Issuance Schedule: The Shares will be issued immediately as the Units vest incrementally in accordance with the foregoing Vesting Schedule, but in no event later than the *later of* (i) the close of the calendar year in which the applicable vesting date occurs or (ii) the fifteenth day of the third calendar month following such vesting date.

Other important features of your Award are as follows:

1. **Forfeitability.** The vesting schedule requires your continued Service over the applicable vesting schedule as a condition to the vesting of your Units and the rights and benefits under this Agreement. Service for only a portion of a quarterly vesting period, even if a substantial portion, will not entitle you to any proportionate vesting of the Shares allocated to that quarter or avoid or mitigate the forfeiture of your Shares that will occur upon the cessation of your Service prior to vesting in those Shares.

However, all the Shares subject to your Award will vest in full should your Service terminate by reason of your death or Permanent Disability, and those vested Shares shall be issued to you on the tenth business day following such termination of Service or as soon as administratively practicable following such termination of Service, but in no event later than the *later* of (i) the close of the calendar year in which such termination of Service occurs or (ii) the fifteenth day of the third calendar month following such termination of Service.

Should you cease to serve as a Board member for any other reason prior to vesting in all the Units subject to your Award, your Award will be cancelled with respect to those unvested Units (and the underlying Shares) on the first date you are no longer a Board member, and you will cease to have any right or entitlement to receive any Shares under those cancelled Units.

2. **Transferability.** Prior to your actual receipt of the Shares in which you vest under your Award, you may not transfer any interest in your Award, your Units or the underlying Shares or pledge or otherwise hedge the sale of those Units or Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. However, your right to receive any Shares which have vested under your Units at or prior to your death but which remain unissued at the time of your death may be transferred pursuant to the provisions of your will or trust or the laws of inheritance or to your designated beneficiary following your death. You may also direct the Corporation to re-issue the stock certificates for any Shares which in fact vest and become issuable under your Award to one or more designated family members or a trust established for yourself and/or your family members. You may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Shareholder Rights.** The Units create no fiduciary duty to you, and shall create only a contractual obligation on the part of the Corporation to issue Shares, subject to vesting and other terms and conditions of this Agreement and the Plan. The Units shall not be treated as property or as a trust fund of any kind.

You will not have any shareholder rights, including voting rights or dividend rights, with respect to the Shares subject to your Award until you become the record holder of

those Shares upon their actual issuance to you following the Corporation's collection of any applicable withholding taxes. Except as otherwise provided in Paragraph 4, no adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate evidencing the Shares.

Issuance of the underlying Shares in settlement of the corresponding Units that vest hereunder shall be in complete satisfaction of those vested Units.

4. **Adjustments.** Should any change be made to the Common Stock subject to your Award by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments will be made by the Plan Administrator to the number and/or class of securities issuable hereunder and the number and/or class of securities that vest pursuant to the Vesting Schedule set forth above to reflect that change and thereby prevent a dilution or enlargement of benefits hereunder. The determination of the Plan Administrator will be final, binding and conclusive. In the event of a Change in Control or Hostile Take-Over, the provisions of Paragraph 6 will be controlling.

5. **Federal Income Taxation.** You will recognize ordinary income for federal income tax purposes on each date the Shares subject to your Award vest, whether pursuant to the normal Vesting Schedule above or the special acceleration provisions of Paragraph 1 or Paragraph 6 of this Agreement. The amount of your taxable income on each such vesting date will be equal to the Fair Market Value per share of Common Stock on that date times the number of Shares in which you vest on that date.

6. **Change in Control/Hostile Take-Over.** Should a Change in Control transaction or a Hostile Take-Over occur during your period of Service, any Units at the time subject to your Award will vest immediately prior to the consummation of that Change in Control or Hostile Take-Over. The Shares subject to those vested Units will be issued within fifteen (15) business days following the effective of such Change in Control or Hostile Take-Over. Alternatively, the Shares subject to those vested Units may be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of the Change in Control or Hostile Take-Over, and such consideration per Share will be distributed to you within fifteen (15) business days following the effective date of such Change in Control or Hostile Take-Over.

7. **Securities Law Compliance.** The Corporation will use its reasonable commercial efforts to assure that all Shares issued pursuant to this Agreement are registered under the federal securities laws. However, no Shares will be issued pursuant to your Award if such issuance would otherwise constitute a violation of any applicable federal or state securities laws or regulations or the requirements of the Stock Exchange on which the Common Stock is at the time listed. The inability of the Corporation to obtain approval from any regulatory

body having authority deemed by the Corporation to be necessary to the lawful issuance of any Shares hereunder shall defer the Corporation's obligation with respect to the issuance of such Shares until such approval shall have been obtained.

8. **Transfer Restriction.** None of the issued Shares may be sold or transferred in contravention of (i) any market blackout periods the Corporation may impose from time to time or (ii) the Corporation's insider trading policies to the extent applicable to you from time to time.

9. **Benefit Limit.** In the event the accelerated vesting and issuance of the Shares subject to your Award would otherwise constitute a parachute payment under Code Section 280G, the accelerated vesting and issuance of those Shares shall be subject to reduction to the extent necessary to assure that the number of Shares which vest and are issued to you on such accelerated basis will be limited to the greater of (i) the number of Shares which can vest and be issued on such an accelerated basis without triggering a parachute payment under Code Section 280G or (ii) the maximum number of Shares which can vest and be issued on such accelerated basis to provide you with the greatest after-tax amount of such accelerated vesting and issuance of the Shares subject to your Award after taking into account any excise tax you incur under Code Section 4999 with respect to those accelerated Shares and any other benefits or payments to which you may be entitled in connection with any change in control or ownership of the Corporation.

10. **Notice.** Any notice to be given or delivered to the Corporation relating to this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be in writing and addressed to you at the address indicated below your signature line on the last page of this Agreement or such other address of which you later advise the Corporation in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

11. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon you and the legal representatives, heirs and the legatees of your estate.

12. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in the Award.

13. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

14. **No Impairment of Rights.** This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, this Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its shareholders to remove you from the Board at any time in accordance with the provisions of applicable law.

15. **MANDATORY ARBITRATION. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN YOU AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE AWARD OF RESTRICTED STOCK UNITS EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN ORANGE COUNTY. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES; PROVIDED, HOWEVER, IF THE CORPORATION IS NOT THE PREVAILING PARTY, THE ARBITRATOR'S COMPENSATION, FEES AND COSTS SHALL BE PAID BY THE CORPORATION IF SUCH COMPENSATION, FEES AND COSTS ARE REQUIRED TO BE PAID BY THE CORPORATION IN ACCORDANCE WITH APPLICABLE LAW. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE**

**PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.**

16. **Remaining Terms.** The remaining terms and conditions of your Award are governed by the Plan, and your Award is also subject to all interpretations, amendments, rules and regulations that may from time to time be adopted under the Plan. The official prospectus summarizing the principal features of the Plan is provided with this Agreement.

Please review the prospectus carefully so that you fully understand your rights and benefits under your Award and the limitations, restrictions and vesting provisions applicable to the Award. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall be controlling.

Please execute the Acknowledgment section below to indicate your acceptance of the terms and conditions of your Award.

Broadcom Corporation

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

**ACKNOWLEDGMENT**

I hereby acknowledge reading and understanding the prospectus for the Plan and this Agreement. I further acknowledge and accept the foregoing terms and conditions of the Restricted Stock Unit award evidenced hereby. I also acknowledge and agree that the foregoing sets forth the entire understanding between the Corporation and me regarding my entitlement to receive the shares of the Corporation's Class A common stock subject to such award and supersedes all prior oral and written agreements on that subject.

SIGNATURE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

\_\_\_\_\_

DATED: \_\_\_\_\_, 20\_\_

**APPENDIX**

The following definitions shall be in effect under the Agreement:

**Agreement** shall mean this Restricted Stock Unit Agreement.

**Board** shall mean the Corporation's Board of Directors.

**Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders.

**Code** shall mean the Internal Revenue Code of 1986, as amended.

**Common Stock** shall mean the Corporation's Class A Common Stock.

**Corporation** shall mean Broadcom Corporation, a California corporation, and any corporate successor to all or substantially all of the assets or voting stock of Broadcom Corporation, which shall by appropriate action adopt the Plan.

**Eligible Director** shall mean a Board member who is not, at the time of such determination, an employee of the Corporation (or any Parent or Subsidiary) and who is accordingly eligible to participate in the Director Automatic Grant Program in accordance with the eligibility provisions of the Plan.

**Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

**Fair Market Value** per share of Common Stock on any relevant date shall mean the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange on which the Common Stock is at that time primarily traded, as such price is officially quoted on such exchange. If there is no reported sale of Common Stock on such Stock Exchange on the date in question, then the Fair Market Value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists.

**Hostile Take-Over** shall mean either of the following events effecting a change in control or ownership of the Corporation:

- (i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders which the Board does not recommend such shareholders to accept, or
- (ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, comprising individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

**Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**Permanent Disability** shall mean your inability to perform your usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

**Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

**Service** shall mean your performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Eligible Director, Employee, consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-

termination notice period that is applicable to the you serving in any of the foregoing capacities. For purposes of this Agreement, you shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) you no longer perform services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to you or (ii) the entity for which you are performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though you may subsequently continue to perform services for that entity.

**Stock Exchange** shall mean either the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

**Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

Dear \_\_\_\_\_:

Broadcom Corporation (the "Corporation") is pleased to present you with the documentation for your award of Restricted Stock Units (the "Units") under the Director Automatic Grant Program in effect under the Corporation's 1998 Stock Incentive Plan, as amended and restated (the "Plan"). The Units will entitle you to receive shares of the Corporation's Class A common stock (the "Common Stock") in quarterly installments over your period of continued Service.

The Units are a non-voting bookkeeping device used under the Plan solely to determine the share issuances eventually to be made to you as and when the Units vest. Each Unit represents the right to receive one share of Common Stock on the applicable vesting date of that Unit. Unlike a typical stock option grant, the shares will be issued to you for your continued Service over the vesting period, without any cash payment required from you.

Capitalized terms not otherwise defined in the body of this Agreement shall have the meaning assigned to them in the attached Appendix.

This Agreement sets forth the number of Units and underlying number of shares of Common Stock subject to your award, the applicable vesting schedule for those Units and underlying shares, the dates on which your vested shares will be issued to you and the remaining terms and conditions governing your award (the "Award").

Award Date: \_\_\_\_\_, 201\_\_

Number of Units Subject to Award: \_\_\_\_\_ Units representing an equal number of shares of Common Stock (the "Shares")

Vesting Schedule: The Units will vest in quarterly installments over your period of continued Service as follows: (i) \_\_\_\_\_ of the Units will vest on whichever of the following quarterly vesting dates is the first to occur at least thirty (30) days after the Award Date: February 5, 201\_\_\_\_, August 5, 201\_\_\_\_ or November 5, 201\_\_\_\_, and (ii) the remaining Units will vest in equal quarterly installments upon your completion of each additional three (3)-month period of continued Service measured from the initial vesting date under clause (i), with the last such quarterly vesting date to occur upon your continuation in Service through the *earlier of* May 5, 201\_\_\_\_ or the day immediately preceding the date of the first annual meeting of the Corporation's shareholders following the Award Date. The Units will also be subject to accelerated vesting in accordance with the applicable provisions of Paragraphs 1 and 6 below.

[Alternative Vesting Schedule for Single Installment:] The Units will vest upon your continuation in Service through the *earlier of* May 5, 201\_\_\_\_ or the day immediately preceding the date of the 201\_\_ annual meeting of the Corporation's shareholders. The Units will also be subject to accelerated vesting in accordance with the applicable provisions of Paragraphs 1 and 6 below.

Issuance Schedule: The Shares will be issued immediately as the Units vest incrementally in accordance with the foregoing Vesting Schedule, but in no event later than the *later of* (i) the close of the calendar year in which the applicable vesting date occurs or (ii) the fifteenth day of the third calendar month following such vesting date.

[Alternative Issuance Schedule for Single Installment:] The Shares will be issued immediately upon vesting in accordance with the foregoing Vesting Schedule, but in no event later than the *later of* (i) the close of the calendar year in which the Units vest or (ii) the fifteenth day of the third calendar month following such vesting date.

Other important features of your Award are as follows:

1. **Forfeitability.** The vesting schedule requires your continued Service over the applicable vesting schedule as a condition to the vesting of your Units and the rights and benefits under this Agreement. Service for only a portion of a quarterly vesting period, even if a substantial portion, will not entitle you to any proportionate vesting of the Shares allocated to that quarter or avoid or mitigate the forfeiture of your Shares that will occur upon the cessation of your Service prior to vesting in those Shares.

However, all the Shares subject to your Award will vest in full should your Service terminate by reason of your death or Permanent Disability, and those vested Shares shall be issued to you on the tenth business day following such termination of Service or as soon as administratively practicable following such termination of Service, but in no event later than the *later* of (i) the close of the calendar year in which such termination of Service occurs or (ii) the fifteenth day of the third calendar month following such termination of Service.

Should you cease to serve as a Board member for any other reason prior to vesting in all the Units subject to your Award, your Award will be cancelled with respect to those unvested Units (and the underlying Shares) on the first date you are no longer a Board member, and you will cease to have any right or entitlement to receive any Shares under those cancelled Units.

2. **Transferability.** Prior to your actual receipt of the Shares in which you vest under your Award, you may not transfer any interest in your Award, your Units or the underlying Shares or pledge or otherwise hedge the sale of those Units or Shares, including (without limitation) any short sale or any acquisition or disposition of any put or call option or other instrument tied to the value of those Shares. However, your right to receive any Shares which have vested under your Units at or prior to your death but which remain unissued at the time of your death may be transferred pursuant to the provisions of your will or trust or the laws of inheritance or to your designated beneficiary following your death. You may also direct the Corporation to re-issue the stock certificates for any Shares which in fact vest and become issuable under your Award to one or more designated family members or a trust established for yourself and/or your family members. You may make such a beneficiary designation or certificate directive at any time by filing the appropriate form with the Plan Administrator or its designee.

3. **Shareholder Rights.** The Units create no fiduciary duty to you, and shall create only a contractual obligation on the part of the Corporation to issue Shares, subject to vesting and other terms and conditions of this Agreement and the Plan. The Units shall not be treated as property or as a trust fund of any kind.

You will not have any shareholder rights, including voting rights or dividend rights, with respect to the Shares subject to your Award until you become the record holder of those Shares upon their actual issuance to you following the Corporation's collection of any applicable withholding taxes. Except as otherwise provided in Paragraph 4, no adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate evidencing the Shares.

Issuance of the underlying Shares in settlement of the corresponding Units that vest hereunder shall be in complete satisfaction of those vested Units.

4. **Adjustments.** Should any change be made to the Common Stock subject to your Award by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of the outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation or other reorganization, then equitable adjustments will be made by the Plan Administrator to the number and/or class of securities issuable hereunder and the number and/or class of securities that vest pursuant to the Vesting Schedule set forth above to reflect that change and thereby prevent a dilution or enlargement of benefits hereunder. The determination of the Plan Administrator will be final, binding and conclusive. In the event of a Change in Control or Hostile Take-Over, the provisions of Paragraph 6 will be controlling.

5. **Federal Income Taxation.** You will recognize ordinary income for federal income tax purposes on each date the Shares subject to your Award vest, whether pursuant to the normal Vesting Schedule above or the special acceleration provisions of Paragraph 1 or Paragraph 6 of this Agreement. The amount of your taxable income on each such vesting date will be equal to the Fair Market Value per share of Common Stock on that date times the number of Shares in which you vest on that date.

6. **Change in Control/Hostile Take-Over.** Should a Change in Control transaction or a Hostile Take-Over occur during your period of Service, any Units at the time subject to your Award will vest immediately prior to the consummation of that Change in Control or Hostile Take-Over. The Shares subject to those vested Units will be issued within fifteen (15) business days following the effective of such Change in Control or Hostile Take-Over. Alternatively, the Shares subject to those vested Units may be converted into the right to receive the same consideration per share of Common Stock payable to the other shareholders of the Corporation in consummation of the Change in Control or Hostile Take-Over, and such consideration per Share will be distributed to you within fifteen (15) business days following the effective date of such Change in Control or Hostile Take-Over.

7. **Securities Law Compliance.** The Corporation will use its reasonable commercial efforts to assure that all Shares issued pursuant to this Agreement are registered under the federal securities laws. However, no Shares will be issued pursuant to your Award if such issuance would otherwise constitute a violation of any applicable federal or state securities

laws or regulations or the requirements of the Stock Exchange on which the Common Stock is at the time listed. The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance of any Shares hereunder shall defer the Corporation's obligation with respect to the issuance of such Shares until such approval shall have been obtained.

8. **Transfer Restriction.** None of the issued Shares may be sold or transferred in contravention of (i) any market blackout periods the Corporation may impose from time to time or (ii) the Corporation's insider trading policies to the extent applicable to you from time to time.

9. **Benefit Limit.** In the event the accelerated vesting and issuance of the Shares subject to your Award would otherwise constitute a parachute payment under Code Section 280G, the accelerated vesting and issuance of those Shares shall be subject to reduction to the extent necessary to assure that the number of Shares which vest and are issued to you on such accelerated basis will be limited to the greater of (i) the number of Shares which can vest and be issued on such an accelerated basis without triggering a parachute payment under Code Section 280G or (ii) the maximum number of Shares which can vest and be issued on such accelerated basis to provide you with the greatest after-tax amount of such accelerated vesting and issuance of the Shares subject to your Award after taking into account any excise tax you incur under Code Section 4999 with respect to those accelerated Shares and any other benefits or payments to which you may be entitled in connection with any change in control or ownership of the Corporation.

10. **Notice.** Any notice to be given or delivered to the Corporation relating to this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice to be given or delivered to you relating to this Agreement shall be in writing and addressed to you at the address indicated below your signature line on the last page of this Agreement or such other address of which you later advise the Corporation in writing. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

11. **Successors and Assigns.** The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and upon you and the legal representatives, heirs and the legatees of your estate.

12. **Construction.** This Agreement and the Award evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. The Plan Administrator shall have the discretionary authority to interpret and construe any term or provision of the Plan or this Agreement, and such interpretation shall be binding on all persons having an interest in the Award.

13. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

14. **No Impairment of Rights.** This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, this Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its shareholders to remove you from the Board at any time in accordance with the provisions of applicable law.

15. **MANDATORY ARBITRATION. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN YOU AND THE CORPORATION ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THIS AGREEMENT OR THE AWARD OF RESTRICTED STOCK UNITS EVIDENCED HEREBY OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY BINDING**

**ARBITRATION TO BE HELD IN ORANGE COUNTY. THE ARBITRATION PROCEEDINGS SHALL BE GOVERNED BY (i) THE NATIONAL RULES FOR THE RESOLUTION OF EMPLOYMENT DISPUTES THEN IN EFFECT OF THE AMERICAN ARBITRATION ASSOCIATION AND (ii) THE FEDERAL ARBITRATION ACT. THE ARBITRATOR SHALL HAVE THE SAME, BUT NO GREATER, REMEDIAL AUTHORITY AS WOULD A COURT HEARING THE SAME DISPUTE. THE DECISION OF THE ARBITRATOR SHALL BE FINAL, CONCLUSIVE AND BINDING ON THE PARTIES TO THE ARBITRATION AND SHALL BE IN LIEU OF THE RIGHTS THOSE PARTIES MAY OTHERWISE HAVE TO A JURY TRIAL; PROVIDED, HOWEVER, THAT SUCH DECISION SHALL BE SUBJECT TO CORRECTION, CONFIRMATION OR VACATION IN ACCORDANCE WITH THE PROVISIONS AND STANDARDS OF APPLICABLE LAW GOVERNING THE JUDICIAL REVIEW OF ARBITRATION AWARDS. THE PREVAILING PARTY IN SUCH ARBITRATION, AS DETERMINED BY THE ARBITRATOR, AND IN ANY ENFORCEMENT OR OTHER COURT PROCEEDINGS, SHALL BE ENTITLED, TO THE EXTENT PERMITTED BY LAW, TO REIMBURSEMENT FROM THE OTHER PARTY FOR ALL OF THE PREVAILING PARTY'S COSTS, EXPENSES AND ATTORNEY'S FEES; PROVIDED, HOWEVER, IF THE CORPORATION IS NOT THE PREVAILING PARTY, THE ARBITRATOR'S COMPENSATION, FEES AND COSTS SHALL BE PAID BY THE CORPORATION IF SUCH COMPENSATION, FEES AND COSTS ARE REQUIRED TO BE PAID BY THE CORPORATION IN ACCORDANCE WITH APPLICABLE LAW. JUDGMENT SHALL BE ENTERED ON THE ARBITRATOR'S DECISION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER OF SUCH DISPUTE OR CONTROVERSY. NOTWITHSTANDING THE FOREGOING, EITHER PARTY MAY IN AN APPROPRIATE MATTER APPLY TO A COURT PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1281.8, OR ANY COMPARABLE STATUTORY PROVISION OR COMMON LAW PRINCIPLE, FOR PROVISIONAL RELIEF, INCLUDING A TEMPORARY RESTRAINING ORDER OR A PRELIMINARY INJUNCTION. TO THE EXTENT PERMITTED BY LAW, THE PROCEEDINGS AND RESULTS, INCLUDING THE ARBITRATOR'S DECISION, SHALL BE KEPT CONFIDENTIAL.**

16. ***Remaining Terms.*** The remaining terms and conditions of your Award are governed by the Plan, and your Award is also subject to all interpretations, amendments, rules and regulations that may from time to time be adopted under the Plan. The official prospectus summarizing the principal features of the Plan is provided with this Agreement.

Please review the prospectus carefully so that you fully understand your rights and benefits under your Award and the limitations, restrictions and vesting provisions applicable to the Award. In the event of any conflict between the provisions of this Agreement and those of the Plan, the provisions of the Plan shall be controlling.

Please execute the Acknowledgment section below to indicate your acceptance of the terms and conditions of your Award.

Broadcom Corporation

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

**ACKNOWLEDGMENT**

I hereby acknowledge reading and understanding the prospectus for the Plan and this Agreement. I further acknowledge and accept the foregoing terms and conditions of the Restricted Stock Unit award evidenced hereby. I also acknowledge and agree that the foregoing sets forth the entire understanding between the Corporation and me regarding my entitlement to receive the shares of the Corporation's Class A common stock subject to such award and supersedes all prior oral and written agreements on that subject.

SIGNATURE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

DATED: \_\_\_\_\_, 20 \_\_\_\_

**APPENDIX**

The following definitions shall be in effect under the Agreement:

**Agreement** shall mean this Restricted Stock Unit Agreement.

**Board** shall mean the Corporation's Board of Directors.

**Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a shareholder-approved merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or

(ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders.

**Code** shall mean the Internal Revenue Code of 1986, as amended.

**Common Stock** shall mean the Corporation's Class A Common Stock.

**Corporation** shall mean Broadcom Corporation, a California corporation, and any corporate successor to all or substantially all of the assets or voting stock of Broadcom Corporation, which shall by appropriate action adopt the Plan.

**Eligible Director** shall mean a Board member who is not, at the time of such determination, an employee of the Corporation (or any Parent or Subsidiary) and who is accordingly eligible to participate in the Director Automatic Grant Program in accordance with the eligibility provisions of the Plan.

**Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

**Fair Market Value** per share of Common Stock on any relevant date shall mean the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange on which the Common Stock is at that time primarily traded, as such price is officially quoted on such exchange. If there is no reported sale of Common Stock on such Stock Exchange on the date in question, then the Fair Market Value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists.

**Hostile Take-Over** shall mean either of the following events effecting a change in control or ownership of the Corporation:

- (i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders which the Board does not recommend such shareholders to accept, or
- (ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, comprising individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

**Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**Permanent Disability** shall mean your inability to perform your usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

**Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

**Service** shall mean your performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Eligible Director, Employee, consultant or independent advisor. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to the you serving in any of the foregoing capacities. For purposes of this Agreement, you shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) you no longer perform services in any of the

foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment through the period of time occurring during any pre-termination notice period that is applicable to you or (ii) the entity for which you are performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though you may subsequently continue to perform services for that entity.

**Stock Exchange** shall mean either the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

**Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**FIFTH AMENDMENT TO LEASE****I. PARTIES AND DATE.**

This Fifth Amendment to Lease (the "**Amendment**") dated as of February 26, 2013, is by and between THE IRVINE COMPANY LLC, a Delaware limited liability company ("**Landlord**"), and BROADCOM CORPORATION, a California corporation ("**Tenant**").

**II. RECITALS.**

On December 29, 2004, Landlord and Tenant entered into a lease (the "**Original Lease**"), which Lease was amended by a First Amendment to Lease dated June 7, 2005 (the "**First Amendment**"), by a Second Amendment to Lease dated April 9, 2007 (the "**Second Amendment**"), by a Third Amendment to Lease dated April 9, 2007 (the "**Third Amendment**"), and by a Fourth Amendment to Lease dated November 19, 2007 (the "**Fourth Amendment**"). The Original Lease, as so amended, is referred to herein as the "**Lease**", and the Premises lease by Tenant pursuant to, and as more particularly defined in, the Lease is referred to herein as the "**Premises**".

On or about the date of this Amendment, Landlord and Tenant have executed that certain Eighth Amendment to Lease amending Landlord's and Tenant's separate lease agreement dated as of October 31, 2007 (the "**2007 Lease Eighth Amendment**").

Landlord and Tenant each desire to modify the Lease to make such other modifications as are set forth in "III. MODIFICATIONS" next below.

**III. MODIFICATIONS.**

A. Right to Extend the Lease. Sections 3.4 and 3.5 of the Lease, entitled "Right to Extend this Lease" and "Prevailing Market Rent", respectively, are hereby deleted in their entirety and substituted therefor shall be the following Section 3.4:

**"SECTION 3.4 RIGHT TO EXTEND THE LEASE.** Provided that no Event of Default exists under any provision of the Lease at the time of exercise of the extension rights granted herein, and provided Tenant has not assigned the Lease (except for this purpose only, an assignment pursuant to Section 9.4 shall not be considered an assignment), then Tenant may extend the Term of the Lease for the entire Premises for two (2) successive extension periods, the initial extension period commencing on June 1, 2017 and ending on May 31, 2018 (the "**Initial Extension Period**"), and the second of such extension periods commencing on June 1, 2018 and ending on May 31, 2019 (the "**Second Extension Period**"), all on the terms and conditions provided in this Section 3.4. The Initial Extension Period and the Second Extension Period are herein collectively referred to as the "**Extension Periods**", and individually as an "**Extension Period**". It shall be a further condition of Tenant's right to exercise the Term for the Initial Extension Period that Tenant shall have exercised its right to extend the "Initial Extension Period" under the 2007 Lease Eighth Amendment; and it shall be a further condition of Tenant's right to exercise the Term for the Second Extension Period that Tenant shall have exercised its right to extend the "Second Extension Period" under the 2007 Lease Eighth Amendment.

Tenant (i) shall exercise its right to extend the Term for the Initial Extension Period by and only by delivering to Landlord, not later than May 31, 2014, Tenant's irrevocable written notice of its commitment to extend the Term for the Initial Extension Period, and (ii) shall exercise its right to extend the Term for the Second Extension Period by and only by delivering to Landlord, not later than May 31, 2015, Tenant's irrevocable written notice of its commitment to extend the Term for the Second Extension Period (each such notice, a "**Commitment Notice**"). Tenant's exercise of its right to extend the Term for the Initial Extension Period, as herein provided, shall be a condition precedent for Tenant's right to extend the Term for the Second Extension Period. Tenant's lease of the Premises during each of the Extension Periods shall be on the same terms and conditions set forth in the Lease, except that the Basic Rent payable under the Lease during each of the Extension Periods shall be One Million Eight Hundred Fifty One Thousand Seventy Six and Eight Tenths Dollars (\$1,851,076.80) per

month, based on \$2.70 per rentable square foot of the Premises.

Upon receipt of a Commitment Notice, Landlord shall prepare a reasonably appropriate amendment to the Lease for the applicable Extension Period and Tenant shall execute and return same to Landlord within ten (10) days.

If Tenant fails to timely exercise either of the extension rights granted herein within the time periods expressly set forth for exercise by Tenant in the initial paragraph of this Section 3.4, Tenant's right to extend the Term shall be extinguished and the Lease shall automatically terminate as of the then-scheduled Expiration Date of the Term, without any extension and without any liability to Landlord. Tenant's rights under this Section shall belong solely to Broadcom Corporation, a California corporation, and any attempted assignment or transfer of such rights (except in connection with an assignment of the Lease pursuant to Section 9.4 of the Lease) shall be void and of no force and effect. Tenant shall have no other right to extend the Term beyond the two (2) Extension Periods created by this Section. Unless agreed to in a writing signed by Landlord and Tenant, any extension of the Term, whether created by an amendment to this Lease or by a holdover of the Premises by Tenant, or otherwise, shall be deemed a part of, and not in addition to, any duly exercised Extension Period permitted by this Section 3.4.

B. Rent Credit. In the event that Tenant and Landlord, subsequent to the date of this Amendment, shall enter into either (i) a build-to-suit lease for facilities on property owned by Landlord and commonly known as "Planning Area 17", or (ii) an extension of the Term of this Lease for a minimum of 60 months (collectively, such build-to-suit lease or extension agreement, the "**New Lease**" herein), such New Lease being entered into after Tenant has exercised and commenced payment of the Basic Rent under either of the Extension Periods, then a credit in the amount of the difference between (i) the Basic Rent paid during such Extension Period(s) and (ii) the amount of \$2.42 per rentable square foot per month of the leased premises under the New Lease over the same period of such payment by Tenant, shall be granted against the Basic Rent due and payable under the New Lease. *(Example: If Tenant exercises the extension of the Term for the Initial Extension Period and pays Basic Rent of \$2.70/NNN/SF for one (1) month, and Landlord and Tenant then agree to enter into the New Lease, Landlord would credit back the one (1) month rent difference between \$2.70/SF and 2.42/SF or (\$.028/SF) multiplied by the r/s/f of the Premises of 685,584, or an amount of \$191,963.52 for one month, against Basic Rent initially due and payable under the New Lease.]*

Nothing contained in this Section III.B shall require either Landlord or Tenant to agree to the terms of, or to enter into negotiations whatsoever for entry into, the New Lease.

#### IV. GENERAL.

A. Effect of Amendments. The Lease shall remain in full force and effect except to the extent that it is modified by this Amendment.

B. Entire Agreement. This Amendment embodies the entire understanding between Landlord and Tenant with respect to the modifications set forth in "III. MODIFICATIONS" above and can be changed only by a writing signed by Landlord and Tenant.

C. Counterparts. If this Amendment is executed in counterparts, each is hereby declared to be an original; all, however, shall constitute but one and the same amendment. In any action or proceeding, any photographic, photostatic, or other copy of this Amendment may be introduced into evidence without foundation.

D. Defined Terms. All words commencing with initial capital letters in this Amendment and defined in the Lease shall have the same meaning in this Amendment as in the Lease, unless they are otherwise defined in this Amendment.

E. Corporate and Partnership Authority. If Tenant is a corporation or partnership, or is comprised of either or both of them, each individual executing this Amendment for the corporation or partnership represents that he or she is duly authorized to execute and deliver this Amendment on behalf of the corporation or partnership and that this Amendment is binding upon the corporation or partnership in accordance with its terms.

**V. EXECUTION.**

Landlord and Tenant executed this Amendment on the date as set forth in "I. PARTIES AND DATE." above.

LANDLORD: TENANT:

THE IRVINE COMPANY LLC BROADCOM CORPORATION  
a Delaware limited liability company a California corporation

By /s/ Steven M. Case By /s/ Eric Brandt  
Steven M. Case Eric Brandt  
Executive Vice President Executive Vice President and  
Office Properties Chief Financial Office

By /s/ Michael T. Bennett By /s/ Ryan Lorey  
Michael T. Bennett Ryan Lorey  
Executive Vice President Senior Director  
Office Properties Global Real Estate

**EIGHTH AMENDMENT TO LEASE****I. PARTIES AND DATE.**

This Eighth Amendment to Lease (the "**Amendment**") dated as of February 26, 2013, is by and between THE IRVINE COMPANY LLC, a Delaware limited liability company ("**Landlord**"), and BROADCOM CORPORATION, a California corporation ("**Tenant**").

**II. RECITALS.**

On October 31, 2007, Landlord and Tenant entered into a lease (the "**Original Lease**"), which Lease was amended by a First Amendment to Lease dated November 12, 2008 (the "**First Amendment**"), by a Second Amendment to Lease dated July 21, 2010 (the "**Second Amendment**"), by a Third Amendment to Lease dated September 14, 2010 (the "**Third Amendment**"), by a Fourth Amendment to Lease dated November 15, 2010 (the "**Fourth Amendment**"), by a Fifth Amendment to Lease dated April 26, 2011 (the "**Fifth Amendment**"), and by a Sixth Amendment to Lease dated August 2, 2011 (the "**Sixth Amendment**"), and by a Seventh Amendment to Lease dated June 28, 2012 (the "**Seventh Amendment**"). The Original Lease, as so amended, is referred to herein as the "**Lease**", and the Premises leased by Tenant pursuant to, and as more particularly defined in, the Lease is referred to herein as the "**Premises**". The portion of the Premises consisting of 21,782 rentable square feet and leased by Tenant in the building located at 5251 California Avenue, Irvine, California (the "**5251 Building**") pursuant to the Second Amendment, the Fourth Amendment, the Fifth Amendment, and the Sixth Amendment is collectively referred to herein as the "**5251 California Premises**".

On or about the date of this Amendment, Landlord and Tenant have executed that certain Fifth Amendment to Lease amending Landlord's and Tenant's separate lease agreement dated as of December 29, 2004 (the "**2004 Lease Fifth Amendment**").

Landlord and Tenant each desire to modify the Lease to make such other modifications as are set forth in "III. MODIFICATIONS" next below.

**III. MODIFICATIONS.**

A. Basic Lease Provisions. The Basic Lease Provisions of the Lease are hereby amended as follows:

1. Item 5 of the Lease is hereby amended by adding the following:

"Lease Term as to the 5251 California Premises: The Term of the Lease as to the 5251 California Premises shall expire at midnight on April 30, 2017.

2. Item 6 of the Lease is hereby amended by adding the following as additional paragraphs of the rent schedule:

Basic Rent for the 5251 California Premises:

Commencing on August 1, 2014, the Basic Rent for the 5251 California Premises shall be Thirty One Thousand One Hundred Forty Eight Dollars (\$31,148.00) per month, based on \$1.43 per rentable square foot.

Commencing on August 1, 2015, the Basic Rent for the 5251 California Premises shall be Thirty Two Thousand Six Hundred Seventy Three Dollars (\$32,673.00) per month, based on \$1.50 per rentable square foot.

Commencing on August 1, 2016, the Basic Rent for the 5251 California Premises shall be Thirty Four Thousand One Hundred Ninety Eight Dollars (\$34,198.00) per month, based on \$1.57 per rentable square foot.

B. Right to Extend the Lease. Sections 3.4 and 3.5 of the Lease, entitled "Right to Extend this Lease" and "Prevailing Market Rent", respectively, are hereby deleted in their entirety and substituted therefor shall be the following Section 3.4:

**"SECTION 3.4 RIGHT TO EXTEND THE LEASE.** Provided that no Event of Default exists under any provision of the Lease at the time of exercise of the

extension rights granted herein, and provided Tenant has not assigned the Lease (except for this purpose only, an assignment pursuant to Section 9.4 shall not be considered an assignment), then Tenant may extend the Term of the Lease for the entire Premises for two (2) successive extension periods, the initial extension period commencing on May 1, 2017 and ending on May 31, 2018 (the "**Initial Extension Period**"), and the second of such extension periods commencing on June 1, 2018 and ending on May 31, 2019 (the "**Second Extension Period**"), all on the terms and conditions provided in this Section 3.4. The Initial Extension Period and the Second Extension Period are herein collectively referred to as the "**Extension Periods**", and individually as an "**Extension Period**". It shall be a further condition of Tenant's right to exercise the Term for the Initial Extension Period that Tenant shall have exercised its right to extend the "Initial Extension Period" under the 2004 Lease Fifth Amendment; and it shall be a further condition of Tenant's right to exercise the Term for the Second Extension Period that Tenant shall have exercised its right to extend the "Second Extension Period" under the 2004 Lease Fifth Amendment.

Tenant (i) shall exercise its right to extend the Term for the Initial Extension Period by and only by delivering to Landlord, not later than May 31, 2014, Tenant's irrevocable written notice of its commitment to extend the Term for the Initial Extension Period, and (ii) shall exercise its right to extend the Term for the Second Extension Period by and only by delivering to Landlord, not later than May 31, 2015, Tenant's irrevocable written notice of its commitment to extend the Term for the Second Extension Period (each such notice, a "**Commitment Notice**"). Tenant's exercise of its right to extend the Term for the Initial Extension Period, as herein provided, shall be a condition precedent for Tenant's right to extend the Term for the Second Extension Period. Tenant's lease of the Premises during each of the Extension Periods shall be on the same terms and conditions set forth in the Lease, except that the Basic Rent payable under the Lease during each of the Extension Periods shall be Six Hundred Forty Thousand Two Hundred and Eighty Three and Four Tenths Dollars (\$640, 283.40) per month, based on \$2.70 per rentable square foot of the Premises.

Upon receipt of a Commitment Notice, Landlord shall prepare a reasonably appropriate amendment to the Lease for the applicable Extension Period and Tenant shall execute and return same to Landlord within ten (10) days.

If Tenant fails to timely exercise either of the extension rights granted herein within the time periods expressly set forth for exercise by Tenant in the initial paragraph of this Section 3.4, Tenant's right to extend the Term shall be extinguished and the Lease shall automatically terminate as of the then-scheduled Expiration Date of the Term, without any extension and without any liability to Landlord. Tenant's rights under this Section shall belong solely to Broadcom Corporation, a California corporation, and any attempted assignment or transfer of such rights (except in connection with an assignment of the Lease pursuant to Section 9.4 of the Lease) shall be void and of no force and effect. Tenant shall have no other right to extend the Term beyond the two (2) Extension Periods created by this Section. Unless agreed to in a writing signed by Landlord and Tenant, any extension of the Term, whether created by an amendment to this Lease or by a holdover of the Premises by Tenant, or otherwise, shall be deemed a part of, and not in addition to, any duly exercised Extension Period permitted by this Section 3.4.

C. Rent Credit. In the event that Tenant and Landlord, subsequent to the date of this Amendment, shall enter into either (i) a build-to-suit lease for facilities on property owned by Landlord and commonly known as "Planning Area 17", or (ii) an extension of the Term of this Lease for a minimum of 60 months (collectively, such build-to-suit lease or extension agreement, the "**New Lease**" herein), such New Lease being entered into after Tenant has exercised and commenced payment of the Basic Rent under either of the Extension Periods, then a credit in the amount of the difference between (i) the Basic Rent paid during such Extension Period(s) and (ii) the amount of \$2.42 per rentable square foot per month of the leased premises under the New Lease over the same period of such payment by Tenant, shall be granted against the Basic Rent due and payable under the New Lease. *[Example: If Tenant exercises the extension of the Term for the Initial Extension Period and pays Basic Rent of \$2.70/NNN/SF for one (1) month, and Landlord and Tenant then agree to enter into the New Lease, Landlord would credit back the one (1) month rent difference between \$2.70/SF and 2.42/SF or (\$.028/SF) multiplied*

by the r/s/f of the Premises of 237,142, or an amount of \$66,399.76 for one month, against Basic Rent initially due and payable under the New Lease.]

Nothing contained in this Section 111.6 shall require either Landlord or Tenant to agree to the terms of, or to enter into negotiations whatsoever for entry into, the New Lease.

**IV. GENERAL.**

**A. Effect of Amendments.** The Lease shall remain in full force and effect except to the extent that it is modified by this Amendment.

**B. Entire Agreement.** This Amendment embodies the entire understanding between Landlord and Tenant with respect to the modifications set forth in "III. MODIFICATIONS" above and can be changed only by a writing signed by Landlord and Tenant.

**C. Counterparts.** If this Amendment is executed in counterparts, each is hereby declared to be an original; all, however, shall constitute but one and the same amendment. In any action or proceeding, any photographic, photostatic, or other copy of this Amendment may be introduced into evidence without foundation.

**D. Defined Terms.** All words commencing with initial capital letters in this Amendment and defined in the Lease shall have the same meaning in this Amendment as in the Lease, unless they are otherwise defined in this Amendment.

**E. Corporate and Partnership Authority.** If Tenant is a corporation or partnership, or is comprised of either or both of them, each individual executing this Amendment for the corporation or partnership represents that he or she is duly authorized to execute and deliver this Amendment on behalf of the corporation or partnership and that this Amendment is binding upon the corporation or partnership in accordance with its terms.

**V. EXECUTION.**

Landlord and Tenant executed this Amendment on the date as set forth in "I. PARTIES AND DATE." above.

LANDLORD: TENANT:

THE IRVINE COMPANY LLC BROADCOM CORPORATION  
a Delaware limited liability company a California corporation

By /s/ Steven M. Case By /s/ Eric Brandt  
Steven M. Case Eric Brandt  
Executive Vice President Executive Vice President and  
Office Properties Chief Financial Office

By /s/ Michael T. Bennett By /s/ Ryan Lorey  
Michael T. Bennett Ryan Lorey  
Executive Vice President Senior Director  
Office Properties Global Real Estate

## SUBSIDIARIES OF THE COMPANY

<u>Name of Entity</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>
Broadcom International Limited	Cayman Islands
Broadcom Singapore Pte Ltd.	Singapore
Broadcom Cayman Limited	Cayman Islands
Broadcom Bermuda LP	Bermuda
NetLogic I LLC (formerly known as NetLogic Microsystems, Inc.)	Delaware
ServerWorks Corporation	Delaware
ServerWorks International Ltd.	Cayman Islands

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Broadcom Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 333-114405, 333-117866, 333-127775, 333-132533, 333-142526, 333-148971, 333-157089, 333-164685, 333-172017, 333-179273, 333-179871, and 333-186334) on Form S-8, and (No. 333-112997) on Form S-4 of Broadcom Corporation of our reports dated January 30, 2014, with respect to the consolidated balance sheets of Broadcom Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, the related consolidated financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2013, which reports appear in the December 31, 2013 annual report on Form 10-K of Broadcom Corporation.

/s/ KPMG LLP

Irvine, California  
January 30, 2014

**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 Annual Report on Form 10-K 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: January 30, 2014

**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 Annual Report on Form 10-K 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: January 30, 2014

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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2013 (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: January 30, 2014

**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 Annual Report on Form 10-K of the Company for the annual period ended December 31, 2013 (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: January 30, 2014