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, 2007
or
o **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	**33-0480482**
(State or Other Jurisdiction of Incorporation or Organization)	*(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: None

Securities registered pursuant to Section 12(g) of the Act: Class A common stock
(Title of class)

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

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 o 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 o

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer o Non-accelerated filed o

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

The aggregate market value of the registrant's common stock, $0.0001 par value per share, held by non-affiliates of the registrant on June 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $13.7 billion (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not a determination for other purposes.

The registrant has two classes of common stock authorized, Class A common stock and Class B common stock. The rights, preferences and privileges of each class of common stock are substantially identical except for voting rights. Shares of Class B common stock are not publicly traded but are convertible at any time into shares of Class A common stock on a one-for-one basis. As of December 31, 2007 there were 468.9 million shares of Class A common stock and 68.4 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 (the "Proxy Statement") for the 2008 Annual Meeting of Shareholders to be filed on or before March 31, 2008.

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BROADCOM CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

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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. Examples of forward-looking statements include, but are not limited to, statements concerning projected net revenue, costs and expenses and gross margin; our accounting estimates, assumptions and judgments; the impact of the January 2007 restatement of our financial statements for prior periods; estimates related to the amount and/or timing of the expensing of unearned stock-based compensation expense; our success in pending litigation; the demand for our products; the effect that seasonality and volume fluctuations in the demand for our customers' consumer-oriented products will have on our quarterly operating results; our dependence on a few key customers for a substantial portion of our revenue; our ability to scale 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; our ability to migrate to smaller process geometries; manufacturing, assembly and test capacity; our ability to consummate acquisitions and integrate their operations successfully; our potential needs for additional capital; inventory and accounts receivable levels; and the level of accrued rebates. 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 "Risk Factors" in 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 for any reason, except as otherwise required by law.

PART I

Item 1. *Business*

Overview

Broadcom Corporation (including our subsidiaries, referred to collectively in this Report as "Broadcom", "we", "our" and "us") is a major technology innovator and global leader in semiconductors for wired and wireless communications. Our products enable the delivery of voice, video, data and multimedia to and throughout the home, the office and the mobile environment. Broadcom provides the industry's broadest portfolio of state-of-the-art system-on-a-chip (SoC) and software solutions to manufacturers of computing and networking equipment, digital entertainment and broadband access products, and mobile devices. Our diverse product portfolio includes solutions for digital cable, satellite and Internet Protocol (IP) set-top boxes and media servers; high definition television (HDTV); high definition DVD players and personal video recording (PVR) devices; cable and DSL modems and residential gateways; high-speed transmission and switching for local, metropolitan, wide area and storage networking; SystemI/O™ server solutions; broadband network and security processors; wireless and personal area networking; cellular communications; global positioning system (GPS) applications; mobile multimedia and applications processors; mobile power management; and Voice over Internet Protocol (VoIP) gateway and telephony systems.

Broadcom was incorporated in California in August 1991. 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**. The inclusion of our website 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 SEC filings are available free of charge through our website as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Please note that financial information included in our reports on Form 10-K, Form 10-Q and Form 8-K, the related opinions of our independent registered public accounting firm, and all earnings press releases and similar communications issued by us, for all periods ended on or before March 31, 2006 should not be relied upon and have been superseded in their entirety by the information in our amended

Annual Report on Form 10-K/A for the year ended December 31, 2005, or the 2005 Form 10-K/A, and our amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed January 23, 2007. All references in this Report to financial information for the year 2005 or prior years are to the information contained in the 2005 Form 10-K/A.

Our Class A common stock trades on the Nasdaq Global Select Market℠ under the symbol BRCM.

Industry Environment and Our Business

Over the past two decades communications technologies have evolved dramatically in response to the proliferation of the Internet, ubiquitous wireless and mobile networks, and the emergence of new data-intensive computing and communications applications. These applications include, among others, high-speed Internet web browsing, wireless networking, high definition television and DVD players, VoIP-enabled products, sophisticated Gigabit Ethernet corporate networks, portable media players that are able to play both audio and video, cellular handsets that act as a camera or camcorder, handle email and surf the Internet, and mobile TV and game platforms and other wireless-enabled consumer electronics and peripherals. This evolution has also changed the ways in which we communicate. Consumers and businesses continue to seek faster, more cost-effective ways to receive and transmit voice, video, data and multimedia to and throughout the home, the office and the mobile environment. We can now access and communicate information via wired and wireless networks through a variety of electronic devices, including personal desktop and laptop computers, digital cable and satellite set-top boxes, high definition televisions, handheld computing devices such as personal digital assistants, or PDAs, and cellular phones. These applications and devices require increasingly higher processing speeds and information transfer rates within the computing systems and the data storage devices that support them and across the network communication infrastructures that serve them.

This evolution has inspired equipment manufacturers and service providers to develop and expand existing wired and wireless communications markets, and has created the need for new generations of integrated circuits. Integrated circuits, or chips, are made using semiconductor wafers imprinted with a network of electronic components. They are designed to perform various functions such as processing electronic signals, controlling electronic system functions, and processing and storing data. Today all electronic products use integrated circuits, which are essential components of personal computers, wired and wireless voice and data communications devices, networking products and home entertainment equipment.

The broadband transmission of digital information over existing wired and wireless infrastructures requires very sophisticated semiconductor solutions to perform critical systems functions such as complex signal processing, converting digital data to and from analog signals, and switching and routing of packets of information over Internet Protocol, or IP, -based networks. Solutions that are based on multiple discrete analog and digital chips generally cannot achieve the cost-effectiveness, performance and reliability required by today’s communications markets. These requirements are best addressed by new generations of highly integrated mixed-signal devices that combine complex analog, digital, and in many cases, radio frequency functions onto a single integrated circuit, and can be manufactured in high volumes using cost-effective process technologies.

Target Markets and Broadcom® Products

We design, develop and supply a diverse portfolio of products targeted to a variety of wired and wireless communications markets. Our semiconductor and software solutions are ubiquitous, embedded in cable and DSL modems and digital set-top boxes, digital televisions, high definition DVD players, networking equipment, wireless-enabled laptop and desktop computers, and advanced PDAs and cellular phones, among other wired and wireless equipment. As described in greater detail in Item 7, *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, we operate in one reportable operating segment, wired and wireless broadband communications.

In 2007 we introduced a number of products designed in the 65 nanometer complementary metal oxide semiconductor, or CMOS, process, which is currently the most advanced lithographic node for manufacturing semiconductors in large volumes. It provides significant benefits over the 90 nanometer and 130 nanometer processes by enabling lower power consumption, smaller size, higher yields and higher levels of integration. With the depth and breadth of our advanced portfolio of market proven IP, we are able to drive innovative new products to market and differentiate our solutions from the competition using the advanced 65 nanometer process.

The following is a brief description of each of our target markets and the SoC and software solutions that we provide for each market.

Broadband Communications

Broadcom offers manufacturers a range of broadband communications and consumer electronics SoCs that enable voice, video and data services over residential wired and wireless networks. These highly integrated silicon solutions continue to enable advanced system solutions, which include broadband modems and residential gateways, digital cable, satellite and IP set-top boxes and media servers, high definition and digital television, universal, HD DVD and Blu-ray Disc® players and personal video recorders, and media PC technology. Net revenue from our broadband communications target market represented 37.4%, 37.8% and 34.4% of our total net revenue in 2007, 2006 and 2005, respectively.

Cable Modems

Unlike traditional dial-up modems that provide online access through the telephone system, cable modems provide users high-speed Internet access through a cable television network. Although cable networks were originally established to deliver television programming to subscribers' homes, cable television operators have generally upgraded their systems to support two-way communications, high-speed Internet access and telecommuting through the use of cable modems. These modems are designed to achieve downstream transmission speeds of up to 43 megabits per second, or Mbps (North American standard), or 56 Mbps (international standard), and upstream transmission to the network at speeds of up to 30 Mbps. The speeds achieved by cable modems are nearly 1,000 times faster than the fastest analog telephone modems, which transmit downstream at up to 56 kilobits per second, or Kbps, and upstream at up to 28.8 Kbps. Cable modems typically connect to a user's PC through a standard 10/100BASE-T Ethernet card or universal serial bus, also known as a USB, connection. A device called a cable modem termination system, or CMTS, located at a local cable provider's network hub, communicates through television channels to cable modems in subscribers' homes and controls access to cable modems on the network.

The cable industry's adoption of an open standard, the Data Over Cable Service Interface Specification, commonly known as DOCSIS®, has made possible interoperability among various manufacturers' cable modems and CMTS equipment used by different cable networks. The first specification, DOCSIS 1.0, was adopted in 1997 and enabled the cost-effective deployment of cable modems. In 1998 the DOCSIS 1.1 specification, which enhanced DOCSIS 1.0 to include support for cable telephony using VoIP technology, streaming video and managed data services, was announced. In 2002 DOCSIS 2.0 was announced and adds support for higher upstream transmission speeds of up to 30 Mbps and more symmetric IP services, and provides extra capacity for cable telephony. In 2007 the DOCSIS 3.0 specification was announced and provides enhanced data rates and security and is backwards compatible with prior standards.

The high speeds of today's cable modems can enable an entirely new generation of multimedia-rich content over the Internet and allow cable operators to expand their traditional video product offerings to include data and telephone services. The adoption of cable modem services and the continued proliferation of homes with multiple PCs have also generated the need for residential networking. Cable television operators have recognized the opportunity to include this feature in the equipment they utilize for cable modem services through either home telephone line or wireless solutions, and the cable industry has created a specification called CableHome™ that defines how a home intranet interoperates with a cable provider's Internet service.

We offer integrated semiconductor solutions for cable modems and cable modem termination systems. We currently have a leading market position in both equipment areas, with an extensive product offering for the high-speed, two-way transmission of voice, video and data services to residential customers. Our complete system-level solutions include integrated circuits, reference design hardware and a full software suite to support our customers' needs and accelerate their time to market.

Cable Modem Solutions. All of our cable modem SoCs are built around our QAMLink® DOCSIS-compliant transceiver and media access controller, or MAC, technologies. These technologies enable downstream data rates up to 56 Mbps and upstream data rates up to 30 Mbps and are compliant with DOCSIS versions 1.0, 1.1 and 2.0. These devices provide a complete DOCSIS system solution in silicon, enabling quality of service, or QoS, to support constant bit rate services such as VoIP and video streaming.

Residential Broadband Gateway Solutions. The levels of integration and performance that we continue to achieve in our cable modem SoCs are reducing the cost and size of the cable modems themselves, while providing consumers with easy to use features and seamless integration to other transmission media. As a result, cable modem functionality is evolving into a small silicon core that can be incorporated into other consumer devices for broader distribution of IP-based services throughout the home. Broadcom offers residential broadband gateway solutions that bring together a range of capabilities, including those for cable modems, digital set-top boxes, home networking, VoIP and Ethernet connectivity. These products allow cable operators worldwide to provide residential broadband gateways capable of delivering digital telephone service via the PacketCable™ specification, IP video, and cable modem Internet services, as well as data over in-home Ethernet or wireless networks.

CMTS Solutions. We have a complete end-to-end DOCSIS 1.0, 1.1, 2.0 and 3.0 compliant cable modem SoC for both head-end and subscriber locations. Our CMTS solution consists of downstream and upstream physical layer, or PHY, devices and a DOCSIS media access controller. This cable modem termination system enables the exchange of information to and from the subscriber location, making it a key element in the delivery of broadband access over cable.

DSL

Digital subscriber line technologies, commonly known as DSL, represent a family of broadband solutions that use a greater range of frequencies over existing telephone lines than traditional telephone services. This provides greater bandwidth to send and receive information. DSL speeds range from 128 Kbps to 52 Mbps depending upon the particular DSL standard and the distance between the central office and the subscriber. These data rates allow local exchange carriers to provide, and end users to receive, a wide range of new broadband services.

DSL technology has a number of standards or line codes used worldwide and we support all of them, such as asymmetric DSL, or ADSL, ADSL2, ADSL2+ and very-high-speed DSL, or VDSL, including the standard Annexes used in North America, Europe, Japan and China. In addition, we provide end-to-end technology, with solutions designed for both customer premises equipment, or CPE, and central office applications. Our DSL technologies enable local exchange carriers and enterprise networking vendors to deliver bundled broadband services, such as digital video, high-speed Internet access, VoIP, video teleconferencing and IP data business services, over existing telephone lines.

In 2007 we introduced a communications upgrade technology called PhyR™, which provides innovative impulse noise protection. This firmware is included in our industry leading ADSL2+/VDSL firmware and enables service providers to deliver a ten-fold improvement in noise resilience resulting in more advanced triple-play services for ADSL and VDSL networks. From a user’s perspective, the improved performance provides better service coverage, fewer errors and a better viewing experience when watching IPTV systems equipped with PhyR.

DSL Modem and Residential Gateway Solutions. For DSL CPE applications, we provide products that address the wide variety of local area network, or LAN, connectivity options, including Ethernet, USB-powered solutions, VoIP-enabled access devices and IEEE 802.11 wireless access points with multiple Ethernet ports. These solutions also provide a fully scalable architecture to address emerging value-added services such as in-home voice and video distribution. Wide area network connectivity is provided using integrated, standards-compliant PHY technology.

DSL Central Office Solutions. We also provide highly integrated SoC solutions for DSL central office applications. Our BladeRunner™ high-density central office DSL chipset supports all worldwide DSL standards using our proprietary Firepath™ 64-bit digital signal processor. We believe these solutions will enable equipment manufacturers of digital subscriber line access multiplexers, or DSLAMs, and next generation digital loop carriers to offer a significant increase in the number of DSL connections that can be supported within telecommunication companies' tight heat, power and space constraints. We also provide the inter-networking software that is enabling DSLAM technology to transition from Asynchronous Transfer Mode to Internet Protocol.

Digital Cable, Direct Broadcast Satellite and IP Set-Top Boxes and Digital Television

The last decade has seen rapid growth in the quantity and diversity of television programming. Despite ongoing efforts to upgrade the existing cable infrastructure, an inadequate number of channels exists to provide the content demanded by consumers. In an effort to increase the number of channels and provide higher picture quality, cable service providers began offering digital programming in 1996 through the use of new digital cable set-top boxes, or STBs. These digital cable STBs facilitate high-speed digital communications between a subscriber's television and the cable network. Digital cable set-top boxes are currently able to support downstream transmission speeds to the subscriber up to 43 Mbps (North American standard) or 56 Mbps (international standard), as well as several hundred MPEG-2 or MPEG-4 advanced video coding compressed digital television channels.

Direct broadcast satellite, or DBS, is the primary alternative to cable for providing digital television programming. DBS broadcasts video and audio data from satellites directly to digital STBs in the home via dish antennas. Due to the ability of DBS to provide television programming where no cable infrastructure is in place, we believe that the global market for DBS set-top boxes will outpace the market for cable set-top boxes.

The Federal Communications Commission has stated that traditional terrestrial broadcast stations will be required to broadcast in digital format. Currently, the FCC is targeting 2009 for this mandated digital conversion that will ultimately require all television sets that are 13 inches or larger, DVD players and video cassette recorders to incorporate an HDTV receiver. We believe this conversion to digital broadcasting will create demand for new digital cable and satellite set-top boxes and digital television receivers. In addition, manufacturers can continue to develop and introduce new generations of digital cable and satellite set-top boxes that incorporate enhanced functionalities, such as Internet access, personal video recording, or PVR, video on demand, interactive television, HDTV, 3-D gaming, audio players and various forms of home networking.

TV manufacturers also plan to incorporate digital cable-ready capabilities into television sets for the North American market by integrating today's cable set-top box functionality directly into TV sets. The manufacturers of TVs, through their trade association, the Consumer Electronics Association, and in cooperation with North American cable operators, have created an industry specification called the "plug-n-play" agreement. This agreement and its associated specification define how to design digital cable-ready TVs for connection into the North American cable infrastructure.

Cable-TV Set-Top Box Solutions. We offer a complete silicon platform for the digital cable-TV set-top box market. These highly integrated SoCs give manufacturers a broad range of features and capabilities for building standard digital cable-TV STBs for digital video broadcasting, as well as high-end interactive set-top boxes. These high-end set-top boxes merge high-speed cable modem functionality with studio-quality graphics, text and video for both standard definition television, or SDTV, and HDTV formats.

Our cable-TV set-top box silicon consists of front-end transceivers with downstream, upstream and MAC functions, single-chip cable modems, advanced 2D/3D video-graphics encoders and decoders, radio frequency television tuners based on CMOS process technology, and digital visual interface chipsets. These cable-TV set-top box chips support most industry transmission and television standards, enabling universal interoperability and easy retail channel distribution. Peripheral modules incorporated into front-end devices also provide support for common set-top box peripheral devices, such as infrared remotes and keyboards, LED displays and keypads.

Our chips provide a comprehensive silicon platform for high-end interactive set-top boxes, supporting the simultaneous viewing of television programming with Internet content capability in either HDTV or SDTV format. This capability offers consumers a true interactive environment, allowing them to access Internet content while watching television. By adding our home networking and VoIP technologies, these set-top boxes can also support the functions of a residential broadband gateway for receiving and distributing digital voice and data services throughout the home, over either Ethernet or wireless networks. In addition, our set-top box SoCs incorporate PVR functionality that allows viewers to watch and record multiple programs and enables additional features such as selective viewing, fast forward, fast reverse, skip forward, skip back, and slow motion and frame-by-frame viewing.

In 2007 we announced several 65 nanometer products including a new dual-channel AVC/VC-1/MPEG-2 video decoder SoC that enables cable, satellite and IP-network STB manufacturers to develop extremely high performance media centers that integrate the most advanced features and functionality to securely access, store and share multiple types of media including HDTV programs, video-on-demand, or VoD, Internet content and digital music. In addition, we announced two fully integrated single- and dual-channel, multi-format satellite receivers that support DVB-S, DVB-S2 and 8PSK advanced modulation satellite applications; a new set-top box SoC that provides advanced high definition video compression for next generation cable, satellite and IP STBs; and a single-channel, multi-format high definition satellite receiver SoC that enables manufacturers to develop low cost satellite STBs that also support the DVB-S, DVB-S2 and 8PSK standards.

DBS Solutions. By leveraging our extensive investment and expertise in the cable-TV set-top box market, we have also developed comprehensive DBS solutions. These products include an advanced, high definition video graphics subsystem, which drives the audio, video and graphic interfaces in DBS set-top boxes and provides multi-stream control to support PVR capabilities; a CMOS satellite tuner, which allows our customers to provide additional channel offerings; front-end receiver chips for set-top boxes, including an advanced modulation system to increase satellite capacity; and a digital visual interface transmitter. In addition, we offer a complete end-to-end chipset for receiving and displaying HDTV. This chipset provides television and set-top box manufacturers with a high performance vestigial side band receiver and a 2D/3D video-graphics subsystem for SDTV and HDTV displays.

To meet the needs of the expanding broadband satellite market, we have also developed a complete satellite system solution that enables DBS providers to cost effectively deploy two-way broadband satellite services, enabling Internet access via satellite. This solution includes an advanced modulation digital satellite receiver, a digital satellite tuner/receiver and a high performance broadband gateway modem, combining the functionality of a satellite modem, a firewall router and home networking into a single chip.

IP Set-Top Box Solutions. Broadcom also provides a family of next generation advanced video compression, high definition SoC solutions for IP set-top boxes. These solutions include high definition video decoder/audio processor chips and a dual channel high definition and personal video recorder chip.

Digital TV Solutions. We were an early developer of advanced television systems committee, or ATSC, demodulators used for the reception of terrestrial HDTV signals broadcast in North America. Capitalizing on the FCC HDTV mandate and the “plug-n-play” agreement, as well as on our extensive cable-TV set-top box technology portfolio, we have developed a highly integrated digital TV SoC that, when combined with our existing satellite, cable or terrestrial demodulators, forms a complete semiconductor solution for HDTV delivery platforms, including satellite, cable or terrestrial set-top boxes and integrated high definition televisions. Our integrated HDTV solution will allow television manufacturers to develop digital cable-ready televisions that connect directly to the North American cable infrastructure without the need for an external set-top box.

In late 2006 Broadcom announced a high definition DTV solution that supports full 1080p display resolution. This “television-on-a-chip” enables TV and other consumer equipment manufacturers to cost effectively build TVs and displays with the industry’s highest quality HD resolution that features superior picture, sound and graphics support, whether the content is analog or digital. In addition, our 65 nanometer process allows for the integration of substantially more features, improved performance and reduced overall power consumption, resulting in a lower total system cost for equipment manufacturers.

In 2007 we introduced a complete digital television receiver system targeted at the National Telecommunications and Information Administration’s digital-to-analog converter box program. The program, which is part of the FCC initiative, includes a budget that will be used to assist U.S. households in making an affordable transition from existing analog television sets to digital by providing coupons to households to defray the cost of digital TV converter boxes. As a result, we have introduced a turnkey digital television-on-a-chip and associated software to enable these digital-to-analog converter boxes, extending the lives of analog-only TVs.

High Definition DVD Players

The DVD player market is currently undergoing a transition as a result of the increased adoption of HDTV sets by consumers and the advent of advanced video compression technologies, such as H.264 (also known as MPEG-4 Part 10/advanced video coding, or AVC) and VC-1 (SMPTE 421M), the SMPTE standard based on Microsoft® Windows Media® Video 9. These trends have led television broadcasters and movie studios to begin offering more high definition video content. In turn, consumer electronics manufacturers have begun offering high definition DVD players and recorders, with substantially greater storage capacity and the ability to effectively handle the significantly higher bit rates associated with high resolution HDTV content. However, similar to the battle between VHS versus Betamax in the 1970's and 1980's, two competing optical disc formats have emerged: the Blu-ray Disc and HD DVD formats. Both Blu-ray Disc and HD DVD disc formats offer significantly greater storage capacity than the current DVD standard, but they differ in the depth of the recording layer inside the disc; like a standard DVD, the recoding layer in an HD DVD is midway through the disc, while in a Blu-ray Disc it can be found much closer to the surface. This difference makes the two formats incompatible.

Broadcom entered the high definition DVD player market through our acquisition of Sand Video, a developer of advanced video compression technology, in April 2004. Our initial product for this market is a high definition video decoder/audio processor chip that is fully compliant with both the Blu-ray Disc and HD DVD disc formats. This single-chip solution also provides backwards compatibility for current DVD video titles as well as new HD DVD titles that may be authored in an MPEG-2 format. In addition, we offer a reference design for the development of Blu-ray Disc and HD DVD media players that includes our HD audio/video decoder chip, as well as an HD digital video system chip and a software platform that afford our customers a wide range of integration options. In 2007 we introduced a universal optical disc platform that has an advanced feature set and a flexible optical disc software stack that is compliant with both Blu-ray Disc and HD DVD specifications, providing customers with a complete platform for next generation media players that support both disc formats, as well as other home entertainment and network applications. The new platform incorporates the decoding, processing and memory functions for both Blu-ray Disc and HD DVD media players, eliminating the need for manufacturers to build two hardware platforms. The platform supports a wide variety of mandatory audio and video compression standards required for Blu-ray Disc and HD DVD optical disc formats, and also provides full backwards compatibility for current DVD video titles as well as DVD-R, DVD-VR and audio CDs.

Media PC Technology

In 2007 we introduced new media PC solutions that enable flawless playback of high definition video content across a wide range of PCs. By lowering CPU utilization, and integrating seamlessly into Microsoft Windows Vista® and Windows® XP environments, our media PC solutions enable mainstream PCs featuring integrated graphics to play high definition content from either a Blu-ray Disc or HD DVD, as well as from HD downloaded or broadcast content. Our new media PC solutions are available in three add-in card formats, including desktop PCI Express®, PCI Express mini-card or ExpressCard™ 34, and as a chipset solution for PC motherboard applications.

Enterprise Networking

Broadcom designs and develops complete SoC and software solutions that enable a robust, scalable, secure and easy-to-manage network infrastructure for the carrier/service provider, data center, enterprise and small-to-medium-sized business, or SMB, markets. Our solutions enable these networks to offer higher capacities and faster, more cost-efficient transport and management of voice, data and video traffic across wired and wireless networks. Broadcom's technology can be found in a wide range of applications including switches and routers, gateways, security appliances, DSLAMs, 3G/4G wireless infrastructures, passive optical networks, cable and VoIP hardware, desktop and notebook computers, servers and network-attached printers. Net revenue from our enterprise networking target market represented 30.2%, 32.2 and 39.8% of our total net revenue in 2007, 2006 and 2005, respectively.

Local Area Networking

Local area networks, or LANs, consist of various types of equipment, such as servers, workstations and desktop and notebook computers, interconnected by copper, fiber or coaxial cables utilizing a common networking protocol, generally the Ethernet protocol. Ethernet scales in speed from 10 Mbps to 10 Gigabits per second, or Gbps, providing both the bandwidth and scalability required in today's dynamic networking environment. As the volume and complexity of network traffic continues to increase, communications bottlenecks have developed in corporate LANs. As a result, technologies such as Gigabit Ethernet, a networking standard that supports data transfer rates of up to one Gbps, and the 10 Gigabit Ethernet standard, which supports data transfer rates of up to 10 Gbps, are replacing older technologies such as Fast Ethernet, which supports data transfer rates of up to 100 Mbps, and 10BASE-T Ethernet, which supports data transfer rates of 10 Mbps.

Gigabit Ethernet has emerged as the predominant networking technology for desktop and notebook computers, and we expect server and backbone connections to continue to migrate to the newer 10 Gigabit Ethernet standard. We further expect the continued use of switch connections in place of legacy repeater connections. Switches not only have the ability to provide dedicated bandwidth to each connection, but also provide routing functionality and possess the capability to deal with differentiated traffic such as voice, video and data. As a result, we anticipate that a significant portion of the installed base of 10/100BASE-T Ethernet switches as well as network interface cards, or NICs, will be upgraded to faster technologies.

We have a complete line of Fast Ethernet, Gigabit Ethernet and 10 Gigabit Ethernet transceivers, controllers and switches that are highly integrated, low power SoC solutions for servers, workstations, desktop and notebook computers, VoIP phones and wireless access points that enable the high-speed transmission of voice, video and data services over the Category 5 unshielded twisted-pair copper wiring widely deployed in enterprise and small office networks. In 2007 we completed our 10 Gigabit Ethernet end-to-end networking portfolio with high speed network infrastructure products that enable users to share Internet access, exchange graphics and video presentations, receive VoIP and video conferencing services, and share peripheral equipment, such as printers and scanners. In addition, we incorporate intelligent networking functionality into our devices, enabling system vendors to deploy QoS features and applications, typically found only in the core of the network, to every corporate desktop.

Digital Signal Processing Communication Architecture. Our complex Ethernet transceivers are built upon a proprietary digital signal processing, or DSP, communication architecture optimized for high-speed enterprise network connections. Our DSP silicon core enables interoperability and robust performance over a wide range of cable lengths and operating conditions, and delivers performance of greater than 250 billion operations per second. This proprietary DSP architecture facilitates use in Fast Ethernet, Gigabit Ethernet and 10 Gigabit Ethernet, as well as the migration path to smaller process geometries and minimizes the development schedule and cost of our transceivers.

Fast Ethernet and Gigabit Ethernet Transceivers. Our 10/100 Fast Ethernet transceiver product line ranges from single-chip 10/100 Ethernet transceivers to single-chip octal 10/100 Ethernet transceivers. These devices allow information to travel over standard Category 5 copper cable at rates of 10 Mbps and 100 Mbps. Our Gigabit Ethernet transceivers are enabling manufacturers to make equipment that delivers data at Gigabit speeds over existing Category 5 cabling. We believe this equipment can significantly upgrade the performance of existing networks without the need to rewire the network infrastructure with fiber or enhanced copper cabling. Additionally, we have developed a family of semiconductor solutions incorporating four transceivers in a single chip, which is optimized for high-port-density Gigabit Ethernet switches and routers.

With an emphasis on eight-port Gigabit Ethernet transceivers, we offer one of the industry's lowest power and smallest sized eight-port physical layer transceiver chips. This octal Gigabit Ethernet PHY device is manufactured in a 90 nanometer process technology, dissipating less than 500 milliWatts of power per port while reducing printed circuit board space by up to 40 percent in high density metro and enterprise switch designs. The octal PHY features a high level of peripheral component integration that enables significant bill-of-materials cost savings for low-end and high-end switches, servers and data center applications. The move to the more advanced 90 nanometer process technology (versus .13 micron) provides for a higher level of integration that results in further reductions in power, package size and overall system cost for higher density enterprise and metro networking designs.

Our Gigabit transceivers are driving the market toward lower power and smaller footprints, making it easier and less expensive to build 10/100/1000 Ethernet NICs, switches, hubs and routers and to put networking chips directly on computer motherboards in LAN on motherboard, or LOM, configurations. We plan to continue to incorporate additional functionality into all of our transceivers, providing customers with advanced networking features, higher performance, and on-chip and cable diagnostic capabilities.

In 2007 we introduced a new eight-port octal transceiver that extends the reach of Ethernet over twisted pair cables. The new 65 nanometer CMOS octal PHY features our BroadR-Reach™ technology that enables 10/100 Fast Ethernet to operate over extended distances, up to 500 meters, on one, two or four pairs of Category 5 or even telephone grade cables.

10 Gigabit Ethernet Transceivers. We have developed a family of 10 Gigabit Ethernet CMOS transceivers. When combined with serial 10 Gigabit optics, these devices can simultaneously transmit and receive at 10 Gbps data rates over 100 kilometers of existing single mode optical fiber. A 10 Gigabit Ethernet link over such distances extends the reach of Ethernet into local, regional and metropolitan fiber optic networks. We believe that significant cost, performance and latency advantages can be realized when the Ethernet protocol and other associated quality of service capabilities are available in these network domains. We anticipate that convergence around 10 Gigabit Ethernet will allow massive data flow from remote storage sites across the country over the metropolitan area network, or MAN, and into the corporate LAN, without unnecessary delays, costly buffering for speed mismatches or latency, or breaks in the quality of service protocol.

SerDes Technology and Products. We have developed an extensive library of serializer/deserializer, or SerDes, cores for Ethernet, storage and telecommunications network infrastructures. The technology is available in stand- alone SerDes devices or integrated with our standard and custom products. New generations of SerDes architectures provide advanced on-chip diagnostic intelligence to allow system designers to monitor, test and control high-speed serial links for signal integrity and bit error rate performance to reduce development cycles and costly field maintenance support.

Gigabit Ethernet Controllers. Built upon multiple generations of Gigabit Ethernet MAC technology, our NetXtreme® family of Gigabit Ethernet controllers supports peripheral component interconnect, or PCI®, PCI-X® and PCI Express local bus interfaces for use in NICs and LOM implementations. The NetXtreme family includes comprehensive solutions for servers, workstations, and desktop and notebook computers. These devices incorporate an integrated Gigabit Ethernet PHY transceiver and are provided with an advanced software suite available for a variety of operating systems. The NetXtreme architecture also features a processor-based design that enables advanced management software to run in firmware so it can be remotely upgraded through simple downloads. The entire NetXtreme controller family incorporates security features, including integrated Trusted Platform Module 1.2 functionality, to enable PC manufacturers to offer hardware-based security as a standard feature on enterprise client personal computers. In 2007 we introduced new controllers, including our first 65 nanometer product, that support desktop and mobile architecture for system hardware, or DASH, client manageability initiatives developed by the Distributed Management Task Force. DASH is a web services-based client management technology that enables IT professionals to efficiently and securely manage their desktop and mobile systems while being in an in-band, out-of-band and/or out of service state.

Our NetXtreme II™ family of Ethernet controllers consists of converged network interface controllers, or C-NICs, that are designed to improve server performance by integrating a TCP/IP offload engine, remote direct memory access, iSCSI storage and remote management. NetXtreme II controllers simultaneously perform storage networking, high-performance clustering, accelerated data networking and remote system management pass-through functions. The entire NetXtreme II product family incorporates security features, including integrated Trusted Platform Module 1.2 functionality, and is fabricated in a .13 micron or .18 micron CMOS process. In 2007 we expanded our NetXtreme II controller portfolio from 1 Gigabit Ethernet solutions to 10 Gigabit Ethernet, with a true single-chip, dual-port 10 Gigabit Ethernet C-NIC specifically developed for high volume server designs. Leveraging two field proven generations of NetXtreme II C-NIC technology, we successfully delivered a fully functional, single-chip C-NIC at 10Gbps rates, with no external memory required. This new device completes our portfolio of 10 Gigabit Ethernet end-to-end solutions featuring market leading C-NICs, switches and PHYs, enabling OEM partners to enhance next generation servers with a complete portfolio of our 10 Gigabit Ethernet network infrastructure solutions.

Our NetLink® family of Gigabit Ethernet controllers is based on the PCI Express bus architecture and optimized for small-to-medium-sized businesses. Designed for use in personal computers, NetLink controllers enable applications such as video editing and file transfer, LAN gaming, video conferencing, multimedia data sharing and desktop management, while at the same time offering very low power consumption.

Ethernet Switches. We now offer a broad switch-on-a-chip product line ranging from low cost, unmanaged and managed, OSI Layer 2 eight-port switch chips to high-end managed, Layer 3 through Layer 7 enterprise class switch chips. With our acquisition of Sandburst Corporation in 2006, we added high growth metro Ethernet scalable switch solutions to our portfolio. The applications supported by metro Ethernet solutions include carrier Ethernet switches and routers, next generation transport equipment, SONET/SDH telecommunications equipment and Ethernet access equipment. Our carrier Ethernet switch portfolio offers a broad feature set that enables carrier/service provider networks to support a large number of high value services such as VoIP, IPTV, video-on-demand, HDTV and internet gaming.

With the completion of our acquisition of LVL7 Systems, Inc. in early 2007, we added networking software to our portfolio of Ethernet switch solutions. This software enables communications system manufacturers to reduce development costs and deliver IP/Ethernet products to market faster. Our latest version of FASTPATH® software, version 5.0, was introduced in October 2007 and features two new products: FASTPATH SMB and SmartPATH™. These new software solutions enable high quality, next generation networking solutions for the SMB market with significantly improved time-to-market, reduced development costs and minimized risk.

For SMB applications, our ROBOswitch-plus™ product family consists of Layer 2+ switch chips supporting five, eight, 16 and 24 port 10/100 Ethernet switches, and our ROBO-HS™ product family supports single-chip networking solutions for Layer 2+ Gigabit Ethernet configurations of four, five, eight, 16 and 24 ports. We believe our switch chips make it economical for the remote office/business office and small office/home office network markets to have the same high-speed local connectivity as the large corporate office market. Our highly integrated family of switch products combines the switching fabric, MACs, Fast Ethernet and Gigabit Ethernet transceivers, media independent interface and packet buffer memory in single-chip solutions. These chips enable manufacturers to develop multiple switch design options that combine plug-and-play ease-of-use, scalability, network management features and non-blocking switching performance at optimal price points for the remote office and branch office user. Our ROBOSwitch™ products include CableChecker™ technology, which finds the location of wiring faults without disrupting live network traffic, and LoopDTech™ technology, which provides an immediate warning when a loop is introduced in the network, allowing the problem to be identified and remedied quickly. In 2006 we introduced a new family of ROBOswitch Gigabit Ethernet products, ranging from 16 to 48 Gigabit Ethernet ports, that features an integrated MIPS® processor, which reduces overall system cost. The ROBOswitch family includes products for unmanaged, smart and managed solutions.

For enterprise applications, our StrataXGS® product family provides the multi-layer switching capabilities of our earlier StrataSwitch® II technology with wire-speed Gigabit and 10 Gigabit Ethernet switching performance for enterprise business networks. These devices, in combination with our quad and octal Gigabit Ethernet transceivers, enable system vendors to build 12, 24 and 48 port multi-layer Gigabit Ethernet stackable switches, supporting systems with up to 1,536 Gigabit Ethernet ports. These multi-layer switches are capable of receiving, prioritizing and forwarding packets of voice, video and data at high speeds over existing corporate networks. The StrataXGS family also enables advanced network management capabilities in the switching infrastructure to track data flows and monitor or control bandwidth on any one of these flows. This results in a more intelligent use of network resources and enables a whole new set of network service applications that require high bandwidth, reliable data transmission, low latency and advanced quality service features such as streaming video and VoIP. The most recent generation of our StrataXGS product family incorporates advanced features such as IPv6 routing, unified wired and wireless switch management, advanced security and intrusion detection features, sophisticated traffic management, and scalable buffer and routing tables for high-end applications.

In 2007 Broadcom introduced a new 10 Gigabit Ethernet switch that provides 240 Gigabits of multi-layer switching capacity on a single chip. The new chip uses 65 nanometer process technology to achieve extremely low power consumption, ultimately enabling "greener" data centers. The new 10 Gigabit Ethernet switch provides data centers with greater density at a lower power, enabling cooler operations that better support a fluctuating volume of users due to the rich multimedia content associated with Web 2.0, online video-on-demand, social networking and interactive gaming.

Our StrataXGS family is based on previous StrataSwitch II technology. The family of high-end StrataSwitch products consists of wire-speed, multi-layer chips that combine multiservice provisioning capabilities with switching, routing and traffic classification functionality in single-chip solutions. Replacing as many as 10 chips with one, our StrataSwitch II family of chips incorporates 24 Fast Ethernet and two Gigabit Ethernet ports with advanced Layer 3 switching and multi-layer packet classification.

In 2007 we expanded our applications for Ethernet switches by enhancing the wattage available for such high power applications as 802.11n wireless access points, video and security technologies, and introduced our first power over Ethernet products. Featuring two highly integrated power sourcing equipment controllers, the new four-port controllers provide power to networked devices in enterprise, SMB or residential environments using the Ethernet cable infrastructure that is already in place for transferring voice, video and data.

Servers, Storage and Workstations

With the proliferation of data being accessed and sorted by the Internet and corporate intranets, the demand for servers has increased substantially. As integral pieces of the overall communications infrastructure, servers are multiprocessor-based computers that are used to support users' PCs over networks and to perform data intensive PC functions such as accessing, maintaining and updating databases.

Unlike mobile and desktop PCs, which are dominated by central processing units, or CPUs, server, storage and workstation platforms require highly-tuned core logic to provide high bandwidth, high performance and the reliability, availability and scalability that customers demand. The Internet has created a new market for servers, storage and workstation platforms as users access data and entertainment stored on servers from their PCs, handheld computers and wireless handsets.

Our SystemI/O semiconductor solutions act as the essential conduits for delivering high-bandwidth data in and out of servers, and coordinating all input/output, or I/O, transactions within server, storage and workstation platforms, including among external I/O devices, the main system memory and multiple CPUs.

We provide core logic technology that manages the flow of data to and from a system's processors, memory and peripheral I/O devices. Our SystemI/O products are used to design low-end and mid-range servers with two to four CPUs, as well as storage, workstation, blades and networking platforms. These products also provide reliability, availability and serviceability features. Our HyperTransport™-based server I/O controller incorporates PCI Express, PCI-X, HyperTransport tunnel and Gigabit Ethernet interfaces, while our current generation of SystemI/O products supports the AMD Opteron® product line and IBM PowerPC processors.

Metropolitan and Wide Area Networking

To address the increasing volume of data traffic emanating from the growing number of broadband connections in homes and businesses, MANs and wide area networks, or WANs, will have to evolve at both the transport and switching layers. We believe that the CMOS fabrication process will be a key technology in this evolution by enabling the development of smaller optical modules and system components that cost less, consume less power and integrate greater functionality.

Electronic components for optical communications are a natural extension of our large portfolio of high-speed LAN chips, one that will allow us to provide end-to-end semiconductor solutions across the WAN, MAN and LAN that increase the performance, intelligence and cost-effectiveness of broadband communications networks.

We offer a portfolio of CMOS OC-48 and OC-192 transceiver and forward error correction solutions, chips for Synchronous Optical Networks and dense wave division multiplexing, or DWDM, applications, as well as a serial CMOS transceiver for 10 Gigabit Ethernet applications. Our use of the CMOS process allows substantially higher levels of integration and lower power consumption than competitive gallium arsenide, bipolar or silicon germanium solutions. Our DWDM transport processor combines an OC-192 transceiver, forward error correction, performance monitoring logic and G.709 digital wrapper into a single-chip CMOS solution, occupying less than one half the space and consuming one-third the power of non-integrated solutions.

In addition, our latest generation of switch devices is designed for the Metro access and edge markets. These devices feature support for IPv4 and IPv6, MPLS, Ethernet over MPLS, advanced quality of service, and sophisticated packet classification and traffic management. They are also scalable to large systems with external memory.

Security Processors and Adapters

Most corporations use the Internet for the transmission of data among corporate offices and remote sites and for a variety of ecommerce and business-to-business applications. To secure corporate networks from intrusive attacks and provide for secure communications among corporate sites and remote users, an increasing amount of networking equipment will include technology to establish virtual private networks, or VPNs, which use the Internet Protocol security, or IPSec, protocol. In addition to VPNs, secure socket layer, commonly referred to as SSL, is used to secure sensitive information among users and service providers for ecommerce applications. Personal authentication has also become a part of daily life — people present “credentials” to prove their identity and gain access to a place or thing, such as a corporate network, or to engage in financial transactions. Our identities have increasingly become a collection of electronic bits. While enabling unprecedented levels of convenience, digital transactions inherently expose individuals and companies to a greater risk of identity theft and invasion of privacy.

Our SSL family of CryptoNetX® high-speed security processors and adapters for enterprise networks is enabling companies to guard against Internet attacks without compromising the speed and performance of their networks. Our PCI 2.2-compliant adapters provide a range of performance from 800 to 10,000 SSL transactions per second. Our current generation of CryptoNetX processors combine IP security, SSL protocol processing, cryptographic acceleration and hardware-based identity management and authentication into a single chip. These processors are built upon a proprietary, scalable silicon architecture that performs standards-compliant cryptographic functions at data rates ranging from a few Mbps to 10 Gbps full duplex. This architecture is being deployed across all of our product lines, addressing the entire broadband security network spectrum from residential applications to enterprise networking equipment. This scalable architecture allows us to develop standalone security products for very high-speed networking applications and to integrate the IP security processor core into lower speed solutions for consumer products, such as cable and DSL modem applications.

In 2006 Broadcom introduced a secure applications processor with integrated radio frequency identification technology that is designed to facilitate secure personal authentication transactions associated with physical access, logical access (into a PC or network) and contactless payment applications.

Broadband Processors

Broadband processors are high performance devices enabling high-speed computations that help identify, optimize and control the flow of data within the broadband network. The continued growth of IP traffic, coupled with the increasing demand for new and improved services and applications such as security, high-speed access and quality of service, is placing additional processing demands on next generation networking and communications infrastructures. From the enterprise to access network to the service provider edge, networking equipment must be able to deliver wire-speed performance from the OC-3 standard, which transmits data at 155 Mbps, through the OC-192 standard, which transmits data at 10 Gbps, as well as the scalability and flexibility required to support next generation services and features. In the enterprise and data center markets, server and storage applications require high computational performance to support complex protocol conversions and services such as virtualization. With the migration from second generation cellular mobile systems, or 2G, to the third generation cellular mobile systems, or 3G, networks and mobile infrastructure equipment must be able to support higher bandwidth rates utilizing low power resource levels.

Leveraging our expertise in large scale integration design, we have developed a family of high performance, low power processor solutions designed specifically to meet the needs of next generation networks. Our SiByte® family of processors delivers four key features essential for today’s embedded broadband network processors: very high performance, low power dissipation, high integration of network-centric functions, and programmability based on an industry-standard instruction set architecture. At the heart of the SiByte family of processors is the SB-1 core, a MIPS 64-bit superscalar CPU capable of operating at frequencies of 400 MHz to 1.2 GHz. These processors provide customers with a solution for high-speed network processing, including packet classification, queuing, forwarding and exception processing for wired and wireless networks. They enable complex applications such as deep content switching, routing and load balancing to be performed at wire speed. Our devices are also being designed for utilization in the fast growing network storage market, including network attached storage, storage area networking and RAID applications. Our general purpose processors are ideal for the complex protocol conversions, virtualization and proxy computations that storage applications require.

Custom Silicon Products

Custom silicon products are devices for applications that customers are able to semi-customize by integrating their own intellectual property with our proprietary intellectual property cores. We have successfully deployed such devices into the LAN, WAN and PC markets. Our typical semi-custom devices are complex mixed-signal designs that leverage our advanced design processes.

Mobile & Wireless Networking

Broadcom's mobile and wireless products allow manufacturers to develop leading edge mobile devices, enabling end-to-end wireless opportunities for the home, business and mobile markets. Products in this area include solutions in major wireless market segments, including wireless local area networking, cellular and wide area networking, and personal area networking, as well as a comprehensive range of emerging next generation mobile technologies. Our portfolio of mobile and wireless products is enabling a new generation of portable devices including cellular handsets, gaming platforms and other wireless-enabled consumer electronics and peripherals, such as home gateways, printers, VoIP phones, PC cards and notebook computers. Net revenue from our mobile and wireless target market represented 32.4%, 30.0% and 25.8% of our total net revenue in 2007, 2006 and 2005, respectively.

Wireless Local Area Networking

Wireless local area networking, also known as wireless LAN, WLAN or Wi-Fi® networking, allows equipment on a local area network to connect without the use of any cables or wires. It adds the convenience of mobility to the powerful utility provided by high-speed data networks, and is a natural extension of broadband connectivity in the home and office.

The first widely adopted standard for Wi-Fi technology was the IEEE 802.11b specification (the wireless equivalent of 10 Mbps Ethernet), which allowed transfer speeds up to 11 Mbps and spanning distances of up to 100 meters. However, the 802.11g specification (which provides almost five times the data rate of 802.11b networks), has replaced 802.11b as the mainstream wireless technology for both business and consumer applications. A third standard, 802.11a, applies to wireless LANs that operate in the 5 GHz frequency range with a maximum data rate of 54 Mbps. In 2007 a fourth Wi-Fi standard was ratified called 802.11n, which promises to deliver up to eight times the throughput and up to four times the range of 802.11g. Broadcom is already shipping WLAN solutions to conform to the 802.11n standard and has solutions covering all four of the Wi-Fi standards.

Wi-Fi technology was first utilized in applications such as computers and routers, and is now being embedded into a number of other electronic devices such as printers, digital cameras, gaming devices, PDAs, cellular phones and broadband modems. Our 54g® chipsets represent our implementation of the IEEE 802.11g wireless LAN standard that preserves full interoperability with 802.11b but provides connectivity at speeds of up to 54 Mbps. We offer a family of low power Wi-Fi chipsets that are specifically designed to allow PDAs, portable music players, cellular phones, and handheld games to connect to wireless home or enterprise networks using 802.11b, 802.11g or 802.11a/g dual-band technology. Our Intensi-fi™ chipsets, introduced in 2006, are built to support the 802.11n standard, and are backwards compatible to all previous WLAN standards: 802.11a, 802.11b, and 802.11g. These chipsets enable us to serve a new demand for video distribution in the home.

Continuous software and hardware performance enhancements have refined our wireless LAN product family, which includes 125 High Speed Mode™ technology (which increases the speed of wireless transmissions), BroadRange™ technology (which extends Wi-Fi coverage range), and SecureEasySetup® (an advanced software that enables simple setup of a secure wireless network). All of these AirForce® products also offer advanced security features, including certified support for Wi-Fi Protected Access™, or WPA versions 1 and 2, the Cisco Compatible Extensions, and hardware accelerated Advanced Encryption Standard, or AES, encryption. Our entire family of wireless LAN chips consists of all-CMOS solutions that are capable of self-calibration based on usage temperatures and other environmental conditions.

Cellular Technology

The cellular handset market is transitioning from pure voice to broadband multimedia and data, transforming the traditional cellular phone from a voice-only device into a multimedia gateway. Products emerging from this transition will allow end-users to wirelessly download email, view web pages, stream audio and video, play games and conduct videoconferences with cellular phones, smartphones, notebook computers and other mobile devices.

The international Global System for Mobile Communication, or GSM, is currently the dominant standard for cellular mobile communications. Enhanced data communications standards derived from GSM include General Packet Radio Services, or GPRS, Enhanced Data Rates for GSM Evolution, or EDGE, and Universal Mobile Telecommunications System, or UMTS. UMTS technologies, including Wideband Code Division Multiple Access, or WCDMA, High Speed Downlink Packet Access, or HSDPA, and High Speed Uplink Packet Access, or HSUPA, are typically referred to as 3G technologies. These standards have extended GSM to enable packet-based “always on” Internet applications and more efficient data transport with higher transmission rates and better network utilization for a new generation of data services such as Internet browsing, 3D gaming and multimedia messaging with rich graphics and audio content.

We develop and market GSM, GPRS, EDGE and UMTS chipsets and reference designs with complete software and terminal solutions for use in cellular phones, cellular modem cards and smartphones. Our CellAirity™ cellular products include baseband processor solutions, which integrate both mixed signal and digital functions on a single chip, a cellular software suite that includes enhanced communications and multimedia functionality, and pre-integrated cellular phone reference designs that assist our customers in achieving easier and faster transitions from initial prototype designs to final production releases.

Wireless Personal Area Networking

The Bluetooth® short-range wireless networking standard is a low cost wire replacement technology that enables connectivity among a wide variety of mainstream consumer electronic devices including PCs, mobile phones, smartphones, headsets and automotive electronics. Bluetooth short-range wireless connectivity enables personal area networking, or PAN, at speeds up to 3 Mbps, and can cover distances up to 30 feet. Bluetooth technology allows devices to automatically synchronize and exchange data with other Bluetooth-enabled devices without the need for wires, and enables wireless headset connections to cellular phones and wireless mouse and keyboard applications.

Our Blutonium® family of single-chip Bluetooth devices and software profiles and stacks provides a complete solution that enables manufacturers to add Bluetooth functionality to almost any electronic device with a minimal amount of development time and resources. Our Bluetooth solutions have been qualified by the Bluetooth Qualification Board to meet version 1.2, 2.0 and 2.1 of the Bluetooth specification, and are incorporated in PCs, PDAs, wireless mice and keyboards, GSM/GPRS/UMTS and CDMA mobile phones, and other end products.

Our Bluetooth solutions are designed in standard CMOS process technology and offer the industry’s highest levels of performance and integration, allowing them to be highly reliable while reducing manufacturing costs. In addition, we have developed InConcert® coexistence technology to allow products enabled with our AirForce Wi-Fi and Blutonium Bluetooth chips to collaboratively coexist within the same radio frequency.

Broadcom added several new and enhanced products to its Bluetooth product line in 2007, including two new devices optimized for high-end and basic headsets. These new solutions for Bluetooth wireless headsets integrate our new SmartAudio™ voice clarity technology and a special version of our BTE software that improves the audio performance of wireless mono and stereo headsets. Targeting the greater than 80 million unit Bluetooth headset market, these two chips enable the development of complete lines of high- and low-end headsets with sleek form factors, longer battery life and an improved audio experience.

Global Positioning Systems Applications

In 2007 Broadcom acquired Global Locate, Inc., an industry leading provider of global positioning system and assisted GPS, or A-GPS, semiconductor products and software. With the demand for GPS devices increasing dramatically as the deployment of GPS in mobile phones and personal navigation devices increases, combining Global Locate's GPS technology with our leading Bluetooth, Wi-Fi, cellular and other mobile technologies will provide leading handset makers with wireless connectivity solutions that add significant value to mobile devices and smartphone products.

Global Locate focused on GPS chip and navigation technology since it was founded in 1999 and has developed a worldwide GPS reference network that provides assistance data to its A-GPS-equipped chips via cellular data channels (GPRS or 3G), boosting performance and reducing the time required to determine a location by up to 100 times. As a result of this acquisition, we believe that we currently are the only supplier with top-tier customers in Bluetooth, Wi-Fi, FM radio and GPS, which represent four of the key wireless technologies currently being added to next generation mobile phones.

Mobile Multimedia Processors

Multimedia is becoming increasingly prevalent in handheld devices such as cellular phones. To support new multimedia features including imaging, graphics, camera image capture, audio capture, music playback, music streaming, video streaming, video capture, gaming, mobile TV, and more, Broadcom offers a line of video and multimedia processors based on a low power, high performance architecture referred to as Videocore®.

Unlike hard-wired processor cores, Videocore devices are built to provide customers the benefit of software flexibility and programmability. Videocore supports a wide variety of standard and non-standard software and codecs including, but not limited to, extremely low power implementations of MPEG-4 and H.264 for video, MP3 and AAC for audio, and MIDI. Providing the base codecs to our key customers allows them to rapidly develop next generation products while maintaining backwards compatibility with applications software. Because the programmable architecture of our mobile multimedia processors enables a complete range of multimedia functions to be executed in software, the system designer can quickly move to production without the costly overhead and time-to-market uncertainty of hardware accelerators. The scalability of the architecture allows features or new industry standard codecs to be added shortly before product release or through firmware upgrades in the field.

Our Videocore products can be used either as standalone multimedia processors or as co-processors in conjunction with a host processor such as a cellular baseband. Videocore-enabled video and multimedia processors for advanced handheld multimedia products are designed and optimized for video record/playback, still image capture and processing, mobile TV and 3-D mobile gaming. Videocore technology is designed to create power efficient, high performance processors focused on multimedia for cellular handsets, but we are also deploying Videocore processors into a number of other portable applications, such as portable media players where battery life and performance are important.

Mobile Application Processors

The increasing popularity of multimedia features in cellular phones and other portable devices, such as mobile televisions and portable audio, video and gaming devices, is generating a demand for high-end applications processors optimized to work with video and camera capabilities at prices affordable to consumers. Our family of mobile application processors, which integrate our Videocore multimedia processor and an ARM11® applications processor, software, and reference designs, enable an array of multimedia features, including support for an 8 megapixel digital camera, MPEG-4/H.264 VGA video decoding at 30 frames per second, video encoding at 30 frames per second, and NTSC/PAL TV signal output via composite, component and S-video connections, and to support advanced mobile device applications such as email, web browsing, file management and graphical user interfaces.

Mobile Power Management

As cellular networks evolve to so-called 2.5G and 3G technologies, increasingly sophisticated functionality and applications are becoming available in new cellular handsets and other portable devices. The convergence of complex multimedia functionality, including high-resolution digital still camera capabilities, mobile gaming, MP3 and video playback, Internet access, GPS receivers and mobile television, is becoming standard on many portable devices. However, each of these applications adds to the power management complexity of the overall system, creating a need for more sophisticated battery charging, monitoring, and system power supply and management. Portable device makers are seeking advanced power management solutions that reduce total system cost, occupy very little board space and are flexible and scalable enough to manage even the most demanding power requirements. Broadcom provides a family of power management devices that intelligently manage power consumption in mobile devices to optimize system operation and maximize battery life in cellular phones, MP3 players, portable navigation products, portable media and game players and security applications.

Voice over IP

Voice over Internet Protocol refers to the transmission of voice over any IP packet-based network. VoIP is stimulating dramatic changes in the traditional public switched and enterprise telephone networks since packet-based networks provide significant economic advantages over traditional circuit-switched voice networks. The trend to IP networks for voice has been driven by the significant build-out of the Internet and deregulation of long distance and local phone services.

The enterprise equipment market is being radically affected by the convergence of corporate data networks and voice communications. A host of new enterprise services can be enabled when a LAN-based Ethernet switching infrastructure is used to carry both data and voice. We provide both silicon and software to enable our enterprise equipment customers to provide cost-effective IP phones.

Within residential markets, VoIP is gaining momentum as a viable alternative to traditional public telephone networks. In addition to enabling cost savings for long distance calls, VoIP creates a number of consumer product opportunities and applications for equipment vendors and service providers.

IP Phone Processors. Our IP phone silicon and software solutions integrate packet processing, voice processing and switching technologies to provide the quality of service, high fidelity and reliability necessary for enterprise telephony applications. Our processors have enabled the development of new XML-based IP phones that can perform a wide variety of functions that traditional phones cannot support. Originally focused on Fast Ethernet, these processors now include support for Gigabit Ethernet as well to address the growing deployment of Gigabit Ethernet throughout enterprises.

Residential Terminal Adapter Processors. Our terminal adapter VoIP solutions enable existing analog phones to be connected to broadband modems via Ethernet. These products support residential VoIP services that are now being offered by a variety of broadband service providers.

Wi-Fi Phone Processors. Our Wi-Fi phone processor enables the development of next generation, cordless phone replacement devices. These Wi-Fi phones are beginning to be deployed in both enterprises and homes as the use of broadband and Wi-Fi applications increases in these markets.

All of our VoIP processors support our BroadVoice® technology, which features a wideband high fidelity mode that significantly improves the clarity and quality of telephony voice service.

Mobile Digital TV

Mobile digital TV refers to a series of new broadcast technology standards targeted specifically at mobile platforms. As incorporation of video into mobile devices becomes more prevalent, broadcast technologies offer improved viewing quality and lower network loading as compared to video over 3G IP transfers. Of these standards, the digital video broadcasting-handheld, or DVB-H, standard currently offers broad geographic coverage worldwide. DVB-H is based on the DVB-T standard with lower power features.

Our tuner, which supports both the DVB-T and DVB-H standards, can be combined with off-the-shelf demodulators from third parties to provide a complete mobile digital TV solution for DVB-H and DVB-T.

Reference Platforms

We develop reference platforms designed around our integrated circuit products that represent prototypical system-level applications for incorporation into our customers' equipment. These reference platforms generally include an extensive suite of software drivers as well as protocol and application layer software to assist our customers in developing their own end products. By providing these reference platforms, we assist our customers in achieving easier and faster transitions from initial prototype designs to final production releases. These reference platforms also enhance the customer's confidence that our products will meet its market requirements and product introduction schedules.

Customers and Strategic Relationships

We sell our products to leading manufacturers of wired and wireless communications equipment in each of our target markets. Because we leverage our technologies across different markets, certain of our integrated circuits may be incorporated into equipment used in several markets.

Customers currently shipping wired and wireless communications equipment incorporating our products include Alcatel, Apple, Cisco, Dell, EchoStar, Hewlett-Packard, IBM, LG, Motorola, Netgear, Nintendo, Nokia, Nortel Networks, Pace, Samsung, and Thomson CE, among others. To meet the current and future technical needs in our target markets, we have also established strategic relationships with multiservice operators that provide wired and wireless communications services to consumers and businesses.

A small number of customers have historically accounted for a substantial portion of our net revenue. Sales to our five largest customers represented 39.7%, 46.5% and 48.5%% of our net revenue in 2007, 2006 and 2005, 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 2008 and in the foreseeable future. These customers and their respective contributions to our net revenue have varied and will likely continue to vary from period to period. We typically sell products pursuant to purchase orders that customers can generally cancel, change or defer on short notice without incurring a significant penalty.

Core Technologies

Using proprietary technologies and advanced design methodologies, we design, develop and supply complete SoC solutions and system-level software, together with related hardware and software applications for our target markets. Our proven SoC design methodology has enabled us to be first to market with advanced chips that are highly integrated and cost-effective, and that facilitate the easy integration of our customers' intellectual property. Our design methodology leverages industry-standard, state-of-the-art electronic design automation tools, and generally migrates easily to new silicon processes and technology platforms. It also allows for the easy integration of acquired or licensed technology, providing customers with a broad range of silicon options with differentiated networking and performance features.

We believe our key competitive advantages include superior engineering execution and our broad base of core technologies encompassing the complete design space from systems to silicon. We have developed and continue to build on the following technology foundations:

- proprietary communications systems algorithms and protocols;
- advanced DSP hardware architectures;
- SoC design methodologies and advanced library development for both standard cell and full-custom integrated circuit design;

- high performance radio frequency, analog and mixed-signal circuit design using industry-standard CMOS processes;
- high performance custom microprocessor architectures and circuit designs; and
- extensive software reference platforms and board-level hardware reference platforms to enable complete system-level solutions.

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, 2007 we had 4,676 research and development employees, the majority of whom hold advanced degrees, including 501 employees with Ph.Ds. These key employees are involved in advancing our core technologies, as well as applying them to our product development activities. Because the SoC solutions for many of our target markets benefit from the same underlying core technologies, we are able to address a wide range of wired and wireless communications markets with a relatively focused investment in research and development.

We believe that the achievement of higher levels of integration and the timely introduction of new products in our target markets is essential to our growth. Our current plans are to maintain our significant research and development staffing levels in 2008 and for the foreseeable future. In addition to our principal design facilities in Irvine, California and Santa Clara County, California, we have design centers in Tempe, Arizona; San Diego County, California; Colorado Springs, Fort Collins and Longmont, Colorado; Duluth, Georgia; Germantown, Maryland; Andover, Massachusetts; Bloomington, Minnesota; Matawan and Glen Rock, New Jersey; Morrisville, North Carolina; Lancaster, Pennsylvania; Austin, Texas and Seattle, Washington, among other locations. Internationally, we have design facilities in Belgium, Canada, China, Denmark, France, Greece, India, Israel, Japan, Korea, the Netherlands, Singapore, Taiwan and the United Kingdom, among other locations. We anticipate establishing additional design centers in the United States and in other countries.

Our research and development expense was $1.349 billion, $1.117 billion and $681.0 million in 2007, 2006 and 2005, respectively. These amounts included stock-based compensation expense for employees engaged in research and development of $353.6 million, $307.1 million and $68.6 million in 2007, 2006 and 2005, respectively.

Manufacturing

Wafer Fabrication

Most of our products are manufactured using standard CMOS process techniques. The standard nature of these processes permits us to engage independent silicon foundries to fabricate our integrated circuits. By subcontracting our manufacturing requirements, we are able to focus our resources on design and test applications where we believe we have greater competitive advantages. This strategy also eliminates the high cost of owning and operating semiconductor wafer fabrication facilities.

Our operations and quality engineering teams closely manage the interface between manufacturing and design engineering. While our design methodology typically creates a smaller than average die for a given function, it also generates full-custom integrated circuit designs. As a result, we are responsible for the complete functional and parametric performance testing of our devices, including quality. We employ a fully staffed operations and quality organization similar to that of a vertically integrated semiconductor manufacturer. We also arrange with our foundries to have online work-in-progress control. Our approach makes the manufacturing subcontracting process transparent to our customers.

We depend on five independent foundry subcontractors located in Asia to manufacture substantially all of our products. Our key silicon foundries are Taiwan Semiconductor Manufacturing Corporation in Taiwan, Chartered Semiconductor Manufacturing in Singapore, Semiconductor Manufacturing International Corporation in China, Silterra Malaysia Sdn. Bhd. in Malaysia and United Microelectronics Corporation in Singapore and Taiwan, several of which maintain multiple fabrication facilities in various locations. Limitation of any of our five independent foundry subcontractors to provide the necessary capacity or output for our products could result in significant production delays and could materially and adversely affect our business, financial condition and results of operations. While we currently believe we have adequate capacity to support our current sales levels, we continue to work with our existing foundries to obtain more production capacity, and we intend to qualify new foundries to provide additional production capacity. It is possible that from time to time adequate foundry capacity may not be available on acceptable terms, if at all. In the event a foundry experiences financial difficulties, or if a foundry suffers any damage to or destruction of its facilities, or in the event of any other disruption of foundry capacity, we may not be able to qualify alternative manufacturing sources for existing or new products in a timely manner.

Our products are currently fabricated with .35 micron, quad layer metal; .22 micron, five layer metal; .18 micron, five and six layer metal; .13 micron, six and seven layer metal; 90 nanometer, six and seven layer metal structures; and 65 nanometer, six and seven layer metal structures. We continuously evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies, and are designing most new products in 65 nanometer process technology, seven to eight layer metal, feature sizes. Although our experience to date with the migration of products to smaller processes geometries has been predominantly favorable, the transition to 65 nanometer geometry process technology has resulted in significantly higher mask and prototyping costs, as well as additional expenditures for engineering design tools and related computer hardware. We may face similar expenses and difficulties or delays as we continue to transition our products to smaller geometry processes. Other companies in our industry have experienced difficulty transitioning to new manufacturing processes and, consequently, have suffered reduced yields or delays in product deliveries. We believe that the transition of our products to smaller geometries will be important for us to remain competitive. Our business, financial condition and results of operations could be materially and adversely affected if any such transition is substantially delayed or inefficiently implemented.

Assembly and Test

Our wafer probe testing is conducted by either our independent foundries or independent wafer probe test subcontractors. Following completion of the wafer probe tests, the die are assembled into packages and the finished products are tested by one of our eight key subcontractors: Advanced Semiconductor Engineering in China and Taiwan; Amkor in Korea, Philippines and China; ASAT in Hong Kong; EEMS Test Singapore in Singapore; Signetics in Korea; Siliconware Precision in Taiwan; STATS ChipPAC in Singapore, Korea, Malaysia and China; and United Test and Assembly Center in Singapore. While we have not experienced material disruptions in supply from assembly subcontractors to date, we and others in our industry have experienced shortages in the supply of packaging materials from time to time, and we could experience shortages or assembly problems in the future. The availability of assembly and testing services from these subcontractors could be materially and adversely affected in the event a subcontractor experiences financial difficulties, or if a subcontractor suffers any damage to or destruction of its facilities, or in the event of any other disruption of assembly and testing capacity.

Quality Assurance

Manufacturers of wired and wireless communications equipment demand high quality and reliable semiconductors for incorporation into their products. We focus on product reliability from the initial stage of the design cycle through each specific design process, including layout and production test design. In addition, we subject our designs to in-depth circuit simulation at temperature, voltage and processing extremes before initiating the manufacturing process.

We prequalify each assembly and foundry subcontractor. This prequalification process consists of a series of industry standard environmental product stress tests, as well as an audit and analysis of the subcontractor’s quality system and manufacturing capability. We also participate in quality and reliability monitoring through each stage of the production cycle 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. In cases where we purchase wafers on a fixed price basis, any improvement in yields can reduce our cost per chip.

As part of our total quality program, we received ISO 9002 certification, a comprehensive International Standards Organization specified quality system acknowledgement, for our Singapore facility. All of our principal independent foundries and package assembly facilities are currently ISO 9001 certified.

While every effort is made to monitor and meet the quality requirements of our customers, including the use of industry standard procedures and other methods, it is possible that an unanticipated quality problem may result in interruptions or delays in product shipments. In that event, our reputation may be damaged and customers may be reluctant to buy our products, and we may be required to apply significant capital and other resources to remedy any quality problem with our products.

Environmental Management

We monitor the environmental impact of our products. Our manufacturing flow is registered to ISO 14000, the international standard related to environmental management, by our subcontractors. Due to environmental concerns, the need for lead-free solutions in electronic components and systems is receiving increasing attention within the semiconductor industry and many companies are moving towards becoming compliant with the Restriction of Hazardous Substances Directive, or RoHS, the European legislation that restricts the use of a number of substances, including lead, effective July 2006. We believe that our products are compliant with the RoHS Directive. However, it is possible that unanticipated supply shortages or delays may occur as a result of the application of ISO 14000, the RoHS Directive or other standards or regulations.

Product Distribution

Initially we distributed products to our customers through an operations and distribution center located in Irvine, California. In 1999 we established an international distribution center in Singapore. This facility put us closer to our suppliers and many key customers and improved our ability to meet customers' needs. Our Irvine facility continues to ship products to U.S. destinations, while our Singapore facility distributes products to international destinations. Net revenue derived from actual shipments to international destinations, primarily in Asia (including foreign subsidiaries or manufacturing subcontractors of customers that are headquartered in the United States), represented 87.4%, 86.5% and 84.5% of our net revenue in 2007, 2006 and 2005, respectively.

Sales and Marketing

Our sales and marketing strategy is to achieve design wins with technology leaders in each of our targeted wired and wireless communications markets 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 sales occur through our direct sales force, which is based in offices located in California, Colorado, Florida, Georgia, Illinois, Maine, Maryland, Massachusetts, Michigan, New York, New Jersey, North Carolina, Ohio, Texas and Virginia. We have also engaged independent distributors, Arrow Electronics and Avnet, Inc., to service the North American and South American markets.

We market and sell our products internationally through regional offices located in Canada, China, Finland, France, Germany, Japan, Korea, the Netherlands, Singapore, Spain, Sweden, Taiwan and the United Kingdom, among other locations, as well as through a network of independent distributors and representatives in Australia, Canada, Germany, Hong Kong, India, Israel, Japan, Korea, Singapore and Taiwan. We 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 denominated in U.S. dollars. For information regarding revenue from independent customers by geographic area, see Note 12 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

We dedicate sales managers to principal customers to promote close cooperation and communication. We also provide our customers with reference platform designs for most products. We believe this enables 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.

Backlog

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

Competition

Wired and wireless communications markets and the semiconductor industry are intensely competitive and are characterized by rapid change, evolving standards, short product life cycles and price erosion. We believe that the principal factors of competition for integrated circuit providers in our target markets include:

- product quality;
- product capabilities;
- level of integration;
- engineering execution;
- reliability;
- price;
- time-to-market;
- market presence;
- standards compliance;
- system cost;
- intellectual property;
- customer interface and support; and
- reputation.

We believe that we 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 in our target markets. 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 has resulted and will continue to result in declining average selling prices for our products. In all of our target 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 further consolidation in the markets in which we compete.

Many 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, technical 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 to 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.

Intellectual Property

Our success and future revenue growth depend, in part, on our ability to protect our intellectual property. We rely primarily on patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. However, these measures may not provide meaningful protection for our intellectual property.

We currently hold over 2,500 U.S. and 1,000 foreign patents and have filed more than 7,400 additional U.S. and foreign patent applications. We may not receive any additional patents as a result of these applications or future applications. Even if additional patents are issued, any claims allowed may not be sufficiently broad to protect our technology. In addition, any existing or future patents could be challenged, invalidated or circumvented, and any rights granted under such patents may not provide us with meaningful protection. We may not have foreign patents or pending applications corresponding to our U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. The failure of any patents to adequately protect our technology would make it easier for our competitors to offer similar products. In connection with our participation in the development of various industry standards, we may be required to license certain of our patents to other parties, including competitors, that develop products based upon the adopted industry standards.

We also generally enter into confidentiality agreements with our employees and strategic partners, and typically control access to and distribution of our documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our products, services or technology without authorization, to develop similar technology independently, or to design around our patents. In addition, effective copyright, trademark and trade secret protection may not be available or may be limited in certain foreign countries. We have also entered into agreements with certain of our customers and granted these customers the right to use our proprietary technology in the event we default in our contractual obligations, including product supply obligations, and fail to cure the default within a specified time period. In addition, we often incorporate the intellectual property of our strategic customers into our designs, and therefore have certain obligations with respect to the non-use and non-disclosure of their intellectual property. It is possible that the steps taken by us to prevent misappropriation or infringement of our intellectual property or our customers' intellectual property may not be successful. Moreover, 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. Such litigation will result in substantial costs and diversion of our resources and could materially and adversely affect our business, financial condition and results of operations.

Companies in and related to the semiconductor industry and the wired and wireless communications markets often aggressively protect and pursue their intellectual property rights. From time to time, we have received, and may continue to receive, notices that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. Moreover, we have in the past and continue to be engaged in litigation with parties who claim that we have infringed their patents or misappropriated or misused their trade secrets. We may also be sued by parties who may seek to invalidate one or more of our patents. Intellectual property claims and litigation may materially and adversely affect our business, financial condition and results of operations. For example, in a patent or trade secret action, a court could issue a preliminary or permanent injunction that would require us to withdraw or recall certain products from the market or to redesign certain products offered for sale or under development. In addition, we may be liable for damages for past infringement and royalties for future use of the technology. We may also have to indemnify certain customers and strategic partners under our agreements with such parties 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. These indemnification provisions may, in some circumstances, extend our liability beyond the products we provide to include liability for combinations of components or system level designs and for consequential damages and/or lost profits. Even if claims or litigation against us are not valid or successfully asserted, the defense of these claims could result in significant costs and a diversion of management and personnel resources. In any of these events, our business, financial condition and results of operations may be materially and adversely affected. Additionally, we have sought and may in the future seek to obtain licenses under other parties' intellectual property rights and have granted and may in the future grant licenses to certain of our intellectual property rights to others in connection with cross-license agreements or settlements of claims or actions asserted against us. However, we may not be able to obtain licenses under another's intellectual property rights on commercially reasonable terms, if at all.

Employees

As of December 31, 2007 we had 6,347 full-time, contract and temporary employees, including 4,676 individuals engaged in research and development, 654 engaged in sales and marketing, 437 engaged in manufacturing operations, and 580 engaged in finance, legal and general administrative activities. Our employees are not represented by any collective bargaining agreement, and we have never experienced a work stoppage. We believe our employee relations are good.

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 cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our 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. As a result, we may fail to meet the expectations of securities analysts and investors, which could cause our stock price to decline.

Our quarterly net revenue and operating results have fluctuated significantly in the past and are likely to continue to vary from quarter to quarter due to a number of factors, many of which are not within our control. 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. Fluctuations in our operating results may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this “Risk Factors” section:

- the overall cyclicality of, and changing economic, political and market conditions affecting the semiconductor industry and wired and wireless communications markets, including without limitation 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, to manage inventory;
- the gain or loss of a key customer, design win or order;
- our ability to scale our operations in response to changes in demand for our existing products and services or demand for new products requested by our customers;
- our dependence on a few significant customers for a substantial portion of our revenue;
- 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 timely and accurately predict market requirements and evolving industry standards and to identify and capitalize upon opportunities in new markets;
- intellectual property disputes, customer indemnification claims and other types of litigation risks;
- our ability to timely and effectively transition to smaller geometry process technologies or achieve higher levels of design integration;
- our ability to retain, recruit and hire key executives, technical personnel and other employees in the positions and numbers, with the experience and capabilities, and at the compensation levels that we need to implement our business and product plans;
- the rate at which our present and future customers and end users adopt our technologies and products in our target markets;
- changes in our product or customer mix;
- the availability and pricing of third party semiconductor foundry, assembly and test capacity and raw materials;
- 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;

- the volume of our product sales and pricing concessions on volume sales; and
- the effects of public health emergencies, natural disasters, terrorist activities, international conflicts and other events beyond our control.

We expect new product lines to continue to account for a high percentage of our future sales. Some of these markets are immature and/or unpredictable or are new markets for Broadcom, and we cannot assure you that these markets will develop into significant opportunities or that we will continue to derive significant revenue from these markets. Based on the limited amount of historical data available to us, it is difficult to anticipate our future revenue streams from, or the sustainability of, such newer markets. Typically our new products have lower gross margins until we commence volume production and launch lower cost revisions of such products, enabling us to benefit from economies of scale and more efficient designs.

Additionally, as an increasing number of our chips are being incorporated into consumer products, such as desktop and notebook computers, cellular phones and other mobile communication devices, other wireless-enabled consumer electronics, and satellite and digital cable set-top boxes, we anticipate greater seasonality and fluctuations in the demand for our products, which may result in greater variations in our quarterly operating results.

We have recently entered into arrangements that include multiple deliverables, such as the sale of semiconductor products and related data services. Under these arrangements, the services may be provided without having a separate "fair value" under Emerging Issues Task Force, or EITF, Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF 00-21. In that event, we will only recognize a portion of the total revenue we receive from the customer during a quarter, and will recognize the remaining revenue on a ratable basis over the expected life of the service being provided. There are also other scenarios under EITF 00-21 whereby revenue may be deferred for even longer periods or ratable recognition over the service period may not be permitted and all of the revenue may be required to be recognized in later periods or at the end of the arrangement. As we enter into future multiple element arrangements in which the fair value of each deliverable is not known, the portion of revenue we recognize on a deferred basis may vary significantly in any given quarter, which could cause even greater fluctuations in our quarterly operating results.

Our operating results may be adversely impacted by worldwide political and economic uncertainties and specific conditions in the markets we address, including the cyclical nature of and volatility in the semiconductor industry. As a result, the market price of our Class A common stock may decline.

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. These downturns are characterized by decreases in product demand, excess customer inventories, and accelerated erosion of prices. These factors could cause substantial fluctuations in our revenue and in our results of operations. Any downturns 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. The semiconductor industry also periodically experiences increased demand and production capacity constraints, which may affect our ability to ship products. Accordingly, our operating results may vary significantly as a result of the general conditions in the semiconductor industry, which could cause large fluctuations in our stock price.

Additionally, in the recent past, general worldwide economic conditions have experienced a downturn due to slower economic activity, concerns about inflation and deflation, increased energy costs, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions and liquidity concerns in the wired and wireless communications markets, the ongoing effects of the war in Iraq, recent international conflicts and terrorist and military activity, and the impact of natural disasters and public health emergencies. These conditions make it extremely difficult for our customers, our vendors and us to accurately forecast and plan future business activities, and they could cause U.S. and foreign businesses to slow spending on our products and services, which would delay and lengthen sales cycles. We experienced slowdowns in orders in the second half of 2006 and in the fourth quarter of 2004 that we believe were attributable in substantial part to excess inventory held by certain of our customers, and we may experience a similar slowdown in the future. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, worldwide, or in the semiconductor industry or the wired and wireless communications markets. If the economy or markets in which we operate do not continue at their present levels, our business, financial condition and results of operations will likely be materially and adversely affected.

We are subject to order and shipment uncertainties, and our ability to accurately forecast customer demand may be impaired by our lengthy sales cycle. If we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our profit margin. Conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potentially in loss of market share and damaged customer relationships.

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. In the recent past, some of our customers have developed excess inventories of their own products and have, as a consequence, deferred purchase orders for our products. We currently do not have the ability to accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face volatile pricing and unpredictable demand for their own products, are increasingly focused on cash preservation and tighter inventory management, and may be involved in legal proceedings that could affect their ability to buy our products. Our ability to accurately forecast customer demand may also be impaired by the delays inherent in our lengthy sales cycle. After we have developed and delivered a product to a customer, the customer will usually test and evaluate our product prior to designing its own equipment to incorporate our product. Our customers may need three to more than nine months to test, evaluate and adopt our product and an additional three to more than twelve months to begin volume production of equipment that incorporates our products. Due to this lengthy sales cycle, we may experience significant delays from the time we increase our operating expenses and make investments in inventory until the time that we generate revenue from these products. It is possible that we may never generate any revenue from these products after incurring such expenditures. Even if a customer selects our product to incorporate into its equipment, we have no assurance that the customer will ultimately bring its product to market or that such effort by our customer will be successful. The delays inherent in our lengthy sales cycle increase the risk that a customer will decide to cancel or curtail, reduce or delay its product plans. If we incur significant research and development expenses, marketing expenses and investments in inventory in the future that we are not able to recover, and we are not able to compensate for those expenses, our operating results could be adversely affected. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it even more difficult to forecast customer demand.

We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect to, if at all. As a result, we would 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 would forego revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations. Furthermore, we generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not timely pay for these products, our revenue and financial results could be materially and adversely impacted.

We maintain inventory, or hubbing, arrangements with certain of our customers. Pursuant to these arrangements, we deliver products to a customer or a designated third party warehouse based upon the customer’s projected needs, but do not recognize product revenue unless and until the customer reports that it has removed our product from the warehouse to incorporate into its end products. Historically we have had good visibility into customer requirements and shipments within a quarter. However, if a customer does not take our products under a hubbing arrangement in accordance with the schedule it originally provided us, our predicted future revenue stream could vary substantially from our forecasts and our results of operations could be materially and adversely affected. In addition, distributors and/or customers with hubbing arrangements provide us periodic reports regarding the product, price, quantity, and when products are shipped to their customer as well as the quantities of our products they still have in stock. For specialized shipping terms we may also rely on data provided by our freight forwarding providers. For our royalty revenue we also rely on data provided by our customers. Any error in the data provided to us by customers, distributors or other third parties could lead to inaccurate reporting of our revenue, gross profit and net income. Additionally, since we own inventory that is physically located in a third party's warehouse, our ability to effectively manage inventory levels may be impaired, causing our total inventory turns to decrease, which could increase expenses associated with excess and obsolete product and negatively impact our cash flow.

If we fail to appropriately scale our operations in response to changes in demand for our existing products and services or to the demand for new products requested by our customers, our business could be materially and adversely affected.

To achieve our business objectives, we anticipate that we will need to continue to expand. Through internal growth and acquisitions, we significantly increased the scope of our operations and expanded our workforce from 2,580 full-time, contract and temporary employees as of December 31, 2002 to 6,347 full-time, contract and temporary employees as of December 31, 2007. Nonetheless, we may not be able to expand our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products and services or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected.

Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expect, our business could be materially and adversely affected. We expect new product lines, which often require substantial research and development expenses to develop, to continue to account for a high percentage of our future revenue. However, some of the markets for these new products are immature and/or unpredictable or are new markets for Broadcom, and if these markets do not develop at the rates we originally anticipated, the rate of increase in our operating expenses may exceed the rate of increase, if any, in our revenue. Moreover, we may intentionally choose to increase the rate of our research and development expenses more rapidly than the increase in the rate of our revenue in the short term in anticipation of the longer term benefits we would derive from such investment. However, such benefits may never materialize or may not be as significant as we originally believed they would be. Also, if we experience a slowdown in the semiconductor industry or the wired and wireless communications markets in which we operate, we may not be able to scale back our operating expenses in a sufficiently timely or effective manner. In any such event, our business, financial condition and results of operations would be materially and adversely affected.

Our past growth has placed, and any future growth is expected to continue to place, a significant strain on our management personnel, systems and resources. To implement our current business and product plans, we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. In the past we have implemented an enterprise resource planning system to help us improve our planning and management processes, and more recently we have implemented a new equity administration system to support our more complex equity programs as well as the adoption of Statement of Financial Accounting Standards, or SFAS, No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R. We anticipate that we will also need to continue to implement a variety of new and upgraded operational and financial systems, including enhanced human resources management systems and a business-to-business solution, as well as additional procedures and other internal management systems. In general, the accuracy of information delivered by these systems may be subject to inherent programming quality. In addition, to support our growth, in March 2007 we relocated our headquarters and Irvine operations to new, larger facilities that have enabled us to centralize all of our Irvine employees and operations on one campus. We may also engage in other relocations of our employees or operations from time to time. Such relocations could result in temporary disruptions of our operations or a diversion of management's attention and resources. If we are unable to effectively manage our expanding operations, we may be unable to scale our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our current or future business.

If we are unable to develop and introduce new products successfully and in a cost-effective and timely manner or to achieve market acceptance of our new products, our operating results would be adversely affected.

Our future success is dependent upon our ability to develop new semiconductor products for existing and new markets, introduce these products in a cost-effective and timely manner, and convince leading equipment manufacturers to select these products for design into their own new products. Our products are generally incorporated into our customers' products at the design stage. We often incur significant expenditures on the development of a new product without any assurance that an equipment manufacturer will select our product for design into its own product. Once an equipment manufacturer designs a competitor's product into its product offering, it becomes significantly more difficult for us to sell our products to that customer because changing suppliers involves significant cost, time, effort and risk for the customer.

Even if an equipment manufacturer designs one of our products into its product offering, we have no assurances that its product will be commercially successful or that we will receive any revenue from sales of that product. Sales of our products largely depend on the commercial success of our customers' products. Our customers are typically not obligated to purchase our products and can choose at any time to stop using our products if their own products are not commercially successful or for any other reason.

Our historical results have been, and we expect that our future results will continue to be, dependent on the introduction of a relatively small number of new products and the timely completion and delivery of those products to customers. The development of new silicon devices is highly complex, and from time to time we have experienced delays in completing the development and introduction of new products or lower than anticipated manufacturing yields in the early production of such products. If we were to experience any similar delays in the successful completion of a new product or similar reductions in our manufacturing yields for a new product in the future, our customer relationships, reputation and business could be seriously harmed.

In addition, the development and introduction of new products often requires substantial research and development resources. As a result, we may choose to discontinue one or more products or product development programs to dedicate more resources to new products. The discontinuation of an existing or planned product may materially and adversely affect our relationship with our customers, including customers who may purchase more than one product from us.

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

- timely and accurately predict market requirements and evolving industry standards;
- accurately define new products;
- timely and effectively identify and capitalize upon opportunities in new markets;
- timely complete and introduce new product designs;
- scale our operations in response to changes in demand for our products and services or the demand for new products requested by our customers;
- license any desired third party technology or intellectual property rights;
- effectively develop and integrate technologies from companies that we have acquired;
- timely qualify and obtain industry interoperability certification of our products and the products of our customers into which our products will be incorporated;
- obtain sufficient foundry capacity and packaging materials;
- achieve high manufacturing yields; and
- shift our products to smaller geometry process technologies to achieve lower cost and higher levels of design integration.

In some of our businesses, our ability to develop and deliver next-generation products successfully and in a timely manner may depend in part on access to information, or licenses of technology or intellectual property rights, from companies that are our competitors. We cannot assure you that such information or licenses will be made available to us on a timely basis, if at all, or at reasonable cost and on commercially reasonable terms.

If we are not able to develop and introduce new products successfully and in a cost-effective and timely manner, we will be unable to attract new customers or to retain our existing customers, as these customers may transition to other companies that can meet their product development needs, which would materially and adversely affect our results of operations.

Because we depend on a few significant customers for a substantial portion of our revenue, the loss of a key customer could seriously impact our revenue and harm our business. In addition, if we are unable to continue to sell existing and new products to our key customers in significant quantities or to attract new significant customers, our future operating results could be adversely affected.

We have derived a substantial portion of our past revenue from sales to a relatively small number of customers. As a result, the loss of any significant customer could materially and adversely affect our financial condition and results of operations.

Sales to our five largest customers represented 39.7%, 46.5% and 48.5% of our net revenue in 2007, 2006, and 2005, respectively. We expect that our largest customers will continue to account for a substantial portion of our net revenue in 2008 and for the foreseeable future. The identities of our largest customers and their respective contributions to our net revenue have varied and will likely continue to vary from period to period.

We may not be able to maintain or increase sales to certain of our key customers for a variety of reasons, including the following:

- most of our customers can stop incorporating our products into their own products with limited notice to us and suffer little or no penalty;
- our agreements with our customers typically do not require them to purchase a minimum quantity of our products;
- many of our customers have pre-existing or concurrent relationships with our current or potential competitors that may affect the customers' decisions to purchase our products;
- our customers face intense competition from other manufacturers that do not use our products; and
- some of our customers offer or may offer products that compete with our products.

These relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. Accordingly, we may have to devote a substantial amount of resources to strategic relationships, which could detract from or delay our completion of other important development projects or the development of next generation products and technologies. Delays in development could impair our relationships with strategic customers and negatively impact sales of the products under development.

In addition, our longstanding relationships with some larger customers may also deter other potential customers who compete with these customers from buying our products. To attract new customers or retain existing customers, we may offer certain customers favorable prices on our products. We may have to offer the same lower prices to certain of our customers who have contractual "most favored nation" pricing arrangements. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer, or our inability to attract new significant customers could seriously impact our revenue and materially and adversely affect our results of operations.

We may not be able to adequately protect or enforce our intellectual property rights, which could harm our competitive position.

Our success and future revenue growth will depend, in part, on our ability to protect our intellectual property. We primarily rely on patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies and processes. Despite our efforts to protect our proprietary technologies and processes, it is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose our technologies and processes. We currently hold more than 2,500 U.S. and 1,000 foreign patents and have filed more than 7,400 additional U.S. and foreign patent applications. However, we cannot assure you that any additional patents will be issued. Even if a new patent is issued, the claims allowed may not be sufficiently broad to protect our technology. In addition, any of our existing or future patents may be challenged, invalidated or circumvented. As such, any rights granted under these patents may not provide us with meaningful protection. We may not be able to obtain foreign patents or file pending applications corresponding to our U.S. patents and patent applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If our patents do not adequately protect our technology, our competitors may be able to offer products similar to ours. Our competitors may also be able to develop similar technology independently or design around our patents. Some or all of our patents have in the past been licensed and likely will in the future be licensed to certain of our competitors through cross-license agreements. 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.

Certain of our software (as well as that of our customers) may be derived from so-called “open source” software that is generally made available to the public by its authors and/or other third parties. Such open source software is often made available under licenses, such as the GNU General Public License, or GPL, which impose certain obligations on us in the event we were to distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works under a particular type of license, rather than the forms of license customarily used to protect our intellectual property. In addition, there is little or no legal precedent for interpreting the terms of certain of these open source licenses, including the determination of which works are subject to the terms of such licenses. While we believe we have complied with our obligations under the various applicable licenses for open source software, in the event that the copyright holder of any open source software were to successfully establish in court that we had not complied with the terms of a license for a particular work, we could be required to release the source code of that work to the public and/or stop distribution of that work. With respect to our proprietary software, we generally license such software under terms that prohibit combining it with open source software as described above. Despite these restrictions, parties may combine Broadcom proprietary software with open source software without our authorization, in which case we might nonetheless be required to release the source code of our proprietary software.

We generally enter into confidentiality agreements with our employees, consultants and strategic partners. We also try to 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. Also, current or former employees may seek employment with our business partners, customers or competitors, and we cannot assure you that the confidential nature of our proprietary information will be maintained in the course of such future employment. Additionally, current, departing or former employees or third parties could attempt to penetrate our computer systems and networks to misappropriate our proprietary information and technology or interrupt our business. Because the techniques used by computer hackers and others to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate, counter or ameliorate these techniques. As a result, our technologies and processes may be misappropriated, particularly in countries where laws may not protect our proprietary rights as fully as in the United States.

In addition, some of our customers have entered into agreements with us that grant them the right to use our proprietary technology if we fail to fulfill our obligations, including product supply obligations, under those agreements, and if we do not correct the failure within a specified time period. Also, some customers may require that we make certain intellectual property available to our competitors so that the customer has a choice among semiconductor vendors for solutions to be incorporated into the customer’s products. Moreover, we often incorporate the intellectual property of strategic customers into our own designs, and have certain obligations not to use or disclose their intellectual property without their authorization.

We cannot assure you that our efforts to prevent the misappropriation or infringement of our intellectual property or the intellectual property of our customers will succeed. We have in the past been and currently are engaged 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. It is possible that the advent of or developments in such litigation may adversely affect our relationships and agreements with certain customers that are either involved in such litigation or also have business relationships with the party with whom we are engaged in litigation. Such litigation (and the settlement thereof) has been and will likely continue to be very expensive and time consuming. Additionally, any litigation can divert the attention of management and other key employees from the operation of the business, which could negatively impact our business and results of operations.

Intellectual property risks and third party claims of infringement, misappropriation of proprietary rights or other claims against us could adversely affect our ability to market our products, require us to redesign our products or seek licenses from third parties, and seriously harm our operating results. In addition, the defense of such claims could result in significant costs and divert the attention of our management or other key employees.

Companies in and related to the semiconductor industry and the wired and wireless communications markets often aggressively protect and pursue their intellectual property rights. There are various intellectual property risks associated with developing and producing new products and entering new markets, and we may not be able to obtain, at reasonable cost and upon commercially reasonable terms, licenses to intellectual property of others that is alleged to read on such new or existing products. From time to time, we have received, and may continue to receive, notices that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. Moreover, in the past we have been and we currently are engaged in litigation with parties that claim that we infringed their patents or misappropriated or misused their trade secrets. In addition, we or our customers may be sued by other parties that claim that our products have infringed their patents or misappropriated or misused their trade secrets, or which may seek to invalidate one or more of our patents. An adverse determination in any of these types of disputes could prevent us from manufacturing or selling some of our products, limit or restrict the type of work that employees involved in such litigation may perform for Broadcom, increase our costs of revenue, and expose us to significant liability. Any of these claims or litigation may materially and adversely affect our business, financial condition and results of operations. For example, in a patent or trade secret action, a court could issue a preliminary or permanent injunction that would require us to withdraw or recall certain products from the market, redesign certain products offered for sale or under development, or restrict employees from performing work in their areas of expertise. We may also be liable for damages for past infringement and royalties for future use of the technology, and we may be liable for treble damages if infringement is found to have been willful. In addition, governmental agencies may commence investigations or criminal proceedings against our employees, former employees and/or the company relating to claims of misappropriation or misuse of another party's proprietary rights. We may also have to indemnify some customers and strategic partners under our agreements with such parties 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. These indemnification provisions may, in some circumstances, extend our liability beyond the products we provide to include liability for combinations of components or system level designs and for consequential damages and/or lost profits. Even if claims or litigation against us are not valid or successfully asserted, these claims could result in significant costs and diversion of the attention of management and other key employees to defend. Additionally, we have sought and may in the future seek to obtain licenses under other parties' intellectual property rights and have granted and may in the future grant licenses to certain of our intellectual property rights to others in connection with cross-license agreements or settlements of claims or actions asserted against us. However, we may not be able to obtain licenses under another's intellectual property rights on commercially reasonable terms, if at all.

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. In addition, we may have little or no ability to correct errors in the technology provided by such contractors, suppliers and licensors, or to continue to develop new generations of such technology. Accordingly, we may be dependent on their ability and willingness to do so. In the event of a problem with such technology, or in the event that our rights to use such technology become impaired, we may be unable to ship our products containing such technology, and may be unable to replace the technology with a suitable alternative within the time frame needed by our customers.

Our operating results for 2006 and prior periods have been materially and adversely impacted as a result of the voluntary review of our past equity award practices reported in January 2007. Any related action by a governmental agency could result in civil or criminal sanctions against certain of our former officers, directors and/or employees and might result in such sanctions against us and/or certain of our current officers, directors and/or employees. Such matters, and the civil litigation relating to our past equity award practices or the January 2007 restatement of our financial statements for periods ended on or before March 31, 2006, could result in significant costs and the diversion of attention of our management and other key employees.

In connection with the equity award review, we restated our financial statements for each of the years ended December 31, 1998 through December 31, 2005, and for the three months ended March 31, 2006. Accordingly, you should not rely on financial information included in the reports on Form 10-K, Form 10-Q and Form 8-K previously filed by Broadcom, the related opinions of our independent registered public accounting firm, or earnings press releases and similar communications issued by us, for periods ended on or before March 31, 2006, all of which have been superseded in their entirety by the information contained in our amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and our amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed January 23, 2007.

In June 2006 we received an informal request for information from the staff of the Los Angeles regional office of the SEC regarding our option granting practices. In December 2006 we were informed that the SEC had issued a formal order of investigation in the matter. On July 19, 2007 we received a “Wells Notice” from the SEC in connection with this investigation. Our Chairman of the Board of Directors and Chief Technical Officer, Dr. Henry Samueli, also received a Wells Notice on that date. On August 8, 2007 our Senior Vice President, Business Affairs and General Counsel, David A. Dull, also received a Wells Notice. The Wells Notices provide notification that the staff of the SEC intends to recommend to the Commission that it bring a civil action against the recipients for possible violations of the securities laws. Based on discussions with the SEC staff, we believe that the issues the staff intends to pursue relate to our historical option granting processes and the accounting relating to those option grants. Under the process established by the SEC, recipients have the opportunity to respond in writing to a Wells Notice before the SEC staff makes any formal recommendation to the Commission regarding what action, if any, should be brought by the SEC. Dr. Samueli and Mr. Dull have provided written submissions to the SEC in response to the Wells Notices and may seek meetings with the SEC staff. In response to our Wells Notice, we have communicated with the SEC staff in an effort to explore possible resolution and are awaiting further communication. We are continuing to cooperate with the SEC investigation, but do not know when or how the investigation will be resolved or what, if any, actions the SEC may require us, Dr. Samueli and/or Mr. Dull to take as part of that resolution. Any resolution of this investigation could result in civil sanctions and/or fines against Broadcom and/or certain of our current or former officers, directors and/or employees, as well as potential bars against certain of our current or former officers, directors and/or employees serving as officers or directors of public companies.

Broadcom has also been informally contacted by the U.S. Attorney’s Office for the Central District of California and has been asked to produce on a voluntary basis documents, many of which we previously provided to the SEC. In addition, we have produced documents pursuant to grand jury subpoenas. We are cooperating with the U.S. Attorney’s Office in its investigation. The U.S. Attorney’s Office continues to interview present and former Broadcom employees, officers and directors as part of the investigation. Any action by the U.S. Attorney’s Office or other governmental agency could result in criminal sanctions and/or fines against Broadcom and/or certain of our current or former officers, directors and/or employees.

Additionally, as discussed in Note 11 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report, we currently are engaged in civil litigation with parties that claim, among other allegations, that certain of our current and former directors and officers improperly dated stock option grants to enhance their own profits on the exercise of such options or for other improper purposes. Although we and the other defendants intend to defend these claims vigorously, there are many uncertainties associated with any litigation, and we cannot assure you that these actions will be resolved without substantial costs and/or settlement charges. We have indemnification agreements with each of our present and former directors and officers, under which Broadcom is generally required to indemnify them against expenses, including attorneys' fees, judgments, fines and settlements, arising from the pending litigation (subject to certain exceptions, including liabilities arising from willful misconduct, from conduct knowingly contrary to the best interests of Broadcom, or conduct that is knowingly fraudulent or deliberately dishonest or results in improper personal benefit).

The resolution of the pending investigations by the SEC and U.S. Attorney's Office, the defense of our pending civil litigation, and the defense of any additional litigation that may arise relating to our past equity award practices or the January 2007 restatement of our prior financial statements could result in significant costs and diversion of the attention of management and other key employees. Although we maintain various insurance policies related to the risks associated with our business, including directors' and officers' insurance, we cannot assure you that the amount of our insurance coverage will be sufficient, that our insurance policies will provide coverage for the matters and circumstances described above or that portions of payments by our insurance companies previously made to us will not be required to be repaid to the insurance companies as the results of these matters reach conclusion. Our business, financial position and results of operations may be materially and adversely affected to the extent that our insurance coverage fails to pay or reimburse all of the expenses and any judgments, fines or settlement costs that we may incur in connection with these matters or in the event we are required to repay amounts that were previously made by our insurance companies.

We may be unable to attract, retain or motivate key senior management and technical personnel, which could seriously harm our business.

Our future success depends to a significant extent upon the continued service of our key senior management personnel, including our co-founder, Chairman of the Board and Chief Technical Officer, Henry Samueli, Ph.D., our Chief Executive Officer, Scott A. McGregor, and other senior executives. We have employment agreements with Mr. McGregor and Eric K. Brandt, our Senior Vice President and Chief Financial Officer; however the agreements do not govern the length of their service. We do not have employment agreements with any other executives, or any other key employees, although we do have limited retention arrangements in place with certain executives. The loss of the services of Dr. Samueli, Mr. McGregor or certain other key senior management or technical personnel could materially and adversely affect our business, financial condition and results of operations. For instance, if certain of these individuals were to leave our company unexpectedly, or if they were to be barred from serving as an officer or director as part of any resolution of the SEC proceedings, we could face substantial difficulty in hiring qualified successors and could experience a loss in productivity during the search for and while any such successor is integrated into our business and operations.

Furthermore, our future success depends on our ability to continue to attract, retain and motivate senior management and qualified technical personnel, particularly software engineers, digital circuit designers, RF and mixed-signal circuit designers and systems applications engineers. 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.

Equity awards generally comprise a significant portion of our compensation packages for all employees. During the time that our periodic filings with the SEC were not current, as a result of the voluntary review of our equity award practices, we were not able to issue shares of our common stock pursuant to equity awards. We cannot be certain that we will be able to continue to attract, retain and motivate employees if we are unable to issue shares of our common stock pursuant to equity awards for a sustained period or in the event of substantial declines in the price of our Class A common stock, such as the decline that commenced in the second half of 2007.

We have also modified our compensation policies by increasing cash compensation to certain employees and instituting awards of restricted stock units, while simultaneously reducing awards of stock options. This modification of our compensation policies and the applicability of the SFAS 123R requirement to expense the fair value of equity awards to employees have increased our operating expenses. We cannot be certain that the changes in our compensation policies will improve our ability to attract, retain and motivate employees. Our inability to attract and retain additional key employees and the increase in stock-based compensation expense could each have an adverse effect on our business, financial condition and results of operations.

We depend on five independent foundry subcontractors to manufacture substantially all of our current products, and any failure to secure and maintain sufficient foundry capacity could materially and adversely affect our business.

We do not own or operate a fabrication facility. Five third-party foundry subcontractors located in Asia manufacture substantially all of our semiconductor devices in current production. Availability of foundry capacity has at times in the past been reduced due to strong demand. In addition, a recurrence of severe acute respiratory syndrome, or SARS, the occurrence of a significant outbreak of avian influenza among humans, or another public health emergency in Asia could further affect the production capabilities of our manufacturers by resulting in quarantines or closures. If we are unable to secure sufficient capacity at our existing foundries, or in the event of a quarantine or closure at any of these foundries, our revenues, cost of revenues and results of operations would be negatively impacted.

In September 1999 two of our third-party foundries' principal facilities were affected by a significant earthquake in Taiwan. As a consequence of this earthquake, they suffered power outages and equipment damage that impaired their wafer deliveries, which, together with strong demand, resulted in wafer shortages and higher wafer pricing industrywide. If any of our foundries experiences a shortage in capacity, suffers any damage to its facilities, experiences power outages, suffers an adverse outcome in pending or future litigation, or encounters financial difficulties or any other disruption of foundry capacity, we may encounter supply delays or disruptions, and we may need to qualify an alternative foundry. Even our current foundries need to have new manufacturing processes qualified if there is a disruption in an existing process. We typically require several months to qualify a new foundry or process before we can begin shipping products from it. If we cannot accomplish this qualification in a timely manner, we may experience a significant interruption in supply of the affected products.

Because we rely on outside foundries with limited capacity, we face several significant risks in addition to those discussed above, including:

- a lack of guaranteed wafer supply and potential wafer shortages and higher wafer prices;
- limited control over delivery schedules, quality assurance, manufacturing yields and production costs and other terms; and
- the unavailability of, or potential delays in obtaining access to, key process technologies.

The manufacture of integrated circuits is a highly complex and technologically demanding process. Although we work closely with our foundries to minimize the likelihood of reduced manufacturing yields, 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. Poor yields from our foundries could result in product shortages or delays in product shipments, which could seriously harm our relationships with our customers and materially and adversely affect our results of operations.

The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. Although we have entered into contractual commitments to supply specified levels of products to some of our customers, we do not have a long-term volume purchase agreement or a significant guaranteed level of production capacity with any of our foundries. Foundry capacity may not be available when we need it or at reasonable prices. Availability of foundry capacity has in the past been reduced from time to time due to strong demand. Foundries can allocate capacity to the production of other companies' products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are, or that have long-term agreements with our main foundries, may induce our foundries to reallocate capacity to them. This reallocation could impair our ability to secure the supply of components that we need. Although we use five independent foundries to manufacture substantially all of our semiconductor products, each component is typically manufactured at only one or two foundries at any given time, and if any of our foundries is unable to provide us with components as needed and under acceptable terms, we could experience significant delays in securing sufficient supplies of those components. Also, our third party foundries typically migrate capacity to newer, state-of-the-art manufacturing processes on a regular basis, which may create capacity shortages for our products designed to be manufactured on an older process. We cannot assure you that any of our existing or new foundries will be able to produce integrated circuits with acceptable manufacturing yields, or that our foundries will be able to deliver enough semiconductor devices to us on a timely basis, or on reasonable terms or at reasonable prices. These and other related factors could impair our ability to meet our customers' needs and have a material and adverse effect on our business, financial condition and results of operations.

Although we may utilize new foundries for other products in the future, in using any new foundries we will be subject to all of the risks described in the foregoing paragraphs with respect to our current foundries.

The complexity of our products could result in unforeseen delays or expenses and in undetected defects, or bugs, which could damage our reputation with current or prospective customers, result in significant costs and claims, and adversely affect the market acceptance of new products.

Highly complex products such as the products that we offer frequently contain hardware or software defects or bugs when they are first introduced or as new versions are released. Our products have previously experienced, and may in the future experience, these defects and bugs. If any of our products contains defects or bugs, or has reliability, quality or compatibility problems, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers and attract new customers. In addition, these defects or bugs could interrupt or delay sales or shipment of our products to customers. To alleviate these problems, we may have to invest significant capital and other resources. Although our products are tested by us, our subcontractors, suppliers and customers, it is possible that new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or field replacement costs. These problems may divert our technical and other resources from other development efforts and could result in claims against us by our customers or others, including possible claims for consequential damages and/or lost profits. Moreover, we may lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. In addition, system and handset providers that purchase components may require that we assume liability for defects associated with products produced by their manufacturing subcontractors and require that we provide a warranty for defects or other problems which may arise at the system level.

To remain competitive, we must keep pace with rapid technological change and evolving industry standards in the semiconductor industry and the wired and wireless communications markets.

Our future success will depend on our ability to anticipate and adapt to changes in technology and industry standards and our customers' changing demands. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, short product life cycles and increasing demand for higher levels of integration and smaller process geometries. Our past sales and profitability have resulted, to a large extent, from our ability to anticipate changes in technology and industry standards and to develop and introduce new and enhanced products incorporating the new standards and technologies. Our ability to adapt to these changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. If new industry standards emerge, our products or our customers' products could become unmarketable or obsolete, and we could lose market share. We may also have to incur substantial unanticipated costs to comply with these new standards. In addition, our target markets continue to undergo rapid growth and consolidation. A significant slowdown in any of these wired and wireless communications markets could materially and adversely affect our business, financial condition and results of operations. These rapid technological changes and evolving industry standards make it difficult to formulate a long-term growth strategy because the semiconductor industry and the wired and wireless communications markets may not continue to develop to the extent or in the time periods that we anticipate. We have invested substantial resources in emerging technologies that did not achieve the market acceptance that we had expected. If new markets do not develop as and when we anticipate, or if our products do not gain widespread acceptance in those markets, our business, financial condition and results of operations could be materially and adversely affected.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

To remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products as well as standard cells and other integrated circuit designs that we may use in multiple products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. Currently most of our products are manufactured in .35 micron, .22 micron, .18 micron, .13 micron, 90 nanometer or 65 nanometer geometry processes. We are now designing most new products in 65 nanometer process technology and planning for the transition to smaller process geometries. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. The transition to 65 nanometer geometry process technology has resulted in significantly higher mask and prototyping costs, as well as additional expenditures for engineering design tools and related computer hardware. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes.

We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot assure you that the foundries that we use will be able to effectively manage the transition in a timely manner, or at all, or that we will be able to maintain our existing foundry relationships or develop new ones. If any of our foundry subcontractors or we experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations.

As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have an adverse impact on our operating results, as a result of increasing costs and expenditures as described above as well as the risk that we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

Our acquisition strategy may result in unanticipated accounting charges or otherwise adversely affect our results of operations, and result in difficulties in assimilating and integrating the operations, personnel, technologies, products and information systems of acquired companies or businesses, or be dilutive to existing shareholders.

A key element of our business strategy involves expansion through the acquisitions of businesses, assets, products or technologies that allow us to complement our existing product offerings, expand our market coverage, increase our engineering workforce or enhance our technological capabilities. Between January 1, 1999 and December 31, 2007, we acquired 37 companies and certain assets of three other businesses. We continually evaluate and explore strategic opportunities as they arise, including business combination transactions, strategic partnerships, and the purchase or sale of assets, including tangible and intangible assets such as intellectual property.

Acquisitions may require significant capital infusions, typically entail many risks, and could result in difficulties in assimilating and integrating the operations, personnel, technologies, products and information systems of acquired companies or businesses. We have in the past and may in the future experience delays in the timing and successful integration of an acquired company's technologies and product development through volume production, unanticipated costs and expenditures, changing relationships with customers, suppliers and strategic partners, or contractual, intellectual property or employment issues. In addition, key personnel of an acquired company may decide not to work for us. The acquisition of another company or its products and technologies may also require us to enter into a geographic or business market in which we have little or no prior experience. These challenges could disrupt our ongoing business, distract our management and employees, harm our reputation and increase our expenses. These challenges are magnified as the size of the acquisition increases. Furthermore, these challenges would be even greater if we acquired a business or entered into a business combination transaction with a company that was larger and more difficult to integrate than the companies we have historically acquired.

Acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional stock-based compensation expense, and the recording and later amortization of amounts related to certain purchased intangible assets, any of which items could negatively impact our results of operations. In addition, we may record goodwill in connection with an acquisition and incur goodwill impairment charges in the future. Any of these charges could cause the price of our Class A common stock to decline. Beginning January 1, 2009, the accounting for future business combinations will change. We expect that the new requirements will have an impact on our consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date.

Acquisitions or asset purchases made entirely or partially for cash may reduce our cash reserves. We may seek to obtain additional cash to fund an acquisition by selling equity or debt securities. Any issuance of equity or convertible debt securities may be dilutive to our existing shareholders. In addition, the equity or debt securities that we may issue could have rights, preferences or privileges senior to those of our common stock. For example, as a consequence of the prior pooling-of-interests accounting rules, the securities issued in nine of our acquisitions were shares of Class B common stock, which have voting rights superior to those of our publicly traded Class A common stock.

We cannot assure you that we will be able to consummate any pending or future acquisitions or that we will realize any anticipated benefits from these acquisitions. We may not be able to find suitable acquisition opportunities that are available at attractive valuations, if at all. Even if we do find suitable acquisition opportunities, we may not be able to consummate the acquisitions on commercially acceptable terms, and any decline in the price of our Class A common stock may make it significantly more difficult and expensive to initiate or consummate additional acquisitions.

As our international business expands, we are increasingly exposed to various legal, business, political and economic 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. In addition, 35.5%, 28.2% and 25.8% of our net revenue in 2007, 2006 and 2005, respectively, was derived from sales to independent customers outside the United States, excluding foreign subsidiaries or manufacturing subcontractors of customers that are headquartered in the United States. We also frequently ship products to our domestic customers' international manufacturing divisions and subcontractors. Products shipped to international destinations, primarily in Asia, represented 87.4%, 86.5% and 84.5% of our net revenue in 2007, 2006 and 2005, respectively. We also undertake design and development activities in Belgium, Canada, China, Denmark, France, Greece, India, Israel, Japan, Korea, the Netherlands, Spain, Taiwan and the United Kingdom, among other locations. In addition, we undertake various sales and marketing activities through regional offices in a number of countries. We intend to continue to expand our international business activities and to open other design and operational centers abroad. The continuing effects of the war in Iraq and terrorist attacks in the United States and abroad, the resulting heightened security, and the increasing risk of extended international military conflicts may adversely impact our international sales and could make our international operations more expensive. International operations are subject to many other inherent risks, including but not limited to:

- political, social and economic instability;
- exposure to different business practices and legal standards, particularly with respect to intellectual property;
- natural disasters and public health emergencies;
- nationalization of business and blocking of cash flows;
- trade and travel restrictions;

- the imposition of governmental controls and restrictions;
- burdens of complying with a variety of foreign laws;
- import and export license requirements and restrictions of the United States and each other country in which we operate;
- unexpected changes in regulatory requirements;
- foreign technical standards;
- changes in taxation and tariffs;
- difficulties in staffing and managing international operations;
- fluctuations in currency exchange rates;
- difficulties in collecting receivables from foreign entities or delayed revenue recognition; and
- potentially adverse tax consequences.

Any of the factors described above may have a material adverse effect on our ability to increase or maintain our foreign sales.

We currently operate under tax holidays and favorable tax incentives in certain foreign jurisdictions. For instance, in Singapore we operate under tax holidays that reduce our taxes in that country on certain non- investment income. Such tax holidays and incentives often require us to meet specified employment and investment criteria in such jurisdictions. However, we cannot assure you that we will continue to meet such criteria or enjoy such tax holidays and incentives, or realize any net tax benefits from tax holidays or incentives. If any of our tax holidays or incentives are terminated, our results of operations may be materially and adversely affected.

Economic conditions in our primary overseas markets, particularly in Asia, may negatively impact the demand for our products abroad. 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.

In addition, a significant portion of our cash and marketable securities are held in non-U.S. domiciled countries.

We had a material weakness in internal control over financial reporting prior to 2007 and cannot assure you that additional material weaknesses will not be identified in the future. If our internal control over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement or our filings may not be timely and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate the effectiveness of our internal control over financial reporting as of the end of each year, and to include a management report assessing the effectiveness of our internal control over financial reporting in each Annual Report on Form 10-K. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management's assessment of Broadcom's internal control over financial reporting.

In assessing the findings of the voluntary equity award review as well as the restatement of our consolidated financial statements for periods ended on or before March 31, 2006, our management concluded that there was a material weakness, as defined in Public Company Accounting Oversight Board Auditing Standard No. 2, in our internal control over financial reporting as of December 31, 2005. Management believes this material weakness was remediated September 19, 2006 and, accordingly, no longer exists as of the date of this filing.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. In addition, we may reassess the implementation or testing of certain of our current controls as a result of the recent release of Public Company Accounting Oversight Board Auditing Standard No. 5, which may lead to modifications in such controls. These modifications could affect the overall effectiveness or evaluation of the control system in the future by us or our independent registered public accounting firm. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

As a result, we cannot assure you that significant deficiencies or material weaknesses in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to timely meet our periodic reporting obligations, or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and annual auditor attestation reports regarding disclosure controls and the effectiveness of our internal control over financial reporting required under Section 404 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to timely meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

We face intense competition in the semiconductor industry and the wired and wireless communications markets, which could reduce our market share in existing markets and affect our entry into new markets.

The semiconductor industry and the wired and wireless communications markets are intensely competitive. We expect competition to continue to increase as industry standards become well known and as other competitors enter our target markets. We currently compete with a number of major domestic and international suppliers of integrated circuits and related applications in our target markets. 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. In all of our target markets we also may face competition from newly established competitors, suppliers of products based on new or emerging technologies, and customers who choose to develop their own semiconductor solutions. We expect to encounter further consolidation in the markets in which we compete.

Many 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, technical and other resources than we do. 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. In addition, 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. Accordingly, new competitors or alliances among competitors could emerge and rapidly acquire significant market share. Existing or new competitors may also develop technologies that more effectively address our markets with products that offer enhanced features and functionality, lower power requirements, greater levels of integration or lower cost. Increased competition has resulted in and is likely to continue to result in declining average selling prices, reduced gross margins and loss of market share in certain markets. We cannot assure you 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 depend on third-party subcontractors to assemble, obtain packaging materials for, and test substantially all of our current products. If we lose the services of any of our subcontractors or if these subcontractors are unable to obtain sufficient packaging materials, shipments of our products may be disrupted, which could harm our customer relationships and adversely affect our net sales.

We do not own or operate an assembly or test facility. Seven third-party subcontractors located in Asia assemble, obtain packaging materials for, and test substantially all of our current products. Because we rely on third-party subcontractors to perform these functions, we cannot directly control our product delivery schedules and quality assurance. This lack of control has resulted, and could in the future result, in product shortages or quality assurance problems that could delay shipments of our products or increase our manufacturing, assembly or testing costs.

In the past we and others in our industry experienced a shortage in the supply of packaging substrates that we use for our products. If our third-party subcontractors are unable to obtain sufficient packaging materials for our products in a timely manner, we may experience a significant product shortage or delay in product shipments, which could seriously harm our customer relationships and materially and adversely affect our net sales.

We do not have long-term agreements with any of our assembly or test subcontractors and typically procure services from these suppliers on a per order basis. If any of these subcontractors experiences capacity constraints or financial difficulties, suffers any damage to its facilities, experiences power outages or any other disruption of assembly or testing capacity, or is unable to obtain sufficient packaging materials for our products, we may not be able to obtain alternative assembly and testing services in a timely manner. Due to the amount of time that it usually takes us to qualify assemblers and testers, we could experience significant delays in product shipments if we are required to find alternative assemblers or testers for our components. Any problems that we may encounter with the delivery, quality or cost of our products could damage our customer relationships and materially and adversely affect our results of operations. We are continuing to develop relationships with additional third-party subcontractors to assemble and test our products. However, even if we use these new subcontractors, we will continue to be subject to all of the risks described above.

Our stock price is highly volatile. Accordingly, you may not be able to resell your shares of common stock at or above the price you paid for them.

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. Since January 1, 2002 our Class A common stock has traded at prices as low as $6.35 and as high as $50.00 per share. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control, including:

- quarter-to-quarter variations in our operating results;
- general economic and political conditions and specific conditions in the semiconductor industry and the wired and wireless communications markets, including seasonality in sales of consumer products into which our products are incorporated;
- changes in accounting rules, particularly those related to the expensing of stock options;
- rulings in currently pending or newly-instituted intellectual property litigation;
- other newly-instituted litigation or governmental investigations or an adverse decision or outcome in any litigation or investigations;
- announcements of changes in our senior management;
- the gain or loss of one or more significant customers or suppliers;
- announcements of technological innovations or new products by our competitors, customers or us;
- the gain or loss of market share in any of our markets;
- continuing international conflicts and acts of terrorism;
- changes in earnings estimates or investment recommendations by analysts;
- changes in the methods, metrics or measures used by analysts to evaluate our stock;
- changes in investor perceptions; or
- changes in expectations relating to our products, plans and strategic position or those of our competitors or customers.

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. 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, and in the future we may be, the subject of securities class action litigation.

Due to the nature of our compensation packages, most of our executive officers regularly sell shares of our common stock each quarter or otherwise periodically, often pursuant to trading plans established under Rule 10b5-1 promulgated under 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 opinion 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 co-founders, directors, executive officers and their affiliates can control the outcome of matters that require the approval of our shareholders, and accordingly we will not be able to engage in certain transactions without their approval.

As of December 31, 2007 our co-founders, directors, executive officers and their respective affiliates beneficially owned 13.5% of our outstanding common stock and held 58.5% of the total voting power held by our shareholders. Accordingly, these shareholders currently have enough voting power to control the outcome of matters that require the approval of our shareholders. These matters include the election of our Board of Directors, the issuance of additional shares of Class B common stock, and the approval of most significant corporate transactions, including certain mergers and consolidations and the sale of substantially all of our assets. In particular, as of December 31, 2007 our two founders, Dr. Henry T. Nicholas III, who is no longer an officer or director of Broadcom, and Dr. Henry Samueli, our Chairman of the Board and Chief Technical Officer, beneficially owned a total of 12.6% of our outstanding common stock and held 57.9% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we will not be able to engage in certain transactions, and our shareholders will not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. These actions and transactions include changes in the composition of our Board of Directors, certain mergers, and the sale of control of our company by means of a tender offer, open market purchases or other purchases of our Class A common stock, or otherwise. Repurchases of shares of our Class A common stock under our share repurchase program will 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.

Some of the independent foundries upon which we rely to manufacture our products, as well as our own California and Singapore facilities, are located in regions that are subject to earthquakes and other natural disasters.

One of the third-party foundries upon which we rely to manufacture substantially all of our semiconductor devices is located in Taiwan. Taiwan has experienced significant earthquakes in the past and could be subject to additional earthquakes. Any earthquake or other natural disaster, such as a tsunami, in a country in which any of our foundries is located could significantly disrupt our foundries' production capabilities and could result in our experiencing a significant delay in delivery, or substantial shortage, of wafers and possibly in higher wafer prices.

Our California facilities, including our principal executive offices and major design centers, are located near major earthquake fault lines. Our international distribution center and some of our third-party foundries are located in Singapore, which could also be subject to an earthquake, tsunami or other natural disaster. If there is a major earthquake or any other natural disaster in a region where one or more of our facilities are located, our operations could be significantly disrupted. Although we have established business interruption plans to prepare for any such event, we cannot guarantee that we will be able to effectively address all interruptions that such an event could cause.

Any supply disruption or business interruption could materially and adversely affect our business, financial condition and results of operations.

Changes in current or future laws or regulations or accounting rules or the imposition of new laws or regulations by federal or state agencies or foreign governments could impede the sale of our products or otherwise harm our business.

Changes in current laws or regulations or accounting rules (including the possible adoption at some undetermined future date of International Financial Reporting Standards in lieu of U.S. GAAP) applicable to us or the imposition of new laws and regulations in the United States or elsewhere could materially and adversely affect our business, financial condition and results of operations.

The effects of regulation on our customers or the industries in which they operate may materially and adversely impact our business. For example, the Federal Communications Commission has broad jurisdiction over each of our target markets in the United States. Although current FCC regulations and the laws and regulations of other federal or state agencies are not directly applicable to our products, they do apply to much of the equipment into which our products are incorporated. FCC regulatory policies that affect the ability of cable or satellite operators or telephone companies to offer certain services to their customers or other aspects of their business may impede sales of our products in the United States. For example, in the past we have experienced delays when products incorporating our chips failed to comply with FCC emissions specifications.

In addition, we and our customers are subject to various import and export regulations of the United States government. Changes in or violations of such regulations could materially and adversely affect our business, financial condition and results of operations. Additionally, various government export regulations apply to the encryption or other features contained in some of our products. We have made numerous filings and applied for and received a number of export licenses under these regulations. However, if we fail to continue to receive licenses or otherwise comply with these regulations, we may be unable to manufacture the affected products at our foreign foundries or to ship these products to certain customers located outside of the United States.

We and our customers may also be subject to regulation by countries other than the United States. Foreign governments may 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.

Due to environmental concerns, the use of lead and other hazardous substances in electronic components and systems is receiving increased attention. In response, the European Union passed the Restriction on Hazardous Substances, or RoHS, Directive, legislation that limits the use of lead and other hazardous substances in electrical equipment. The RoHS Directive became effective July 1, 2006. We believe that our current product designs and material supply chains are in compliance with the RoHS Directive. However, it is possible that unanticipated supply shortages or delays may occur as a result of these recent regulations.

Our articles of incorporation and bylaws contain anti-takeover provisions that could prevent or discourage a third party from acquiring us.

Our articles of incorporation and bylaws contain provisions that may prevent or discourage a third party from acquiring us, even if the acquisition would be beneficial to our shareholders. In addition, we have in the past issued and may in the future issue shares of Class B common stock in connection with certain acquisitions, upon exercise of certain stock options, and for other purposes. Class B 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) as well as the right to vote separately as a class (i) as required by law and (ii) in the case of a proposed issuance of additional shares of Class B common stock, unless such issuance is approved by at least two-thirds of the members of the Board of Directors then in office. Our Board of Directors also 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. It is possible that the provisions in our charter documents, the exercise of supervoting rights by holders of our Class B common stock, our co-founders', directors' and officers' ownership of a majority of the Class B common stock, or the ability of our Board of Directors to issue preferred stock or additional shares of Class B common stock may prevent or discourage third parties from acquiring us, even if the acquisition would be beneficial to our shareholders. In addition, these factors may discourage third parties from bidding for our Class A common stock at a premium over the market price for our stock. These factors may also materially and adversely affect voting and other rights of the holders of our common stock and the market price of our Class A common stock.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We lease facilities in Irvine (our corporate headquarters) and Santa Clara County, California. Each of these facilities includes administration, sales and marketing, research and development and operations functions. In addition to our principal design facilities in Irvine and Santa Clara County, we lease additional design facilities in Tempe, Arizona; San Diego County, California; Colorado Springs, Fort Collins and Longmont, Colorado; Duluth, Georgia; Germantown, Maryland; Andover, Massachusetts; Bloomington, Minnesota; Matawan and Glen Rock, New Jersey; Morrisville, North Carolina; Lancaster, Pennsylvania; Austin, Texas and Seattle, Washington, among other locations.

Internationally, we lease a distribution center that includes engineering design and administrative facilities in Singapore as well as engineering design and administrative facilities in Belgium, Canada, China, Denmark, France, Greece, India, Israel, Japan, Korea, the Netherlands, Taiwan and the United Kingdom, among other locations.

In addition, we lease various sales and marketing facilities in the United States and several other countries.

The leased facilities comprise an aggregate of approximately 2.3 million square feet. Our principal facilities have lease terms that expire at various dates through 2017. In March 2007 we relocated our corporate headquarters to a new, larger facility in Irvine, which consists of eight buildings with an aggregate of approximately 0.69 million square feet. The lease agreement provides a term of ten years and two months, through May 2017. In April 2008 we will occupy a ninth building under this lease, bringing the total leased space to approximately 0.75 million square feet.

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 6 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 11 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” in Item 1A of this Report.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise, in the three months ended December 31, 2007.

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:

	High	Low
Year Ended December 31, 2007		
Fourth Quarter	$ 43.07	$ 25.70
Third Quarter	37.51	29.36
Second Quarter	35.25	29.01
First Quarter	37.05	29.27
Year Ended December 31, 2006		
Fourth Quarter	$ 37.50	$ 26.80
Third Quarter	31.27	21.98
Second Quarter	46.97	28.71
First Quarter	50.00	30.96

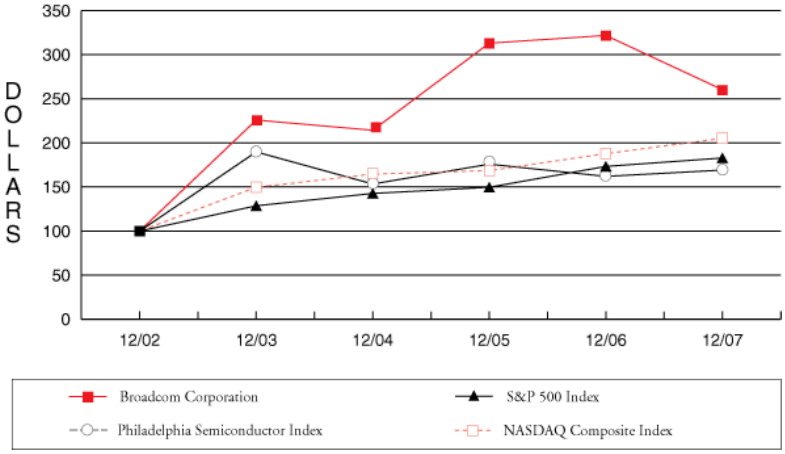
As of December 31, 2007 and 2006 there were 1,280 and 1,448 record holders of our Class A common stock and 202 and 213 record holders of our Class B common stock, respectively. On January 25, 2008 the last reported sale price of our Class A common stock on the Nasdaq Global Select Market was $23.04 per 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 graph below shows a comparison of the cumulative total shareholder return on our Class A common stock with the cumulative total return on the S&P 500 Index, the NASDAQ Composite Index and the Philadelphia Semiconductor Index over the five year period ended December 31, 2007. The graph assumes $100 invested at the indicated starting date in our Class A common stock and in each of the market indices, with the reinvestment of all dividends. We have not paid or declared any cash dividends on our Class A common stock and do not anticipate paying any cash dividends in the foreseeable future. Prices and shareholder returns over the indicated periods should not be considered indicative of future stock prices or shareholder returns.

COMPARISON OF CUMULATIVE TOTAL RETURN FOR THE FIVE YEAR PERIOD ENDED DECEMBER 31, 2007



Dividend Policy

We have never declared or paid cash dividends on shares of our capital stock. We currently intend to retain all of our earnings, if any, for use in our business and in acquisitions of other businesses, assets, products or technologies, and for purchases of our common stock from time to time. We do not anticipate paying cash dividends in the foreseeable future.

Recent Sales of Unregistered Securities

In 2007 we issued an aggregate of 8.2 million shares of Class A common stock upon conversion of a like number of shares of Class B common stock. 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 2005 our Board of Directors authorized a program to repurchase shares of our Class A common stock. The Board approved the repurchase of shares having an aggregate value of up to $250 million from time to time over a period of one year, depending on market conditions and other factors. In January 2006 the Board approved an amendment to the share repurchase program extending the program through January 26, 2007 and authorizing the repurchase of additional shares of our Class A common stock having a total market value of up to $500 million. On July 24, 2006 the Board decided to suspend purchasing shares of our Class A common stock under the share repurchase program as a result of the then-pending voluntary review of our equity award practices. From the time the program was first implemented through July 24, 2006, we repurchased a total of 12.8 million shares of Class A common stock at a weighted average price of $33.47 per share. The program expired, without further repurchases, in January 2007.

In February 2007 the Board authorized a new program to repurchase shares of our Class A common stock, or the February 2007 Repurchase Program. The Board approved the repurchase of shares having an aggregate market value of up to $1.0 billion, depending on market conditions and other factors. Repurchases under the program were to be made at any time and from time to time during the 12 to 18 month period that commenced February 12, 2007. The February 2007 Repurchase Program was completed November 1, 2007, at which time we had repurchased 30.1 million shares of Class A common stock at a weighted average price of $33.25 per share.

In November 2007 the Board authorized a new program to repurchase shares of our Class A common stock having an aggregate value of up to $1.0 billion depending on market conditions and other factors, or the November 2007 Repurchase Program. Repurchases under this program may be made at any time and from time to time during the period commencing November 19, 2007 and continuing through and including December 31, 2008.

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

The following table presents details of our various repurchases under the February and November 2007 Repurchase Programs during the three months ended December 31, 2007:

Period	Total Number of Shares Purchased (In thousands)	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan (In thousands)	Approximate Dollar Value of Shares That May yet be Purchased under the Plan (In thousands)
February 2007 Repurchase Program				
October 2007	5,109	$ 33.92	5,109	
November 2007	253	32.80	253	
December 2007	—	—	—	
Total	5,362	33.87	5,362	$ —
November 2007 Repurchase Program				
November 2007	1,728	$ 27.59	1,728	
December 2007	3,990	27.22	3,990	
Total	5,718	27.34	5,718	$ 843,711

From the time the November 2007 program was implemented through December 31, 2007, we repurchased a total of 5.7 million shares of Class A common stock at a weighted average price of $27.34 per share, of which $140.2 million was settled in cash during the three months ended December 31, 2007 and the remaining $16.1 million was included in accrued liabilities at December 31, 2007.

Item 6. *Selected Consolidated Financial Data*

	Years Ended December 31,				
	2007	2006	2005(2)	2004(2)	2003(2)
	(In thousands, except per share data)				
Consolidated Statements of Operations Data					
Net revenue	$ 3,776,395(4)	$ 3,667,818	$ 2,670,788	$ 2,400,610	$ 1,610,095
Cost of revenue(1)	1,832,178	1,795,565	1,267,799	1,196,767	866,359
Gross profit	1,944,217(4)	1,872,253	1,402,989	1,203,843	743,736
Operating expense:					
Research and development(1)	1,348,508	1,117,014	681,047	598,697	732,386
Selling, general and administrative(1)	492,737	504,012	274,260	244,037	259,258
Amortization of purchased intangible assets	1,027	2,347	4,033	3,703	3,504
In-process research and development	15,470	5,200	43,452	63,766	—
Impairment of goodwill and other intangible assets	1,500	—	500	18,000	439,611
Settlement costs	—	—	110,000	68,700	194,509
Restructuring costs (reversal)	—	—	(2,500)	—	2,932
Stock option exchange(1)	—	—	—	—	413,161
Income (loss) from operations	84,975(4)	243,680	292,197	206,940	(1,301,625)
Interest income, net	131,069	118,997	51,207	15,010	6,828
Other income, net	3,412	3,964	3,465	7,317	26,053
Income (loss) before income taxes	219,456(4)	366,641	346,869	229,267	(1,268,744)
Provision (benefit) for income taxes	6,114	(12,400)	(20,220)	56,082	25,127
Net income (loss)	$ 213,342(4)	$ 379,041	$ 367,089	$ 173,185	$ (1,293,871)
Net income (loss) per share (basic)(3)	$ 0.39	$ 0.69	$ 0.72	$ 0.36	$ (2.95)
Net income (loss) per share (diluted)(3)	$ 0.37	$ 0.64	$ 0.66	$ 0.33	$ (2.95)

	December 31,				
	2007	2006	2005	2004	2003
	(In thousands)				
Consolidated Balance Sheet Data					
Cash and cash equivalents	$ 2,186,572	$ 2,158,110	$ 1,437,276	$ 858,592	$ 558,669
Working capital	2,296,671	2,673,087	1,736,382	1,085,099	491,830
Goodwill and purchased intangible assets, net	1,423,328	1,214,174	1,156,934	1,079,262	834,319
Total assets	4,838,193	4,876,766	3,752,199	2,885,839	2,017,622
Total shareholders' equity	4,036,148	4,191,666	3,140,567	2,363,743	1,489,408

(1) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in acquisitions, as well as the effects of our stock option exchange program in 2003. See Note 8 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

(2) The amounts included in 2007 and 2006 reflect the adoption of SFAS 123R, effective January 1, 2006. Had Broadcom applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, or SFAS 123, in prior periods, we would have reported net losses of $94.8 million, $608.6 million and $2.062 billion in 2005, 2004 and 2003, respectively. We would have reported net losses per share (basic and diluted) of $0.19, $1.27 and $4.71 in 2005, 2004 and 2003, respectively. See Notes 1 and 8 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

(3) See Notes 1 and 2 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report, for an explanation of the calculation of net income (loss) per share.

(4) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007. See Note 2 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

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

	Years Ended December 31,				
	2007(1)	2006(1)	2005	2004	2003
			(In thousands)		
Supplemental Data on Stock-Based Compensation Expense					
Cost of revenue	$ 26,470	$ 24,589	$ 4,177	$ 4,776	$ 44,522
Research and development	353,649	307,096	68,606	102,253	298,081
Selling, general and administrative	139,533	136,679	29,232	30,897	69,053
Stock option exchange	—	—	—	—	410,381

(1) The amounts included in 2007 and 2006 reflect the adoption of SFAS 123R, effective January 1, 2006.

The tables above set forth our selected consolidated financial data. We prepared this information using the consolidated financial statements of Broadcom for the five years ended December 31, 2007. Certain amounts in the selected consolidated financial data above have been reclassified to conform to the 2007 presentation. The consolidated financial statements include the results of operations of acquisitions commencing on their respective acquisition dates. See Note 3 of Notes to Consolidated Financial Statements, included in Part IV, Item 15 of this Report.

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.”

Share and per share information presented in this Report has been adjusted to reflect all splits and dividends of our common stock subsequent to April 16, 1998, including the three-for-two stock split effected February 21, 2006 through the payment of a stock dividend.

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.

As a reminder, you should not rely on financial information included in the reports on Form 10-K, Form 10-Q and Form 8-K previously filed by Broadcom, the related opinions of our independent registered public accounting firm, or earnings press releases and similar communications issued by us, for periods ended on or before March 31, 2006, all of which have been superseded in their entirety by the information contained in our amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and our amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed January 23, 2007. For a discussion of the restated financial information contained in the amended Reports, see "Equity Award Review," below.

Overview

Broadcom Corporation is a major technology innovator and global leader in semiconductors for wired and wireless communications. Our products enable the delivery of voice, video, data and multimedia to and throughout the home, the office and the mobile environment. Broadcom provides the industry's broadest portfolio of state-of-the-art system-on-a-chip and software solutions to manufacturers of computing and networking equipment, digital entertainment and broadband access products, and mobile devices. Our diverse product portfolio includes solutions for digital cable, satellite and Internet Protocol (IP) set-top boxes and media servers; high definition television (HDTV); high definition DVD players and personal video recording (PVR) devices; cable and DSL modems and residential gateways; high-speed transmission and switching for local, metropolitan, wide area and storage networking; SystemI/O server solutions; broadband network and security processors; wireless and personal area networking; cellular communications; global positioning system (GPS) applications; mobile multimedia and applications processors; mobile power management; and Voice over Internet Protocol (VoIP) gateway and telephony systems.

Net Revenue. Our net revenue is generated principally by sales of our semiconductor products. We derive the remainder of our net revenue predominantly from royalty revenue from a patent license agreement, software licenses, development agreements, support and maintenance agreements, data services and cancellation fees. The majority of our sales occur through the efforts of our direct sales force. The remaining balance of our sales occurs through distributors.

We sell our products to leading manufacturers of wired and wireless communications equipment in each of our target markets. Because we leverage our technologies across different markets, certain of our integrated circuits may be incorporated into equipment used in multiple markets. We utilize independent foundries and third-party subcontractors to manufacture, assemble and test all of our semiconductor products.

The following table presents details of our net revenue:

	Years Ended December 31,		
	2007	2006	2005
Sales of semiconductor products	98.2%	99.4%	99.1%
Royalties and other	1.8	0.6	0.9
	100.0%	100.0%	100.0%

	Years Ended December 31,		
	2007	2006	2005
Sales made through direct sales force	85.0%	85.1%	84.4%
Sales made through distributors	15.0	14.9	15.6
	100.0%	100.0%	100.0%

The demand for our products 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 market conditions in the semiconductor industry and wired and wireless communications markets;
- the timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers, to manage inventory;
- 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;
- seasonality in the demand for consumer-oriented products into which certain of our products are incorporated;
- the rate at which our present and future customers and end-users adopt our products and technologies in our target markets; and
- the qualification, availability and pricing of competing products and technologies and the resulting effects on sales and pricing of our products.

For these and other reasons, our net revenue and results of operations in 2007 and prior periods may not necessarily be indicative of future net revenue and results of operations.

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 increasing volume of our products that are incorporated into consumer products, sales of which are typically subject to greater seasonality and greater volume fluctuations than non-consumer OEM products. We also maintain inventory, or hubbing, arrangements with certain of our customers. Pursuant to these arrangements we deliver products to a customer or a designated third party warehouse based upon the customer’s projected needs, but do not recognize product revenue unless and until the customer reports that it has removed our product from the warehouse to incorporate into its end products. Historically we have had good visibility into customer requirements and shipments within a quarter. However, if a customer does not take our products under a hubbing arrangement in accordance with the schedule it originally provided to us, our predicted future revenue stream could vary substantially from our forecasts and our results of operations could be materially and adversely affected. Additionally, since we own inventory that is physically located in a third party’s warehouse, our ability to effectively manage inventory levels may be impaired, causing our total inventory turns to decrease, which could increase expenses associated with excess and obsolete product and negatively impact our cash flow.

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

	Years Ended December 31,		
	2007	2006	2005
Motorola	11.2%	15.4%	15.5%
Cisco(1)	*	11.2	12.4
Five largest customers as a group	39.7	46.5	48.5

* Less than 10% of net revenue.

(1) Includes sales to Scientific-Atlanta, which was acquired by Cisco in February 2006, for all periods presented.

The identities of our largest customers and their respective contributions to our net revenue have varied and will likely continue to vary from period to period. We expect that our largest customers will continue to account for a substantial portion of our net revenue in 2008 and for the foreseeable future.

Net revenue derived from all independent customers located outside the United States, excluding foreign subsidiaries or manufacturing subcontractors of customers that are headquartered in the United States even though such subsidiaries or manufacturing subcontractors are located outside of the United States, as a percentage of total net revenue was as follows:

	Years Ended December 31,		
	2007	2006	2005
Asia (primarily in Japan, Korea, China and Taiwan)	26.5%	19.5%	17.8%
Europe (primarily in France, the United Kingdom and Finland)	8.5	8.4	7.6
Other	0.5	0.3	0.4
	35.5%	28.2%	25.8%

Net revenue derived from shipments to international destinations, as a percentage of total net revenue was as follows:

	Years Ended December 31,		
	2007	2006	2005
Asia (primarily in China, Hong Kong, Taiwan, Japan and Singapore)	81.2%	79.2%	75.2%
Europe (primarily in Hungary, Germany and Sweden)	2.9	3.3	3.6
Other	3.3	4.0	5.7
	87.4%	86.5%	84.5%

We have recently entered into arrangements that include multiple deliverables, such as the sale of semiconductor products and related data services. Under these arrangements, the services may be provided without having a separate "fair value" under EITF 00-21. In that event, we will only recognize a portion of the total revenue we receive from the customer during a quarter, and will recognize the remaining revenue on a ratable basis over the expected life of the service being provided. As we enter into future multiple element arrangements in which the fair value of each deliverable is not known, the portion of revenue we recognize on a deferred basis may vary significantly in any given quarter, which could cause even greater fluctuations in our quarterly operating results.

All of our revenue to date has been denominated in U.S. dollars.

Gross Margin. Our gross margin, or gross profit as a percentage 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:

- our product mix and volume of product sales (including sales to high volume customers);
- the positions of our products in their respective life cycles;
- licensing and royalty revenue;
- the effects of competition;
- the effects of competitive pricing programs and rebates;
- manufacturing cost efficiencies and inefficiencies;
- fluctuations in direct product costs such as wafer pricing and assembly, packaging and testing costs, and overhead costs;
- our ability to create cost advantages through successful integration and convergence;
- product warranty costs;
- provisions for excess and obsolete inventories;
- amortization of purchased intangible assets; and
- stock-based compensation expense.

Net Income (Loss). Our net income (loss) 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:

- stock-based compensation expense;
- required levels of research and development and other operating costs;

- licensing and royalty revenue;
- in-process research and development, or IPR&D;
- litigation costs;
- settlement costs;
- the loss of interest income resulting from expenditures on repurchases of our Class A common stock;
- amortization of purchased intangible assets;
- impairment of goodwill and other intangible assets;
- income tax benefits from adjustments to tax reserves of foreign subsidiaries;
- gain (loss) on strategic investments; and
- restructuring costs or reversals thereof.

In 2007 our net income was $213.3 million (including royalty revenue in the amount of $31.8 million in the fourth quarter) as compared to $379.0 million in 2006, a difference of $165.7 million. Although our net revenue increased by $108.6 million or 3.0% to $3.776 billion with gross margin of 51.5%, our profitability decreased as a direct result of an increase in operating expenses of $230.7 million, primarily research and development costs. Research and development costs have and will continue to increase in 2008 as we increase the number of employees engaged in research and development activities and ready a number of design wins to go into production. Research and development costs will also increase over the long term as a result of growth in, and the diversification of, the markets we serve, new product opportunities, changes in our compensation policies, and any expansion into new markets and technologies.

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 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 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. 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.

In 2007, 2006 and 2005 we completed nine acquisitions for original total equity consideration of $15.3 million and cash consideration of $430.4 million.

- In 2007 we acquired LVL7 Systems, Inc., a privately-held developer of production-ready networking software that enables networking original equipment manufacturers and original design manufacturers to reduce development expenses and compress development timelines; Octalica, Inc., a privately-held fabless semiconductor company that specializes in the design and development of networking technologies based on the MoCA standard, which enables distribution of high quality multimedia content throughout the home over existing coaxial cable; and Global Locate, Inc., a privately-held, fabless provider of industry-leading global positioning system and assisted GPS semiconductor products and software.
- In 2006 we acquired Sandburst Corporation, a fabless semiconductor company specializing in the design and development of packet switching and routing systems-on-a-chip that are deployed in enterprise core and metropolitan Ethernet networks, and Encentrus Systems, Inc., a developer of media center technology.
- In 2005 we acquired Alliant Networks, Inc., a developer of WLAN embedded software; Zeevo, Inc., a developer of Bluetooth headset chipsets; Siliquent Technologies Inc., a developer of 10 Gigabit Ethernet server controllers; and Athena Semiconductors, Inc., a developer of mobile digital television tuner and low power Wi-Fi technology.

Because each of these acquisitions was accounted for as a purchase transaction, the accompanying consolidated financial statements include the results of operations of the acquired companies commencing on their respective acquisition dates. See Note 3 of Notes to Consolidated Financial Statements for information related to these acquisitions.

Business Enterprise Segments. We operate in one reportable operating segment, wired and wireless broadband communications. SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, or SFAS 131, establishes standards for the way public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. Although we had four operating segments at December 31, 2007, under the aggregation criteria set forth in SFAS 131 we operate in only one reportable operating segment, wired and wireless broadband communications.

Under SFAS 131, two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if aggregation is consistent with the objective and basic principles of SFAS 131, if the segments have similar economic characteristics, and if the segments are similar in each of the following areas:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

We meet each of the aggregation criteria for the following reasons:

- the sale of integrated circuits is the only material source of revenue for each of our four operating segments, other than royalty revenue in one of our operating segments in the fourth quarter of 2007;
- the integrated circuits sold by each of our operating segments use the same standard CMOS manufacturing processes;
- the integrated circuits marketed by each of our operating segments are sold to one type of customer: manufacturers of wired and wireless communications equipment, which incorporate our integrated circuits into their electronic products; and
- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

All of our operating segments share similar economic characteristics as they have a similar long term business model, operate at gross margins similar to our consolidated gross margin, and have similar research and development expenses and similar selling, general and administrative expenses. The causes for variation among our operating segments are the same and include factors such as (i) life cycle and price and cost fluctuations, (ii) number of competitors, (iii) product differentiation and (iv) size of market opportunity. Additionally, each operating segment is subject to the overall cyclical nature of the semiconductor industry. The number and composition of employees and the amounts and types of tools and materials required are similar for each operating segment. Finally, even though we periodically reorganize our operating segments based upon changes in customers, end markets or products, acquisitions, long- term growth strategies, and the experience and bandwidth of the senior executives in charge, the common financial goals for each operating segment remain constant.

Because we meet each of the criteria set forth in SFAS 131 and our four operating segments as of December 31, 2007 share similar economic characteristics, we have aggregated our results of operations into one reportable operating segment.

Equity Award Review

In January 2007 we reported the results of a voluntary review of our equity award practices. The voluntary review, which commenced in May 2006 and covered all grants of options and other equity awards made since our initial public offering in April 1998, was directed by the Audit Committee of our Board of Directors. Based on the results of the equity award review, the Audit Committee concluded that, pursuant to APB 25 and related interpretations, the accounting measurement dates for most of the stock option grants awarded between June 1998 and May 2003, covering options to purchase 232.9 million shares of our Class A or Class B common stock, differed from the measurement dates previously used for such awards. As a result, revised measurement dates were applied to the affected option grants and Broadcom recorded a total of $2.259 billion in additional stock-based compensation expense for the years 1998 through 2005. After related tax adjustments of $38.7 million, the restatement resulted in total net adjustments of $2.220 billion for the years 1998 through 2005. This amount was net of forfeitures related to employee terminations. The additional stock-based compensation expense was amortized over the service period relating to each option, typically four years, with approximately 95% of the total expense recorded in years prior to 2004. In addition, $17.2 million of net adjustments was recorded in connection with our equity award review in the three months ended March 31, 2006.

None of the grants requiring measurement date adjustment was made to our co-founders or to any current or former member of our Board of Directors.

As a consequence of these adjustments, our audited consolidated financial statements and related disclosures for the three years ended December 31, 2005 and our consolidated statements of operations and consolidated balance sheet data for the five years ended December 31, 2005 were restated. We also restated the stock-based compensation expense footnote information calculated under SFAS 123 and SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*, under the disclosure-only alternatives of those pronouncements for the years 2003 through 2005. The restated information was contained in our Annual Report on Form 10-K/A for the year ended December 31, 2005, filed on January 23, 2007.

The adjustments did not affect Broadcom's previously-reported revenue, cash, cash equivalents or marketable securities balances in any of the restated periods.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles 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, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances and uncertain tax positions, self-insurance, restructuring costs, litigation and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected.

We believe the following are either (i) critical accounting policies that require us to make significant judgments and estimates in the preparation of our consolidated financial statements or (ii) other key accounting policies that generally do not require us to make estimates or judgments but may be difficult or subjective:

- *Net Revenue.* We recognize product revenue when the following fundamental 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. However, we do not recognize revenue until all customer acceptance requirements have been met and no significant obligations remain, when applicable. Customer purchase orders and/or contracts are generally used to determine the existence of an arrangement. Shipping documents and the completion of any customer acceptance requirements, when applicable, are used to verify product delivery or that services have been rendered. We assess whether a price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. We assess the collectibility of our accounts receivable based primarily upon the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

For a limited number of arrangements that include multiple deliverables, such as sales of semiconductor products and services, we allocate revenue based on the relative fair values of the individual components. If there is no established fair value for an undelivered element, the arrangement is accounted for as a single unit of accounting, resulting in a deferral of revenue and costs for the delivered element until the undelivered element has been fulfilled. In the case that the undelivered element is a service, the revenue and costs applicable to both the delivered and undelivered elements are recorded ratably over the respective service period. If the undelivered element is essential to the functionality of the delivered element, no revenue or costs are recognized until the undelivered element is delivered.

A portion of our sales are made through distributors under agreements allowing for pricing credits and/or rights of return. Product revenue on sales made through these distributors is not recognized until the distributors ship the product to their customers. We also maintain inventory, or hubbing, arrangements with certain of our customers. Pursuant to these arrangements we deliver products to a customer or a designated third party warehouse based upon the customer's projected needs, but do not recognize product revenue unless and until the customer reports that it has removed our product from the warehouse to incorporate into its end products. Historically we have had good visibility into customer requirements and shipments within a quarter. However, if a customer does not take our products under a hubbing arrangement in accordance with the schedule it originally provided to us, our future revenue stream could vary substantially from our forecasts and our results of operations could be materially and adversely affected. In addition, distributors and customers with hubbing arrangements provide us periodic data regarding the product, price, quantity, and the end customer when products are shipped to their customer as well as the quantities of our products they still have in stock. For specialized shipping terms we may rely on data provided by our freight forwarding providers. For our royalty revenue we rely on data provided by our customers. Any error in the data provided to us by customers, distributors or other third parties could lead to inaccurate reporting of our revenue, gross profit and net income.

- *Sales Returns, Pricing Adjustments and Allowance for Doubtful Accounts.* We record reductions to 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 or 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 revenue, gross profit and net income in subsequent periods. Additional reductions to revenue would result if actual product returns or pricing adjustments exceed our estimates. We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of any customer were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances could be required.
- *Inventory and Warranty Reserves.* We establish inventory reserves 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 actual demand and market conditions are less favorable than those projected by management, additional inventory reserves could be required. Under the hubbing arrangements that we maintain with certain customers, we own inventory that is physically located in a customer's or third party's warehouse. As a result, our ability to effectively manage inventory levels may be impaired, which would cause our total inventory turns to decrease. In that event, our expenses associated with excess and obsolete inventory could increase and our cash flow could be negatively impacted. Our products typically carry a one to three year warranty. We establish reserves for estimated product warranty costs at the time revenue is recognized. Although we engage in extensive product quality programs and processes, our warranty obligation has been and may in the future be affected by product failure rates, product recalls, repair or field replacement costs and additional development costs incurred in correcting any product failure, as well as possible claims for consequential costs. Should actual product failure rates, use of materials or service delivery costs differ from

our estimates, additional warranty reserves could be required. In that event, our gross profit and gross margins would be reduced.

- *Stock-Based Compensation Expense.* Effective January 1, 2006 we adopted SFAS 123R, which requires all share-based payments, including grants of stock options, restricted stock units and employee stock purchase rights, to be recognized in our financial statements based upon their respective grant date fair values. Under this standard, the fair value of each employee stock option and employee stock purchase right is estimated on the date of grant using an option pricing model that meets certain requirements. We currently use the Black-Scholes option pricing model to estimate the fair value of our stock options and stock purchase rights. The Black-Scholes model meets the requirements of SFAS 123R but the fair values generated by the model may not be indicative of the actual fair values of our equity awards as it does not consider certain factors important to those awards, such as continued employment and periodic vesting requirements as well as limited transferability. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We use the implied volatility for traded options on our stock as the expected volatility assumption required in the Black-Scholes model. Our selection of the implied volatility approach is based on the availability of data regarding actively traded options on our stock as we believe that implied volatility is more representative than historical volatility. The expected life of the stock options is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the terms of our stock options and stock purchase rights. The dividend yield assumption is based on our history and expectation of no dividend payouts. 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. Stock-based compensation expense recognized in our financial statements in 2006 and thereafter is based on awards that are ultimately expected to vest. We will evaluate the assumptions used to value stock awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. 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. To the extent that we grant additional equity securities to employees or we assume unvested securities in connection with any acquisitions, our stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions. Had we adopted SFAS 123R in 2005, the magnitude of the impact of that standard on our results of operations would have approximated the impact of SFAS 123 assuming the application of the Black-Scholes option pricing model as described in the disclosure of pro forma net income (loss) and pro forma net income (loss) per share in Note 8 of Notes to Consolidated Financial Statements.

- *Goodwill and Purchased Intangible Assets.* Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. The amounts and useful lives assigned to intangible assets acquired, other than goodwill, impact the amount and timing of future amortization, and the amount assigned to in-process research and development is expensed immediately. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) another significant slowdown in the worldwide economy or the semiconductor industry or (iv) any failure to meet the performance projections included in our forecasts of future operating results. We evaluate these assets, including purchased intangible assets deemed to have indefinite lives, on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. In the process of our annual impairment review, we primarily use the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies to determine the fair value of our intangible assets. Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation. The estimates we have used are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans may change and estimates used may prove to be inaccurate. If our actual results, or the plans 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.

- *Deferred Taxes and Uncertain Tax Positions.* We utilize the 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 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 such 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 to income tax expense in the period of such realization. In July 2006 the Financial Accounting Standards Board, or FASB, issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109*, or FIN 48, which requires income tax positions to meet a more-likely-than-not recognition threshold to be recognized in the financial statements. Under FIN 48, tax positions that previously failed to meet the more-likely-than-not threshold should be 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 should be derecognized in the first subsequent financial reporting period in which that threshold is no longer met. Prior to 2007 we recorded estimated income tax liabilities to the extent they were probable and could be reasonably estimated. 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.* From time to time, 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 assure you that these actions or other third party claims against us will be resolved without costly litigation and/or substantial settlement charges. In addition, the resolution of intellectual property litigation may require us to pay damages for past 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 gross profit and 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 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 range of loss can be reasonably estimated. However, the actual liability in any such disputes or litigation may be materially different from our estimates, which could result in the need to record additional costs.

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:

	Years Ended December 31,		
	2007	2006	2005(1)
Net revenue	100.0%	100.0%	100.0%
Cost of revenue	48.5	49.0	47.5
Gross profit	51.5	51.0	52.5
Operating expense:			
Research and development	35.7	30.5	25.5
Selling, general and administrative	13.0	13.7	10.3
Amortization of purchased intangible assets	0.0	0.1	0.2
In-process research and development	0.4	0.1	1.6
Impairment of other intangible assets	0.1	—	—
Settlement costs	—	—	4.1
Restructuring reversal	—	—	(0.1)
Income from operations	2.3	6.6	10.9
Interest income, net	3.4	3.3	1.9
Other income, net	0.1	0.1	0.1
Income before income taxes	5.8	10.0	12.9
Provision (benefit) for income taxes	0.2	(0.3)	(0.8)
Net income	5.6%	10.3%	13.7%

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

	Years Ended December 31,		
	2007	2006	2005(1)
Cost of revenue	0.7%	0.7%	0.2%
Research and development	9.4	8.4	2.6
Selling, general and administrative	3.7	3.7	1.1

(1) The amounts included in 2007 and 2006 reflect the adoption of SFAS 123R, effective January 1, 2006. For a discussion of impact of SFAS 123 on 2005, see Notes 1 and 8 of Notes to Consolidated Financial Statements.

Years Ended December 31, 2007 and 2006

Net Revenue, Cost of Revenue and Gross Profit

The following table presents net revenue, cost of revenue and gross profit for 2007 and 2006:

	Years Ended December 31, 2007 Amount	2007 % of Net Revenue	2006 Amount	2006 % of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Net revenue	$ 3,776,395(2)	100.0%	$ 3,667,818	100.0%	$ 108,577	3.0%
Cost of revenue(1)	1,832,178	48.5	1,795,565	49.0	36,613	2.0
Gross profit	$ 1,944,217(2)	51.5%	$ 1,872,253	51.0%	$ 71,964	3.8

(1) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in acquisitions. For a further discussion of stock-based compensation expense, see the section entitled "Stock-Based Compensation Expense" below.

(2) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007.

Net Revenue. Our revenue is generated principally by sales of our semiconductor products. Our broadband communications products include solutions for cable modems, DSL applications, digital cable, direct broadcast satellite and IP set-top boxes, digital TVs and high definition DVD and personal video recording devices. Our mobile and wireless products include wireless LAN, cellular, GPS, Bluetooth, mobile multimedia and applications processors, mobile power management and VoIP solutions. Our enterprise networking products include Ethernet transceivers, controllers, switches, broadband network and security processors and server chipsets.

Net revenue is revenue less reductions for rebates and provisions for returns and allowances.

The following table presents net revenue from each of our major target markets and its respective contribution to net revenue in 2007 as compared to 2006:

	Years Ended December 31, 2007 Amount	2007 % of Net Revenue	2006 Amount	2006 % of Net Revenue	Increase (Decrease)	% Change
	(In thousands, except percentages)					
Broadband communications	$ 1,412,293	37.4%	$ 1,384,969	37.8%	$ 27,324	2.0%
Mobile and wireless	1,224,434(1)	32.4	1,100,911	30.0	123,523(1)	11.2
Enterprise networking	1,139,668	30.2	1,181,938	32.2	(42,270)	(3.6)
Net revenue	$ 3,776,395(1)	100.0%	$ 3,667,818	100.0%	$ 108,577	3.0

(1) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007.

The 2007 increase in net revenue in our broadband communications target market resulted from an increase in net revenue for our products for digital TVs, offset by a decrease in net revenue from our products for digital cable set-top boxes. The 2007 increase in net revenue from our mobile and wireless target market resulted primarily from an increase in demand for our Bluetooth and wireless LAN product offerings, offset in part by a decrease in demand for our mobile multimedia and cellular product offerings. In addition, fourth quarter 2007 net revenue in our mobile and wireless target market included royalty revenue in the amount of $31.8 million from a patent license agreement entered into in July 2007. The 2007 decrease in net revenue from our enterprise networking target market resulted primarily from a decrease in net revenue from our controller products, offset in part by an increase in net revenue attributable to our Ethernet switch products.

The following table presents net revenue from each of our major target markets and its respective contribution to net revenue in the fourth quarter of 2007 as compared to the third quarter of 2007:

	Three Months Ended					
	December 31, 2007		September 30, 2007			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase (Decrease)	% Change
			(In thousands, except percentages)			
Broadband communications	$ 353,832	34.5%	$ 361,171	38.0%	$ (7,339)	(2.0)%
Mobile and wireless	381,112(1)	37.1	302,892	31.9	78,220(1)	25.8
Enterprise networking	292,091	28.4	285,896	30.1	6,195	2.2
Net revenue	$ 1,027,035(1)	100.0%	$ 949,959	100.0%	$ 77,076	8.1

(1) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007.

The decrease in net revenue in our broadband communications target market resulted primarily from a decrease in net revenue for our products for direct broadcast satellite set-top boxes, offset in part by an increase in net revenue from our products for digital cable set-top boxes and broadband modems. The increase in net revenue from our mobile and wireless target market resulted primarily from strong growth driven by new products and customer ramps for our Bluetooth solutions, as well as royalty revenue in the amount of $31.8 million from a patent license agreement entered into in July 2007.

We recorded rebates to certain customers of $222.3 million and $251.2 million in 2007 and 2006, respectively. We account for rebates in accordance with EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, and, accordingly, at the time of the sale we accrue 100% of the potential rebate as a reduction to revenue and do not apply a breakage factor. The amount of these reductions is based upon the terms included in our various rebate agreements. 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. 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 in the amount of $22.4 million and $7.1 million in 2007 and 2006, respectively.

We currently anticipate that total net revenue in the first quarter of 2008 will be approximately $975.0 million to $1.005 billion, as compared to $1.027 billion achieved in the fourth quarter of 2007, in each case including royalty revenue at similar levels as reported in the fourth quarter of 2007 from a patent licensing agreement entered into in July 2007. This decrease is primarily the result of the seasonal decline in revenue in our consumer-oriented businesses.

Cost of Revenue and Gross Profit. Cost of revenue includes 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, 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.

The 2007 increase in absolute dollars of gross profit resulted primarily from the 3.0% increase in net revenue. Gross margin increased from 51.0% in 2006 to 51.5% in 2007. The primary factors that contributed to the increase in gross margin were: (i) an increase in product margin due to a decrease in product costs, (ii) a shift in product mix, (iii) royalty revenue in the amount of $31.8 million, and (iv) an increase in the reversal of rebates in the amount of $15.3 million related to unclaimed rebates. For a discussion of stock-based compensation included in cost of revenue, see "Stock-Based Compensation Expense," below.

Gross margin has been and will likely continue to be impacted by our product mix and volume of product sales, including sales to high volume customers, royalty revenue, competitive pricing programs, fluctuations in silicon wafer costs and assembly, packaging and testing costs, competitive pricing requirements, product warranty costs, provisions for excess and obsolete inventories, the position of our products in their respective life cycles, and the introduction of products with lower margins, among other factors. We anticipate that our gross margin in the first quarter of 2008 will slightly decrease as compared to the fourth quarter of 2007 as we continue to ramp a number of new products to new and existing customers. Typically our newly introduced products have lower gross margins until we commence volume production and launch lower cost revisions of such products enabling us to benefit from economies of scale and more efficient designs. Our gross margin may also be impacted by additional stock-based compensation expense and changes therein, as discussed below, and the amortization of purchased intangible assets related to future acquisitions.

Research and Development and Selling, General and Administrative Expenses

The following table presents research and development and selling, general and administrative expenses for 2007 and 2006:

	Years Ended December 31,					
	2007		2006			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase (Decrease)	% Change
	(In thousands, except percentages)					
Research and development(1)	$ 1,348,508	35.7%	$ 1,117,014	30.5%	$ 231,494	20.7%
Selling, general and administrative(1)	492,737	13.0	504,012	13.7	(11,275)	(2.2)

(1) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in acquisitions. For a further discussion of stock-based compensation expense, see the section entitled "Stock-Based Compensation Expense" below.

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. Research and development expense also includes costs related to engineering design tools and computer hardware, mask and prototyping costs, subcontracting costs and facilities expenses.

The 2007 increase in research and development expense resulted primarily from an increase of $131.0 million in personnel-related expenses and an increase of $46.6 million in stock-based compensation expense. These increases are primarily attributable to an increase in the number of employees engaged in research and development activities since the end of 2006, resulting from both direct hiring and acquisitions. Employees engaged in research and development activities at December 31, 2007 increased to 4,676, or by 22.8% over the previous year. We also had increases in costs related to engineering design tools and computer hardware that were attributable to the increase in headcount. In addition, facilities costs increased due to the 2007 build-out and relocation of our Irvine facilities. There were increased mask and prototyping costs during 2007 due to the transition of certain products to 65 nanometer process technology. These costs vary from period to period depending on the timing of development and tape-out of various products.

For a further discussion of stock-based compensation included in research and development expense, see "Stock-Based Compensation Expense," below.

We anticipate that research and development expense will continue to increase in 2008 as we ready a number of design wins to go into production and over the long term as a result of growth in, and the diversification of, the markets we serve, new product opportunities, and any expansion into new markets and technologies. We anticipate that research and development expense in the first quarter of 2008 will increase from the $363.3 million incurred in the fourth quarter of 2007, but at a slower rate than we experienced in 2007, due to our continued investment in new products and the migration to 65 nanometer process technology, as well as additional expenses related to the hiring of additional personnel.

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. We currently hold more than 2,500 U.S. and 1,000 foreign patents, and 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 2007 decrease in selling, general and administrative expense resulted primarily from a decrease of $25.6 million in legal fees, offset by an increase of $26.4 million in personnel-related expenses. The increase in personnel-related expenses is primarily attributable to an increase in the number of employees engaged in selling, general and administrative activities since the end of 2006, resulting from both direct hiring and acquisitions. Employees engaged in selling, general and administrative activities increased to 1,234, or by 16.3% over the previous year. In addition, facilities costs increased due to the 2007 build-out and relocation of our Irvine facilities. Legal fees fluctuate from period to period due to the timing and costs of our ongoing litigation matters. We maintain insurance polices that limit our exposure and enable us to recover a portion of our legal fees paid related to our equity award review. In 2007 we received or recorded receivables for reimbursements in the amount of $17.2 million related to costs recoverable under these insurance policies, which are reflected as an offset to legal expense. In certain limited circumstances, portions of these amounts recovered from our insurance carriers may be required to be repaid. We regularly evaluate the need to record a liability for potential future repayments in accordance with SFAS 5, and as of December 31, 2007 we have not recorded a liability in connection with these potential insurance recovery provisions. For a discussion of stock-based compensation included in selling, general and administrative expense, see "Stock-Based Compensation Expense," below. For further discussion of litigation matters, see Note 11 of Notes to Consolidated Financial Statements.

We anticipate that selling, general and administrative expense will increase over the long term resulting from any expansion of our operations through periodic changes in our infrastructure, acquisition and integration activities, international operations, and current and future litigation. We anticipate that selling, general and administrative expense in the first quarter of 2008 will be higher as compared to the $119.3 million incurred in the fourth quarter of 2007, due primarily to expected increased legal fees.

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:

	Years Ended December 31, 2007	Years Ended December 31, 2006
	(In thousands)	
Cost of revenue	$ 26,470	$ 24,589
Research and development	353,649	307,096
Selling, general and administrative	139,533	136,679
	$ 519,652	$ 468,364

The amount of unearned stock-based compensation currently estimated to be expensed from 2008 through 2011 related to unvested share-based payment awards at December 31, 2007 is $948.3 million. Of this amount, $415.5 million, $302.7 million, $175.6 million and $54.5 million are currently estimated to be recorded in 2008, 2009, 2010 and 2011, respectively. The weighted-average period over which the unearned stock-based compensation is expected to be recognized is approximately 1.5 years. Approximately 94.2% of the total unearned stock-based compensation at December 31, 2007 will be expensed by the end of 2010.

The increase in unearned stock-based compensation of $118.4 million at December 31, 2007 from the $829.9 million balance at December 31, 2006 was primarily the result of share-based awards granted during 2007 including the grant of employee stock options to purchase 21.9 million shares of our common stock, the award of 12.2 million restricted stock units, and the accumulation of rights to purchase 6.7 million shares of our common stock by employees participating in our employee stock purchase program, offset in part by stock-based compensation of $519.7 million expensed during 2007. 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.

Charges Related to the Voluntary Review of our Equity Award Practices

In connection with our equity award review, the results of which were reported in January 2007, we determined the accounting measurement dates for most of our options granted between June 1998 and May 2003 covering options to purchase 232.9 million shares of our Class A or Class B common stock, differed from the measurement dates previously used for such awards. As a result, there are potential adverse tax consequences that may apply to holders of affected options. By amending or replacing those options, the potential adverse tax consequences could be eliminated.

In March 2007 we offered to amend or replace options affected by the choice of measurement dates by adjusting the exercise price of each such option to the lower of (i) the fair market value per share of our Class A common stock on the revised measurement date applied to that option as a result of our equity award review or (ii) the closing selling price per share of our Class A common stock on the date on which the option would be amended. If the adjusted exercise price for an affected option was *lower than* the original exercise price, that option was not amended but instead was replaced with a new option that had the same exercise price, vesting schedule and expiration date as the affected option, but a new grant date. The offer expired April 20, 2007. Participants whose options were amended pursuant to the offer were paid a special cash payment with respect to those options. The amount paid was determined by multiplying (i) the amount of the increase in exercise price by (ii) the number of shares for which options were amended. We made payments of $29.6 million in January 2008 to reimburse the affected optionholders for the increases in their exercise prices. A liability was recorded for these payments and included in wages and related benefits as of December 31, 2007.

In accordance with SFAS 123R, we recorded total estimated charges of $3.4 million in 2007 and a reduction of additional paid-in capital in the amount of $26.2 million in connection with the offer. Charges of $0.1 million, $1.5 million and $1.8 million are included in cost of revenue, research and development expense and selling, general and administrative expense, respectively.

We also recorded total charges of $61.5 million in 2006 in connection with payments we made to or on behalf of certain current and former employees related to consequences of the voluntary review of our equity award practices, as well as non-cash stock-based compensation expense we incurred related to the extension of the post-service stock option exercise period for certain former employees. The payments were (i) to remunerate participants in our employee stock purchase plan who were unable to purchase shares thereunder during the period in which we were not current in our SEC reporting obligations, (ii) to remediate adverse tax consequences, if any, to individuals that resulted from the review, and (iii) to compensate individuals for the value of stock options that expired or would have expired during the period in which we were not current in our SEC reporting obligations. A total of $2.5 million, $30.1 million and $28.9 million was *included* in cost of revenue, research and development expense and selling, general and administrative expense, respectively, for such charges in 2006, of which $6.5 million and $5.1 million included in research and development expense and selling, general and administrative expense, respectively, was stock-based compensation expense.

Amortization of Purchased Intangible Assets

The following table presents details of the amortization of purchased intangible assets *included* in each expense category:

	Years Ended December 31,	
	2007	2006
	(In thousands)	
Cost of revenue	$ 13,485	$ 10,056
Operating expense	1,027	2,347
	$ 14,512	$ 12,403

The following table presents details of future amortization of purchased intangible assets. If we acquire additional purchased intangible assets in the future, our cost of revenue or operating expenses will be increased by the amortization of those assets.

	Purchased Intangible Assets Amortization by Year					
	2008	2009	2010	2011	Thereafter	Total
	(In thousands)					
Cost of revenue	$ 15,738	$ 15,264	$ 12,527	$ 1,023	$ —	$ 44,552
Operating expense	733	622	600	100	—	2,055
	$ 16,471	$ 15,886	$ 13,127	$ 1,123	$ —	$ 46,607

In-Process Research and Development

In-process research and development, or IPR&D, totaled $15.5 million and $5.2 million for acquisitions completed in 2007 and 2006, respectively. The amounts allocated to IPR&D were determined through established valuation techniques used in the high technology industry and were expensed upon acquisition as it was determined that the underlying projects had not reached technological feasibility and no alternative future uses existed. In accordance with SFAS No. 2, *Accounting for Research and Development Costs*, as clarified by FIN No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method, an Interpretation of FASB Statement No. 2*, amounts assigned to IPR&D meeting the above-stated criteria were charged to expense as part of the allocation of the purchase price.

The fair value of the IPR&D for each of the 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 and 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 core 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 product life cycles, and market penetration and growth rates.

The IPR&D charges include only the fair value of IPR&D performed as of the respective acquisition dates. The fair value of developed technology is included in identifiable purchased intangible assets. We believe the amounts recorded as IPR&D, as well as developed technology, represent the fair values and approximate the amounts an independent party would pay for these projects as of the respective acquisition dates.

The following table summarizes the significant assumptions at the acquisition dates underlying the valuations of IPR&D for acquisitions completed in 2007 and 2006:

Company Acquired	Development Projects	Weighted Average Estimated Percent Complete	Average Estimated Time to Complete (In years)	Estimated Cost to Complete (In millions)	Risk Adjusted Discount Rate	IPR&D (In millions)
2007 Acquisitions						
LVL7	Enhancements to FASTPATH application platform	31%	1.0	$ 7.8	21%	$ 0.3
Octalica	High performance communication controller	52	1.0	6.8	29	10.2
Global Locate	Single-chip GPS device	62	1.5	5.6	20	5.0
2006 Acquisition						
Sandburst	20Gbps programmable packet processor	15	2.0	11.2	30	5.2

As of the respective acquisition dates of the 2007 and 2006 acquisitions, certain ongoing development projects were in process. Research and development costs to bring the products of the acquired companies to technological feasibility are not expected to have a material impact on our results of operations or financial condition. At December 31, 2007 all of the above development projects were still in process.

Actual results to date have been consistent, in all material respects, with our assumptions at the time of the acquisitions. The assumptions consist primarily of expected completion dates for the IPR&D projects, estimated costs to complete the projects, and revenue and expense projections for the products once they have entered the market.

Restructuring Costs

For a discussion of activity and liability balances related to our past restructuring plans, see Note 2 of Notes to Consolidated Financial Statements.

Impairment of Intangible Assets

We performed annual impairment assessments of the carrying value of goodwill recorded in connection with various acquisitions as required under SFAS No. 142, *Goodwill and Other Intangible Assets*, or SFAS 142, in October 2007 and 2006. Upon completion of the 2007 and 2006 annual impairment assessments, we determined no impairment was indicated as the estimated fair value of each of our four reporting units, determined and identified in accordance with SFAS 142, exceeded its respective carrying value.

We estimated the fair values of our reporting units primarily using the income approach valuation methodology that includes the discounted cash flow method, taking into consideration the market approach and certain market multiples as a validation of the values derived using the discounted cash flow methodology. The discounted cash flows for each reporting unit were based on discrete four year financial forecasts developed by management for planning purposes and consistent with those distributed to our Board of Directors. Cash flows beyond the four year discrete forecasts were estimated using a terminal value calculation, which incorporated historical and forecasted financial trends for each identified reporting unit and considered long-term earnings growth rates for publicly traded peer companies. Future cash flows were discounted to present value by incorporating the present value techniques discussed in FASB Concepts Statement 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, or Concepts Statement 7. Specifically, the income approach valuations included reporting unit cash flow discount rates ranging from 13% to 19%, and terminal value growth rates ranging from 5% to 10%. Publicly available information regarding the market capitalization of our company was also considered in assessing the reasonableness of the cumulative fair values of our reporting units estimated using the discounted cash flow methodology.

Interest and Other Income, Net

The following table presents interest and other income, net, for 2007 and 2006:

	Years Ended December 31,					
	2007		2006			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase (Decrease)	% Change
	(In thousands, except percentages)					
Interest income, net	$ 131,069	3.4%	$ 118,997	3.3%	$ 12,072	10.1%
Other income, net	3,412	0.1	3,964	0.1	(552)	(13.9)

Interest income, net, reflects interest earned on cash and cash equivalents and marketable securities balances. Other income, net, primarily includes recorded gains and losses on strategic investments as well as gains and losses on foreign currency transactions and dispositions of property and equipment. Our cash and marketable securities balances decreased from $2.802 billion at December 31, 2006 to $2.404 billion at December 31, 2007, resulting principally from repurchases of our Class A common stock and cash used for acquisitions, offset by cash generated from operations. Although the 2007 year-end balance was slightly less than the 2006 year-end balance, our average cash, cash equivalents and marketable securities balances during the year increased. The increase in interest income, net, for 2007 was the result of the overall increase in our average cash and marketable securities balances, as well as an increase in market interest rates. The weighted average interest rates earned for 2007 and 2006 were 5.12% and 4.91%, respectively.

Income Tax Provision (Benefit)

The following table presents the income tax provision (benefit) for 2007 and 2006:

	Years Ended December 31,					
	2007		2006			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Income tax provision (benefit)	$ 6,114	0.2%	$ (12,400)	(0.3)%	$ 18,514	(149.3)%

The federal statutory rate was 35% for 2007 and 2006. We had income tax benefits which resulted in effective tax rates of 2.8% and negative 3.4% for 2007 and 2006, respectively. The differences between our effective tax rates and the federal statutory tax rate primarily relate to foreign earnings taxed at rates differing from the federal tax rate and domestic tax losses recorded without tax benefits. In addition, we realized tax benefits resulting from the reversal of certain prior period tax accruals of $6.0 million and $29.8 million in 2007 and 2006, respectively. These reversals resulted primarily from the expiration of the statutes of limitations for the assessment of taxes related to certain foreign subsidiaries.

We utilize the liability method of accounting for income taxes as set forth in SFAS No. 109, *Accounting for Income Taxes*, or SFAS 109. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. SFAS 109 states that 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 recent cumulative losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of $3.3 million and $1.8 million in 2007 and 2006, respectively. See Note 5 of Notes to Consolidated Financial Statements.

In July 2006 the FASB issued FIN 48. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS 109. As a result of applying the provisions of FIN 48, we recognized a decrease of $3.9 million in the liability for unrecognized tax benefits, and a $4.7 million reduction in accumulated deficit as of January 1, 2007. In addition we reclassified certain tax liabilities for unrecognized tax benefits, as well as related potential penalties and interest, from current liabilities to long-term liabilities. Our unrecognized tax benefits at December 31, 2007 relate to various foreign jurisdictions.

At December 31, 2007 we had unrecognized tax benefits in the amount of $21.6 million which included $17.8 million of tax benefits that, if recognized, would reduce our annual effective tax rate. We also accrued potential penalties and interest of $1.1 million and $0.7 million, respectively, related to these unrecognized tax benefits during 2007, and in total, as of December 31, 2007, we have a recorded liability for potential penalties and interest of $13.9 million and $1.5 million, respectively. We do not expect our unrecognized tax benefits to change significantly over the next twelve months.

Years Ended December 31, 2006 and 2005

Net Revenue, Cost of Revenue and Gross Profit

The following table presents net revenue, cost of revenue and gross profit for 2006 and 2005:

	Years Ended December 31,					
	2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Net revenue	$ 3,667,818	100.0%	$ 2,670,788	100.0%	$ 997,030	37.3%
Cost of revenue(1)	1,795,565	49.0	1,267,799	47.5	527,766	41.6
Gross profit	$ 1,872,253	51.0%	$ 1,402,989	52.5%	$ 469,264	33.4

(1) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in acquisitions. For a further discussion of stock-based compensation expense, see the section entitled "Stock-Based Compensation Expense" below.

Net Revenue. The following table presents net revenue from each of our major target markets and its respective contributions to the increase in net revenue in 2006 as compared to 2005:

	Years Ended December 31,					
	2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Broadband communications	$ 1,384,969	37.8%	$ 919,798	34.4%	$ 465,171	50.6%
Enterprise networking	1,181,938	32.2	1,063,142	39.8	118,796	11.2
Mobile and wireless	1,100,911	30.0	687,848	25.8	413,063	60.1
Net revenue	$ 3,667,818	100.0%	$ 2,670,788	100.0%	$ 997,030	37.3

The 2006 increase in net revenue from our broadband communications target market resulted primarily from an increase in net revenue from solutions for broadband modems and digital set-top boxes. The 2006 increase in net revenue from our enterprise networking target market was attributable to our enterprise Ethernet and controller products. The 2006 increase in net revenue from our mobile and wireless target market resulted primarily from strength in our Bluetooth, wireless LAN and mobile multimedia product offerings.

We recorded rebates to certain customers of $251.2 million and $220.8 million in 2006 and 2005, respectively.

Cost of Revenue and Gross Profit. The 2006 increase in gross profit resulted primarily from the 37.3% increase in net revenue. Gross margin decreased from 52.5% in 2005 to 51.0% in 2006. The primary factors that contributed to this 1.5 percentage point decrease were (i) increases in product costs and (ii) increases in stock-based compensation expense resulting from the adoption of SFAS 123R, partially offset by (iii) improvements as a percentage of revenue of manufacturing overhead due to our significant growth.

Research and Development and Selling, General and Administrative Expenses

The following table presents research and development and selling, general and administrative expenses for 2006 and 2005:

	Years Ended December 31,					
	2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Research and development(1)	$ 1,117,014	30.5%	$ 681,047	25.5%	$ 435,967	64.0%
Selling, general and administrative(1)	504,012	13.7	274,260	10.3	229,752	83.8

(1) Includes stock-based compensation expense resulting from stock options and restricted stock units we issued or assumed in acquisitions. For a further discussion of stock-based compensation expense, see the section entitled "Stock-Based Compensation Expense" below.

Research and Development Expense.

The 2006 increase in research and development expense resulted primarily from an increase of $238.5 million in stock-based compensation expense, an increase of $116.1 million in personnel-related expenses, and $23.6 million in estimated payments we decided to make to or on behalf of certain current and former employees related to consequences of the equity award review. These increases are primarily attributable to (i) our adoption of SFAS 123R, (ii) an increase in the number of employees engaged in research and development activities in 2006, resulting from both direct hiring and acquisitions and (iii) an increase in cash compensation levels. For a further discussion of the increase in stock-based compensation, see "Stock-Based Compensation Expense," below.

Selling, General and Administrative Expense.

The 2006 increase in selling, general and administrative expense resulted primarily from an increase of $107.4 million in stock-based compensation expense, an increase of $54.5 million in legal fees, an increase of $21.5 million in personnel-related expenses and $23.8 million in estimated payments we decided to make to or on behalf of certain current and former employees related to consequences of the voluntary review of our equity award practices. These increases are primarily attributable to (i) our adoption of SFAS 123R, (ii) the cost of ongoing litigation, (iii) an increase in the number of employees engaged in selling, general and administrative activities in 2006 and (iv) an increase in cash compensation levels. In addition, we incurred legal and accounting fees associated with the equity award review of $11.6 million primarily in the second half of 2006. For a further discussion of the increase in stock-based compensation, see "Stock-Based Compensation Expense," below. For further discussion of litigation matters, see Note 11 of Notes to Consolidated Financial Statements.

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:

	Years Ended December 31,	
	2006(1)	2005
	(In thousands)	
Cost of revenue	$ 24,589	$ 4,177
Research and development	307,096	68,606
Selling, general and administrative	136,679	29,232
	$ 468,364	$ 102,015

(1) The amounts included in 2006 reflect the adoption of SFAS 123R. In accordance with the modified prospective transition method, our consolidated statement of income for 2005 has *not* been restated to reflect, and does not include, the impact of SFAS 123R. See Notes 1 and 8 of Notes to Consolidated Financial Statements.

Amortization of Purchased Intangible Assets

The following table presents details of the amortization of purchased intangible assets by expense category:

	Years Ended December 31,	
	2006	2005
	(In thousands)	
Cost of revenue	$ 10,056	$ 11,081
Operating expense	2,347	4,033
	$ 12,403	$ 15,114

In-Process Research and Development

IPR&D totaled $5.2 million and $43.5 million for acquisitions completed in 2006 and 2005, respectively. For a description of the 2006 IPR&D projects, including the valuation techniques used and significant assumptions at the acquisitions dates underlying the valuations, as well as an update on the status of such projects as of December 31, 2007, see the discussion included under "Years Ended December 31, 2007 and 2006," above.

The following table summarizes the significant assumptions at the acquisition dates underlying the valuations of IPR&D for our acquisitions in 2005:

Company Acquired	Development Projects	Weighted Average Estimated Percent Complete	Average Estimated Time to Complete (In years)	Estimated Cost to Complete (In millions)	Risk Adjusted Discount Rate	IPR&D (In millions)
2005 Acquisitions						
Zeevo	Bluetooth wireless audio chipset	85%	1.0	$ 5.5	22%	$ 6.7
Siliquent	10 GbE server controller	40	1.0	17.3	27	35.0
Athena	Tuners and low-power Wi-Fi chips	85	0.5	0.9	27	1.8

Actual results to date have been consistent, in all material respects, with our assumptions at the time of the acquisitions. The assumptions consist primarily of expected completion dates for the IPR&D projects, estimated costs to complete the projects, and revenue and expense projections for the products once they have entered the market.

As of the respective acquisition dates of the 2005 acquisitions, certain ongoing development projects were in process. Research and development costs to bring the products of the acquired companies to technological feasibility did not have a material impact on our results of operations or financial condition. We completed the development projects related to the Zeevo acquisition in 2005 and the Siliquent and Athena acquisitions in 2006.

Settlement Costs

We recorded $110.0 million in settlement costs in 2005 primarily related to the settlement of securities class action litigation against us and certain of our current and former officers and directors. For a more detailed discussion of our settled and outstanding litigation, see Note 11 of Notes to Consolidated Financial Statements.

Restructuring Costs

For a discussion of activity and liability balances related to our past restructuring plans, see Note 2 of Notes to Consolidated Financial Statements.

Impairment of Intangible Assets

We performed annual impairment assessments of the carrying value of goodwill recorded in connection with various acquisitions as required under SFAS 142, in October 2006 and 2005. Upon completion of the 2006 and 2005 annual impairment assessments, we determined no impairment was indicated as the estimated fair value of each of our four reporting units, determined and identified in accordance with SFAS 142, exceeded its respective carrying value.

See Notes 1 and 9 of Notes to Consolidated Financial Statements for a further discussion of impairment of goodwill.

Interest and Other Income, Net

The following table presents interest and other income, net, for 2006 and 2005:

	Years Ended December 31,					
	2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Increase	% Change
	(In thousands, except percentages)					
Interest income, net	$ 118,997	3.3%	$ 51,207	1.9%	$ 67,790	132.4%
Other income, net	3,964	0.1	3,465	0.1	499	14.4

The increase in interest income, net, was the result of an overall increase in our cash and marketable securities balances and an increase in market interest rates. Our cash and marketable securities balances increased from $1.876 billion at December 31, 2005 to $2.802 billion at December 31, 2006. The average interest rates earned for 2006 and 2005 were 4.91% and 3.48%, respectively.

Income Tax Benefit

The following table presents the income tax benefit for 2006 and 2005:

	Years Ended December 31,					
	2006		2005			
	Amount	% of Net Revenue	Amount	% of Net Revenue	Decrease	% Change
	(In thousands, except percentages)					
Income tax benefit	$ (12,400)	(0.3)%	$ (20,220)	(0.8)%	$ (7,820)	(38.7)%

The federal statutory rate was 35% for 2006 and 2005. We had income tax benefits which resulted in negative effective tax rates of 3.4% and 5.8% for 2006 and 2005, respectively. The differences between our effective tax rates and the federal statutory tax rate primarily relate to foreign earnings taxed at rates differing from the federal tax rate and domestic tax losses recorded without tax benefits. In addition, we realized tax benefits resulting from the reversal of certain prior period tax accruals of $29.8 million and $28.3 million in 2006 and 2005, respectively. These reversals resulted primarily from the expiration of the statutes of limitations for the assessment of taxes related to certain foreign subsidiaries.

In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of $1.8 million and $1.4 million in 2006 and 2005, respectively. See Note 5 of Notes to Consolidated Financial Statements.

Quarterly Financial Data

The following table presents our 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 quarterly financial data. Our quarterly results of operations for these periods are not necessarily indicative of future results of operations.

	Net Revenue	Gross Profit	Net Income	Diluted Net Income Per Share
		(In thousands, except per share data)		
Year Ended December 31, 2007				
Fourth Quarter(1)	$ 1,027,035	$ 538,813	$ 90,335(2)	$ .16
Third Quarter	949,959	483,989	27,760(3)	.05
Second Quarter	897,920	460,883	34,256(4)	.06
First Quarter	901,481	460,532	60,991(5)	.10
Year Ended December 31, 2006				
Fourth Quarter	$ 923,454	$ 469,636	$ 45,076(6)	$ .08
Third Quarter	902,586	452,422	110,181(7)	.19
Second Quarter	941,131	483,757	106,086	.18
First Quarter	900,647	466,438	117,698(8)	.20

(1) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007.

(2) Includes gain on strategic investments of $3.0 million.

(3) Includes IPR&D of $5.0 million and loss on strategic investments of $2.1 million.

(4) Includes IPR&D of $10.2 million and income tax benefits from adjustments to tax reserves of certain foreign subsidiaries or various foreign jurisdictions of $4.6 million.

(5) Includes IPR&D of $0.3 million, impairment of other intangible assets of $1.5 million, loss on strategic investments of $2.6 million and charges related to the equity award review in the amount of $3.4 million.

(6) Includes charges related to the equity award review in the amount of $50.6 million.

(7) Includes income tax benefits from adjustments to tax reserves of foreign subsidiaries of $27.9 million and charges related to the equity award review in the amount of $10.9 million.

(8) Includes IPR&D of $5.2 million, income tax benefits from adjustments to tax reserves of foreign subsidiaries of $1.7 million, and gain on strategic investments of $0.7 million.

Recent Accounting Pronouncements

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, that SFAS 157 may have on our future consolidated financial statements.

In February 2007 the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*, or SFAS 159. SFAS 159 allows companies to elect to measure certain assets and liabilities at fair value and is effective for fiscal years beginning after November 15, 2007. This standard is not expected to have a material impact on our future consolidated financial statements.

In June 2007 the FASB ratified EITF No. 07-3, or EITF 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*. EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. This standard is not expected to have a material impact on our future consolidated financial statements.

In December 2007 the FASB issued SFAS No. 141R, *Business Combinations*, or SFAS 141R. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until January 1, 2009. We expect SFAS No. 141R will have an impact on our consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date. We are still assessing the impact of this standard on our future consolidated financial statements.

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, 2007	December 31, 2006	Increase (Decrease)
	(In thousands)		
Working capital	$ 2,296,671	$ 2,673,087	$ (376,416)
Cash and cash equivalents(1)	$ 2,186,572	$ 2,158,110	$ 28,462
Short-term marketable securities(1)	141,728	522,340	(380,612)
Long-term marketable securities	75,352	121,148	(45,796)
	$ 2,403,652	$ 2,801,598	$ (397,946)

(1) Included in working capital.

Our working capital, cash and cash equivalents and marketable securities decreased in 2007 primarily due to repurchases of shares of our Class A common stock, offset by cash provided by operations. For a more detailed description of cash provided or used in 2007 and 2006, see below.

Cash Provided and Used in 2007 and 2006. Cash and cash equivalents increased to $2.187 billion at December 31, 2007 from $2.158 billion at December 31, 2006 as a result of the following:

	December 31, 2007	December 31, 2006
	(In thousands)	
Cash provided by operating activities	$ 831,909	$ 891,659
Cash provided by (used in) investing activities	47,813	(369,754)
Cash provided by (used in) financing activities	(851,260)	198,929
Net increase in cash and cash equivalents	$ 28,462	$ 720,834
Cash and cash equivalents at beginning of period	$ 2,158,110	$ 1,437,276
Cash and cash equivalents at end of period	$ 2,186,572	$ 2,158,110

In 2007 our operating activities provided $831.9 million in cash. This was primarily the result of $213.3 million in net income, $614.5 million in net non-cash operating expenses and cash of $4.1 million provided by changes in operating assets and liabilities. Non-cash items included in net income include depreciation and amortization, stock-based compensation expense, amortization of purchased intangible assets, IPR&D, impairment of intangible assets and losses on strategic investments. In 2006 our operating activities provided $891.7 million in cash. This was primarily the result of $379.0 million in net income and $532.9 million in net non-cash operating expenses, offset in part by net cash used of $20.2 million in changes in operating assets and liabilities. Non-cash items included in net income include depreciation and amortization, stock-based compensation expense, amortization of purchased intangible assets, IPR&D and gains on strategic investments.

Accounts receivable decreased $13.8 million from $382.8 million in 2006 to $369.0 million in 2007. 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 further increase if customers delay their payments or if we grant extended payment terms to customers.

Inventories increased $28.5 million, from $202.8 million in 2006 to $231.3 million in 2007. In the future, our inventory levels will continue to be determined based upon 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, as well as competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

Investing activities provided cash of $47.8 million in 2007, which was primarily the result of $426.4 million provided by the net proceeds from maturities of marketable securities and proceeds of $14.0 million received in connection with an escrow settlement from our acquisition of Siliquent, offset in part by the purchase of $159.6 million of capital equipment to support our operations and the build-out and relocation of our facilities in Irvine, California and $233.3 million net cash paid for the acquisitions of LVL7, Octalica and Global Locate and other purchased intangible assets. Investing activities used cash of $369.8 million in 2006, which was primarily the result of $70.1 million net cash paid in acquisitions, the purchase of $92.5 million of capital equipment to support our operations and the build-out of our new facilities in Irvine, California, $205.2 million used in the net purchase of marketable securities, and the purchase of $2.7 million of strategic investments, offset by $0.7 million in net proceeds received from the sale of strategic investments.

Our financing activities used $851.3 million in cash in 2007, which was primarily the result of $1.140 billion in repurchases of our Class A common stock pursuant to our share repurchase programs, offset by $289.0 million in net proceeds received from issuances of common stock upon exercises of stock options and pursuant to our employee stock purchase plan. Our financing activities provided $198.9 million in cash in 2006, which was primarily the result of $475.9 million in net proceeds received from issuances of common stock upon exercises of stock options and pursuant to our employee stock purchase plan, offset in part by $275.7 million in repurchases of our Class A common stock pursuant to our share repurchase programs.

Due to the decrease in the average price of our Class A common stock as compared to the previous year, fewer stock options were exercised by employees, and we received reduced proceeds from the exercise of stock options in 2007. The timing and number of stock option exercises and the amount of cash proceeds we receive through those exercises are not within our control, and in the future we may not generate as much cash from the exercise of stock options as we have in the past. Moreover, it is now our practice to issue a combination of restricted stock units and stock options to employees, which will reduce the number of stock options available for exercise in the future. Unlike the exercise of stock options, the issuance of shares upon vesting of restricted stock units does not result in any cash proceeds to Broadcom and requires the use of cash, as we currently allow employees to elect to have a portion of the shares issuable upon vesting of restricted stock units during 2006 and 2007 withheld to satisfy minimum statutory withholding taxes which we then pay in cash to the appropriate tax authorities on each employee's behalf.

Obligations and Commitments. The following table summarizes our contractual payment obligations and commitments as of December 31, 2007:

	Payment Obligations by Year						
	2008	2009	2010	2011 (In thousands)	2012	Thereafter	Total
Operating leases	$ 118,766	$ 71,166	$ 47,040	$ 39,318	$ 31,497	$ 116,831	$ 424,618
Inventory and related purchase obligations	223,797	—	—	—	—	—	223,797
Other purchase obligations	65,816	1,424	760	24	—	—	68,024
Restructuring liabilities	4,460	2,134	863	—	—	—	7,457
Accrued settlement payments	2,036	—	—	—	—	—	2,036
Total	$ 414,875	$ 74,724	$ 48,663	$ 39,342	$ 31,497	$ 116,831	$ 725,932

We lease our facilities and certain engineering design tools and information systems equipment under operating lease agreements that expire at various dates through 2017. In December 2004 we entered into a lease agreement under which our corporate headquarters moved in 2007 to our current facilities in Irvine, California with an aggregate of approximately 0.69 million square feet. The lease term is for a period of ten years and two months which began in March 2007. The aggregate rent for the term of the lease, approximately $162.7 million, is 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 purchase obligations represent purchase commitments for lab test equipment, computer hardware, and information systems infrastructure, mask and prototyping costs, and other purchase commitments made in the ordinary course of business.

Our restructuring liabilities represent estimated future lease and operating costs from restructured facilities, less offsetting sublease income, if any. These costs will be paid over the respective lease terms through 2010. These amounts are included in our consolidated balance sheet.

Settlement payments represent payments to be made in connection with certain settlement and license agreements entered into in 2004 and 2003. These amounts are included in our consolidated balance sheet.

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 our 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.

In addition to the amounts shown in the table above, $18.9 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN 48, and we are uncertain as to if or when such amounts may be settled. Related to these unrecognized tax benefits, we have also recorded a liability for potential penalties and interest of $13.9 million and $1.5 million, respectively, at December 31, 2007.

Prospective Capital Needs. We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from operations and from the exercise of employee stock options and the purchase of common stock through our employee stock purchase plan, will be sufficient to cover our working capital needs, capital expenditures, investment requirements, commitments and repurchases of our Class A common stock for at least the next 12 months. However, it is possible that we may need to raise additional funds to finance our activities beyond the next 12 months or to consummate acquisitions of other businesses, assets, products or technologies. If needed, we could 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.

In addition, even though we may not need additional funds, we may still elect to sell additional equity or debt securities or obtain credit facilities for other reasons. We have filed a universal shelf registration statement on SEC Form S-3 that allows us to sell in one or more public offerings, shares of our Class A common stock, shares of preferred stock or debt securities, or any combination of such securities, for proceeds in an aggregate amount of up to $750 million. We have not issued any securities under the universal shelf registration statement. If we elect to raise additional funds, we may not be able to obtain such funds on a timely basis on 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 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:

- the overall levels of sales of our products and gross profit margins;
- our business, product, capital expenditure and research and development plans, and product and technology roadmaps;
- the market acceptance of our products;
- repurchases of our Class A common stock;
- required levels of research and development and other operating costs;
- litigation expenses, settlements and judgments;
- volume price discounts and customer rebates;
- the levels of inventory and accounts receivable that we maintain;
- acquisitions of other businesses, assets, products or technologies;
- royalties payable by or to us;
- changes in our compensation policies;
- the issuance of restricted stock units and the related cash payments we make for withholding taxes due from employees during 2008 and possibly during future years;
- capital improvements for new and existing facilities;
- technological advances;
- 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;
- the level of exercises of stock options and stock purchases under our employee stock purchase plan; and
- general economic conditions and specific conditions in the semiconductor industry and wired and wireless communications markets, including the effects of recent international conflicts and related uncertainties.

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

Off-Balance Sheet Arrangements. At December 31, 2007 we had no material off-balance sheet arrangements.

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

Interest Rate Risk

We maintain an investment portfolio of various holdings, types and maturities. We do not use derivative financial instruments. 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.

Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2007 the carrying value of our cash and cash equivalents approximated fair value.

Marketable securities, consisting of U.S. government obligations, commercial paper, corporate notes and bonds, time deposits, foreign notes and certificates of deposits, are generally classified as held-to-maturity and are stated at cost, adjusted for amortization of premiums and discounts to maturity. If in the future we hold marketable securities classified as available-for-sale, unrealized gains and losses on these investments would be reported as a separate component of accumulated other comprehensive income (loss).

Our investment policy for marketable securities requires that all securities mature in three years or less, with a weighted average maturity of no longer than 18 months. As of December 31, 2007 the carrying value and fair value of these securities were $217.1 million and $217.2 million, respectively. The fair value of our marketable securities fluctuates based on changes in market conditions and interest rates; however, given the short-term maturities, we do not believe these instruments are subject to significant market or interest rate risk.

Investments in fixed rate, interest-earning instruments carry a degree of interest rate risk. Fixed rate securities may have their market value adversely impacted due to rising interest rates.

In a declining interest rate environment, as short term investments mature, reinvestment occurs at less favorable market rates. Given the short term nature of certain investments, anticipated declining interest rates will negatively impact our investment income.

The carrying value, maturity and estimated fair value of our cash equivalents and marketable securities as of December 31, 2007 and 2006, respectively, were as follows:

	Carrying Value December 31, 2007	Maturity 2008	Maturity 2009	Maturity 2010	Fair Value December 31, 2007
	(In thousands, except interest rates)				
Investments					
Cash equivalents	$ 780,805	$ 780,805	$ —	$ —	$ 780,803
Weighted average yield	4.20%	4.20%	—	—	
Marketable securities	$ 217,080	$ 141,728	$ 37,268	$ 38,084	$ 217,181
Weighted average yield	4.86%	4.90%	4.74%	4.85%	

	Carrying Value December 31, 2006	Maturity 2007	Maturity 2008	Maturity 2009	Fair Value December 31, 2006
	(In thousands, except interest rates)				
Investments					
Cash equivalents	$ 908,777	$ 908,777	$ —	$ —	$ 908,781
Weighted average yield	5.31%	5.31%	—	—	
Marketable securities	$ 643,488	$ 522,340	$ 81,863	$ 39,285	$ 642,528
Weighted average yield	5.04%	5.03%	4.97%	5.32%	

We also have invested in privately held companies, the majority of which can still be considered to be in the start-up or development stage. We make investments in key strategic businesses and other industry participants to establish strategic relationships, expand existing relationships, and achieve a return on our investment. These investments are inherently risky, as the markets for the technologies or products these companies have under development are typically in early stages and may never materialize. Likewise, the development projects of these companies may not be successful. In addition, early stage companies often fail for various other reasons. Consequently, we could lose our entire investment in these companies. As of December 31, 2007, the carrying and fair value of our strategic investments was $3.9 million.

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. Fluctuations in currency exchange rates could affect our business in the future.

Item 8. ***Financial Statements 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***

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 principal executive officer and principal 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 principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2007, the end of the period covered by this Report.

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 fourth quarter of 2007 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* 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*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Attestation Report of Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders
Broadcom Corporation

We have audited Broadcom Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). 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. 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the accompanying consolidated balance sheets of Broadcom Corporation as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Broadcom Corporation and our report dated January 25, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Orange County, California
January 25, 2008

Item 9A(T). ***Controls and Procedures***

Not applicable.

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 — General," appearing in the 2008 Proxy Statement, is hereby incorporated by reference.

(b) *Identification and Business Experience of Executive Officers and Certain Significant Employees.* The information under the caption "Executive Compensation and Other Information — Elected Officers," appearing in the 2008 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 2008 Proxy Statement, is hereby incorporated by reference.

(d) *Code of Ethics.* The information under the caption "Election of Directors — Corporate Governance," appearing in the 2008 Proxy Statement, is hereby incorporated by reference.

(e) *Audit Committee.* The information under the caption "Election of Directors — Board Committees and Meetings — Audit Committee," appearing in the 2008 Proxy Statement, is hereby incorporated by reference.

Item 11. ***Executive Compensation***

The information under the caption "Executive Compensation and Other Information" and "Election of Directors — Compensation of Non-Employees Directors," appearing in the 2008 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 2008 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 "Election of Directors — Director Independence," appearing in the 2008 Proxy Statement, is hereby incorporated by reference.

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

The information under the caption "Audit Matters — Fees Paid to Independent Registered Public Accounting Firm," appearing in the 2008 Proxy Statement, is hereby incorporated by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) 1. *Financial Statements.*

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

2. *Financial Statement Schedules.*

The following financial statement schedule of Broadcom and the related Report of Independent Registered Public Accounting Firm are filed as part of this Form 10-K:

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 accompanying index to exhibits immediately following the financial statements are filed as part of, or hereby incorporated by reference into, this Report.

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 as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Broadcom Corporation at December 31, 2007 and 2006 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment."

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, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 25, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Orange County, California
January 25, 2008

CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 2,186,572	$ 2,158,110
Short-term marketable securities	141,728	522,340
Accounts receivable (net of allowance for doubtful accounts of $5,472 in 2007 and $6,894 in 2006)	369,004	382,823
Inventory	231,313	202,794
Prepaid expenses and other current assets	125,663	85,721
Total current assets	3,054,280	3,351,788
Property and equipment, net	241,803	164,699
Long-term marketable securities	75,352	121,148
Goodwill	1,376,721	1,185,145
Purchased intangible assets, net	46,607	29,029
Other assets	43,430	24,957
Total assets	$ 4,838,193	$ 4,876,766
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 313,621	$ 307,972
Wages and related benefits	147,853	104,940
Deferred revenue	15,864	1,873
Accrued liabilities	280,271	263,916
Total current liabilities	757,609	678,701
Commitments and contingencies		
Long-term deferred revenue	8,108	—
Other long-term liabilities	36,328	6,399
Shareholders' equity:		
Convertible preferred stock, $.0001 par value:		
Authorized shares — 6,432 — none issued and outstanding	—	—
Class A common stock, $.0001 par value:		
Authorized shares — 2,500,000		
Issued and outstanding shares — 468,858 in 2007 and 473,533 in 2006	47	48
Class B common stock, $.0001 par value:		
Authorized shares — 400,000		
Issued and outstanding shares — 68,400 in 2007 and 74,781 in 2006	7	7
Additional paid-in capital	11,576,042	11,948,908
Accumulated deficit	(7,539,124)	(7,757,202)
Accumulated other comprehensive loss	(824)	(95)
Total shareholders' equity	4,036,148	4,191,666
Total liabilities and shareholders' equity	$ 4,838,193	$ 4,876,766

See accompanying notes.

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

	Years Ended December 31, 2007	2006	2005
Net revenue	$ 3,776,395	$ 3,667,818	$ 2,670,788
Cost of revenue	1,832,178	1,795,565	1,267,799
Gross profit	1,944,217	1,872,253	1,402,989
Operating expense:			
Research and development	1,348,508	1,117,014	681,047
Selling, general and administrative	492,737	504,012	274,260
Amortization of purchased intangible assets	1,027	2,347	4,033
In-process research and development	15,470	5,200	43,452
Impairment of other intangible assets	1,500	—	500
Settlement costs	—	—	110,000
Restructuring reversal	—	—	(2,500)
Income from operations	84,975	243,680	292,197
Interest income, net	131,069	118,997	51,207
Other income, net	3,412	3,964	3,465
Income before income taxes	219,456	366,641	346,869
Provision (benefit) for income taxes	6,114	(12,400)	(20,220)
Net income	$ 213,342	$ 379,041	$ 367,089
Net income per share (basic)	$ .39	$ .69	$ .72
Net income per share (diluted)	$ .37	$ .64	$ .66
Weighted average shares (basic)	542,412	545,724	508,467
Weighted average shares (diluted)	577,682	588,318	557,838

The following table presents details of total stock-based compensation expense *included* in each functional line item in the consolidated statements of income above (see Note 8):

	Years Ended December 31, 2007	2006 (In thousands)	2005
Cost of revenue	$ 26,470	$ 24,589	$ 4,177
Research and development	353,649	307,096	68,606
Selling, general and administrative	139,533	136,679	29,232

All historical share information has been adjusted to reflect the three-for-two stock split effected February 21, 2006 through the payment of a stock dividend of one additional share of Class A or Class B common stock, as applicable, for every two shares of such class held on the record date of February 6, 2006.

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional Paid-In Capital	Notes Receivable From Employees	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount						
Balance at December 31, 2004	495,763	$ 50	$ 10,975,004	$ (7,955)	$ (101,123)	$ (8,503,332)	$ 1,099	$ 2,363,743
Acquisitions, net	42	—	172	—	—	—	—	172
Shares issued pursuant to stock awards, net	31,386	3	417,632	—	—	—	—	417,635
Employee stock purchase plan	2,614	—	40,444	—	—	—	—	40,444
Repurchases of Class A common stock	(5,484)	(1)	(153,751)	—	—	—	—	(153,752)
Repayment of notes receivable	—	—	—	3,212	—	—	—	3,212
Deferred compensation, net	—	—	193,536	—	(193,536)	—	—	—
Stock-based compensation expense	—	—	1,687	—	100,328	—	—	102,015
Components of comprehensive income:								
Reclassification adjustment for net realized gain included in net gain	—	—	—	—	—	—	1	1
Translation adjustments	—	—	—	—	—	—	8	8
Net income	—	—	—	—	—	367,089	—	367,089
Comprehensive income	—	—	—	—	—	—	—	367,098
Balance at December 31, 2005	524,321	52	11,474,724	(4,743)	(194,331)	(8,136,243)	1,108	3,140,567
Elimination of deferred compensation related to the adoption of SFAS 123R	—	—	(194,331)	—	194,331	—	—	—
Shares issued pursuant to stock awards, net	29,738	3	449,590	—	—	—	—	449,593
Employee stock purchase plan	1,603	—	26,294	—	—	—	—	26,294
Repurchases of Class A common stock	(7,348)	—	(275,733)	—	—	—	—	(275,733)
Repayment of notes receivable, net	—	—	—	4,743	—	—	—	4,743
Stock-based compensation expense	—	—	468,364	—	—	—	—	468,364
Components of comprehensive income:								
Translation adjustments	—	—	—	—	—	—	(1,203)	(1,203)
Net income	—	—	—	—	—	379,041	—	379,041
Comprehensive income	—	—	—	—	—	—	—	377,838
Balance at December 31, 2006	548,314	55	11,948,908	—	—	(7,757,202)	(95)	4,191,666
Cumulative effect to prior year accumulated deficit related to the adoption of FIN 48	—	—	—	—	—	4,736	—	4,736
Shares issued pursuant to stock awards, net	22,689	—	234,616	—	—	—	—	234,616
Employee stock purchase plan	2,044	—	55,350	—	—	—	—	55,350
Repurchases of Class A common stock	(35,789)	(1)	(1,156,279)	—	—	—	—	(1,156,280)
Stock-based compensation expense	—	—	519,652	—	—	—	—	519,652
Stock option exchange	—	—	(26,205)	—	—	—	—	(26,205)
Components of comprehensive income:								
Translation adjustments	—	—	—	—	—	—	(729)	(729)
Net income	—	—	—	—	—	213,342	—	213,342
Comprehensive income	—	—	—	—	—	—	—	212,613
Balance at December 31, 2007	537,258	$ 54	$ 11,576,042	$ —	$ —	$ (7,539,124)	$ (824)	$ 4,036,148

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31, 2007	2006	2005
Operating activities			
Net income	$ 213,342	$ 379,041	$ 367,089
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	61,518	47,602	53,413
Stock-based compensation expense:			
Stock options and other awards	324,261	340,665	66,820
Restricted stock units issued by Broadcom	195,391	127,699	35,195
Acquisition-related items:			
Amortization of purchased intangible assets	14,512	12,403	15,114
In-process research and development	15,470	5,200	43,452
Impairment of other intangible assets	1,500	—	500
Loss (gain) on strategic investments, net	1,809	(700)	(1,163)
Changes in operating assets and liabilities:			
Accounts receivable	18,400	(75,423)	(101,412)
Inventory	(27,082)	(7,598)	(65,234)
Prepaid expenses and other assets	(59,691)	20,166	(27,456)
Accounts payable	22,854	(8,336)	109,125
Accrued settlement liabilities	(2,000)	(2,011)	(10,653)
Other accrued and long-term liabilities	51,625	52,951	(38,082)
Net cash provided by operating activities	831,909	891,659	446,708
Investing activities			
Net purchases of property and equipment	(159,583)	(92,477)	(41,767)
Net cash paid for acquisitions and other purchased intangible assets	(219,324)	(70,050)	(111,454)
Purchases of strategic investments	(3,500)	(2,684)	(467)
Proceeds from sales of strategic investments	3,812	700	1,893
Purchases of marketable securities	(664,820)	(926,956)	(596,086)
Proceeds from maturities of marketable securities	1,091,228	721,713	574,800
Net cash provided by (used in) investing activities	47,813	(369,754)	(173,081)
Financing activities			
Net proceeds from issuance of common stock	288,953	475,887	458,079
Repurchases of Class A common stock	(1,140,213)	(275,733)	(153,752)
Payments on assumed debt and other obligations	—	(4,625)	(2,482)
Repayment of notes receivable by employees	—	3,400	3,212
Net cash provided by (used in) financing activities	(851,260)	198,929	305,057
Increase in cash and cash equivalents	28,462	720,834	578,684
Cash and cash equivalents at beginning of year	2,158,110	1,437,276	858,592
Cash and cash equivalents at end of year	$ 2,186,572	$ 2,158,110	$ 1,437,276
Supplemental disclosure of cash flow information			
Income taxes paid	$ 6,463	$ 3,929	$ 3,807

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2007

1. Summary of Significant Accounting Policies

Our Company

Broadcom Corporation (including our subsidiaries, referred to collectively in these consolidated financial statements as “Broadcom”, “we”, “our” and “us”) is a major technology innovator and global leader in semiconductors for wired and wireless communications. Our products enable the delivery of voice, video, data and multimedia to and throughout the home, the office and the mobile environment. Broadcom provides one of the industry’s broadest portfolios of state-of-the-art system-on-a-chip and software solutions to manufacturers of computing and networking equipment, digital entertainment and broadband access products, and mobile devices. Our diverse product portfolio includes solutions for digital cable, satellite and Internet Protocol (IP) set-top boxes and media servers; high definition television (HDTV); high definition DVD players and personal video recording (PVR) devices; cable and DSL modems and residential gateways; high-speed transmission and switching for local, metropolitan, wide area and storage networking; SystemI/O™ server solutions; broadband network and security processors; wireless and personal area networking; cellular communications; global positioning system (GPS) applications; mobile multimedia and applications processors; mobile power management; and Voice over Internet Protocol (VoIP) gateway and telephony systems.

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.

Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles 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 net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, 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, 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 original estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

Revenue Recognition

Our net revenue is generated principally by sales of semiconductor products. We derive the remaining balance of net revenue predominantly from royalty revenue from a patent license agreement, software licenses, development agreements, support and maintenance agreements, data services and cancellation fees. The majority of our sales occur through the efforts of our direct sales force. The remaining balance of sales occurs through distributors.

The following table presents details of our net revenue:

	Years Ended December 31,		
	2007	2006	2005
Sales of semiconductor products	98.2%	99.4%	99.1%
Royalty and other	1.8	0.6	0.9
	100.0%	100.0%	100.0%

	Years Ended December 31,		
	2007	2006	2005
Sales made through direct sales force	85.0%	85.1%	84.4%
Sales made through distributors	15.0	14.9	15.6
	100.0%	100.0%	100.0%

In accordance with SEC Staff Accounting Bulletin, or SAB, No. 101, *Revenue Recognition in Financial Statements*, or SAB 101, and SAB No. 104, *Revenue Recognition*, or SAB 104, we recognize product revenue when the following fundamental 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 until all customer acceptance requirements have been met and no significant obligations remain, when applicable. A portion of our sales are made through distributors under agreements allowing for pricing credits and/or rights of return. Product revenue on sales made through these distributors is not recognized until the distributors ship the product to their customers. We record reductions to 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 also maintain inventory (hubbing) arrangements with certain of our customers. Pursuant to these arrangements we deliver products to a customer or a designated third party warehouse based upon the customer’s projected needs, but do not recognize product revenue unless and until the customer reports that it has removed our product from the warehouse to incorporate into its end products.

For a limited number of arrangements that include multiple deliverables, such as sales of semiconductor products and related services, we allocate revenue based on the relative fair values of the individual components as determined in accordance with Financial Accounting Standards Board, or FASB, Emerging Issues Task Force, or EITF, Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF 00-21. If there is no established fair value for an undelivered element, the entire arrangement is accounted for as a single unit of accounting, resulting in a deferral of revenue and costs for the delivered element until the undelivered element has been fulfilled. In the case that the undelivered element is a service, the revenue and costs applicable to both the delivered and undelivered elements are recorded ratably over the respective service period. If the undelivered element is essential to the functionality of the delivered element, no revenue or costs are recognized until the undelivered element is delivered.

In arrangements that include a combination of hardware and software products, where software is more than incidental and essential to the functionality of the product being sold, we follow the guidance in EITF Issue No. 03-5, *Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software*, and account for the entire arrangement as a sale of software and software-related items, and follow the revenue recognition criteria in accordance with the American Institute of Certified Public Accountants Statement of Position, or SOP, No. 97-2, *Software Revenue Recognition*, or SOP 97-2, and related interpretations.

Revenue under development agreements is recognized when applicable contractual milestones have been met, including deliverables, and in any case, does not exceed the amount that would be recognized using the percentage-of-completion method in accordance with SOP No. 81-1, *Accounting for Performance of Construction-Type and*

Certain Production-Type Contracts. The costs associated with development agreements are included in cost of revenue. Revenue from software licenses and maintenance agreements is recognized in accordance with the provisions of SOP 97-2 and related interpretations. Royalty revenue is recognized based upon reports received from licensees during the period, unless collectibility 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.

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.

Concentration of Credit Risk

We sell the majority of our products throughout North America, Asia and Europe. 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. Reserves are maintained for potential credit losses, and such losses historically have not been significant and have been within management's expectations.

We invest our cash in deposits and money market funds with major financial institutions, in U.S. government obligations, and in debt securities of corporations with strong credit ratings and in a variety of industries. It is 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-term and long-term marketable securities, accounts receivable, accounts payable and borrowings. We believe all of the financial instruments' recorded values approximate current values because of their nature and respective durations. The fair value of marketable securities is determined using quoted market prices for those securities or similar financial instruments.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term investments with original maturities of 90 days or less.

Marketable Securities

Broadcom defines marketable securities as income yielding securities that can be readily converted into cash. Examples of marketable securities include U.S. government obligations, commercial paper, corporate notes and bonds, time deposits, foreign notes and certificates of deposit.

Investments

We account for our investments in debt and equity securities under Statement of Financial Accounting Standards, or SFAS, No. 115, *Accounting for Certain Investments in Debt and Equity Securities* and FASB Staff Position, or FSP, SFAS No. 115-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.* Management determines the appropriate classification of such securities at the time of purchase and reevaluates such classification as of each balance sheet date. The investments are adjusted for amortization of premiums and discounts to maturity and such amortization is included in interest income. We follow the guidance provided by EITF No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain*

Investments, to assess whether our investments with unrealized loss positions are other than temporarily impaired. Realized 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 the statements of income.

We also have made strategic investments in publicly traded and privately held companies for the promotion of business and strategic objectives. Broadcom's investments in publicly traded equity securities are classified as available-for-sale. Available-for-sale investments are initially recorded at cost and periodically adjusted to fair value through comprehensive income. Our investments in equity securities of non-publicly traded companies are accounted for under the cost method. Under the cost method, strategic investments in which the we hold less than a 20% voting interest and on which we do not have the ability to exercise significant influence are carried at the lower of cost or fair value. Both types of investments are included in other assets on our balance sheet and are carried at fair value or cost, as appropriate. We periodically review these investments for other-than-temporary declines in fair value based on the specific identification method and write down investments to their fair values when an other-than-temporary decline has occurred.

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 establish inventory reserves for estimated obsolete or unmarketable inventory equal to the difference between the cost of inventory and the estimated realizable value based upon assumptions about future demand and market conditions. Shipping and handling costs are classified as a component of cost of revenue in the consolidated statements of income.

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 seven years. Depreciation and amortization of leasehold improvements are computed using the shorter of the remaining lease term or seven years.

Goodwill and Purchased Intangible Assets

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, or SFAS 142, we test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying values, including goodwill. We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies. 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 to determine the amount of impairment loss. 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.

We account for long-lived assets, including other purchased intangible assets, in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, or SFAS 144, which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment, such as reductions in demand or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices or (ii) discounted expected future cash flows utilizing a discount rate consistent with the guidance provided in FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, or Concepts Statement 7. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Accounting for Asset Retirement Obligations

We account for asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, or SFAS 143, which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets and the related asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. During 2007 we assessed the likelihood of an asset retirement obligation to return the leased properties to their original condition upon lease terminations at certain of our locations. At December 31, 2007 our net asset retirement obligation was $1.0 million.

Income Taxes

We utilize the liability method of accounting for income taxes as set forth in SFAS No. 109, *Accounting for Income Taxes*, or SFAS 109. Under the liability method, 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. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

In July 2006 the FASB issued Interpretation, or FIN, No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109*, or FIN 48. FIN 48 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements in accordance with SFAS 109. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of FIN 48 and in subsequent periods. We adopted FIN 48 effective January 1, 2007 and the provisions of FIN 48 have been applied to all income tax positions commencing from that date. We recognize potential accrued interest and penalties related to unrecognized tax benefits within operations as income tax expense. The cumulative effect of applying the provisions of FIN 48 has been reported as an adjustment to the opening balance of our accumulated deficit as of January 1, 2007.

Prior to 2007 we determined our tax contingencies in accordance with SFAS No. 5, *Accounting for Contingencies*, or SFAS 5. We recorded estimated tax liabilities to the extent the contingencies were probable and could be reasonably estimated.

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. Effective January 1, 2006 we adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123R, which requires all share-based payments to employees, including grants of employee stock options, restricted stock units and employee stock purchase rights, to be recognized in the financial statements based upon their respective grant date fair values, and does not allow the previously permitted pro forma disclosure-only method as an alternative to financial statement recognition. SFAS 123R supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, or APB 25, and related interpretations and amends SFAS No. 95, *Statement of Cash Flows.* SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under previous literature. In March 2005 the SEC issued SAB No. 107, *Share-Based Payment*, or SAB 107, which provides guidance regarding the interaction of SFAS 123R and certain SEC rules and regulations. We have applied the provisions of SAB 107 in our adoption of SFAS 123R.

We adopted SFAS 123R using the modified-prospective method of recognition of compensation expense related to share-based payments. Our consolidated statements of income for the years ended December 31, 2006 and 2007 reflect the impact of adopting SFAS 123R. In accordance with the modified prospective transition method, our consolidated statements of income for prior periods have *not* been restated to reflect, and do not include, the impact of SFAS 123R. See Note 8 for a pro forma illustration of the effect on net income (loss) and net income (loss) per share information for the year 2005, computed as if we had valued and accounted for stock-based awards to employees using the Black-Scholes option pricing model instead of applying the guidelines provided by APB 25.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. 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 and the expected volatility of our stock price. Although the Black-Scholes model meets the requirements of SFAS 123R and SAB 107, the fair values generated by the 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.

In November 2005 the FASB issued Staff Position No. SFAS 123R-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards*, or SFAS 123R-3. We have elected to adopt the alternative transition method provided in SFAS 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool, or APIC Pool, related to the tax effects of employee stock-based compensation expense, and to determine the subsequent impact on the APIC Pool and consolidated statements of cash flows of the tax effects of employee stock-based compensation awards that were outstanding at the adoption of SFAS 123R. In addition, in accordance with SFAS 123R, SFAS 109, and EITF Topic D-32, *Intraperiod Tax Allocation of the Tax Effect of Pretax Income from Continuing Operations*, we have elected to recognize excess income tax benefits from stock option exercises in additional paid-in capital only if an incremental income tax benefit would be realized after considering all other tax attributes presently available to us.

We evaluate the assumptions used to value stock options and stock purchase rights under SFAS 123R on a quarterly basis. Based on guidance provided in SFAS 123R and SAB 107, in the year ended December 31, 2005 we refined our expected life assumption based on historical information and changed our volatility assumption based on implied volatility. We believe that our current assumptions generate a more representative estimate of fair value.

Prior to the adoption of SFAS 123R, we accounted for share-based payment awards to employees in accordance with APB 25 and related interpretations, and had adopted the disclosure-only alternative of SFAS 123 and SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure*. In accordance with APB 25 and related interpretations, stock-based compensation expense was not recorded in connection with share-based payment awards granted with exercise prices equal to or greater than the fair market value of our Class A common stock on the date of grant, unless certain modifications were subsequently made. We recorded deferred compensation in connection with stock options granted, as well as stock options assumed in acquisitions, with exercise prices less than the fair market value of the Class A common stock on the date of grant or assumption in the case of acquisitions. The amount of such deferred compensation per share was equal to the excess of the fair market value over the exercise price on such date. We recorded deferred compensation in connection with restricted stock units equal to the fair market value of the Class A common stock on the date of grant. Recorded deferred compensation was recognized as stock-based compensation expense ratably over the applicable vesting periods, which are generally deemed to be the applicable service periods. In accordance with the provisions of SFAS 123R, as of January 1, 2006, all deferred compensation previously recorded pursuant to APB 25 and related interpretations has been eliminated with a corresponding reduction in additional paid-in capital.

In addition to APB 25 and the disclosure-only alternative of SFAS 123, we complied with the provisions of FIN No. 44, *Accounting for Certain Transactions Involving Stock Compensation — An Interpretation of APB Opinion No. 25,* or FIN 44, prior to the adoption of SFAS 123R. FIN 44 clarified the definition of an employee for purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and the accounting for an exchange of stock compensation awards in a business combination. The rules required that the intrinsic value of the restricted stock and unvested options be allocated to deferred compensation and recognized as stock-based compensation expense ratably over the remaining future service period. In the event that a holder did not fully vest in the restricted stock or unvested options, the unamortized portion of deferred compensation was eliminated.

Contingent Consideration

In connection with certain of our acquisitions, additional cash consideration will be paid to the former holders of capital stock and other rights upon satisfaction of certain future performance goals. In accordance with SFAS No. 141, *Business Combinations*, or SFAS 141, contingent consideration is recorded when a contingency is satisfied and additional consideration is issued or becomes issuable. In accordance with EITF Issue No. 95-8, *Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination*, the additional consideration issuable to holders of unrestricted common stock and fully vested options as of the acquisition date is recorded as additional purchase price, as the consideration is unrelated to any employment requirement with us. If additional consideration is recorded, such amount will be allocated to goodwill.

Litigation and Settlement Costs

From time to time, we are involved in disputes, litigation and other legal actions. In accordance with SFAS 5, we 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 range of loss can be reasonably estimated.

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 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 options and restricted stock units. Additionally, the exercise of employee stock options and the vesting of restricted stock units results in a greater dilutive effect on net income per share.

Research and Development Expense

Research and development expenditures are expensed in the period incurred.

Advertising Expense

Advertising costs are expensed in the period incurred. Advertising expense in 2007, 2006 and 2005 was $0.2 million, $0.7 million and $0.5 million, respectively.

Rebates

We account for rebates in accordance with EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*, and, accordingly, at the time of the sale we accrue 100% of the potential rebate as a reduction to revenue and do not apply a breakage factor. The amount of these reductions is based upon the terms included in our various rebate agreements. We reverse the accrual for unclaimed rebates amounts as specific rebate programs contractually end or when we believe unclaimed rebates are no longer subject to payment and will not be paid.

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.

Guarantees and Indemnifications

In some agreements to which we are a party, we have agreed to indemnify the other party for certain matters such as 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. To date, there have been no known events or circumstances that have resulted in any material costs related to these indemnification provisions, and as a result, no liabilities 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 also have obligations to indemnify certain of our present and former employees, officers and directors to the maximum extent permitted by law. The maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant; however, we maintain directors' and officers' insurance policies that should limit our exposure and enable us to recover a portion of amounts paid with respect to such obligations. In 2007 we received or recorded receivables for reimbursement in the amount of $17.2 million related to costs recoverable under these insurance policies, which are reflected as an offset to legal expense. In certain limited circumstances, portions of amounts recovered from our insurance carriers may be required to be repaid. We regularly evaluate the need to record a liability for these potential repayments in accordance with SFAS 5 and as of December 31, 2007 we did not have a liability recorded in connection with these potential insurance recovery provisions.

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments and unrealized gains or losses on investments.

Business Enterprise Segments

We operate in one reportable operating segment, wired and wireless broadband communications. SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, or SFAS 131, establishes standards for the way public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. Although we had four operating segments at December 31, 2007, under the aggregation criteria set forth in SFAS 131 we operate in only one reportable operating segment, wired and wireless broadband communications.

Under SFAS 131, two or more operating segments may be aggregated into a single operating segment for financial reporting purposes if aggregation is consistent with the objective and basic principles of SFAS 131, if the segments have similar economic characteristics, and if the segments are similar in each of the following areas:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

We meet each of the aggregation criteria for the following reasons:

- the sale of integrated circuits is the only material source of revenue for each of our four operating segments, other than royalty revenue in one of our operating segments in the fourth quarter of 2007;

- the integrated circuits sold by each of our operating segments use the same standard CMOS manufacturing processes;
- the integrated circuits marketed by each of our operating segments are sold to one type of customer: manufacturers of wired and wireless communications equipment, which incorporate our integrated circuits into their electronic products; and
- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

All of our operating segments share similar economic characteristics as they have a similar long term business model, operate at gross margins similar to our consolidated gross margin, and have similar research and development expenses and similar selling, general and administrative expenses. The causes for variation among our operating segments are the same and include factors such as (i) life cycle and price and cost fluctuations, (ii) number of competitors, (iii) product differentiation and (iv) size of market opportunity. Additionally, each operating segment is subject to the overall cyclical nature of the semiconductor industry. The number and composition of employees and the amounts and types of tools and materials required are similar for each operating segment. Finally, even though we periodically reorganize our operating segments based upon changes in customers, end markets or products, acquisitions, long-term growth strategies, and the experience and bandwidth of the senior executives in charge, the common financial goals for each operating segment remain constant.

Because we meet each of the criteria set forth in SFAS 131 and our four operating segments as of December 31, 2007 share similar economic characteristics, we have aggregated our results of operations into one reportable operating segment.

Recent Accounting Pronouncements

In September 2006 the FASB issued SFAS No. 157, *Fair Value Measurements*, or SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, that SFAS 157 may have on our future consolidated financial statements.

In February 2007 the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*, or SFAS 159. SFAS 159 allows companies to elect to measure certain assets and liabilities at fair value and is effective for fiscal years beginning after November 15, 2007. This standard is not expected to have a material impact on our future consolidated financial statements.

In June 2007 the FASB ratified EITF No. 07-3, or EITF 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*. EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and the payments to be expensed when the research and development activities are performed. EITF 07-3 is effective for fiscal years beginning after December 15, 2007. This standard is not expected to have a material impact on our future consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*, or SFAS 141R. SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until January 1, 2009. We expect SFAS No. 141R will have an impact on our consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions we consummate after the effective date. We are still assessing the impact of this standard on our future consolidated financial statements.

2. Supplemental Financial Information

Inventory

The following table presents details of our inventory:

	December 31, 2007	December 31, 2006
	(In thousands)	
Work in process	$ 60,479	$ 71,506
Finished goods	170,834	131,288
	$ 231,313	$ 202,794

Property and Equipment

The following table presents details of our property and equipment:

	Useful Life (In years)	December 31, 2007	December 31, 2006
		(In thousands)	
Leasehold improvements	1 to 7	$ 140,089	$ 65,538
Office furniture and equipment	3 to 7	24,817	23,976
Machinery and equipment	3 to 5	208,453	166,892
Computer software and equipment	2 to 4	149,459	107,112
Construction in progress	N/A	6,558	47,564
		529,376	411,082
Less accumulated depreciation and amortization		(287,573)	(246,383)
		$ 241,803	$ 164,699

Goodwill

The following table presents the changes in the carrying value of our goodwill:

	Years Ended December 31, 2007	2006	2005
		(In thousands)	
Beginning balance	$ 1,185,145	$ 1,149,602	$ 1,062,188
Goodwill recorded in connection with acquisitions (Note 3)	196,019	42,530	90,311
Contingent consideration accrued (Note 3)	10,155	—	—
Escrow related and other	(14,598)	(6,987)	(2,897)
Ending balance	$ 1,376,721	$ 1,185,145	$ 1,149,602

Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	December 31, 2007			December 31, 2006		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Completed technology	$ 218,769	$ (174,217)	$ 44,552	$ 186,799	$ (160,732)	$ 26,067
Customer relationships	49,266	(47,366)	1,900	49,266	(46,766)	2,500
Customer backlog	3,436	(3,436)	—	3,316	(3,316)	—
Other	7,614	(7,459)	155	7,614	(7,152)	462
	$ 279,085	$ (232,478)	$ 46,607	$ 246,995	$ (217,966)	$ 29,029

The following table presents details of the amortization of purchased intangible assets *included* in each expense category:

	Years Ended December 31,	
	2007	2006
	(In thousands)	
Cost of revenue	$ 13,485	$ 10,056
Operating expense	1,027	2,347
	$ 14,512	$ 12,403

The following table presents details of future amortization of purchased intangible assets. If we acquire additional purchased intangible assets in the future, our cost of revenue or operating expenses will be increased by the amortization of those assets.

	Purchased Intangible Assets Amortization by Year					
	2008	2009	2010	2011	Thereafter	Total
	(In thousands)					
Cost of revenue	$ 15,738	$ 15,264	$ 12,527	$ 1,023	$ —	$ 44,552
Operating expense	733	622	600	100	—	2,055
	$ 16,471	$ 15,886	$ 13,127	$ 1,123	$ —	$ 46,607

In addition to the business combinations discussed in Note 3, in 2007 we acquired purchased intangible assets that did not meet the definition of a business as defined in SFAS 141 for $3.9 million.

Other Assets

The following table presents details of our other assets:

	December 31,	
	2007	2006
	(In thousands)	
Strategic investments (Note 4)	$ 3,911	$ 6,651
Deferred cost of revenue	8,950	—
Other	30,569	18,306
	$ 43,430	$ 24,957

Accrued Liabilities

The following table presents details of our accrued liabilities:

	December 31, 2007	December 31, 2006
	(In thousands)	
Accrued rebates	$ 132,603	$ 131,028
Accrued taxes	10,911	45,885
Warranty reserve	23,287	19,222
Accrued payments on repurchases of Class A common stock	16,067	—
Restructuring liabilities	4,460	6,324
Other	92,943	61,457
	$ 280,271	$ 263,916

Other Long-Term Liabilities

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

	December 31, 2007	December 31, 2006
	(In thousands)	
Accrued taxes	$ 32,331	$ —
Restructuring liabilities	2,997	4,399
Other long-term liabilities	1,000	2,000
	$ 36,328	$ 6,399

Accrued Rebate Activity

The following table summarizes the 2007 and 2006 activity related to accrued rebates:

	Years Ended December 31, 2007	Years Ended December 31, 2006
	(In thousands)	
Beginning balance	$ 131,028	$ 99,645
Charged as a reduction to revenue	222,319	251,202
Reversal of unclaimed rebates	(22,387)	(7,070)
Payments	(198,357)	(212,749)
Ending balance	$ 132,603	$ 131,028

Warranty Reserve Activity

The following table summarizes the 2007 and 2006 activity related to the warranty reserve:

	Years Ended December 31, 2007	Years Ended December 31, 2006
	(In thousands)	
Beginning balance	$ 19,222	$ 14,131
Charged to costs and expenses	8,435	10,268
Acquired through acquisition	—	877
Payments	(4,370)	(6,054)
Ending balance	$ 23,287	$ 19,222

Restructuring Activity

From the second quarter of 2001 through the third quarter of 2002, we implemented a plan to restructure our operations in response to the challenging economic climate. As a result of the prolonged downturn in the semiconductor industry, we announced an additional restructuring plan that was implemented from the fourth quarter of 2002 through the second quarter of 2003. The plans focused on cost reductions and operating efficiencies, including workforce reductions and lease terminations. These restructuring plans resulted in certain business unit realignments, workforce reductions and consolidation of excess facilities. Approximately 670 employees were terminated across all of our business functions and geographic regions in connection with these restructuring plans.

The following table summarizes the activity related to our current and long-term restructuring liabilities during 2007:

	Total
Restructuring liabilities at December 31, 2004	$ 27,117
Liabilities assumed in acquisitions(1)	1,457
Cash payments(2)	(9,853)
Reversal of restructuring liabilities(3)	(2,500)
Restructuring liabilities at December 31, 2005	16,221
Cash payments(2)	(5,498)
Restructuring liabilities at December 31, 2006	10,723
Liabilities assumed in acquisitions(1)	749
Cash payments(2)	(4,015)
Restructuring liabilities at December 31, 2007	$ 7,457

(1) Although not related to our restructuring plans, we assumed additional restructuring liabilities of $1.5 million in connection with the acquisition of Zeevo, Inc. in 2005 and $0.7 million in connection with the acquisition of Global Locate, Inc. in 2007, primarily for the consolidation of excess facilities relating to lease terminations and non-cancelable lease costs.

(2) Cash payments related to severance and fringe benefits, net lease payments on excess facilities, lease terminations and non-cancelable lease costs. The consolidation of excess facilities costs will be paid over the respective lease terms through 2010.

(3) We recorded a reversal of restructuring liabilities of $2.5 million, primarily reflecting a revised estimate of sublease assumptions.

Computation of Net Income Per Share

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

	Years Ended December 31,		
	2007	2006	2005
	(In thousands, except per share data)		
Numerator: Net income	$ 213,342	$ 379,041	$ 367,089
Denominator: Weighted average shares outstanding	542,485	545,889	509,055
Less: Unvested common shares outstanding	(73)	(165)	(588)
Denominator for net income per share (basic)	542,412	545,724	508,467
Effect of dilutive securities:			
Unvested common shares outstanding	8	90	570
Stock awards	35,262	42,504	48,801
Denominator for net income per share (diluted)	577,682	588,318	557,838
Net income per share (basic)	$ .39	$ .69	$ .72
Net income per share (diluted)	$ .37	$ .64	$ .66

Patent License Agreement

In July 2007 we entered into a patent license agreement with a wireless network operator. Under the agreement, royalty payments will be made to us at a rate of $6.00 per unit for each applicable unit sold by the operator on or after the date of the agreement, subject to certain conditions, including without limitation a maximum payment of $40.0 million per calendar quarter and a lifetime maximum of $200.0 million. We recorded revenue in the amount of $31.8 million under this agreement in the fourth quarter of 2007.

Supplemental Cash Flow Information

We repurchased $16.1 million of our Class A common stock in one or more transactions that had not been settled by December 31, 2007. In addition, billings of $23.0 million for capital equipment were accrued but not yet paid as of December 31, 2006. These amounts have been excluded from the consolidated statements of cash flows.

3. Business Combinations

From January 1, 2005 through December 31, 2007 we completed nine acquisitions. The consolidated financial statements include the results of operations of these acquired companies commencing as of their respective acquisition dates.

A summary of the transactions as of their respective acquisition dates is outlined below:

Company Acquired	Date Acquired	Business	Shares Issued	Shares Reserved for Stock Purchase Rights Assumed	Total Shares Issued or Reserved	Cash Consideration Paid
					(In thousands)	
2007 Acquisitions						
LVL7 Systems, Inc.	Jan. 2007	Network software	—	—	—	$ 62,459
Octalica, Inc.	May 2007	Networking technologies based on the MoCA™ standard	—	—	—	30,753
Global Locate, Inc.	Jul. 2007	GPS and assisted GPS semiconductor products, software and services	94	—	—	139,731
			94	—	—	$ 232,943
2006 Acquisitions						
Sandburst Corporation	Mar. 2006	Packet switching and routing systems- on-a-chip	—	107	107	$ 71,952
Encentrus Systems, Inc.	Aug. 2006	Media center technology	—	—	—	2,129
			—	107	107	$ 74,081
2005 Acquisitions						
Alliant Networks, Inc.	Feb. 2005	WLAN embedded software	—	—	—	$ 2,313
Zeevo, Inc.	Mar. 2005	Bluetooth® headset chipsets	—	—	—	24,147
Siliquent Technologies, Inc.	Aug. 2005	10 Gigabit Ethernet server controllers	55	242	297	75,533
Athena Semiconductors, Inc.	Nov. 2005	Tuners and low-power Wi-Fi® chips	—	—	—	21,340
			55	242	297	$ 123,333
Total Acquisitions			149	349	404	$ 430,357

Certain of the cash consideration in the above acquisitions is currently held in escrow pursuant to the terms of the acquisition agreements.

At the time of acquisition, additional cash consideration of up to $80.0 million could be paid to the former holders of Global Locate capital stock and other rights upon satisfaction of certain future performance goals. In 2007 additional cash consideration in the amount of $10.2 million was accrued for payment to the former holders of Global Locate capital stock and other rights upon satisfaction of certain performance goals met during the year and $10.0 million was forfeited as a certain performance goal was not attained. The remaining amount of additional cash consideration related to the Global Locate acquisition that could be earned in 2008 is $59.8 million.

Our primary reasons for the above acquisitions were to enter into or expand our market share in the relevant wired and wireless communications markets, 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. The significant factors that resulted in recognition of goodwill were: (a) the purchase price was based on cash flow projections assuming integration with our products which is of considerably more value that utilizing the technology on a standalone basis; and (b) there were very few tangible and identifiable intangible assets that qualified for recognition.

In 2006, $2.3 million of the cash consideration for the Siliquent and Athena acquisitions was paid to certain former stockholders or employees of these companies upon obtaining appropriate documentation from each such stockholder or employee. Additionally, certain issued shares are subject to our right of repurchase should the shareholder cease employment with us prior to the scheduled vesting of those shares.

Allocation of Initial Purchase Consideration

We calculated the fair value of the tangible and intangible assets acquired to allocate the purchase prices in accordance with SFAS 141. Based upon those calculations, the purchase price for each of the acquisitions was allocated as follows:

	Net Assets Acquired (Liabilities Assumed)	Goodwill and Purchased Intangibles	Unearned Compensation	In-Process Research & Development	Total Consideration
			(In thousands)		
2007 Acquisitions					
LVL7	$ 1,376	$ 60,783	$ —	$ 300	$ 62,459
Octalica	(1,235)	21,788	—	10,200	30,753
Global Locate	(6,877)	141,638	3,000	4,970	142,731
	$ (6,736)	$ 224,209	$ 3,000	$ 15,470	$ 235,943
2006 Acquisitions					
Sandburst	$ (7,553)	$ 74,305	$ 4,427	$ 5,200	$ 76,379
Encentrus	(196)	2,325	—	—	2,129
	$ (7,749)	$ 76,630	$ 4,427	$ 5,200	$ 78,508
2005 Acquisitions					
Alliant	$ (474)	$ 2,787	$ —	$ —	$ 2,313
Zeevo	(6,720)	24,215	—	6,652	24,147
Siliquent	(7,714)	48,419	7,718	35,000	83,423
Athena	(721)	20,261	—	1,800	21,340
	$ (15,629)	$ 95,682	$ 7,718	$ 43,452	$ 131,223
Total Acquisitions	$ (30,114)	$ 396,521	$ 15,145	$ 64,122	$ 445,674

The equity consideration for each acquisition was calculated as follows: (i) common shares issued were valued based upon our stock price for a period commencing two trading days before and ending two trading days after the parties reached agreement and the proposed transaction was announced, and (ii) restricted common stock and employee stock options were valued in accordance with SFAS 123R for acquisitions in 2007 and 2006 and FIN 44 for acquisitions in 2005.

Condensed Balance Sheets

The following table presents the combined details of the unaudited condensed balance sheets of the acquired companies at the respective dates of acquisition:

	2007 Acquisitions	2006 Acquisitions (In thousands)	2005 Acquisitions
Assets			
Current assets:			
Cash and cash equivalents	$ 3,519	$ 4,031	$ 9,606
Accounts receivable, net	4,581	44	809
Inventory	1,437	625	1,043
Prepaid expenses and other current assets	900	964	1,329
Total current assets	10,437	5,664	12,787
Property and equipment, net	2,051	374	924
Other assets	11	9	456
Total assets	$ 12,499	$ 6,047	$ 14,167
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$ 5,807	$ 4,636	$ 8,696
Wages and related benefits	1,746	541	921
Accrued liabilities	8,430	3,257	15,891
Short-term debt	—	4,625	2,482
Total current liabilities	15,983	13,059	27,990
Long-term liabilities	389	—	—
Total shareholders' equity (deficit)	(3,873)	(7,012)	(13,823)
Total liabilities and shareholders' equity (deficit)	$ 12,499	$ 6,047	$ 14,167

In connection with acquisitions, we incurred acquisition costs of $2.9 million, $0.7 million and $1.8 million in 2007, 2006 and 2005, respectively.

Goodwill and Purchased Intangible Assets

The following table presents the combined details of the total goodwill and purchased intangible assets of the acquired companies at the respective dates of acquisitions:

	Useful Life (In years)	2007 Acquisitions	2006 Acquisitions (In thousands)	2005 Acquisition
Goodwill	N/A	$ 196,019	$ 42,530	$ 90,311
Purchased intangible assets (finite lives):				
Completed technology	2 to 5	28,070	30,700	3,869
Customer relationships	2 to 5	—	3,000	—
Other	1 to 3	120	400	1,502
		$ 224,209	$ 76,630	$ 95,682

We received $14.0 million in connection with an escrow settlement from our prior acquisition of Siliquent Technologies Inc., which resulted in a corresponding reduction of goodwill. In addition, goodwill was increased by $10.2 million upon satisfaction of certain performance goals met during the year by our Global Locate acquisition.

In-Process Research and Development

In-process research and development, or IPR&D totaled $15.5 million, $5.2 million and $43.5 million for acquisitions completed in 2007, 2006 and 2005, respectively. The amounts allocated to IPR&D were determined through established valuation techniques used in the high technology industry and were expensed upon acquisition as it was determined that the underlying projects had not reached technological feasibility and no alternative future uses existed. In accordance with SFAS No. 2, *Accounting for Research and Development Costs*, as clarified by FIN No. 4, *Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method, an Interpretation of FASB Statement No. 2*, amounts assigned to IPR&D meeting the above-stated criteria were charged to expense as part of the allocation of the purchase price.

The fair value of the IPR&D for each of the 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 and 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 core 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 product life cycles, and market penetration and growth rates.

The IPR&D charge includes only the fair value of IPR&D performed as of the respective acquisition dates. The fair value of developed technology is included in identifiable purchased intangible assets. We believe the amounts recorded as IPR&D, as well as developed technology, represent the fair values and approximate the amounts an independent party would pay for these projects as of the respective acquisition dates.

The following table summarizes the significant assumptions underlying the valuations of IPR&D at the acquisition dates for the acquisitions completed in 2007, 2006 and 2005:

Company Acquired	Development Projects	Weighted Average Estimated Percent Complete	Average Estimated Time to Complete (In years)	Estimated Cost to Complete (In millions)	Risk Adjusted Discount Rate	IPR&D (In millions)
2007 Acquisitions						
LVL7	Enhancements to FASTPATH application platform	31%	1.0	$ 7.8	21%	$ 0.3
Octalica	High performance communication controller	52	1.0	6.8	29	10.2
Global Locate	Single-chip GPS device	62	1.5	5.6	20	5.0
2006 Acquisition						
Sandburst	20 Gbps programmable packet processor	15	2.0	11.2	30	5.2
2005 Acquisitions						
Zeevo	Bluetooth wireless audio chipset	85	1.0	5.5	22	6.7
Siliquent	10 GbE server controller	40	1.0	17.3	27	35.0
Athena	Tuners and low-power Wi-Fi chips	85	0.5	0.9	27	1.8

At December 31, 2007 development projects for all of our acquisitions in 2007 and 2006 were still in process. We completed the development projects related to all of our 2005 acquisitions. Alliant and Encentrus had no development projects in process at their respective acquisition dates.

Actual results to date have been consistent, in all material respects, with our assumptions at the time of the acquisitions. The assumptions consist primarily of expected completion dates for the IPR&D projects, estimated costs to complete the projects, and revenue and expense projections for the products once they have entered the market.

As of the respective acquisition dates of these companies, certain ongoing development projects were in process. Research and development costs to bring the products of the acquired companies to technological feasibility are not expected to have a material impact on our results of operations or financial condition.

Supplemental Pro Forma Data (Unaudited)

The pro forma data of Broadcom set forth below gives effect to acquisitions completed in 2006 and 2007 as if they had occurred at the beginning of 2006 and includes amortization of purchased intangible assets, but excludes the charge for acquired IPR&D. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of our future operations or of the results that would have actually been attained had the acquisitions taken place at the beginning of 2006.

	Years Ended December 31, 2007	Years Ended December 31, 2006
	(In thousands, except per share data)	
Pro forma net revenue	$ 3,778,806	$ 3,683,877
Pro forma net income	$ 212,134	$ 341,173
Pro forma net income per share (basic)	$ .39	$ .63
Pro forma net income per share (diluted)	$ .37	$ .58

4. Investments

Held-to-Maturity Investments

At December 31, 2007 our held-to-maturity investments consisted of U.S. government obligations, commercial paper, corporate notes and bonds and time deposits. Securities are classified as held-to-maturity when we have the intent and ability to hold the securities to maturity. Held-to-maturity investments are stated at cost, adjusted for amortization of premiums and discounts to maturity.

A summary of held-to-maturity investments by balance sheet caption is as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
December 31, 2007				
Cash equivalents	$ 780,805	$ 2	$ (4)	$ 780,803
Short-term marketable securities	141,728	58	(19)	141,767
Long-term marketable securities	75,352	94	(32)	75,414
	$ 997,885	$ 154	$ (55)	$ 997,984
December 31, 2006				
Cash equivalents	$ 908,777	$ 8	$ (4)	$ 908,781
Short-term marketable securities	522,340	1	(652)	521,689
Long-term marketable securities	121,148	28	(337)	120,839
	$ 1,552,265	$ 37	$ (993)	$ 1,551,309

A summary of held-to-maturity investments by major security type is as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
December 31, 2007				
Commercial paper	$ 117,031	$ 8	$ —	$ 117,039
U.S. government obligations	155,926	115	(11)	156,030
Time deposits	669,786	—	—	669,786
Corporate notes and bonds	55,142	31	(44)	55,129
	$ 997,885	$ 154	$ (55)	$ 997,984
December 31, 2006				
Commercial paper	$ 878,323	$ 8	$ (3)	$ 878,328
U.S. government obligations	429,103	29	(904)	428,228
Time deposits	221,311	—	—	221,311
Corporate notes and bonds	23,528	—	(86)	23,442
	$ 1,552,265	$ 37	$ (993)	$ 1,551,309

Held-to-maturity securities at December 31, 2007 and 2006 were as follows:

	December 31,			
	2007		2006	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
		(In thousands)		
Maturity				
Less than one year	$ 922,533	$ 922,570	$ 1,431,117	$ 1,430,470
One to two years	37,268	37,258	81,863	81,606
Two to three years	38,084	38,156	39,285	39,233
	$ 997,885	$ 997,984	$ 1,552,265	$ 1,551,309

As of December 31, 2007 we had 12 investments that were in an unrealized loss position. The gross unrealized losses related to these investments were due to changes in interest rates. We have determined that the gross unrealized losses on these investments at December 31, 2007 are temporary in nature. We review our investments to identify and evaluate investments that have an indication of possible impairment. Factors considered in determining whether a loss is temporary 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 investee, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. We maintain an investment portfolio of various holdings, types and maturities. We do not use derivative financial instruments. 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.

Strategic Investments

At December 31, 2007 and 2006 the carrying values of our investments in equity securities of privately held companies accounted for using the cost method were $3.9 million and $6.7 million, respectively. In 2007 we recorded net losses on these investments in the amount of $1.8 million. In 2006 and 2005 we recorded net gains on these investments in amounts of $0.7 million and $1.2 million, respectively. These gains and losses were included in other income, net, in the consolidated statements of income.

5. Income Taxes

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

	Years Ended December 31, 2007	2006	2005
		(In thousands)	
United States	$ (146,945)	$ (336,441)	$ (169,986)
Foreign	366,401	703,082	516,855
	$ 219,456	$ 366,641	$ 346,869

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

	Years Ended December 31, 2007	2006	2005
		(In thousands)	
Statutory federal provision for income taxes	$ 76,809	$ 128,324	$ 121,404
Increase (decrease) in taxes resulting from:			
In-process research and development	5,415	1,820	15,208
State taxes, net of federal benefit	(1,108)	1,086	826
Benefit of federal tax credits	(70,104)	(52,432)	(15,584)
Valuation allowance changes affecting federal income tax expense	60,778	56,140	54,601
Reversal of taxes previously accrued	(6,000)	(29,800)	(28,300)
Tax rate differential on foreign earnings	(112,633)	(145,639)	(173,499)
Stock-based compensation expense	52,251	24,432	—
Other	706	3,669	5,124
Provision (benefit) for income taxes	$ 6,114	$ (12,400)	$ (20,220)

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

	Years Ended December 31, 2007	2006	2005
		(In thousands)	
Current:			
Federal	$ —	$ (27,100)	$ (24,999)
State	(1,704)	1,670	1,271
Foreign	7,935	6,948	1,478
	6,231	(18,482)	(22,250)
Deferred:			
Federal	—	—	—
State	—	—	—
Foreign	(117)	6,082	2,030
	(117)	6,082	2,030
	$ 6,114	$ (12,400)	$ (20,220)

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, 2007	December 31, 2006
	(In thousands)	
Deferred tax assets:		
Research and development tax credit carryforwards	$ 467,791	$ 368,458
Capitalized research and development costs	215,634	116,054
Net operating loss carryforwards	835,135	952,636
Reserves and accruals not currently deductible for tax purposes	52,432	43,682
Stock-based compensation and purchased intangible assets	156,723	118,298
Other	29,323	32,153
Gross deferred tax assets	1,757,038	1,631,281
Valuation allowance	(1,753,769)	(1,629,435)
Deferred tax assets, net	3,269	1,846
Deferred tax liabilities	—	—
Net deferred tax assets	$ 3,269	$ 1,846

Broadcom operates under tax holidays in Singapore, which are effective through March 2009 and may be extended if certain additional requirements are satisfied. The tax holidays are conditional upon our meeting certain employment and investment thresholds. The impact of the Singapore tax holidays decreased Singapore taxes by $239.3 million, $256.0 million and $185.3 million for 2007, 2006 and 2005, respectively. The benefit of the tax holidays on net income per share (diluted) was $.41, $.44 and $.33 for 2007, 2006 and 2005, respectively.

In accordance with SFAS 109, we record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. SFAS 109 further states that 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 recent cumulative losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of $3.3 million and $1.8 million in 2007 and 2006, respectively.

As a result of SFAS 123R, our deferred tax assets at December 31, 2007 and 2006 do not include $627.0 million and $558.2 million, respectively, of excess tax benefits from employee stock option exercises that are a component of our research and development credits, capitalized research and development, and net operating loss carryovers. Equity will be increased by $627.0 million if and when such excess tax benefits are ultimately realized.

If or when recognized, the tax benefits relating to any reversal of the valuation allowance on deferred tax assets at December 31, 2007 will be accounted for as follows: approximately $1.582 billion will be recognized as a reduction of income tax expense, $161.2 million will be recognized as a reduction of goodwill and $10.6 million will be recorded as an increase in equity. In 2007 we recorded a $0.9 million increase in foreign deferred tax expense as a result of allocating certain tax benefits directly to goodwill for the utilization of certain foreign net operating losses from acquisitions, which were previously offset with a valuation allowance.

At December 31, 2007 we had federal, state, United Kingdom and Israel net operating loss carryforwards of approximately $3.436 billion, $1.567 billion, $50.5 million and $9.4 million, respectively. If unutilized, the federal net operating loss will expire between 2017 and 2027. If unutilized, the state net operating loss will expire in the following manner: approximately $13.4 million in 2008, $12.2 million in 2009, $14.3 million in 2010,

$57.5 million in 2011, $217.6 million in 2012, and approximately $1.252 billion thereafter through 2017. The United Kingdom and Israel net operating losses have no expiration date. At December 31, 2007 we had Canadian scientific research and experimental development expenditures of $12.0 million available for tax deduction in future tax years. These future tax deductions can be carried forward indefinitely.

At December 31, 2007 we had federal, state and Canadian research and development credit carryforwards of approximately $313.8 million, $335.2 million and $9.8 million, respectively. These research and development credit carryforwards expire between 2017 through 2027, if not previously utilized. Certain state research and development credit carryforwards have no expiration date.

Due to the change of ownership provisions of the Tax Reform Act of 1986, utilization of a portion of our domestic net operating loss and tax credit carryforwards may be limited in future periods. Further, a portion of the carryforwards may expire before being applied to reduce future income tax liabilities.

Deferred taxes have not been provided on the excess of book basis over tax basis in the amount of approximately $1.484 billion in the shares of certain foreign subsidiaries because these basis differences are not expected to reverse in the foreseeable future and are essentially permanent in duration. These basis differences arose primarily through the undistributed book earnings of these foreign subsidiaries that we intend to reinvest indefinitely. The basis differences could reverse through 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 current existence of domestic net operating loss and credit carryforwards and possible foreign tax credits.

Our income tax returns for the 2004 and 2005 tax years are currently under examination by the Internal Revenue Service. We do not expect that the results of this examination will have a material effect on our financial condition or results of operations.

On January 1, 2007 we adopted the provisions of FIN 48. As a result of applying the provisions of FIN 48, we recognized a decrease of $3.9 million in the liability for unrecognized tax benefits, and a $4.7 million reduction in accumulated deficit as of January 1, 2007. In addition we reclassified certain tax liabilities for unrecognized tax benefits, as well as related potential penalties and interest, from current liabilities to long-term liabilities. Our unrecognized tax benefits at December 31, 2007 relate to various foreign jurisdictions.

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

	Total (In thousands)
Balance at January 1, 2007	$ 20,873
Increases related to current year tax positions	3,193
Expiration of the statute of limitations for the assessment of taxes	(3,398)
Other	932
Balance at December 31, 2007	$ 21,600

Included in the unrecognized tax benefits of $21.6 million at December 31, 2007 was $17.8 million of tax benefits that, if recognized, would reduce our annual effective tax rate. We also accrued potential penalties and interest of $1.1 million and $0.7 million, respectively, related to these unrecognized tax benefits during 2007, and in total, as of December 31, 2007, we have recorded a liability for potential penalties and interest of $13.9 million and $1.5 million, respectively. We do not expect our unrecognized tax benefits to change significantly over the next 12 months.

We file U.S., state, and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2004 through 2007 tax years generally remain subject to examination by federal and most state tax authorities. In significant foreign jurisdictions, the 2001 through 2007 tax years generally remain subject to examination by their respective tax authorities.

6. Commitments

We lease facilities in Irvine (our corporate headquarters) and Santa Clara County, California. Each of these facilities includes research and development, administration, sales and marketing, and operations functions. In addition to our principal design facilities in Irvine and Santa Clara County, 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 several other countries. 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 that expire at various dates through 2017. In December 2004 we entered into a lease agreement under which our corporate headquarters moved in 2007 to our current facilities in Irvine, California, which consist of eight buildings with an aggregate of approximately 0.69 million square feet. The lease term is for a period of ten years and two months which began in March 2007. The aggregate rent for the term of the lease, approximately $162.7 million, is included in the table below.

Future minimum payments under noncancelable operating leases and purchase obligations are as follows:

	Payment Obligations by Year						
	2008	2009	2010	2011 (In thousands)	2012	Thereafter	Total
Operating leases	$ 118,766	$ 71,166	$ 47,040	$ 39,318	$ 31,497	$ 116,831	$ 424,618
Inventory and related purchase obligations	223,797	—	—	—	—	—	223,797
Other purchase obligations	65,816	1,424	760	24	—	—	68,024
Restructuring liabilities	4,460	2,134	863	—	—	—	7,457
Accrued settlement payments	2,036	—	—	—	—	—	2,036
Total	$ 414,875	$ 74,724	$ 48,663	$ 39,342	$ 31,497	$ 116,831	$ 725,932

Facilities rent expense in 2007, 2006 and 2005 was $65.2 million, $56.7 million and $44.2 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 purchase obligations represent purchase commitments for lab test equipment, computer hardware, information systems infrastructure, mask and prototyping costs, and other purchase commitments made in the ordinary course of business.

Our restructuring liabilities represent estimated future lease and operating costs from restructured facilities, less offsetting sublease income, if any. These costs will be paid over the respective lease terms through 2010. These amounts are included in our consolidated balance sheet.

Settlement payments represent payments to be made in connection with certain settlement and license agreements entered into in 2004 and 2005. These amounts are included in our consolidated balance sheet.

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.

In addition to the amounts shown in the table above, $18.9 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN 48, and we are uncertain as to if or when such amounts may be settled. Related to these unrecognized tax benefits, we have also recorded a liability for potential penalties and interest of $13.9 million and $1.5 million, respectively, at December 31, 2007.

7. Shareholders' Equity

Common Stock

At December 31, 2007 we had 2,500,000,000 authorized shares of Class A common stock and 400,000,000 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 2007, 2006 and 2005, 6.4 million shares, 2.7 million shares and 8.5 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. In June 2006 we clarified that we are only authorized to issue 6,432,161 shares of preferred stock and eliminated all statements referring to the rights, preferences, privileges and restrictions of Series A, Series B, Series C, Series D and Series E preferred stock, all outstanding shares of which automatically converted into shares of Class B common stock upon consummation of our initial public offering.

Share Repurchase Program

In February 2005 our Board of Directors authorized a program to repurchase shares of our Class A common stock. The Board approved the repurchase of shares having an aggregate value of up to $250 million from time to time over a period of one year, depending on market conditions and other factors. In January 2006 the Board approved an amendment to the share repurchase program extending the program through January 26, 2007 and authorizing the repurchase of additional shares of our Class A common stock having a total market value of up to $500 million. On July 24, 2006 the Board decided to suspend purchasing shares of our Class A common stock under the share repurchase program as a result of the then-pending voluntary review of our equity award practices. From the time the program was first implemented through July 24, 2006, we repurchased a total of 12.8 million shares of Class A common stock at a weighted average price of $33.47 per share. The program expired, without further repurchases, in January 2007.

In February 2007 the Board authorized a new program to repurchase shares of our Class A common stock. The Board approved the repurchase of shares having an aggregate market value of up to $1.0 billion, depending on market conditions and other factors. Repurchases under the program were to be made at any time and from time to time during the 12 to 18 month period that commenced February 12, 2007. The program was completed on November 1, 2007, at which time we had repurchased 30.1 million shares of Class A common stock at a weighted average price of $33.25 per share under the program.

In November 2007 the Board authorized a new program to repurchase shares of Broadcom's Class A common stock having an aggregate value of up to $1.0 billion depending on market conditions and other factors. Repurchases under the program may be made from time to time at any time during the period commencing November 19, 2007 and continuing through and including December 31, 2008. From the time the current program was implemented through December 31, 2007, we repurchased a total of 5.7 million shares of Class A common stock at a weighted average price of $27.34 per share, of which $140.2 million was settled in cash during the three months ended December 31, 2007 and the remaining $16.1 million was included in accrued liabilities at December 31, 2007.

Repurchases under our share repurchase programs were and will 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, or the Exchange Act.

Stock Split

On January 25, 2006 our Board of Directors approved a three-for-two split of our common stock, which was effected in the form of a stock dividend. Holders of record of our Class A and Class B common stock as of the close of business February 6, 2006, the Record Date, received one additional share of Class A or Class B common stock, as applicable, for every two shares of such class held on the Record Date. The additional Class A and Class B shares were distributed on or about February 21, 2006. Cash was paid in lieu of fractional shares. Share and per share amounts in the accompanying consolidated financial statements have been restated to reflect this stock split.

Registration Statements

We have filed a universal shelf registration statement on SEC Form S-3 and an acquisition shelf registration statement on SEC Form S-4. The universal shelf registration statement on Form S-3 permits Broadcom to sell, in one or more public offerings, shares of our Class A common stock, shares of preferred stock or debt securities, or any combination of such securities, for proceeds in an aggregate amount of up to $750 million. 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 either registration statement.

Comprehensive Income

The components of comprehensive income, net of taxes, are as follows:

	Years Ended December 31,		
	2007	2006	2005
		(In thousands)	
Net income	$ 213,342	$ 379,041	$ 367,089
Other comprehensive income (loss):			
Reclassification adjustment for net realized loss included in net gain	—	—	1
Translation adjustments	(729)	(1,203)	8
Total comprehensive income	$ 212,613	$ 377,838	$ 367,098

Accumulated other comprehensive income (loss) on the consolidated balance sheets at December 31, 2007 and December 31, 2006 represents accumulated translation adjustments.

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. 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 2.25 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 1.0% 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 March 2007, the Board of Directors approved an amendment and restatement of the ESPP, as previously amended and restated, to increase the limitation on the amount by which the share reserve of the plan is to automatically increase each year to not more than 10 million shares of Class A common stock. This amendment was approved by the shareholders at the Annual Meetings of Shareholders held in May 2007. In 2007, 2006 and 2005, 2.0 million, 1.6 million and 2.6 million shares, respectively, were issued under this plan at average per share prices of $27.07, $16.40 and $15.47, respectively. At December 31, 2007, 9.9 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 1998 Stock Incentive Plan, as amended and restated, or 1998 Plan, is the successor equity incentive program to our 1994 Stock Option Plan, or 1994 Plan and our 1998 Special Stock Option Plan, together, the Predecessor Plans. The number of shares of Class A common stock reserved for issuance under the 1998 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.

In April 2005, the Board of Directors approved an amendment and restatement of the 1998 Plan, as previously amended and restated, to increase the number of shares of Class A common stock reserved for issuance under this plan by an additional 15 million shares. In March 2007, the Board of Directors approved a further amendment and restatement of the 1998 Plan to increase the limitation on the amount by which the share reserve of the 1998 Plan is to automatically increase each year to not more than 45 million shares of Class A common stock. These amendments were approved by the shareholders at the Annual Meetings of Shareholders held in April 2005 and May 2007, respectively. As of December 31, 2007, 57.2 million shares of common stock were reserved for future grant under the 1998 Plan.

The Board of Directors or the Plan Administrator determines eligibility, vesting schedules and exercise prices for options granted under the plans. Options granted generally have a term of 10 years, and in the case of new hires generally 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 generally 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 addition, we grant restricted stock units as part of our regular annual employee equity compensation review program as well as to new hires and 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.

In connection with our acquisitions, we have assumed stock options granted under stock option plans or agreements established by each acquired company. As of December 31, 2007, 1.7 million and 0.1 million shares of Class A and Class B common stock, respectively, were reserved for issuance upon exercise of outstanding options assumed under these stock option plans.

Combined Incentive Plan Activity

Activity under all stock option incentive plans in 2007, 2006 and 2005 is set forth below:

	Options Outstanding			
	Number of Shares (In thousands)	Exercise Price Range per Share	Weighted Average Exercise Price per Share	Weighted Average Grant-Date Fair Value per Share
Balance at December 31, 2004	146,460	$ .01 - $81.50	$ 17.34	$ 20.95
Options granted under the 1998 Plan	31,566	18.32 - 32.68	22.48	7.31
Options assumed in acquisition	242	1.97 - 1.97	1.97	26.55
Options cancelled	(5,692)	.01 - 37.75	20.96	15.90
Options exercised	(30,468)	.01 - 30.27	14.06	18.95
Balance at December 31, 2005	142,108	.01 - 81.50	19.00	18.55
Options granted under the 1998 Plan	17,939	23.11 - 48.63	40.22	12.33
Options assumed in acquisition	107	5.26 - 40.49	7.66	41.31
Options cancelled	(6,294)	.01 - 48.63	20.92	15.02
Options exercised	(27,975)	.01 - 38.17	17.14	19.39
Balance at December 31, 2006	125,885	.01 - 81.50	22.35	17.65
Options granted under the 1998 Plan	21,882	27.96 - 37.30	32.82	10.72
Options cancelled	(3,607)	1.47 - 48.63	30.20	10.91
Options exercised	(18,018)	.01 - 41.15	16.88	14.08
Balance at December 31, 2007	126,142	$ .01 - $81.50	$ 24.96	$ 15.81

At December 31, 2007 outstanding options to purchase 87.6 million shares were exercisable with an average per share exercise price of $21.93. The weighted average remaining contractual life of options outstanding and of options exercisable as of December 31, 2007 were 6.6 years and 5.7 years, respectively.

The total pretax intrinsic value of options exercised in 2007 was $331.2 million. This intrinsic value 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. Based on the closing price of our Class A common stock of $26.14 on December 31, 2007, the total pretax intrinsic value of all outstanding options was $539.3 million. The total pretax intrinsic value of exercisable options at December 31, 2007 was $495.5 million.

Restricted stock unit activity in 2007, 2006 and 2005 is set forth below:

	Restricted Stock Units Outstanding	
	Number of Shares (In thousands)	Weighted Average Grant-Date Fair Value per Share
Balance at December 31, 2004	330	$ 22.98
Restricted stock units granted under the 1998 Plan	8,432	23.08
Restricted stock units cancelled	(297)	22.07
Restricted stock units vested	(1,375)	21.19
Balance at December 31, 2005	7,090	23.48
Restricted stock units granted under the 1998 Plan	8,921	40.22
Restricted stock units cancelled	(681)	31.83
Restricted stock units vested	(2,630)	30.24
Balance at December 31, 2006	12,700	33.39
Restricted stock units granted under the 1998 Plan	12,232	32.84
Restricted stock units cancelled	(1,172)	33.05
Restricted stock units vested	(6,707)	32.19
Balance at December 31, 2007	17,053	$ 33.50

The total pretax intrinsic value of restricted stock units vested in 2007 was $219.5 million. Based on the closing price of our Class A common stock of $26.14 on December 31, 2007, the total pretax intrinsic value of all outstanding restricted stock units was $445.8 million.

Stock-Based Compensation Expense

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

	Years Ended December 31,		
	2007(1)	2006(1)	2005
		(In thousands)	
Cost of revenue	$ 26,470	$ 24,589	$ 4,177
Research and development	353,649	307,096	68,606
Selling, general and administrative	139,533	136,679	29,232

(1) The amounts included in 2007 and 2006 reflect the adoption of SFAS 123R. In accordance with the modified prospective transition method, our consolidated statement of income for 2005 has *not* been restated to reflect, and does not include, the impact of SFAS 123R.

The adoption of SFAS 123R will continue to have a significant adverse impact on our reported results of operations, although it should not have a material impact on our overall financial position. The amount of unearned stock-based compensation currently estimated to be expensed from 2008 through 2011 related to unvested share-based payment awards at December 31, 2007 is $948.3 million. Of this amount, $415.5 million, $302.7 million, $175.6 million and $54.5 million are currently estimated to be recorded in 2008, 2009, 2010 and 2011, respectively. The weighted-average period over which the unearned stock-based compensation is expected to be recognized is approximately 1.5 years. Approximately 94.2% of the total unearned stock-based compensation as of December 31, 2007 will be expensed by the end of 2010. 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.

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

	Employee Stock Options			Employee Stock Purchase Rights		
	2007	2006	2005	2007	2006	2005
Expected life (in years)	3.20	3.17	3.20	1.33	0.51	0.87
Volatility	0.39	0.36	0.40	0.40	0.35	0.38
Risk-free interest rate	4.54%	4.93%	4.00%	4.98%	4.78%	3.52%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Weighted average fair value	$ 10.72	$ 12.33	$ 7.41	$ 10.95	$ 10.81	$ 6.97

The weighted average fair values per share of the restricted stock units awarded in 2007, 2006 and 2005 were $32.84, $40.22 and $23.08, respectively, calculated based on the fair market value of our Class A common stock on the respective grant dates.

In accordance with the requirements of the disclosure-only alternative of SFAS 123, set forth below is a pro forma illustration of the effect on net income and net income per share information for 2005, computed as if we had valued stock-based awards to employees using the Black-Scholes option pricing model instead of applying the guidelines provided by APB 25.

	Year Ended December 31, 2005 (In thousands, except per share data)
Net income — as reported	$ 367,089
Add: Stock-based compensation expense included in net income — as reported	102,015
Deduct: Stock-based compensation expense determined under the fair value method	(563,916)
Net loss — pro forma	$ (94,812)
Net income per share (basic) — as reported	$ 0.72
Net income per share (diluted) — as reported	$ 0.66
Net loss per share (basic and diluted) — pro forma	$ (0.19)

For purposes of the foregoing pro forma illustration, the fair value of each stock award has been estimated as of the date of grant or assumption using the Black-Scholes 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 option and the expected volatility of our stock price. The Black-Scholes model meets the requirements of SFAS 123 but the fair values generated by the model may not be indicative of the actual fair values of our stock-based awards, as it does not consider other factors important to stock-based awards, such as continued employment and periodic vesting requirements and limited transferability. For pro forma illustration purposes, the Black-Scholes value of our stock-based awards is assumed to be amortized on a straight-line basis over the optionees' respective service periods.

Charges Related to the Voluntary Review of Our Equity Award Practices

In connection with our equity award review, the results of which were reported in January 2007, we determined the accounting measurement dates for most of our options granted between June 1998 and May 2003 covering options to purchase 232.9 million shares of our Class A or Class B common stock, differed from the measurement dates previously used for such awards. As a result, there are potential adverse tax consequences that may apply to holders of affected options. By amending or replacing those options, the potential adverse tax consequences could be eliminated.

In March 2007 we offered to amend or replace options affected by the choice of measurement dates by adjusting the exercise price of each such option to the lower of (i) the fair market value per share of our Class A common stock on the revised measurement date applied to that option as a result of our equity award review or (ii) the closing selling price per share of our Class A common stock on the date on which the option would be amended. If the adjusted exercise price for an affected option was *lower than* the original exercise price, that option was not amended but instead was replaced with a new option that had the same exercise price, vesting schedule and expiration date as the affected option, but a new grant date. The offer expired April 20, 2007. Participants whose options were amended pursuant to the offer were paid a special cash payment with respect to those options. The amount paid was determined by multiplying (i) the amount of the increase in exercise price by (ii) the number of shares for which options were amended. We made payments of $29.6 million in January 2008 to reimburse the affected optionholders for the increases in their exercise prices. A liability was recorded for these payments and included in wages and related benefits as of December 31, 2007.

In accordance with SFAS 123R, we recorded total estimated charges of $3.4 million in 2007 and a reduction of additional paid-in capital in the amount of $26.2 million in connection with the offer. Charges of $0.1 million, $1.5 million and $1.8 million are included in cost of revenue, research and development expense and selling, general and administrative expense, respectively.

We also recorded total charges of $61.5 million in 2006 in connection with payments we made to or on behalf of certain current and former employees related to consequences of the voluntary review of our equity award practices, as well as non-cash stock-based compensation expense we incurred related to the extension of the post-service stock option exercise period for certain former employees. The payments were (i) to remunerate participants in our employee stock purchase plan who were unable to purchase shares thereunder during the period in which we were not current in our SEC reporting obligations, (ii) to remediate adverse tax consequences, if any, to individuals that resulted from the review, and (iii) to compensate individuals for the value of stock options that expired or would have expired during the period in which we were not current in our SEC reporting obligations. A total of $2.5 million, $30.1 million and $28.9 million was *included* in cost of revenue, research and development expense and selling, general and administrative expense, respectively, for such charges in 2006, of which $6.5 million and $5.1 million included in research and development expense and selling, general and administrative expense, respectively, is stock-based compensation expense.

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 as of December 31, 2007:

	Number of Shares (In thousands)
Stock options outstanding	126,142
Authorized for future grants under stock incentive plans	57,189
Authorized for future issuance under stock purchase plan	9,873
Restricted stock units outstanding	17,053
	210,257

401(k) Savings and Investment Plan

We sponsor a defined contribution 401(k) savings and investment plan, established in 1996, covering substantially all of our employees, subject to certain eligibility requirements. At our discretion, we may make contributions to this plan. In 2006 we adopted a limited matching contribution policy. Under this policy, we made $6.1 million and $2.5 million in contributions to participants in this plan in 2007 and 2006, respectively. We made no contributions to this plan in 2005.

9. Goodwill

Goodwill Impairment Assessment

We performed annual impairment assessments of the carrying value of the goodwill recorded in connection with various acquisitions as required under SFAS 142 in October 2007, 2006 and 2005. In accordance with SFAS 142, we compared the carrying value of each of our reporting units that existed at those times to their estimated fair value. At October 1, 2007, 2006 and 2005, we had four reporting units as determined and identified in accordance with SFAS 142.

We estimated the fair values of our reporting units primarily using the income approach valuation methodology that includes the discounted cash flow method, taking into consideration the market approach and certain market multiples as a validation of the values derived using the discounted cash flow methodology. The discounted cash flows for each reporting unit were based on discrete four year financial forecasts developed by management for planning purposes and consistent with those distributed to our Board of Directors. Cash flows beyond the four year discrete forecast were estimated using a terminal value calculation, which incorporated historical and forecasted financial trends for each identified reporting unit and considered long-term earnings growth rates for publicly traded peer companies. Future cash flows were discounted to present value by incorporating the present value techniques discussed in Concepts Statement 7. Specifically, the income approach valuations included reporting unit cash flow discount rates ranging from 13% to 19%, and terminal value growth rates ranging from 5.0% to 10%. Publicly available information regarding the market capitalization of Broadcom was also considered in assessing the reasonableness of the cumulative fair values of our reporting units estimated using the discounted cash flow methodology.

Upon completion of the October 2007, 2006 and 2005 annual impairment assessments, we determined no impairment was indicated as the estimated fair value of each of the four reporting units exceeded its respective carrying value.

10. Settlement Costs

In June 2005 we recorded $110.0 million in settlement costs primarily related to the settlement of securities class action litigation against us and certain of our current and former officers and directors. For a more detailed discussion of our settled and outstanding litigation, see Note 11.

11. Litigation

Intellectual Property Proceedings. In May 2005 we filed a complaint with the U.S. International Trade Commission, or ITC, asserting that Qualcomm Incorporated, or Qualcomm, engaged in unfair trade practices by importing integrated circuits and other products that infringe, both directly and indirectly, five of our patents relating generally to wired and wireless communications. The complaint sought an exclusion order to bar importation of those Qualcomm products into the United States and a cease and desist order to bar further sales of infringing Qualcomm products that have already been imported. In June 2005 the ITC instituted an investigation of Qualcomm based upon the allegations made in Broadcom's complaint. The investigation was later limited to asserted infringement of three Broadcom patents. Qualcomm has requested that the U.S. Patent and Trademark Office, or USPTO, reexamine two of the patents. In December 2006 the full Commission upheld the ITC administrative law judge's October 2006 initial determination finding all three patents valid and one infringed. In June 2007 the Commission issued an exclusion order banning the importation into the United States of infringing Qualcomm chips and certain cellular phone models incorporating those chips. The Commission also issued a cease and desist order prohibiting Qualcomm from engaging in certain activities related to the infringing chips. The ITC's orders were subject to a 60-day Presidential review period, which involved extensive review by the United States Trade Representative, who the President designated to decide whether to let the ITC orders stand or to overturn them through a statutory disapproval. In August 2007 the United States Trade Representative declined to disapprove the orders. In September 2007 the United States Court of Appeals for the Federal Circuit stayed the orders as to certain third parties pending appeal, but not as to Qualcomm. A hearing date on the appeal has not been set.

In November 2007 we filed a complaint with the ITC to enforce the cease and desist order entered by the Commission. The complaint seeks monetary penalties and other remedies for Qualcomm's continued infringement. In December, the ITC instituted an investigation based upon the allegations made in our complaint. Discovery is in progress, and a hearing has been set for April 2008.

In May 2005 we filed two complaints against Qualcomm in the United States District Court for the Central District of California. The first complaint asserts that Qualcomm has infringed, both directly and indirectly, the same five patents asserted by Broadcom in the ITC complaint. The District Court complaint seeks preliminary and permanent injunctions against Qualcomm and the recovery of monetary damages, including treble damages for willful infringement, and attorneys' fees. In July 2005 Qualcomm answered the complaint and asserted counterclaims seeking a declaratory judgment that our patents are invalid and not infringed. In December 2005 the court transferred the causes of action relating to two of the patents to the United States District Court for the Southern District of California. Pursuant to statute, the court has stayed the remainder of this action pending the outcome of the ITC action.

A second District Court complaint asserts that Qualcomm has infringed, both directly and indirectly, five other Broadcom patents relating generally to wired and wireless communications and multimedia processing technologies. The complaint sought preliminary and permanent injunctions against Qualcomm and the recovery of monetary damages, including treble damages for willful infringement, and attorneys' fees. In July 2005 Qualcomm answered the second complaint and asserted counterclaims seeking a declaratory judgment that our patents are invalid and not infringed. In November 2006 we withdrew one of the patents from the case. In December 2006 the court granted a motion to stay proceedings on a second patent pending the outcome of a USPTO reexamination of that patent initiated at Qualcomm's request. In May 2007 a jury returned a verdict that Qualcomm infringed the three remaining patents and awarded Broadcom $19.6 million in compensatory damages. The foregoing amount has not been recognized in our consolidated statements of income. Qualcomm has requested that the USPTO reexamine one of the infringed patents. On December 31, 2007, the court issued a permanent injunction enjoining Qualcomm from future infringement of the three patents at issue. The permanent injunction includes a sunset period through January 31, 2009 concerning sales by Qualcomm of certain infringing products to customers existing as of May 29, 2007, provided that Qualcomm pays Broadcom an ongoing royalty for all such sales during the sunset period. Qualcomm has filed motions to stay and to interpret the permanent injunction. The court has not yet ruled on Qualcomm's motions.

In July 2005 Qualcomm filed a complaint against us in the United States District Court for the Southern District of California alleging that certain Broadcom products infringed, both directly and indirectly, seven Qualcomm patents relating generally to the transmission, reception and processing of communication signals, including radio signals and/or signals for wireless telephony. We filed an answer in September 2005 denying the allegations in Qualcomm's complaint and asserting counterclaims. The counterclaims sought a declaratory judgment that the seven Qualcomm patents were invalid and not infringed, and asserted that Qualcomm had infringed, both directly and indirectly, six Broadcom patents relating generally to wired and wireless communications. In March 2007 the court granted the parties' joint motion to dismiss this case.

In August 2005 Qualcomm filed a second complaint against us in the United States District Court for the Southern District of California alleging that we breached a contract relating to Bluetooth development and seeking a declaration that two of our patents relating to Bluetooth technology were invalid and not infringed. We filed an answer in April 2006 denying the allegations in the complaint and asserting counterclaims. The counterclaims asserted that Qualcomm had infringed, both directly and indirectly, the same two Broadcom patents, and alleged breach of the Bluetooth contract by Qualcomm. In February 2007 the court granted the parties' joint motion to dismiss this case.

In October 2005 Qualcomm filed a third complaint against us in the United States District Court for the Southern District of California alleging that certain Broadcom products infringe, both directly and indirectly, two Qualcomm patents relating generally to the processing of digital video signals. The complaint sought preliminary and permanent injunctions against us as well as the recovery of monetary damages and attorneys' fees. We filed an answer in December 2005 denying the allegations in Qualcomm's complaint and asserting counterclaims seeking a declaratory judgment that the two Qualcomm patents were invalid and not infringed. In January 2007 a jury returned a verdict that we did not infringe either patent, and rendered advisory verdicts that Qualcomm committed inequitable conduct before the USPTO and waived its patent rights in connection with its conduct before an industry standards body. In March 2007 the court adopted the jury's finding that Qualcomm waived its patent rights. In August 2007 the court held that Qualcomm's asserted patents were unenforceable due to Qualcomm's conduct, declared the case exceptional, and awarded us our attorneys' fees and costs. Qualcomm has appealed, but a hearing date on the appeal has not yet been set. In January 2008, the court granted-in-part our motion for sanctions against Qualcomm for litigation misconduct, awarding us our attorneys' fees. The foregoing amounts have not been recognized in our consolidated statements of income.

In March 2006 Qualcomm filed a fourth complaint against us in the United States District Court for the Southern District of California alleging that we had misappropriated certain Qualcomm trade secrets and that certain Broadcom products infringed, both directly and indirectly, a patent related generally to orthogonal frequency division multiplexing technology. We filed an answer in May 2006 denying the allegations in Qualcomm's complaint and asserting counterclaims. The counterclaims sought a declaratory judgment that the Qualcomm patent was invalid and not infringed, and asserted that Qualcomm had infringed, both directly and indirectly, two Broadcom patents relating generally to video technology. We amended our answer to add a counterclaim asserting that Qualcomm had misappropriated certain Broadcom trade secrets, and Qualcomm amended its complaint to add three individual Broadcom employees as defendants and include additional allegations of trade secret misappropriation. In March 2007 the court granted the parties' joint motion to dismiss this case.

In December 2006 SiRF Technology, Inc., or SiRF, filed a complaint in the United States District Court for the Central District of California against Global Locate, Inc., a privately-held company that became a wholly-owned subsidiary of Broadcom upon its acquisition by us in July 2007 (see Note 3), alleging that certain Global Locate products infringe four SiRF patents relating generally to GPS technology. In January 2007 Global Locate filed an answer denying the allegations in SiRF's complaint and asserting counterclaims. The counterclaims seek a declaratory judgment that the four SiRF patents are invalid and not infringed, assert that SiRF has infringed four Global Locate patents relating generally to GPS technology, and assert unfair competition and antitrust violations related to the filing of sham litigation. In May 2007 the court granted Global Locate's motion to stay the case until the ITC actions between Global Locate and SiRF, discussed below, become final.

In February 2007 SiRF filed a complaint in the ITC asserting that Global Locate engaged in unfair trade practices by importing integrated circuits and other products that infringe, both directly and indirectly, four SiRF patents relating generally to GPS technology. The complaint seeks an exclusion order to bar importation of those Global Locate products into the United States and a cease and desist order to bar further sales of infringing Global Locate products that have already been imported. In March 2007 the ITC instituted an investigation of Global Locate based upon the allegations made in the SiRF complaint. The ITC has set a target date for completion of the investigation in October 2008.

In April 2007 Global Locate filed a complaint in the ITC against SiRF and four of its customers, e-TEN Corporation, Pharos Science & Applications, Inc., MiTAC International Corporation and Mio Technology Limited (collectively, the "SiRF Defendants"), asserting that the SiRF Defendants engaged in unfair trade practices by importing GPS devices, including integrated circuits and embedded software, and products containing such products, such as personal navigation devices and GPS-enabled cellular telephones, that infringe, both directly and indirectly, six Global Locate patents relating generally to GPS technology. The complaint seeks an exclusion order to bar importation of the SiRF Defendants' products into the United States and a cease and desist order to bar further sales of infringing products that have already been imported. In May 2007 the ITC instituted an investigation of the SiRF Defendants based upon the allegations made in the Global Locate complaint. The ITC has set a target date for completion of the investigation in December 2008.

Antitrust and Unfair Competition Proceedings. In July 2005 we filed a complaint against Qualcomm in the United States District Court for the District of New Jersey asserting that Qualcomm's licensing and other practices related to cellular technology and products violate federal and state antitrust laws. The complaint also asserts causes of action based on breach of contract, promissory estoppel, fraud, and tortious interference with prospective economic advantage. In September 2005 we filed an amended complaint in the action also challenging

Qualcomm's proposed acquisition of Flarion Technologies, Inc. under the antitrust laws and asserting violations of various state unfair competition and unfair business practices laws. In August 2006 the court granted Qualcomm's motion to dismiss the complaint. In September 2007 the United States Court of Appeals for the Third Circuit reversed the dismissal in part and returned the case to the district for further proceedings. Discovery is in progress, and a trial date in district court has been tentatively set for June 2009.

In October 2005 Broadcom and five other leading mobile wireless technology companies filed complaints with the European Commission requesting that the Commission investigate Qualcomm's anticompetitive conduct related to the licensing of its patents and the sale of its chipsets for mobile wireless devices and systems. In October 2007 the Commission announced that it had instituted a formal investigation of Qualcomm.

In June 2006 Broadcom and another leading mobile wireless technology company filed complaints with the Korean Fair Trade Commission requesting that the Commission investigate Qualcomm's anticompetitive conduct related to the licensing of its patents and the sale of its chipsets for mobile wireless devices and systems. The Commission has instituted a formal investigation of Qualcomm.

In April 2007 we filed a complaint in the Superior Court for Orange County, California alleging that Qualcomm's conduct before various industry standards organizations constitutes unfair competition, fraud and breach of contract. The complaint seeks an injunction against Qualcomm as well as the recovery of monetary damages. In October 2007 the court stayed the case pending final resolution of our case against Qualcomm in the United States District Court for the District of New Jersey. In November 2007 we filed an amended complaint in the New Jersey antitrust case adding additional causes of action based primarily upon the allegations in the California unfair competition case.

Securities Litigation. From March through August 2006 a number of purported Broadcom shareholders filed putative shareholder derivative actions, the Options Derivative Actions, against Broadcom, each of the members of our Board of Directors, certain current or former officers, and Henry T. Nicholas III, our co-founder, alleging, among other things, that the defendants improperly dated certain Broadcom employee stock option grants. Four of those cases, *Murphy v. McGregor, et al.* (Case No. CV06-3252 R (CWx)), *Shei v. McGregor, et al.* (Case No. SACV06-663 R (CWx)), *Ronconi v. Dull, et al.* (Case No. SACV 06-771 R (CWx)) and *Jin v. Broadcom Corporation, et al.* (Case No. 06CV00573) have been consolidated in the United States District Court for the Central District of California. The plaintiffs filed a consolidated amended complaint in November 2006. In addition, two putative shareholder derivative actions, *Pirelli Armstrong Tire Corp. Retiree Med. Benefits Trust v. Samueli, et al.* (Case No. 06CC0124) and *Servais v. Samueli, et al.* (Case No. 06CC0142), were filed in the California Superior Court for the County of Orange. The Superior Court consolidated the state court derivative actions in August 2006, and the plaintiffs filed a consolidated amended complaint in September 2006. The plaintiffs in the Options Derivative Actions contend, among other things, that the defendants' conduct violated United States and California securities laws, breached defendants' fiduciary duties, wasted corporate assets, unjustly enriched the defendants, and caused errors in our financial statements. The plaintiffs seek, among other things, unspecified damages and disgorgement of profits from the alleged conduct, to be paid to Broadcom.

In January 2007 the Superior Court granted defendants' motion to stay the state derivative action pending resolution of the prior-filed federal derivative action. In March 2007 the court in the federal derivative action denied our motion to dismiss, which motion was based on the ground that the shareholder plaintiffs lack standing to assert claims on behalf of Broadcom. Motions to dismiss filed by the individual defendants were heard, and mostly denied, in May 2007. Additionally, in May 2007 the Board of Directors established a special litigation committee (the "SLC") to decide what course of action Broadcom should pursue in respect of the claims asserted in the Options Derivative Actions. The SLC is currently engaged in its review.

From August through October 2006 several plaintiffs filed purported shareholder class actions in the United States District Court for the Central District of California against Broadcom and certain of our current or former officers and directors, entitled *Bakshi v. Samueli, et al.* (Case No. 06-5036 R (CWx)), *Mills v. Samueli, et al.* (Case No. SACV 06-9674 DOC R(CWx)), and *Minnesota Bakers Union Pension Fund, et al. v. Broadcom Corp., et al.* (Case No. SACV 06-970 CJC R (CWx)), the Options Class Actions. The essence of the plaintiffs' allegations is that we improperly backdated stock options, resulting in false or misleading disclosures concerning, among other things, our business and financial condition. Plaintiffs also allege that we failed to account for and pay taxes on stock options properly, that the individual defendants sold our common stock while in possession of material nonpublic information, and that the defendants' conduct caused artificial inflation in our stock price and damages to the putative plaintiff class. The plaintiffs assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. In November 2006 the Court consolidated the Options Class Actions and appointed the New Mexico State Investment Council as lead class plaintiff. In October 2007 the federal appeals court resolved a dispute regarding the appointment of lead class counsel. The lead plaintiff's consolidated class action complaint will be due 45 days after the district judge enters a revised order appointing lead class counsel. We intend to defend the consolidated action vigorously.

We have indemnification agreements with each of our present and former directors and officers, under which we are generally required to indemnify each such director or officer against expenses, including attorney's fees, judgments, fines and settlements, arising from the Options Derivative Actions, the Options Class Actions and the pending SEC and U.S. Attorney's Office investigations described below (subject to certain exceptions, including liabilities arising from willful misconduct, from conduct knowingly contrary to the best interests of Broadcom, or conduct that is knowingly fraudulent or deliberately dishonest or results in improper personal benefit).

SEC Formal Order of Investigation and United States Attorney's Office Investigation. In June 2006 we received an informal request for information from the staff of the Los Angeles regional office of the SEC regarding our historical option granting practices. In December 2006 the SEC issued a formal order of investigation and a subpoena for the production of documents. In 2007 we continued to provide substantial amounts of documents and information to the SEC on a voluntary basis. In addition, we have produced documents pursuant to subpoenas. The SEC continues to depose present and former Broadcom employees, officers and directors as part of its investigation. In July 2007 we received a "Wells Notice" from the SEC in connection with this investigation. The Chairman of the Board of Directors and Chief Technical Officer of Broadcom, Dr. Henry Samueli, also received a Wells Notice at that time. In August 2007 our Senior Vice President, Business Affairs and General Counsel, David A. Dull, also received a Wells Notice. The Wells Notices provide notification that the staff of the SEC intends to recommend to the Commission that it bring a civil action against the recipients for possible violations of the securities laws. Based on discussions with the SEC staff, we believe that the issues the staff intends to pursue relate to our historical option granting processes and the accounting relating to those option grants. Under the process established by the SEC, recipients have the opportunity to respond in writing to a Wells Notice before the SEC staff makes any formal recommendation to the Commission regarding what action, if any, should be brought by the SEC. In response to our Wells Notice, we have communicated with the SEC staff in an effort to explore possible resolution, and are awaiting further communication. We are continuing to cooperate with the SEC, but do not know when the investigation will be resolved or what, if any, actions the SEC may require us, Dr. Samueli and/or Mr. Dull to take as part of that resolution.

In August 2006 we were informally contacted by the U.S. Attorney's Office for the Central District of California and asked to produce documents. In 2006 we voluntarily provided documents and data to the U.S. Attorney's Office. In 2007 we continued to provide substantial amounts of documents and information to the U.S. Attorney's Office on a voluntary basis. In addition, we have produced documents pursuant to grand jury subpoenas. The U.S. Attorney's Office continues to interview present and former Broadcom employees, officers and directors as part of its investigation. We are continuing to cooperate with the U.S. Attorney's Office in its investigation. Any action by the SEC, the U.S. Attorney's Office or other governmental agency could result in civil or criminal sanctions and/or fines against us and/or certain of our current or former officers, directors and/or employees.

United States Attorney's Office Investigation and Prosecution. In June 2005 the United States Attorney's Office for the Northern District of California commenced an investigation into the possible misuse of proprietary competitor information by certain Broadcom employees. In December 2005 one former employee was indicted for fraud and related activity in connection with computers and trade secret misappropriation. The former employee had been immediately suspended in June 2005, after just two months' employment, when we learned about the government investigation. Following an internal investigation, his employment was terminated, nearly two months prior to the indictment. The indictment does not allege any wrongdoing by us and we are cooperating fully with the ongoing investigation and the prosecution.

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

The pending proceedings involve complex questions of fact and law and will 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. The resolution of intellectual property litigation may require us to pay damages for past 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 our gross profit and 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 us. From time to time we may enter into confidential discussions regarding the potential settlement of pending litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. The settlement of any pending litigation or other proceeding could require us to incur substantial settlement payments and costs. In addition, 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.

12. Significant Customer, Supplier and Geographical Information

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

	Years Ended December 31,		
	2007	2006	2005
Motorola	11.2%	15.4%	15.5%
Cisco(1)	*	11.2	12.4
Five largest customers as a group	39.7	46.5	48.5

* Less than 10% of net revenue.

(1) Includes sales to Scientific-Atlanta, which was acquired by Cisco in February 2006, for all periods presented.

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

Net revenue derived from all independent customers located outside the United States, excluding foreign subsidiaries or manufacturing subcontractors of customers that are headquartered in the United States even though such subsidiaries or manufacturing subcontractors are located outside of the United States, as a percentage of total net revenue was as follows:

	Years Ended December 31,		
	2007	2006	2005
Asia (primarily in Japan, Korea, China and Taiwan)	26.5%	19.5%	17.8%
Europe (primarily in France, the United Kingdom and Finland)	8.5	8.4	7.6
Other	0.5	0.3	0.4
	35.5%	28.2%	25.8%

Net revenue derived from shipments to international destinations, as a percentage of total net revenue was as follows:

	Years Ended December 31,		
	2007	2006	2005
Asia (primarily in China, Hong Kong, Taiwan, Japan and Singapore)	81.2%	79.2%	75.2%
Europe (primarily in Hungary, Germany and Sweden)	2.9	3.3	3.6
Other	3.3	4.0	5.7
	87.4%	86.5%	84.5%

We do not own or operate a fabrication facility. Five independent third-party foundries located in Asia manufacture substantially all of our semiconductor devices in current 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 one of eight independent third-party subcontractors in Asia. 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, 2007, $26.1 million of our long-lived assets (excluding goodwill and purchased intangible assets) was 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.

	Net Revenue	Gross Profit	Net Income	Diluted Net Income Per Share
	(In thousands, except per share data)			
Year Ended December 31, 2007				
Fourth Quarter(1)	$ 1,027,035	$ 538,813	$ 90,335(2)	$ .16
Third Quarter	949,959	483,989	27,760(3)	.05
Second Quarter	897,920	460,883	34,256(4)	.06
First Quarter	901,481	460,532	60,991(5)	.10
Year Ended December 31, 2006				
Fourth Quarter	$ 923,454	$ 469,636	$ 45,076(6)	$ .08
Third Quarter	902,586	452,422	110,181(7)	.19
Second Quarter	941,131	483,757	106,086	.18
First Quarter	900,647	466,438	117,698(8)	.20

(1) Includes royalties in the amount of $31.8 million from a patent license agreement entered into in July 2007.

(2) Includes gain on strategic investments of $3.0 million.

(3) Includes IPR&D of $5.0 million and loss on strategic investments of $2.1 million.

(4) Includes IPR&D of $10.2 million and income tax benefits from adjustments to tax reserves of certain foreign subsidiaries or various foreign jurisdictions of $4.6 million.

(5) Includes IPR&D of $0.3 million, impairment of other intangible assets of $1.5 million, loss on strategic investments of $2.6 million and charges related to the equity award review in the amount of $3.4 million.

(6) Includes charges related to the equity award review in the amount of $50.6 million.

(7) Includes income tax benefits from adjustments to tax reserves of foreign subsidiaries of $27.9 million and charges related to the equity award review in the amount of $10.9 million.

(8) Includes IPR&D of $5.2 million, income tax benefits from adjustments to tax reserves of foreign subsidiaries of $1.7 million, and gain on strategic investments of $0.7 million.

Exhibits and Financial Statement Schedules

Exhibit Index

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
3.1	Second Amended and Restated Articles of Incorporation filed on June 8, 2006	8-K	000-23993	3.1	08/10/2006	
3.4	Bylaws as amended through December 21, 2007	8-K	000-23993	3.1	12/21/2007	
10.1*	2007 Base Salaries for Certain Executive Officers	8-K	000-23993	10.1	03/07/2007	
10.2*	2007 Increase to Base Salary for Vice President & Corporate Controller	8-K/A	000-23993	N/A	10/12/2007	
10.3*	2007 Special Payments Made to Certain Audit Committee Members	8-K	000-23993	N/A	02/09/2007	
10.4*	2007 Executive Officer Performance Bonus Plan	8-K	000-23993	10.1	05/08/2007	
10.5*	Form Letter Agreement for Executive Retention Program between the registrant and the following executive officers: David A. Dull, Thomas F. Lagatta and Vahid Manian	10-Q	000-23993	10.11	11/09/2004	
10.6*†	Letter Agreement between the registrant and Scott A. McGregor dated October 25, 2004	10-K/A	000-23993	10.4	01/23/2007	
10.7*	Amendment to Letter Agreement between the registrant and Scott A. McGregor dated December 16, 2005	10-K	000-23993	10.5	02/14/2006	
10.8*	Letter Agreement between the registrant and Eric K. Brandt dated March 11, 2007	10-Q	000-23993	10.1	05/01/2007	
10.9*	Agreement between the registrant and William J. Ruehle dated December 17, 2006	10-K	000-23993	10.7	02/20/2007	
10.10*	Stock Option Amendment Agreement between the registrant and David A. Dull dated December 29, 2006	10-K	000-23993	10.8	02/20/2007	
10.11*	Stock Option Amendment Agreement between the registrant and Thomas F. Lagatta dated December 29, 2006	10-K	000-23993	10.10	02/20/2007	
10.12*	Amended and Restated 1994 Stock Option Plan, together with form of Stock Option Agreement	S-1/A	333-45619	10.3	02/27/1998	
10.13*	1998 Stock Incentive Plan (as amended and restated August 9, 2007)					**X**
10.14*	1998 Stock Incentive Plan forms of Notice of Grant of Stock Option	S-8	333-60763	99.2	08/06/1998	
10.15*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for the following executive officers: David A. Dull, Thomas F. Lagatta and Vahid Manian	10-Q	000-23993	10.3	11/09/2004	
10.16*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option, Stock Option Agreement and Addendum to Stock Option Agreement for Scott A. McGregor	10-K	000-23993	10.9	03/01/2005	

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.17*	1998 Stock Incentive Plan form of Addendum to Stock Option Agreement for Eric K. Brandt					X
10.18*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for Non-Employee Directors (Annual Award)	10-Q	000-23993	10.1	05/02/2006	
10.19*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for Non-Employee Directors (Pro-rated Award)	10-Q	000-23993	10.2	05/02/2006	
10.20*	1998 Stock Incentive Plan form of Stock Option Agreement					X
10.21*	1998 Stock Incentive Plan form of Automatic Stock Option Agreement for Non-Employee Directors	10-Q	000-23993	10.2	11/09/2004	
10.22*	1998 Stock Incentive Plan form of Executive Retention Program Addendum to Stock Option Agreement for the following executive officers: David A. Dull, Thomas F. Lagatta, and Vahid Manian	10-Q	000-23993	10.5	11/09/2004	
10.23*	1998 Stock Incentive Plan form of Special Stock Retention Addendum to Stock Option Agreement for the registrant’s Chief Executive Officer, Chief Financial Officer, Chief Technical Officer and members of the registrant’s Board of Directors	10-Q	000-23993	10.3	05/02/2006	
10.24*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement					X
10.25*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Annual Award)	10-Q	000-23993	10.4	05/02/2006	
10.26*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Pro-rated Awards)	10-Q	000-23993	10.5	05/02/2006	
10.27*	1998 Stock Incentive Plan form of Executive Retention Program Addendum to Restricted Stock Unit Award Agreement for the following executive officers: David A. Dull, Thomas F. Lagatta, and Vahid Manian	10-Q	000-23993	10.10	11/09/2004	
10.28*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement and Addendum to Restricted Stock Unit Award Agreement for Scott A. McGregor	10-K	000-23993	10.16	03/01/2005	
10.29*	1998 Stock Incentive Plan form of Addendum to Restricted Stock Unit Award Agreement for Eric K. Brandt					X
10.30*	1998 Employee Stock Purchase Plan (as amended and restated March 9, 2007)	S-8	333-142526	99.2	05/01/2007	
10.31*	2007 International Employee Stock Purchase Plan (as amended through January 19, 2007)	S-8	000-142526	99.3	05/01/2007	
10.32	1999 Special Stock Option Plan (as amended and restated July 18, 2003)	10-Q	000-23993	10.2	08/11/2003	

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.33	1999 Special Stock Option Plan form of Stock Option Agreement	10-Q	000-23993	10.2.1	08/11/2003	
10.34	1999 Special Stock Option Plan form of Notice of Grant of Stock Option	S-8	333-93457	99.2	12/22/1999	
10.35*	Form of Indemnification Agreement for Directors of the registrant	S-1/A	333-45619	10.1	02/27/1998	
10.36*	Form of Indemnification Agreement for Officers of the registrant	S-1/A	333-45619	10.2	02/27/1998	
10.37†	Patent License Agreement dated July 19, 2007 by and between the registrant, Cellco Partnership d/b/a Verizon Wireless and Verizon Communications Inc.	10-Q	000-23993	10.3	10/24/2007	
10.38	Lease Agreement dated February 1, 2000 between Conejo Valley Development Corporation and the registrant	10-K	000-23993	10.17	03/19/2002	
10.39	Lease Agreement dated May 18, 2000 between M-D Downtown Sunnyvale, LLC and the registrant	10-K	000-23993	10.21	03/31/2003	
10.40	Lease Agreement dated November 20, 2000, together with Second Amendment dated March 30, 2001 and Third Amendment dated July 9, 2007, between Sobrato Interests and the registrant. Lease dated July 9, 2007 between Sobrato Interests and the registrant	10-Q	000-23993	10.1	10/24/2007	
10.41†	Lease Agreement dated December 17, 2004 between Irvine Commercial Property Company and the registrant	10-K	000-23993	10.38	03/01/2005	
10.42	First Amendment, Second Amendment, and Third Amendment dated June 7, 2005, April 9, 2007 and April 9, 2007, respectively, to Lease dated December 17, 2004 between Irvine Commercial Property Company LLC and the registrant	10-Q	000-23993	10.2	10/24/2007	
10.43	Fourth Amendment dated November 19, 2007 to Lease dated December 17, 2004 between Irvine Commercial Property Company LLC and the registrant					**X**
10.44	Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant					**X**
10.45	Stipulation of Settlement (shareholder derivative actions) dated October 26, 2004	10-K	000-23993	10.39	03/01/2005	
21.1	Subsidiaries of the Company					**X**
23.1	Consent of Independent Registered Public Accounting Firm					**X**
31.1	Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					**X**
31.2	Certification of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					**X**

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
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

* 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.

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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

By: /s/ SCOTT A. MCGREGOR
Scott A. McGregor
President and Chief Executive Officer

Date: January 28, 2008

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:

Signature	Title	Date
/s/ SCOTT A. MCGREGOR Scott A. McGregor	President and Chief Executive Officer and Director (Principal Executive Officer)	January 28, 2008
/s/ HENRY SAMUELI Henry Samueli, Ph.D.	Chairman of the Board and Chief Technical Officer	January 28, 2008
/s/ ERIC K. BRANDT Eric K. Brandt	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	January 28, 2008
/s/ BRET W. JOHNSEN Bret W. Johnsen	Vice President and Corporate Controller (Principal Accounting Officer)	January 28, 2008
/s/ GEORGE L. FARINSKY George L. Farinsky	Director	January 28, 2008
/s/ MAUREEN E. GIRKINS Maureen E. Girkins	Director	January 28, 2008
/s/ NANCY H. HANDEL Nancy H. Handel	Director	January 28, 2008
/s/ JOHN E. MAJOR John E. Major	Director	January 28, 2008
/s/ ALAN E. ROSS Alan E. Ross	Director	January 28, 2008
/s/ ROBERT E. SWITZ Robert E. Switz	Director	January 28, 2008
/s/ WERNER F. WOLFEN Werner F. Wolfen	Director	January 28, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Shareholders
Broadcom Corporation

We have audited the consolidated financial statements of Broadcom Corporation as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and have issued our report thereon dated January 25, 2008. Our audits also included the financial statement schedule listed in Item 15(a)2. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Orange County, California
January 25, 2008

SCHEDULE II — CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

BROADCOM CORPORATION

Description	Balance at Beginning of Year	Charged (Credited) to Costs and Expenses	Charged to Other Accounts(a)	Deductions	Balance at End of Year
		(In thousands)			
Year ended December 31, 2007:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 6,894	$ (1,576)	$ 386	$ (232)	$ 5,472
Sales returns	3,411	12,331	—	(12,497)	3,245
Pricing allowances	985	680	—	—	1,665
Reserve for excess and obsolete inventory	31,935	15,685	425	(13,619)	34,426
Reserve for warranty	19,222	8,435	—	(4,370)	23,287
Restructuring liabilities	10,723	—	749	(4,015)	7,457
Total	$ 73,170	$ 35,555	$ 1,560	$ (34,733)	$ 75,552
Year ended December 31, 2006:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 6,242	$ 816	$ 61	$ (225)	$ 6,894
Sales returns	4,952	23,343	—	(24,884)	3,411
Pricing allowances	989	1,457	—	(1,461)	985
Reserve for excess and obsolete inventory	37,017	6,256	138	(11,476)	31,935
Reserve for warranty	14,131	10,268	877	(6,054)	19,222
Restructuring liabilities	16,221	—	—	(5,498)	10,723
Total	$ 79,552	$ 42,140	$ 1,076	$ (49,598)	$ 73,170
Year ended December 31, 2005:					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 6,900	$ 149	$ 10	$ (817)	$ 6,242
Sales returns	3,692	19,239	—	(17,979)	4,952
Pricing allowances	995	3,394	—	(3,400)	989
Reserve for excess and obsolete inventory	44,751	(2,349)	1,237	(6,622)	37,017
Reserve for warranty	19,185	5,621	55	(10,730)	14,131
Restructuring liabilities	27,117	(2,500)	1,457	(9,853)	16,221
Total	$ 102,640	$ 23,554	$ 2,759	$ (49,401)	$ 79,552

(a) Amounts represent balances acquired through acquisitions.

Exhibit Index

Exhibit Number	Description	Where Located: Form	File No.	Exhibit No.	Filing Date	Filed Herewith
3.1	Second Amended and Restated Articles of Incorporation filed on June 8, 2006	8-K	000-23993	3.1	08/10/2006	
3.4	Bylaws as amended through December 21, 2007	8-K	000-23993	3.1	12/21/2007	
10.1*	2007 Base Salaries for Certain Executive Officers	8-K	000-23993	10.1	03/07/2007	
10.2*	2007 Increase to Base Salary for Vice President & Corporate Controller	8-K/A	000-23993	N/A	10/12/2007	
10.3*	2007 Special Payments Made to Certain Audit Committee Members	8-K	000-23993	N/A	02/09/2007	
10.4*	2007 Executive Officer Performance Bonus Plan	8-K	000-23993	10.1	05/08/2007	
10.5*	Form Letter Agreement for Executive Retention Program between the registrant and the following executive officers: David A. Dull, Thomas F. Lagatta and Vahid Manian	10-Q	000-23993	10.11	11/09/2004	
10.6*†	Letter Agreement between the registrant and Scott A. McGregor dated October 25, 2004	10-K/A	000-23993	10.4	01/23/2007	
10.7*	Amendment to Letter Agreement between the registrant and Scott A. McGregor dated December 16, 2005	10-K	000-23993	10.5	02/14/2006	
10.8*	Letter Agreement between the registrant and Eric K. Brandt dated March 11, 2007	10-Q	000-23993	10.1	05/01/2007	
10.9*	Agreement between the registrant and William J. Ruehle dated December 17, 2006	10-K	000-23993	10.7	02/20/2007	
10.10*	Stock Option Amendment Agreement between the registrant and David A. Dull dated December 29, 2006	10-K	000-23993	10.8	02/20/2007	
10.11*	Stock Option Amendment Agreement between the registrant and Thomas F. Lagatta dated December 29, 2006	10-K	000-23993	10.10	02/20/2007	
10.12*	Amended and Restated 1994 Stock Option Plan, together with form of Stock Option Agreement	S-1/A	333-45619	10.3	02/27/1998	
10.13*	1998 Stock Incentive Plan (as amended and restated August 9, 2007)					**X**
10.14*	1998 Stock Incentive Plan forms of Notice of Grant of Stock Option	S-8	333-60763	99.2	08/06/1998	
10.15*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for the following executive officers: David A. Dull, Thomas F. Lagatta and Vahid Manian	10-Q	000-23993	10.3	11/09/2004	
10.16*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option, Stock Option Agreement and Addendum to Stock Option Agreement for Scott A. McGregor	10-K	000-23993	10.9	03/01/2005	
10.17*	1998 Stock Incentive Plan form of Addendum to Stock Option Agreement for Eric K. Brandt					**X**
10.18*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for Non-Employee Directors (Annual Award)	10-Q	000-23993	10.1	05/02/2006	

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.19*	1998 Stock Incentive Plan form of Notice of Grant of Stock Option for Non-Employee Directors (Pro-rated Award)	10-Q	000-23993	10.2	05/02/2006	
10.20*	1998 Stock Incentive Plan form of Stock Option Agreement					X
10.21*	1998 Stock Incentive Plan form of Automatic Stock Option Agreement for Non-Employee Directors	10-Q	000-23993	10.2	11/09/2004	
10.22*	1998 Stock Incentive Plan form of Executive Retention Program Addendum to Stock Option Agreement for the following executive officers: David A. Dull, Thomas F. Lagatta, and Vahid Manian	10-Q	000-23993	10.5	11/09/2004	
10.23*	1998 Stock Incentive Plan form of Special Stock Retention Addendum to Stock Option Agreement for the registrant’s Chief Executive Officer, Chief Financial Officer, Chief Technical Officer and members of the registrant’s Board of Directors	10-Q	000-23993	10.3	05/02/2006	
10.24*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement					X
10.25*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Annual Award)	10-Q	000-23993	10.4	05/02/2006	
10.26*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement for Non-Employee Directors (Pro-rated Awards)	10-Q	000-23993	10.5	05/02/2006	
10.27*	1998 Stock Incentive Plan form of Executive Retention Program Addendum to Restricted Stock Unit Award Agreement for the following executive officers: David A. Dull, Thomas F. Lagatta, and Vahid Manian	10-Q	000-23993	10.10	11/09/2004	
10.28*	1998 Stock Incentive Plan form of Restricted Stock Unit Award Agreement and Addendum to Restricted Stock Unit Award Agreement for Scott A. McGregor	10-K	000-23993	10.16	03/01/2005	
10.29*	1998 Stock Incentive Plan form of Addendum to Restricted Stock Unit Award Agreement for Eric K. Brandt					X
10.30*	1998 Employee Stock Purchase Plan (as amended and restated March 9, 2007)	S-8	333-142526	99.2	05/01/2007	
10.31*	2007 International Employee Stock Purchase Plan (as amended through January 19, 2007)	S-8	000-142526	99.3	05/01/2007	
10.32	1999 Special Stock Option Plan (as amended and restated July 18, 2003)	10-Q	000-23993	10.2	08/11/2003	
10.33	1999 Special Stock Option Plan form of Stock Option Agreement	10-Q	000-23993	10.2.1	08/11/2003	
10.34	1999 Special Stock Option Plan form of Notice of Grant of Stock Option	S-8	333-93457	99.2	12/22/1999	
10.35*	Form of Indemnification Agreement for Directors of the registrant	S-1/A	333-45619	10.1	02/27/1998	
10.36*	Form of Indemnification Agreement for Officers of the registrant	S-1/A	333-45619	10.2	02/27/1998	

Exhibit Number	Description	Where Located Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.37†	Patent License Agreement dated July 19, 2007 by and between the registrant, Cellco Partnership d/b/a Verizon Wireless and Verizon Communications Inc.	10-Q	000-23993	10.3	10/24/2007	
10.38	Lease Agreement dated February 1, 2000 between Conejo Valley Development Corporation and the registrant	10-K	000-23993	10.17	03/19/2002	
10.39	Lease Agreement dated May 18, 2000 between M-D Downtown Sunnyvale, LLC and the registrant	10-K	000-23993	10.21	03/31/2003	
10.40	Lease Agreement dated November 20, 2000, together with Second Amendment dated March 30, 2001 and Third Amendment dated July 9, 2007, between Sobrato Interests and the registrant. Lease dated July 9, 2007 between Sobrato Interests and the registrant	10-Q	000-23993	10.1	10/24/2007	
10.41†	Lease Agreement dated December 17, 2004 between Irvine Commercial Property Company and the registrant	10-K	000-23993	10.38	03/01/2005	
10.42	First Amendment, Second Amendment, and Third Amendment dated June 7, 2005, April 9, 2007 and April 9, 2007, respectively, to Lease dated December 17, 2004 between Irvine Commercial Property Company LLC and the registrant	10-Q	000-23993	10.2	10/24/2007	
10.43	Fourth Amendment dated November 19, 2007 to Lease dated December 17, 2004 between Irvine Commercial Property Company LLC and the registrant					**X**
10.44	Lease Agreement dated October 31, 2007 between Irvine Commercial Property Company LLC and the registrant					**X**
10.45	Stipulation of Settlement (shareholder derivative actions) dated October 26, 2004	10-K	000-23993	10.39	03/01/2005	
21.1	Subsidiaries of the Company					**X**
23.1	Consent of Independent Registered Public Accounting Firm					**X**
31.1	Certification of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					**X**
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**

* 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.

Exhibit 10.13

BROADCOM CORPORATION

1998 STOCK INCENTIVE PLAN
(as Amended and Restated August 9, 2007)

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This amended and restated 1998 Stock Incentive Plan is intended to promote the interests of Broadcom Corporation, a California corporation, by providing eligible persons in the Corporation’s service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such service.

Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the attached Appendix.

All share numbers in this restatement have been adjusted to reflect all splits and dividends of the Corporation’s Common Stock subsequent to April 16, 1998, including the three-for-two stock split that was effected on February 21, 2006 through the payment of a dividend of one additional share of Class A common stock for every two shares of Class A common stock outstanding, and one additional share of Class B common stock for every two shares of Class B common stock outstanding, as of the record date of February 6, 2006.

II. STRUCTURE OF THE PLAN

A. The Plan as hereby amended and restated is divided into three equity incentive programs:

- the Discretionary Grant Program, under which eligible persons may, at the discretion of the Plan Administrator, be granted options to purchase shares of Common Stock or stock appreciation rights tied to the value of such Common Stock,
- the Stock Issuance Program, under which eligible persons may be issued shares of Common Stock pursuant to restricted stock or restricted stock unit awards or other stock-based awards, made by and at the discretion of the Plan Administrator, that vest upon the completion of a designated service period and/or the attainment of pre-established performance milestones, or under which shares of Common Stock may be issued through direct purchase or as a bonus for services rendered the Corporation (or any Parent or Subsidiary), and
- the Director Automatic Grant Program, under which Eligible Directors shall automatically receive option grants and restricted stock units at designated intervals over their period of Board service.

B. The provisions of Articles One and Five shall apply to all equity programs under the Plan and shall govern the interests of all persons under the Plan.

III. ADMINISTRATION OF THE PLAN

A. The Primary Committee shall have sole and exclusive authority to administer the Discretionary Grant and Stock Issuance Programs with respect to Section 16 Insiders. Administration of the Discretionary Grant and Stock Issuance Programs with respect to all other persons eligible to participate in those programs may, at the Board's discretion, be vested in the Primary Committee or a Secondary Committee, or the Board may retain the power to administer those programs with respect to all such persons. However, any discretionary Awards to members of the Primary Committee must be authorized and approved by a disinterested majority of the Board.

B. Members of the Primary Committee or any Secondary Committee shall serve for such period as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Committee and reassume all powers and authority previously delegated to such committee.

C. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Grant and Stock Issuance Programs and to make such determinations under, and issue such interpretations of, the provisions of those programs and any outstanding Awards thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Grant and Stock Issuance Programs under its jurisdiction or any Award thereunder.

D. Service on the Primary Committee or the Secondary Committee shall constitute service as a Board member, and members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Primary Committee or the Secondary Committee shall be liable for any act or omission made in good faith with respect to the Plan or any Award under the Plan.

E. Administration of the Director Automatic Grant Program shall be self-executing in accordance with the terms of that program, and no Plan Administrator shall exercise any discretionary functions with respect to any Award under that program.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Grant and Stock Issuance Programs are as follows:

(i) Employees,

(ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and

(iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. Each Plan Administrator shall, within the scope of its administrative jurisdiction under the Plan, have full authority to determine (i) with respect to Awards made under the Discretionary Grant Program, which eligible persons are to receive such Awards, the time or times when those Awards are to be made, the number of shares to be covered by each such Award, the status of any awarded option as either an Incentive Option or a Non-Statutory Option, the exercise price per share in effect for each Award (subject to the limitations set forth in Article Two), the time or times when each Award is to vest and become exercisable and the maximum term for which the Award is to remain outstanding, and (ii) with respect to Awards under the Stock Issuance Program, which eligible persons are to receive such Awards, the time or times when the Awards are to be made, the number of shares subject to each such Award, the vesting schedule (if any) applicable to the shares subject to such Award, and the cash consideration (if any) payable for such shares.

C. The Plan Administrator shall have the absolute discretion to grant options or stock appreciation rights in accordance with the Discretionary Grant Program and to effect stock issuances or other stock-based awards in accordance with the Stock Issuance Program.

D. Eligible Directors for purposes of the Director Automatic Grant Program shall be limited to members of the Board who are not, at the time of such determination, employees of the Corporation (or any Parent or Subsidiary). However, a Board member who has previously been in the employ of the Corporation (or any Parent or Subsidiary) shall not be eligible to receive an Award under the Director Automatic Grant Program at the time he or she first becomes a non-employee Board member, but shall be eligible to receive periodic Awards under the Director Automatic Grant Program while he or she continues to serve as an Eligible Director.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. Subject to the automatic share increase provisions of Section V.B. of this Article One and any additional shares authorized by the vote of the Board and approved by the shareholders, as of March 9, 2007 the number of shares of Common Stock reserved for issuance over the term of the Plan shall not exceed 418,854,627 shares.[1] To the extent any unvested shares of Common Stock outstanding under the Predecessor Plans as of the Original Effective Date are subsequently repurchased by the Corporation, at the option exercise price paid per share, in connection with the holder's termination of Service prior to vesting in those shares, the repurchased shares shall be added to the reserve of Common Stock available for issuance under the Plan, but in no event shall such addition exceed 27,000,000 shares.

B. The number of shares of Common Stock available for issuance under the Plan shall automatically increase on the first trading day of January each calendar year during the term of the Plan by an amount equal to four and one-half percent (4.5%) of the total number of shares of Class A and Class B Common Stock outstanding on the last trading day in December of the immediately preceding calendar year, but in no event shall any such annual increase exceed 45,000,000 shares.

C. No one person participating in the Plan may be granted Awards for more than 9,000,000 shares of Common Stock in the aggregate per calendar year.

D. Shares of Common Stock subject to outstanding Awards under the Plan (including options incorporated into this Plan from the Predecessor Plans) shall be available for subsequent issuance under the Plan to the extent (i) those Awards expire or terminate for any reason prior to the issuance of the shares of Common Stock subject to those Awards or (ii) the Awards are cancelled in accordance with the cancellation-regrant provisions of Article Two. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation at the original exercise or issue price paid per share pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for subsequent reissuance under the Plan. All shares that become available for reissuance under the Plan, including the shares of Class B Common Stock subject to the outstanding options incorporated into this Plan from the

1. The Common Stock issuable under the Plan shall be Class A Common Stock, except to the extent such stock is to be issued upon the exercise of outstanding options incorporated from the Predecessor Plans. For those options, the issuable stock shall be Class B Common Stock.

Predecessor Plans that expire or terminate unexercised and any unvested shares of Class B Common Stock repurchased by the Corporation pursuant to its repurchase rights, shall be issuable solely as Class A Common Stock. In addition, should the exercise price of an option under the Plan be paid with shares of Common Stock, the authorized reserve of Common Stock under the Plan shall be reduced only by the net number of shares issued under the exercised stock option. Should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the issuance, exercise or vesting of an Award under the Plan, the number of shares of Common Stock available for issuance under the Plan shall be reduced only by the net number of shares issued with respect to that Award.

E. If any change is 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, appropriate adjustments shall be made by the Plan Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities for which any one person may be granted Awards under the Plan per calendar year, (iii) the number and/or class of securities for which stock option grants and restricted stock unit awards are subsequently to be made under the Director Automatic Grant Program to new and continuing Eligible Directors, (iv) the number and/or class of securities and the exercise or base price per share (or any other cash consideration payable per share) in effect under each outstanding Award under the Discretionary Grant Program and the Director Automatic Grant Program, (v) the number and/or class of securities and exercise price per share in effect under each outstanding option incorporated into this Plan from the Predecessor Plans, (vi) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share thereunder, (vii) the maximum number and/or class of securities by which the share reserve may increase automatically each calendar year pursuant to the provisions of Section V.B of this Article One and (viii) the maximum number and/or class of securities that may be added to the Plan through the repurchase of unvested shares issued under the Predecessor Plans. Similar adjustments shall be made to the number of shares of Class B Common Stock issuable under the Plan and the number of shares subject to outstanding stock options for Class B shares and exercise price per share in effect under those options in the event of any similar changes to the outstanding shares of Class B Common Stock. To the extent such adjustments are to be made to outstanding Awards, those adjustments shall be effected in a manner that shall preclude the enlargement or dilution of rights and benefits under those Awards. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO

DISCRETIONARY GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; *provided*, *however*, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. **Exercise Price.**

1. The exercise price per share shall be fixed by the Plan Administrator but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation,

(ii) shares of Common Stock valued at Fair Market Value on the Exercise Date and held for the period (if any) necessary to avoid any additional charges to the Corporation's earnings for financial reporting purposes, or

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a brokerage firm (designated by the Corporation)[2] 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 (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options.** Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. **Effect of Termination of Service**.

1. The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option or as otherwise specifically

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2. With respect to Section 16 Insiders, the brokerage firm need only be reasonably satisfactory to the Corporation for purposes of administering such procedure.

authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Optionee, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option held by the Optionee at the time of death and exercisable in whole or in part at that time may be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options under this Article Two, all those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which that option is at the time exercisable. No additional shares shall vest under the option following the Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Optionee. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any shares for which the option has not been exercised.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term, and/or

(ii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. **Shareholder Rights.** The holder of an option shall have no shareholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price for and become a holder of record of the purchased shares.

E. **Repurchase Rights.** The Plan Administrator shall have the discretion to grant options that are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while holding such unvested shares, the Corporation shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. **Transferability of Options.** The transferability of options granted under the Plan shall be governed by the following provisions:

(i) *Incentive Options.* During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death.

(ii) *Non-Statutory Options*. Non-Statutory Options shall be subject to the same limitation on transfer as Incentive Options, except that the Plan Administrator may structure one or more Non-Statutory Options so that the option may be assigned in whole or in part during the Optionee's lifetime to one or more Family Members of the Optionee or to a trust established exclusively for the Optionee and/or one or more such Family Members, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

(iii) *Beneficiary Designations*. Notwithstanding the foregoing, the Optionee may designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two (whether Incentive Options or Non-Statutory Options), and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

II. INCENTIVE OPTIONS

The terms specified below, together with any additions, deletions or changes thereto imposed from time to time pursuant to the provisions of the Code governing Incentive Options, shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of Articles One, Two and Five shall be applicable to Incentive Options. Options that are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

A. **Eligibility.** Incentive Options may only be granted to Employees.

B. **Exercise Price.** The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

C. **Dollar Limitation.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars ($100,000). To the extent the Employee holds two (2) or more such options that become exercisable for the first time in the same calendar year, then for purposes of the foregoing limitation on the exercisability of those options as Incentive Options, such 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.

D. **10% Shareholder.** If any Employee to whom an Incentive Option is granted is a 10% Shareholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. STOCK APPRECIATION RIGHTS

A. **Authority.** The Plan Administrator shall have full power and authority, exercisable in its sole discretion, to grant stock appreciation rights in accordance with this Section III to selected Optionees or other individuals eligible to receive option grants under the Discretionary Grant Program.

B. **Types.** Two types of stock appreciation rights shall be authorized for issuance under this Section III: (i) tandem stock appreciation rights ("Tandem Rights"), and (ii) standalone stock appreciation rights ("Standalone Rights").

C. **Tandem Rights.** The following terms and conditions shall govern the grant and exercise of Tandem Rights.

1. One or more Optionees may be granted a Tandem Right, exercisable upon such terms and conditions as the Plan Administrator may establish, to elect between the exercise of the underlying stock option for shares of Common Stock or the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (i) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (ii) the aggregate exercise price payable for such vested shares.

2. No such option surrender shall be effective unless it is approved by the Plan Administrator, either at the time of the actual option surrender or at any earlier time. If the surrender is so approved, then the distribution to which the Optionee shall accordingly become entitled under this Section III may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

3. If the surrender of an option is not approved by the Plan Administrator, then the Optionee shall retain whatever rights the Optionee had under the surrendered option (or surrendered portion thereof) on the option surrender date and may exercise such rights at any time prior to the *later* of (i) five (5) business days after the receipt of the rejection notice or (ii) the last day on which the option is otherwise exercisable in accordance with the terms of the instrument evidencing such option, but in no event may such rights be exercised more than ten (10) years after the date of the option grant.

D. **Standalone Rights.** The following terms and conditions shall govern the grant and exercise of Standalone Rights under this Article Two:

1. One or more individuals eligible to participate in the Discretionary Grant Program may be granted a Standalone Right not tied to any underlying option under this Discretionary Grant Program. The Standalone Right shall relate to a specified number of shares of Common Stock and shall be exercisable upon such terms and conditions as the Plan Administrator may establish. In no event, however, may the Standalone Right have a maximum term in excess of ten (10) years measured from the grant date. Upon exercise of the Standalone Right, the holder shall be entitled to receive a distribution from the Corporation in an amount equal to the excess of (i) the aggregate Fair Market Value (on the exercise date) of the shares of Common Stock underlying the exercised right over (ii) the aggregate base price in effect for those shares.

2. The number of shares of Common Stock underlying each Standalone Right and the base price in effect for those shares shall be determined by the Plan Administrator in its sole discretion at the time

the Standalone Right is granted. In no event, however, may the base price per share be less than the Fair Market Value per underlying share of Common Stock on the grant date.

3. Standalone Rights shall be subject to the same transferability restrictions applicable to Non-Statutory Options and may not be transferred during the holder's lifetime, except to one or more Family Members of the holder or to a trust established exclusively for the holder and/or such Family Members, to the extent such assignment is in connection with the holder's estate plan or pursuant to a domestic relations order covering the Standalone Right as marital property. In addition, one or more beneficiaries may be designated for an outstanding Standalone Right in accordance with substantially the same terms and provisions as set forth in Section I.F of this Article Two.

4. The distribution with respect to an exercised Standalone Right may be made in shares of Common Stock valued at Fair Market Value on the exercise date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

5. The holder of a Standalone Right shall have no shareholder rights with respect to the shares subject to the Standalone Right unless and until such person shall have exercised the Standalone Right and become a holder of record of shares of Common Stock issued upon the exercise of such Standalone Right.

E. **Post-Service Exercise.** The provisions governing the exercise of Tandem and Standalone Appreciation Rights following the cessation of the recipient's Service or the recipient's death shall be substantially the same as those set forth in Section I.C of this Article Two for the options granted under the Discretionary Grant Program.

F. **Net Counting.** Upon the exercise of any Tandem or Standalone Right under this Section III, the share reserve under Section V of Article One shall only be reduced by the net number of shares actually issued by the Corporation upon such exercise, and not by the gross number of shares as to which such Tandem or Standalone Right is exercised.

IV. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. No Award outstanding under the Discretionary Grant Program at the time of a Change in Control shall vest and become exercisable on an accelerated basis if and to the extent that: (i) such Award is, in connection with the Change in Control, 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, (ii) such Award is replaced with a cash retention program of the successor corporation that preserves the spread existing at the time of the Change in Control on the shares of Common Stock as to which the Award is not otherwise at that time vested and exercisable and provides for subsequent payout of that spread in accordance with the same exercise/vesting schedule applicable to those shares, or (iii) the acceleration of such Award is subject to other limitations imposed by the Plan Administrator. However, if none of the foregoing conditions are satisfied, each Award outstanding under the Discretionary Grant Program at the time of the Change in Control but not otherwise vested and exercisable as to all the shares at the time subject to that Award shall automatically accelerate so that each such Award shall, immediately prior to the effective date of the Change in Control, vest and become exercisable as to all the shares of Common Stock at the time subject to that Award and may be exercised as to any or all of those shares as fully vested shares of Common Stock.

B. All outstanding repurchase rights under the Discretionary Grant Program shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent: (i) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator.

C. Immediately following the consummation of the Change in Control, all outstanding Awards under the Discretionary Grant Program shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

D. Each option that is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities that would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. In the event outstanding Standalone Rights are to be assumed in connection with a Change in Control transaction or otherwise continued in effect, the shares of Common Stock underlying each such Standalone Right shall be adjusted immediately after such Change in Control to apply to the number and class of securities into which those shares of Common Stock would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, *provided* the aggregate exercise price payable for such securities shall remain the same, (ii) the base price per share in effect under each outstanding Standalone Right, *provided* the aggregate base price shall remain the same, (iii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan, (iv) the maximum number and/or class of securities for which any one person may be granted Awards under the Plan per calendar year, (v) the maximum number and/or class of securities by which the share reserve is to increase automatically each calendar year pursuant to the automatic share increase provisions of the Plan, (vi) the number and/or class of securities for which stock option grants and restricted stock unit awards are subsequently to be made under the Director Automatic Grant Program to new and continuing Eligible Directors and (vii) the maximum number and class of securities that may be added to the Plan through the repurchase of unvested shares issued under the Predecessor Plans. 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, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards under the Discretionary Grant Program, substitute, for the securities underlying those assumed Awards, 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.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall, immediately prior to the effective date of a Change in Control or a Hostile Take-Over, vest and become exercisable as to all the shares at the time subject to those Awards and may be exercised as to any or all of those shares as fully vested shares of Common Stock, whether or not those Awards are to be assumed or otherwise continued in full force and effect pursuant to the express terms of such transaction. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation’s repurchase rights under the Discretionary Grant Program so that those rights shall immediately terminate at the time of such Change in Control or consummation of such Hostile Take-Over and shall not be assignable to successor corporation (or parent thereof), and the shares subject to those terminated rights shall accordingly vest in full at the time of such Change in Control or consummation of such Hostile Take-Over.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall immediately vest and become exercisable as to all of the shares at the time subject to those Awards in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control or a Hostile Take-Over in which those Awards do not otherwise vest on an accelerated basis. Any Awards so accelerated shall remain exercisable as to fully vested shares until the expiration or sooner termination of their term. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of his or her Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar ($100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

H. Awards outstanding under the Discretionary Grant Program shall in no 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.

ARTICLE THREE

<u>STOCK ISSUANCE PROGRAM</u>

I. STOCK ISSUANCE TERMS

A. **<u>Issuances.</u>** Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement that complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards or restricted stock units, awarded by and at the discretion of the Plan Administrator, that entitle the recipients to receive the shares underlying those awards or units upon the attainment of designated performance goals and/or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those awards or units.

B. **<u>Issue Price</u>.**

1. The price per share at which shares of Common Stock may be issued under the Stock Issuance Program shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the issuance date.

2. Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration that the Plan Administrator may deem appropriate in each individual instance:

(i) cash or check made payable to the Corporation;

(ii) past services rendered to the Corporation (or any Parent or Subsidiary); or

(iii) any other valid form of consideration permissible under the California Corporations Code at the time such shares are issued.

C. **<u>Vesting Provisions</u>.**

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant’s period of Service and/or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards or restricted stock units that entitle the recipients to receive the shares underlying those awards and/or units upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those awards or units, including (without limitation) a deferred distribution date following the termination of the Participant’s Service.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall vest (or vest and become issuable) upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (i) return on total shareholder equity; (ii) net income per share of Common Stock; (iii) net income or operating income; (iv) earnings before interest, taxes, depreciation, amortization and stock-based

compensation costs, or operating income before depreciation and amortization; (v) sales or revenue targets; (vi) return on assets, capital or investment; (vii) cash flow; (viii) market share; (ix) cost reduction goals; (x) budget comparisons; (xi) implementation or completion of projects or processes strategic or critical to the Corporation's business operations; (xii) measures of customer satisfaction; (xiii) any combination of, or a specified increase in, any of the foregoing; and (xiv) the formation of joint ventures, research and development collaborations, marketing or customer service collaborations, or the completion of other corporate transactions intended to enhance the Corporation's revenue or profitability or expand its customer base; *provided, however*, that for purposes of items (ii), (iii) and (vii) above, the Plan Administrator may, at the time the Awards are made, specify certain adjustments to such items as reported in accordance with generally accepted accounting principles in the U.S. ("GAAP"), which will exclude from the calculation of those performance goals one or more of the following: certain charges related to acquisitions, stock-based compensation, employer payroll tax expense on certain stock option exercises, settlement costs, restructuring costs, gains or losses on strategic investments, non-operating gains or losses, certain other non-cash charges, valuation allowance on deferred tax assets, and the related income tax effects, purchases of property and equipment, and any extraordinary non- recurring items as described in Accounting Principles Board Opinion No. 30, provided that such adjustments are in conformity with those reported by the Corporation on a non-GAAP basis. In addition, such performance goals may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Corporation's business groups or divisions thereof or any Parent or Subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned, and a maximum level of performance at which an award will be fully earned. The Plan Administrator may provide that, if the actual level of attainment for any performance objective is between two specified levels, the amount of the award attributable to that performance objective shall be interpolated on a straight-line basis.

3. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) that the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, 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 a substantial reduction in the value of outstanding shares of Common Stock as a result of a spin-off transaction or an extraordinary dividend or distribution, shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

4. The Participant shall have full shareholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares. The Participant shall not have any shareholder rights with respect to the shares of Common Stock subject to a restricted stock unit or share right award until that award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding restricted stock unit or share right awards, subject to such terms and conditions as the Plan Administrator may deem appropriate.

5. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further

shareholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash, cash equivalent or otherwise, the Corporation shall repay to the Participant the same amount and form of consideration as the Participant paid for the surrendered shares.

6. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock that would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Any such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to shares that were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's Involuntary Termination or as otherwise provided in Section II.E of this Article Three.

7. Outstanding share right awards or restricted stock units under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards or units, if the performance goals or Service requirements established for such awards or units are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue vested shares of Common Stock under one or more outstanding share right awards or restricted stock units as to which the designated performance goals or Service requirements have not been attained or satisfied. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to awards or units which were at the time of grant intended to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's Involuntary Termination or as otherwise provided in Section II.E of this Article Three.

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the express terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. Each outstanding Award under the Stock Issuance Program that is assumed in connection with a Change in Control or otherwise continued in effect shall be adjusted immediately after the consummation of that Change in Control to apply to the number and class of securities into which the shares of Common Stock subject to the Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the cash consideration (if any) payable per share thereunder, *provided* the aggregate amount of such consideration shall remain the same. If any such Award is not so assumed or otherwise continued in effect or replaced with a cash retention program that preserves the Fair Market Value of the shares underlying the Award at the time of the Change in Control and provides for the subsequent payout of that value in accordance with the vesting schedule in effect for the Award at the time of such Change in Control, such Award shall vest, and the shares of Common Stock subject to that Award shall be issued as fully-vested shares, immediately prior to the consummation of the Change in Control.

C. The Plan Administrator shall have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest (or vest and become issuable) in whole or in part immediately upon the occurrence of a Change in Control or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of that Change in Control transaction.

D. The Plan Administrator shall also have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest (or vest and become issuable) in whole or in part immediately upon the occurrence of a Hostile Take-Over or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of that Hostile Take-Over.

E. The Plan Administrator's authority under Paragraphs C and D of this Section II shall also extend to any Award intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those Awards pursuant to Paragraph C or D of this Section II may result in their loss of performance-based status under Code Section 162(m).

ARTICLE FOUR

DIRECTOR AUTOMATIC GRANT PROGRAM

I. TERMS

A. **Grant Dates.** Grants under this amended and restated Article Four shall be made on the dates specified below:

1. On the date of each annual meeting of shareholders, beginning with the 2006 Annual Meeting of Shareholders, each individual who is to continue to serve as an Eligible Director, whether or not that individual is standing for re-election to the Board at that particular annual meeting of shareholders, shall automatically be granted a Non-Statutory Option to purchase 10,000 shares of Common Stock and restricted stock units covering 5,000 shares of Common Stock. There shall be no limit on the number of such annual option grants and restricted stock unit awards any one Eligible Director may receive over his or her period of Board service, and Eligible Directors who have previously been in the employ of the Corporation (or any Parent or Subsidiary) shall be eligible to receive one or more such annual option grants and restricted stock unit awards over their period of Board service.

2. Each individual who is first elected or appointed as an Eligible Director at any time on or after February 24, 2006, other than at an annual meeting of shareholders, shall, on the date he or she commences Service as an Eligible Director, automatically be granted the following Awards, provided such individual has not previously been in the employ of the Corporation (or any Parent or Subsidiary):

(i) a Non-Statutory Option to purchase that number of shares of Common Stock determined by multiplying the normal 10,000-share automatic annual option grant by a fraction the numerator of which is the number of months (including any partial month, expressed as a fraction) that will elapse between the date he or she commenced Service as an Eligible Director and the first May 5th next succeeding such Service commencement date and the denominator of which is 12 months; and

(ii) a restricted stock unit award covering the number of shares of Common Stock determined by multiplying the normal 5,000-share automatic annual restricted stock unit award by a fraction the numerator of which is the number of months (including any partial month, expressed as a fraction) that will elapse between the date he or she commenced Service as an Eligible Director and the first May 5th next succeeding such Service commencement date and the denominator of which is 12 months.

B. **Exercise Price.**

1. The exercise price per share for each option granted under this Article Four shall be equal to one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall be payable in one or more of the alternative forms authorized under the Discretionary Grant Program. Except to the extent the sale and remittance procedure specified thereunder is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

C. **Option Term.** Each option granted under this Article Four shall have a term of ten (10) years measured from the option grant date.

D. **Exercise and Vesting of Options.** Each option granted under this Article Four shall be immediately exercisable for any or all of the option shares. However, any unvested shares purchased under the option shall be subject to repurchase by the Corporation, at the exercise price paid per share, upon the Optionee's cessation of Board service prior to vesting in those shares. The shares subject to each grant shall vest, and the Corporation's repurchase right shall lapse, in a series of one or more successive equal quarterly installments over the period measured from the date of the option grant. The quarterly vesting dates shall be the 5th day of February, May, August and November each year, with the first such quarterly vesting date to be at least thirty (30) days after the date of the option grant and the final vesting date to be the *earlier* of (i) the last quarterly vesting date determined for such option in accordance with the foregoing specified dates or (ii) the day immediately preceding the date of the first annual meeting of shareholders following the grant date of such option. The Optionee shall not vest in any additional shares subject to such option following his or her cessation of service as a Board member; *provided*, *however*, that should such cessation of Board service occur by reason of the Optionee's death or Permanent Disability, all the shares purchased or purchasable under that option shall immediately vest.

E. **Vesting of Restricted Stock Units and Issuance of Shares.** Each restricted stock unit award shall vest in a series of one or more successive equal quarterly installments over the period measured from the date of such award. The quarterly vesting dates shall be the 5th day of February, May, August and November each year, with the first such quarterly vesting date to be at least thirty (30) days after the date of the award and the final vesting date to be the *earlier* of (i) the last quarterly vesting date determined for such award in accordance with the foregoing specified dates or (ii) the day immediately preceding the date of the first annual meeting of shareholders following the date of such award. The Board member shall not vest in any additional restricted stock units following his or her cessation of service as a Board member; *provided*, *however*, that each restricted stock unit award held by an Eligible Director under the Director Automatic Grant Program will immediately vest in full upon his or her cessation of Board service by reason of death or Permanent Disability. As the restricted stock units under the Director Automatic Grant Program vest in one or more installments, the shares of Common Stock underlying those vested units shall be promptly issued.

F. **Limited Transferability of Options.** Each option granted under the Director Automatic Grant Program may be assigned in whole or in part during the Optionee's lifetime to one or more Family Members of the Optionee or to a trust established exclusively for Optionee and/or for one or more such Family Members, to the extent such assignment is in connection with the Optionee's estate plan or pursuant to a domestic relations order. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate. The Optionee may also designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Four, and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

G. **Termination of Board Service.** The following provisions shall govern the exercise of any outstanding options under the Director Automatic Grant Program held by the Optionee at the time the Optionee ceases to serve as a Board member:

(i) The Optionee (or, in the event of Optionee's death, the personal representative of the Optionee's estate or the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or the designated beneficiary or beneficiaries of such option) shall have a twelve (12)-month period following the date of such cessation of Board service in which to exercise each such option.

(ii) During the twelve (12)-month exercise period, the option may not be exercised for more than the number of vested shares of Common Stock for which the option is exercisable at the time of the Optionee's cessation of Board service.

(iii) Should the Optionee cease to serve as a Board member by reason of death or Permanent Disability, all shares at the time subject to the option shall immediately vest so that such option may, during the twelve (12)-month exercise period following such cessation of Board service, be exercised for all or any portion of those shares as fully-vested shares of Common Stock.

(iv) In no event shall the option remain exercisable after the expiration of its term. Upon the expiration of the twelve (12)-month exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. However, the option shall, immediately upon the Optionee's cessation of Board service for any reason other than death or Permanent Disability, terminate and cease to be outstanding to the extent the option is not otherwise at that time exercisable for vested shares.

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Change in Control while the Eligible Director remains a Board member, the following provisions shall apply:

(i) The shares of Common Stock at the time subject to each outstanding option held by such Eligible Director under the Director Automatic Grant Program but not otherwise vested shall automatically vest in full so that each such option shall, immediately prior to the effective date of the Change in Control, become exercisable for all the option shares as fully-vested shares of Common Stock and may be exercised for any or all of those vested shares. Immediately following the consummation of the Change in Control, each automatic option grant shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the express terms of the Change in Control transaction.

(ii) The shares of Common Stock that are at the time of such Change in Control subject to any outstanding restricted stock units awarded to such Director under the Director Automatic Grant Program shall, immediately prior to the effective date of the Change in Control, vest in full and be issued to such individual as soon as administratively practicable thereafter, but in no event later than fifteen (15) business days.

B. In the event of a Hostile Take-Over while the Eligible Director remains a Board member, the following provisions shall apply:

(i) The shares of Common Stock at the time subject to each option outstanding option held by such Eligible Director under the Director Automatic Grant Program but not otherwise vested shall automatically vest in full so that each such option shall, immediately prior to the effective date of the Hostile Take-Over, become exercisable for all the option shares as fully-vested shares of Common Stock and may be exercised for any or all of those vested shares. Each such option shall remain exercisable for such fully-vested option shares until the expiration or sooner termination of the option term or the surrender of the option in connection with that Hostile Take-Over.

(ii) The shares of Common Stock that are at the time of such Hostile Take-Over subject to any outstanding restricted stock units awarded to such Eligible Director under the Director Automatic Grant Program shall, immediately prior to the effective date of the Hostile Take-Over, vest in full and be issued to such individual as soon as administratively practicable thereafter, but in no event later than fifteen (15) business days.

C. All outstanding repurchase rights under the Director Automatic Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control or Hostile Take-Over.

D. Each option that is assumed in connection with a Change in Control or otherwise continued in full force and effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities that would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. Appropriate adjustments shall also be made to the exercise price payable per share under each outstanding option, *provided* the aggregate exercise price payable for such securities 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 of the outstanding options under the Director Automatic Grant Program, 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.

F. The existence of outstanding Awards under the Director Automatic Grant Program shall in no 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.

III. REMAINING TERMS

The remaining terms of each option granted under the Director Automatic Grant Program shall be the same as the terms in effect for option grants made under the Discretionary Grant Program.

ARTICLE FIVE

MISCELLANEOUS

I. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the issuance, exercise or vesting of Awards under the Plan shall be subject to the satisfaction of all applicable federal, state and local income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide any or all Optionees or Participants to whom Awards are made under the Plan (other than the Awards made under the Director Automatic Grant Program) with the right to utilize either or both of the following methods to satisfy all or part of the Withholding Taxes to which those holders may become subject in connection with the issuance, exercise or vesting of those Awards.

Stock Withholding: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the issuance, exercise or vesting of those Awards a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the Optionee or Participant and make a cash payment equal to such Fair Market Value directly to the appropriate taxing authorities on such individual's behalf. The shares of Common Stock so withheld shall ***not*** reduce the number of shares of Common Stock authorized for issuance under the Plan.

Stock Delivery: The election to deliver to the Corporation, at the time the Award is issued, exercised or vests, one or more shares of Common Stock previously acquired by such the Optionee or Participant (other than in connection with the issuance, exercise or vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by such holder. The shares of Common Stock so delivered shall not be added to the shares of Common Stock authorized for issuance under the Plan.

II. SHARE ESCROW/LEGENDS

Unvested shares issued under the Plan may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

III. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan became effective immediately on the Original Effective Date. Awards may be granted under the Discretionary Grant Program, the Stock Issuance Program and the Director Automatic Grant Program at any time on or after the Original Effective Date.

B. The Plan shall serve as the successor to the Predecessor Plans, and no further option grants or direct stock issuances shall be made under the Predecessor Plans after April 16, 1998. All options outstanding under the Predecessor Plans on April 16, 1998 were incorporated into the Plan at that time and are treated as outstanding options under the Plan. However, each outstanding option so incorporated shall continue to be governed solely by the terms of the documents evidencing such option, and no provision of the Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of such incorporated options with respect to their acquisition of shares of Common Stock.

C. One or more provisions of the Plan, including (without limitation) the option/vesting acceleration provisions of Article Two relating to Changes in Control and Hostile Take-Overs, may, in the Plan Administrator's discretion, be extended to one or more options incorporated from the Predecessor Plans that do not otherwise contain such provisions.

D. The Plan was amended and restated by the Board on March 9, 2007 (the "2007 Restatement"), subject to shareholder approval at the 2007 Annual Meeting of Shareholders, to extend the term of the plan through March 9, 2017 and effect various technical revisions to facilitate plan administration. The revisions to the Plan shall not become effective unless the shareholders approve the 2007 Restatement at the 2007 Annual Meeting of Shareholders. Should shareholder approval not be obtained at the 2007 Annual Meeting of Shareholders, the proposed revision to the term of the Plan will not be implemented. The Plan will, however, continue in effect, and Awards will continue to be made under the Plan until all the shares available for issuance under the Plan have been issued pursuant to Awards made under the Plan.

E. The Plan shall terminate upon the earliest to occur of (i) March 9, 2017, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding Awards in connection with a Change in Control. Should the Plan terminate March 9, 2017, all Awards outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such Awards.

IV. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, shareholder approval will be required for any amendment to the Plan that (i) materially increases the number of shares of Common Stock available for issuance under the Plan, (ii) materially expands the class of individuals eligible to receive option grants or other awards under the Plan, (iii) materially increases the benefits accruing to the Optionees and Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (iv) materially extends the term of the Plan or (v) expands the types of awards available for issuance under the Plan.

B. Awards may be made under the Plan that involve shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided no shares shall actually be issued pursuant to those Awards until the number of shares of Common Stock available for issuance under the Plan is sufficiently increased either by (1) the automatic annual share increase provisions of Section V.B. of Article One or (2) shareholder approval of an amendment of the Plan sufficiently increasing the share reserve. If shareholder approval is required and is not obtained within twelve (12) months after the date of the first such excess Award, then all Awards made on the basis of such excess shares shall terminate and cease to be outstanding.

V. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VI. REGULATORY APPROVALS

A. The implementation of the Plan, the grant of any Award and the issuance of shares of Common Stock in connection with the issuance, exercise or vesting of any Award made under the Plan shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards made under the Plan and the shares of Common Stock issuable pursuant to those Awards.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange on which Common Stock is then listed for trading.

VII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant 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 such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

A. **Award** shall mean any of the following stock or stock-based awards authorized for issuance or grant under the Plan: stock option, stock appreciation right, direct stock issuance, restricted stock or restricted stock unit award or other stock-based award.

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 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 (the "1934 Act")) 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 or pursuant to a private transaction or series of transactions with one or more of the Corporation's shareholders.

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

E. **Common Stock** shall mean the Corporation's Class A Common Stock.

F. **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 that shall by appropriate action adopt the Plan.

G. **Director Automatic Grant Program** shall mean the director automatic grant program in effect under Article Four of the Plan for the Eligible Directors.

H. **Discretionary Grant Program** shall mean the discretionary grant program in effect under Article Two of the Plan pursuant to which stock options and stock appreciation rights may be granted to one or more eligible individuals.

I. **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 Articles One and Four.

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. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

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℠, 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 on the date in question, as such price is reported by the National Association of Securities Dealers. 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 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. **Family Member** means, with respect to a particular Optionee or 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, bother-in-law or sister-in-law.

N. **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 1934 Act) 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 that 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, to be composed 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.

O. **Incentive Option** shall mean an option that satisfies the requirements of Code Section 422.

P. **Involuntary Termination** shall mean the termination of the Service of any individual that occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation that materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

Q. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee or Participant, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person 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 any Optionee, Participant or 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, to constitute grounds for termination for Misconduct.

R. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

S. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

T. **Optionee** shall mean any person to whom an option is granted under the Discretionary Grant or Director Automatic Grant Program.

U. **Original Effective Date** shall mean February 3, 1998.

V. **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.

W. **Participant** shall mean any person who is issued shares of Common Stock or restricted stock units or other stock-based awards under the Stock Issuance Program, and any person who is issued restricted stock units under the Director Automatic Grant Program.

X. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is both (i) expected to result in death or determined to be total and permanent by two (2) physicians selected by the Corporation or its insurers and acceptable to the Optionee or the Participant (or the Optionee's or Participant's legal representative), and (ii) entitles the Optionee or the Participant to the payment of long-term disability benefits from the Corporation's long-term disability plan. The process for determining a 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 the Optionee's or the Participant'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. However, solely for purposes of the Director Automatic Grant Program, Permanent Disability or

Permanently Disabled shall mean the inability of the Eligible Director to perform his or her 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.

Y. **Plan** shall mean the Corporation's 1998 Stock Incentive Plan, as set forth in this document.

Z. **Plan Administrator** shall mean the particular entity, whether the Primary Committee, the Board or a Secondary Committee, which is authorized to administer the Discretionary Grant and Stock Issuance Programs with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under those programs with respect to the persons then subject to its jurisdiction.

AA. **Predecessor Plans** shall collectively mean the Corporation's 1994 Amended and Restated Stock Option Plan and the Special Stock Option Plan, as in effect immediately prior to the Original Effective Date hereunder.

BB. **Primary Committee** shall mean the committee of two (2) or more Eligible Directors appointed by the Board to administer the Discretionary Grant and Stock Issuance Programs with respect to Section 16 Insiders.

CC. **Secondary Committee** shall mean a committee of two or more Board members appointed by the Board to administer the Discretionary Grant and Stock Issuance Programs with respect to one or more classes of eligible persons other than Section 16 Insiders.

DD. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liability provisions of Section 16 of the 1934 Act.

EE. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, an Eligible Director or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the Award made to such person. For purposes of the Plan, an Optionee or Participant shall be deemed to cease Service immediately upon the occurrence of the either of the following events: (i) the Optionee or Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the Optionee or Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee or Participant may subsequently continue to perform services for that entity.

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

GG. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

HH. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Three of the Plan.

II. **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.

JJ. **Take-Over Price** shall mean the ***greater*** of (i) the Fair Market Value per share of Common Stock on the date the option is surrendered to the Corporation in connection with a Hostile Take-Over or, if applicable, (ii) the highest reported price per share of Common Stock paid by the tender offeror in effecting such Hostile Take-Over through the acquisition of such Common Stock. However, if the surrendered option is an Incentive Option, the Take-Over Price shall not exceed the clause (i) price per share.

KK. **10% Shareholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

LL. **Withholding Taxes** shall mean the federal, state and local income and employment taxes to which the Optionee or Participant may become subject in connection with the issuance, exercise or vesting of the Award made to him or her under the Plan.

ADDENDUM
TO
STOCK OPTION AGREEMENT

The following provisions are hereby incorporated into, and are hereby made a part of that certain Stock Option Agreement (the “Option Agreement”) by and between Broadcom Corporation, a California corporation (the “Corporation”), and Eric K. Brandt (“Optionee”) evidencing a stock option granted this day to Optionee (the “Option”) under the terms of the Corporation’s 1998 Stock Incentive Plan, as amended and restated (the “Plan”). The provisions of this Addendum shall be effective immediately.

Optionee has entered into an employment agreement with the Corporation pursuant to that certain letter from the Corporation dated March 11, 2007 (the “Letter Agreement”). The purpose of this Addendum is to supplement the terms of the Option Agreement so that those terms conform to the special benefits to which Optionee will become entitled pursuant to the terms of the Letter Agreement.

All capitalized terms in this Addendum, to the extent not otherwise defined herein, shall have the meanings assigned to them in the Letter Agreement, including Appendix II thereto.

SPECIAL OPTION BENEFITS

1. If an Event should occur during the Term the Retention Program set forth in Appendix II to the Letter Agreement is in effect, and within nine (9) months after that Event, either the Corporation terminates the Optionee’s employment other than for Cause or Disability, or Optionee terminates his employment with the Corporation for Good Reason, then Optionee shall immediately become entitled to the following additional benefits to the extent the Option is at that time outstanding:

(i) Optionee shall, immediately on the Date of Termination, be credited with an additional twenty-four (24) months of employment with the Corporation for purposes of the vesting schedule in effect for the Option so that Optionee shall be immediately vested in the Option to the same extent as if Optionee had completed an additional twenty-four (24) months of employment with the Corporation prior to the Date of Termination, and

(ii) the Option shall remain exercisable, for any or all of the shares in which Optionee is vested on the Date of Termination, until the EARLIER of (A) the expiration of the twenty-four (24)-month period measured from the Date of Termination or (B) the specified expiration date of the Option term.

2. If Optionee’s employment is terminated by reason of death or Disability, then Optionee shall, immediately on the Date of Termination, become fully vested in the Option (to the extent outstanding on such date) and the Option shall remain exercisable until the EARLIER of (A) the expiration of the twelve (12)-month period measured form the Date of Termination or (B) the specified expiration date of the Option term.

3. To the extent any of the benefits provided pursuant to this Addendum shall be deemed to constitute a parachute payment under Section 280G of the Internal Revenue Code, then those benefits shall be subject to the parachute payment limitation provisions of the Letter Agreement.

4. In no event shall Optionee be entitled to any benefits pursuant to this Addendum unless (i) Optionee shall have executed and delivered to the Corporation the separation agreement required under Paragraph 12 of Appendix II to the Letter Agreement and (ii) Optionee is in material compliance with his obligations to the Corporation pursuant to his Confidentiality and Invention Assignment Agreement during and subsequent to Optionee's employment.

5. To the extent the provisions of this Addendum conflict with the provisions of the Option Agreement, the provisions of this Addendum shall be controlling.

6. Except to the extent modified by this Addendum, all the terms and conditions of the Option Agreement shall continue in full force effect.

7. Optionee hereby acknowledges that the Option shall cease to qualify for favorable tax treatment as an incentive stock option under the federal tax laws (if the Option is designated as an Incentive Stock Option in the Notice of Grant of Stock Option relating to such Option) if (and to the extent) the Option is exercised: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Permanent Disability. For purposes of this Paragraph 7, the terms "EMPLOYEE" and "PERMANENT DISABILITY" shall have the meanings assigned to them in the Option Agreement.

IN WITNESS WHEREOF, BROADCOM CORPORATION has caused this Addendum to be executed by its duly-authorized officer, and Optionee has executed this Addendum, all as of the Effective Date specified below.

Broadcom Corporation

By: Scott A. McGregor
Title: President and Chief Executive Officer

Optionee

Eric K. Brandt

EFFECTIVE DATE: __________ ___, 200_

Exhibit 10.20

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 6.

3. **Limited Transferability**. This option shall be neither transferable nor assignable by Optionee other than by will or by the laws of descent and distribution 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 6. 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 any Exercise Price payment or 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 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 that number of unvested Option Shares equal to the Accelerated 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 that number of unvested Option Shares equal to the Accelerated 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 which become Accelerated Shares by reason of the 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. However, this option shall, immediately following Optionee's cessation of Service for any reason, terminate and cease to be outstanding with respect to any Option Shares in which Optionee is not otherwise at that time vested or for which this option is not otherwise at that time exercisable.

(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. **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 incentive 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 subsequent 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.

(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.

7. **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, appropriate 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 to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder. The determination of the Plan Administrator shall be final, binding and conclusive.

8. **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.

9. **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.

(ii) Pay the aggregate Exercise Price 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 held by Optionee (or any other person or persons exercising the option) for the requisite period necessary to avoid a charge to the

Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(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(1) 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 to complete the sale.

Except to the extent the sale and remittance procedure 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) 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.

10. Authorized Leave of Absence/Change of Status.

(a) The following provisions shall apply in the event Optionee is absent from active Service by reason of an approved leave of absence:

(i) Optionee shall not be deemed to have terminated Service while on a leave of absence authorized by the Corporation (or any Parent or Subsidiary). However, Optionee shall not be entitled to any Service vesting credit for the period of that leave, except to the extent expressly provided otherwise by the Corporation's then current written leave of absence policy. In the absence of such Service vesting credit under that policy for all or any portion of the leave, the vesting/exercise schedule set forth in the Grant Notice shall be suspended as of the date the leave commences or (if later) the last day of any period for which Optionee may be entitled to Service vesting credit with respect to that leave. As a result, this option may not vest or otherwise become exercisable as to one or more installments of the

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(1) With respect to Section 16 Insiders, the brokerage firm need only be reasonably satisfactory to the Corporation for purposes of administering such procedure.

Option Shares during the period of such leave. In that event, Optionee shall have the opportunity to vest in those installments through additional Service beyond the normal vesting/exercise schedule for this option. For more information concerning the effect that a leave of absence will have upon the vesting of this option, please consult the Corporation's then current policies on Service/vesting credit during leaves of absence.

(ii) If the leave of absence continues for more than three (3) months or beyond any longer period for which Optionee is provided with reemployment rights under law or by written agreement, then this option if designated as an Incentive Option in the Grant Notice shall automatically convert to a Non-Statutory Option upon the ***later*** of (x) the first date on which the period of such leave exceeds six (6)-months or, if applicable, (y) the end of the three (3)-month period measured from the first date Optionee is no longer provided with such reemployment rights under law or by written agreement. Following any such conversion of this option, all subsequent exercises of this option, whether effected before or after Optionee's return to active Employee status, shall result in an immediate taxable event, and the Corporation shall be required to collect from Optionee the income and employment withholding taxes applicable to such exercise.

(iii) In no event shall this option become exercisable for any additional Option Shares or otherwise remain outstanding if Optionee does not resume Employee status prior to the Expiration Date of the option term.

(b) The exercise/vesting schedule set forth for this option in the Grant Notice may also be affected in the event Optionee changes from full-time to part-time Employee status. For more information concerning the effect that such a change in Employee status will have upon the vesting of this option, please consult the Corporation's then current polices on Service/vesting credit after a change from full-time to part-time employee status.

11. **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.

12. **Successors and Assigns**. Except to the extent otherwise provided in Paragraphs 3 and 6, 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.

13. **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.

14. **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.

15. **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.

16. **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 (PROVIDED, HOWEVER, IF THE CORPORATION IS NOT THE PREVAILING PARTY, THEN 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.

17. **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.

18. **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. **Accelerated Shares** shall mean the number of Option Shares determined by multiplying the number of Option Shares (if any) which are unvested immediately prior to the Optionee's cessation of Service by reason of death or Permanent Disability by a fraction, (i) the numerator of which shall be the number of months (rounded to the nearest whole month) that Optionee has remained in Employee status with the Corporation (or any Parent, Subsidiary or company acquired by the Corporation), up to a maximum of 48 months, and (ii) the denominator of which shall be 48.

B. **Agreement** shall mean this Stock Option Agreement.

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

D. **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.

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 9 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^{SM}, 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 on the date in question, as such price is reported by the National Association of Securities Dealers. 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 the Optionee, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person 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 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 engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is both (i) expected to result in death or determined to be total and permanent by two (2) physicians selected by the Corporation or its insurers and 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 1998 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, except to the extent otherwise specifically provided in the documents evidencing the option grant. For purposes of this Agreement, Optionee shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which 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.

Exhibit 10.24

RESTRICTED STOCK UNIT AWARD AGREEMENT

Dear ___________________:

Broadcom Corporation (the “Corporation”) is pleased to inform you that you have been awarded Restricted Stock Units (the “Units”) under the Corporation’s 1998 Stock Incentive Plan, as amended and restated (the “Plan”). To the extent they become vested, the Units will entitle you to receive shares of the Corporation’s Class A common stock (the “Common Stock”) in a series of installments over your period of continued Service with the Corporation.

The Units are a non-voting bookkeeping device used under the Plan solely to determine any share issuance to eventually be made to you if and when the Units vest. Each Unit represents the right to receive one share of the Corporation’s Common Stock on the vesting date of that Unit. Unlike a typical stock option grant, the shares will be issued to you for your continued Service through each quarterly vesting period, without any cash payment required from you. However, you must arrange with the Corporation for the payment of all applicable withholding taxes (described below) that the Corporation must collect upon the issuance of those shares.

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:	____________________, 200___
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 a series of sixteen (16) successive equal quarterly installments upon your completion of each successive three (3)-month period of continuous Service over the forty-eight (48)-month period measured from the ______ day of _________, 200___. Notwithstanding the foregoing, vesting of the Units may be affected in the event you take a leave of absence from active Service or if you change from full-time to part-time Employee status. Please consult the Corporation’s then current policies on Service/vesting credit during leaves of absence and/or changing from full-time to part-time Employee status. Should your Service with the Corporation (or any Parent or Subsidiary) cease by reason of your death or Permanent Disability prior to your vesting in all the Units and underlying Shares subject to this Award, then this Award shall immediately vest with respect to that number of unvested Units (and underlying Shares) determined by multiplying the number of Units that are unvested immediately prior to your

	cessation of Service by reason of death or Permanent Disability by a fraction, (i) the numerator of which shall be the number of months (rounded to the nearest whole month) that you have remained in Employee status with the Corporation (or any Parent, Subsidiary or company acquired by the Corporation), up to a maximum of 48 months, and (ii) the denominator of which shall be 48.
Issuance Schedule:	The Shares underlying the Units that vest in accordance with the foregoing Vesting Schedule will be issued on their applicable vesting date or as soon thereafter as administratively practicable, but in no event later than the ***later*** of (i) the close of the calendar year in which those Shares vest in accordance with the applicable provisions of the Vesting Schedule section above or (ii) the fifteenth day of the third calendar month following the applicable vesting date. At the time of such vested Shares are issued, the Corporation shall collect the applicable Withholding Taxes from you.

Other important features of your Award are as follows:

1. ***Forfeitability***. Should you cease Service prior to vesting in one or more 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 in Service, regardless of the reason for the termination of your Service, whether with or without cause, voluntary or involuntary. The number of your Units will be reduced accordingly, and you will cease to have any right or entitlement to receive any Shares under those cancelled Units.

The vesting schedule requires continued active Service through each applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Agreement. Accordingly, if your Service terminates for any reason prior to an applicable vesting date, your Award will be immediately cancelled, and no further Units will thereafter vest. Service for only a portion of a vesting period, even if a substantial portion, will not entitle you to any proportionate vesting or avoid or mitigate the forfeiture that occurs upon the termination of your Service. You will not be deemed to have terminated Service while on a leave of absence authorized by the Corporation, but the vesting of your Units during the period of your leave may be affected. Accordingly, one or more installments of your Units may not vest in whole or in part while you remain absent from active Service. In that event, the vesting schedule for your Units will be extended by one or more quarterly periods upon your return to active Service so that you will have the opportunity to vest in those missed installments over your subsequent period of continuous active Service. In addition, a change in your Employee status from full-time or part-time may also result in an extended vesting schedule for your Units. For more information concerning the effect that a leave of absence or change in Employee status will have upon the vesting of your Units, please consult the Corporation’s then current policies on those subjects.

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. Any attempt by you to do so will result in an immediate forfeiture of all of the Units awarded to you hereunder. 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 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 the 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 upon the vesting of the corresponding Units shall be in complete satisfaction of such 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 outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, appropriate adjustments will be made to the number and/or class of securities issuable hereunder and the number and/or class of securities that vest on each vesting date pursuant to the Vesting Schedule set forth above.

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 8 of this Agreement, and the Corporation must collect from you the applicable income taxes required to be withheld as a result of that income. The amount of your taxable income on each 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. ***FICA Taxes***. The Corporation must also collect from you the employee portion of the FICA (Social Security and Medicare) taxes that become due as the Shares subject to your Award vest in accordance with the provisions of this Agreement. The FICA taxes due on each such vesting date will be based on the Fair Market Value per share of Common Stock on that date.

7. ***Withholding Taxes.*** All applicable Withholding Taxes, as determined by the Corporation, must be collected from you as and when they become due. You may pay those Withholding Taxes through the following alternatives:

- 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 vesting of the Shares underlying your Units, a portion of those vested Shares with a Fair Market Value (measured as of the vesting 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. You will be notified (either in writing or through electronic transmission) the time or times when the Share Withholding Method will actually be available to you with respect to one or more Shares which vest under this Agreement (such notification will also set forth the procedures authorized and established by the Plan Administrator for such purpose); or

- Irrevocable instructions given by you to a broker to remit to the Corporation cash from a previously established account you have with such broker in the amount of such Withholding Taxes.

- To the extent the Share Withholding Method is not otherwise available at the time one or more of the Shares underlying your Units vest, you may also satisfy your Withholding Taxes with respect to those vested Shares through the use of proceeds from a next day sale of those vested Shares, ***provided and only if*** (i) such a sale is permissible under the Corporation's trading policies governing your sale of Corporation shares and (ii) you are NOT at the time an executive officer subject to the short-swing trading restrictions of the federal securities laws.

If any withholding event occurs other than with respect to the vesting of such Units, or if the Corporation for any reason is unable to satisfy the withholding obligations with respect to the vesting of the Units through any of the collection procedures specified in this Paragraph 7, the Corporation shall be entitled to require you to make a cash payment and/or to deduct from other compensation payable to you the amount of any such withholding obligation.

8. ***Change in Control.*** The following provisions shall govern the treatment of your Units in the event of a Change in Control should occur during your period of Service.

(a) Should the closing of a Change in Control transaction occur during your period of Service, then any Units at the time subject to your Award may be assumed by the successor entity or otherwise continue in full force and effect or may be replaced with a cash incentive program of the successor entity which preserves the Fair Market Value of any unvested shares of Common Stock subject to the Award at the time of the Change in Control and provides for subsequent payout of that value in accordance with the same vesting and issuance schedules applicable to your Award, including any accelerated vesting of your Award should your Service terminate by reason of your death or Permanent Disability. In the event of such assumption or continuation of the Award or such replacement of the Award with a cash incentive program, no accelerated vesting of the Units shall occur at the time of the Change in Control.

(b) In the event the Award is assumed or otherwise continued in effect, the Units at the time subject to the Award will 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 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 may, in connection with the assumption or continuation of the Restricted Stock Units subject to your Award, 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 the Change in Control transaction.

(c) If the Units subject to your Award are NOT so assumed or otherwise continued in effect under Paragraph 8(b) or replaced with a cash incentive program under Paragraph 8(a), then those Units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested Units will be issued immediately (or otherwise 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); provided, however, that in no event shall the distribution of such consideration to you be effected later than the later of (i) the close of the calendar year in which the Change in Control is effected or (ii) the fifteenth day of the third month following such effective date. Each issuance or distribution pursuant to this Paragraph 8(c) shall be subject to the Corporation's collection of all applicable federal and state Withholding Taxes.

9. ***Deferred Issuance.*** Should one or more of your Units vest during any period you are under investigation by the Corporation for Misconduct, then the Shares that become issuable to you under those vested Units 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 you have not engaged in Misconduct, the escrowed Shares and/or funds will be released to you as soon as administratively practicable following the completion of the investigation, subject to the Corporation's collection of all applicable federal and state Withholding Taxes not otherwise previously collected.

10. ***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 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. ***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, then 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 so as 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 or the subsequent termination of your Employee status.

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 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.

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 you and the legal representatives, heirs and the legatees of your 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/No Impairment of Rights***. Nothing in this Agreement or your Award will provide you with any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way your right or the right of the Corporation to terminate your Service at any time for any reason, with or without cause, or for no reason. 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.

18. ***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 THE COUNTY IN WHICH YOU ARE (OR HAVE 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 (PROVIDED, HOWEVER, IF THE CORPORATION IS NOT THE PREVAILING PARTY, THEN 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.**

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 you hereby consent to receive such documents by electronic delivery.

20. ***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 and a special supplement discussing the restricted stock units issuable under the Plan are available for review on the Corporation's website at intranet.broadcom.com/stock/.

Please review the prospectus and the attached supplement 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.

Provisions of the Plan that confer discretionary authority on Board or the Plan Administrator do not (and shall not be deemed to) confer in you any rights unless 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.

Please execute the Acknowledgment section below to indicate your acceptance of the terms and conditions of your Award.

Broadcom Corporation

By: Eric K. Brandt
Title: Senior Vice President and Chief Financial Officer

ACKNOWLEDGMENT

I hereby acknowledge that I have read and understood the prospectus for the Plan, its supplement, 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: ______________, ____________

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.

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 be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the NASDAQ Global Select Market, 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 NASDAQ Global Select Market on the date in question, as such price is reported by the National Association of Securities Dealers. 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.

(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.

Misconduct shall mean the commission of any act of fraud, embezzlement or dishonesty on your part, any unauthorized use or disclosure by you of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct on your part adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition will not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss you 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 this Agreement, to constitute grounds for termination for Misconduct.

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 engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which (i) is expected to result in death or determined to be total and permanent by two (2) physicians selected by the Corporation or its insurers and acceptable to you or your legal representative and (ii) entitles you to the payment of long-term disability benefits from the Corporation's long-term disability plan. The process for determining your Permanent Disability in accordance with the foregoing shall be completed on a timely basis so as to allow the issuance of any Shares that vest upon your termination of Service by reason of Permanent Disability to be effected no later than the ***later*** of (i) the close of the calendar year in which your Service terminates by reason of the physical or mental impairment that is the subject of the determination process or (ii) the fifteenth day of the third calendar month following such termination of Service. For purposes of the foregoing time limitation, if you are on a disability leave, your Service will be deemed to terminate no later than the expiration of the six (6)-month period measured from the commencement date of such leave, to be increased to a maximum period of twenty-nine (29) months if such leave is due to a medically determinable physical or mental impairment which is expected to result in death or last for a continuous period of at least six (6)-months and which renders you unable to perform the duties of your position with the Corporation or any substantially similar position.

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 Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the restricted stock unit award. 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 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 the American Stock Exchange, or the NASDAQ Global Select Market, the NASDAQ Global 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.

Withholding Taxes shall mean the federal, state and local income and employment taxes required to be withheld by the Corporation in connection with the issuance of the shares of Common Stock that vest under the Award.

ADDENDUM
TO
RESTRICTED STOCK UNIT AWARD AGREEMENT

The following provisions are hereby incorporated into, and are hereby made a part of, that certain Restricted Stock Unit Award Agreement (the "RSU Agreement") by and between Broadcom Corporation, a California corporation (the "Corporation"), and Eric K. Brandt ("Recipient") evidencing a restricted stock unit award granted this day to Recipient (the "RSU Award") under the terms of the Corporation's 1998 Stock Incentive Plan, as amended and restated (the "Plan"). The provisions of this Addendum shall be effective immediately.

Recipient has entered into an employment agreement with the Corporation pursuant to the terms of that certain letter from the Corporation dated March 11, 2007 (the "Letter Agreement"). The purpose of this Addendum is to supplement the terms of the RSU Agreement so that those terms conform to the special benefits to which Recipient will become entitled pursuant to the terms of the Letter Agreement.

All capitalized terms in this Addendum, to the extent not otherwise defined herein, shall have the meanings assigned to them in the Letter Agreement, including Appendix II thereto.

SPECIAL BENEFIT

1. If an Event should occur during the Term the Retention Program set forth in Appendix II to the Letter Agreement is in effect, and within nine (9) months after that Event, either the Corporation terminates the Recipient's employment other than for Cause or Disability, or Recipient terminates his employment with the Corporation for Good Reason, then to the extent the RSU Award is at that time outstanding Recipient shall be credited with an additional twenty-four (24) months of employment with the Corporation for purposes of the vesting schedule in effect for the RSU Award so that Recipient shall be immediately vested in the RSU Award to the same extent as if Recipient had completed an additional twenty-four (24) months of employment with the Corporation prior to the Date of Termination.

2. If Recipient's employment is terminated by reason of death or Disability, then Recipient shall, immediately on the Date of Termination, become fully vested in the RSU Award.

3. To the extent any of the benefits provided pursuant to this Addendum shall be deemed to constitute a parachute payment under Section 280G of the Internal Revenue Code, then those benefits shall be subject to the parachute payment limitation provisions of the Letter Agreement.

4. In no event shall Recipient be entitled to any benefits pursuant to this Addendum unless (i) Recipient shall have executed and delivered to the Corporation the separation agreement required under Paragraph 12 of Appendix II to the Letter Agreement and (ii) Recipient is in material compliance with his obligations to the Corporation pursuant to his Confidentiality and Invention Assignment Agreement during and subsequent to Recipient's employment.

5. To the extent the provisions of this Addendum conflict with the provisions of the Restricted Stock Unit Award Agreement, the provisions of this Addendum shall be controlling.

6. Except to the extent modified by this Addendum, all the terms and conditions of the Restricted Stock Unit Award Agreement shall continue in full force effect.

IN WITNESS WHEREOF, BROADCOM CORPORATION has caused this Addendum to be executed by its duly-authorized officer, and Recipient has executed this Addendum, all as of the Effective Date specified below.

Broadcom Corporation

By: Scott A. McGregor
Title: President and Chief Executive Officer

RECIPIENT

Eric K. Brandt

EFFECTIVE DATE: ___________ __, 200__

Exhibit 10.43

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (“**Amendment**”) is entered into as of November 19, 2007 by and between **IRVINE COMMERCIAL PROPERTY COMPANY LLC**, a Delaware limited liability company (formerly known as Irvine Commercial Property Company, a Delaware corporation) (“**Landlord**”) and **BROADCOM CORPORATION,** a California corporation (“**Tenant**”).

RECITALS

A. Landlord and Tenant entered into that certain Lease (University Research Park — Phases XII & XIII [GL]) dated as of December 29, 2004 (the “**Original Lease**”) pursuant to which Landlord leased to Tenant certain buildings to be constructed in Irvine, California as more particularly described in the Original Lease.

B. The Original Lease was amended by that certain First Amendment to Lease dated as of June 7, 2005, by that certain Second Amendment to Lease dated as of April 9, 2007, and by that certain Third Amendment to Lease dated as of April 9, 2007. The Original Lease as amended by the aforementioned First Amendment, Second Amendment and Third Amendment is referred to collectively as the “**Lease**.” Capitalized terms not specifically defined in this Amendment are used as defined in the Lease.

C. In connection with numerous “Changes” requested by Tenant to the “Core and Shell Improvements” (as those terms are defined in the Work Letter attached to the Original Lease), Landlord conditioned its approval to such Changes on Tenant’s obligation to restore the Core and Shell Improvements to the condition described in the “Core and Shell CDs” upon the Expiration Date or earlier termination of the Lease.

D. The purpose of this Amendment is to confirm the obligation of Tenant regarding the restoration of the Core and Shell Improvements upon the Expiration Date or earlier termination of the Lease, on the terms and conditions more particularly provided herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and upon and subject to the terms and conditions set forth in this Amendment, the parties agree as follows:

1. <u>Restoration</u>. Except as expressly provided in Section 2 of this Amendment below, not later than the Expiration Date or earlier termination of the Lease, Tenant, at its sole cost and expense, shall complete the restoration, removal and/or replacement of the Core and Shell Improvements to the condition shown in that certain “URP XII Restoration Plan” dated April 27, 2007 prepared by LPA, Inc. and in that certain “URP XIII Restoration Plan” dated April 27, 2007 prepared by LPA, Inc. (collectively, the “**LPA Restoration Plans**”). Copies of the LPA Restoration Plans are attached as <u>EXHIBIT A</u> to this Amendment.

2. <u>Single Tenant Improvements</u>. Notwithstanding the provisions of Section 1 of this Agreement, the restoration, removal and/or replacement of the following portions of the Core and Shell Improvements: (i) the cafeteria and all associated improvements; (ii) the cafeteria patio; (iii) the guard shack and all associated site work including the restoration of California Avenue and associated landscaping; and (iv) the primary SCE electrical service as necessary to effect a multi-tenant use of the Premises as originally

constructed (collectively, the "**Single Tenant Improvements**") shall instead be completed by Landlord, subject to the terms and conditions of this Section 2, to accommodate the possible execution by Landlord of a lease agreement with a replacement tenant for the lease of the entire rentable square footage of these Premises (a "**Single Tenant Replacement Lease**"). If, by that date which is six (6) months following the Expiration Date or sooner termination of the Lease: (a) a Single Tenant Replacement Lease has not been fully executed by Landlord, (b) Landlord has fully executed replacement lease agreement(s) for the Premises which are other than a Single Tenant Replacement Lease, or (c) a Single Tenant Replacement Lease has been fully executed by such date but such Single Tenant Replacement Lease requires that all or any portion of the Single Tenant Improvements be nonetheless restored, removed and/or replaced, then Landlord shall complete the restoration, removal and/or replacement of all of the Single Tenant Improvements (or such portion of the Single Tenant Improvements required to be restored, removed and/or replaced, as applicable), and Tenant shall reimburse Landlord's reasonable out-of-pocket costs so incurred within ten (10) days following invoicing from Landlord.

3. Tenant Not Obligated. Tenant's obligations contained in Sections 1 and 2 above shall not be binding on Tenant in the event: (i) the Lease is terminated by Landlord pursuant to the applicable provisions of Section 11.1(a) of the Lease, (ii) the Lease is terminated by Tenant pursuant to the applicable provisions of Section 11.1(b) of the Lease, or (iii) the Lease is terminated by Tenant pursuant to the applicable provisions of Section 14.5 of the Lease following a default by Landlord which is not cured by Landlord as provided in said Section 14.5.

4. Conflict/Reaffirmation. Except to the extent specifically modified by this Amendment, the Lease shall remain in full force and effect. Not by way of limitation of the foregoing, except as expressly set forth in the LPA Restoration Plan, nothing contained in this Amendment shall affect Tenant's obligation for restoration of the "Tenant Improvements" constructed by Tenant (which obligation shall continue to be governed by the applicable provisions of the Work Letter attached to the Lease). In the event of any inconsistency between the terms of the Lease and the terms of this Amendment, the terms of the latter shall prevail.

IN WITNESS WHEREOF, this Amendment has been executed as of the date set forth above.

LANDLORD:

IRVINE COMMERCIAL PROPERTY COMPANY LLC,
a Delaware limited liability company

By: /s/ Richard I. Gilchrist
Richard I. Gilchrist,
President, Investment Property Groups

By: /s/ E. Valjean Wheeler
E. Valjean Wheeler,
President, Office Properties

TENANT:

BROADCOM CORPORATION,
a California corporation

By: /s/ Eric Brandt
Its: Senior Vice President &
Chief Financial Officer

Exhibit 10.44

LEASE
(Single Tenant; Net; University Research Park — Phase XI [GL])

BETWEEN

IRVINE COMMERCIAL PROPERTY COMPANY LLC

AND

BROADCOM CORPORATION

INDEX TO LEASE

EXHIBITS

LEASE

(Single Tenant; Net; University Research Park — Phase XI [GL])

THIS LEASE is made as of the 31st day of October, 2007 by and between IRVINE COMMERCIAL PROPERTY COMPANY, a Delaware limited liability company hereafter called "**Landlord**," and BROADCOM CORPORATION, a California corporation hereinafter called "**Tenant**."

ARTICLE I. BASIC LEASE PROVISIONS

Each reference in this Lease to the "**Basic Lease Provisions**" shall mean and refer to the following collective terms, the application of which shall be governed by the provisions in the remaining Articles of this Lease.

1. Premises: The Premises are more particularly described in Section 2.1.

   Address of Building: 5211 California, Irvine, CA

2. Project Description (if applicable): University Research Park XI

3. Use of Premises: general office use including but not limited to (i) corporate headquarters and/or corporate office functions; (ii) research and development of semiconductors and related products, including non-destructive electronic laboratory facilities; (iii) storage and shipping of both raw and finished goods; (iv) kitchen facilities to serve the needs of the employees and guests of Tenant; and (v) any other non-retail use permitted by applicable law, so long as such uses are consistent with the applicable zoning ordinances of the City of Irvine and with the Ground Lease (including the Development Plan incorporated by reference in the Ground Lease), subject to the restrictions set forth in Section 5.1 below.

4. Commencement Date: The Commencement Date shall be established pursuant to the provisions of Section 3.1 (and is estimated to occur on February 11, 2008).

5. Expiration Date: April 30, 2017

6. Basic Rent: Commencing on the Commencement Date, the Basic Rent shall be One Hundred Thirteen Thousand Five Hundred Fifty-Eight Dollars ($113,558.00) per month, based on $1.79 per rentable square foot.

   Basic Rent is subject to adjustment as follows:

   Commencing twelve (12) months following the Commencement Date, the Basic Rent shall be One Hundred Eighteen Thousand Six Hundred Thirty-Three Dollars ($118,633.00) per month, based on $1.87 per rentable square foot.

   Commencing twenty-four (24) months following the Commencement Date, the Basic Rent shall be One Hundred Twenty-Three Thousand Seven Hundred Eight Dollars ($123,708.00) per month, based on $1.95 per rentable square foot.

   Commencing thirty-six (36) months following the Commencement Date, the Basic Rent shall be One Hundred Twenty-Eight Thousand Seven Hundred Eighty-Three Dollars ($128,783.00) per month, based on $2.03 per rentable square foot.

   Commencing forty-eight (48) months following the Commencement Date, the Basic Rent shall be One Hundred Thirty Three Thousand Eight Hundred Fifty-Eight Dollars ($133,858.00) per month, based on $2.11 per rentable square foot.

   Commencing sixty (60) months following the Commencement Date, the Basic Rent shall be One Hundred Thirty Eight Thousand Nine Hundred Thirty-Four Dollars ($138,934.00) per month, based on $2.19 per rentable square foot.

   Commencing seventy-two (72) months following the Commencement Date, the Basic Rent shall be One Hundred Forty Four Thousand Nine Dollars ($144,009.00) per month, based on $2.27 per rentable square foot.

   Commencing eighty-four (84) months following the Commencement Date, the Basic Rent shall be One Hundred Forty Nine Thousand Eighty-Four Dollars ($149,084.00) per month, based on $2.35 per rentable square foot.

   Commencing ninety-six (96) months following the Commencement Date, the Basic Rent shall be One Hundred Fifty Four Thousand One Hundred Fifty-Nine Dollars ($154,159.00) per month, based on $2.43 per rentable square foot.

Commencing one hundred eight (108) months following the Commencement Date, the Basic Rent shall be One Hundred Fifty Nine Thousand Two Hundred Thirty-Four Dollars ($159,234.00) per month, based on $2.51 per rentable square foot.

7. Guarantor(s): None

8. Floor Area: Approximately 63,440 rentable square feet

9. Security Deposit: $0

10. Broker(s): "***Landlord's Broker***": Irvine Realty Company

"***Tenant's Broker***": Real-Tech, Inc.

11. Additional Insureds: The Regents of the University of California

12. Address for Notices:

LANDLORD	TENANT
IRVINE COMMERCIAL PROPERTY COMPANY c/o THE IRVINE COMPANY LLC 550 Newport Center Drive Newport Beach, CA 92660 Attn: Senior Vice President, Operations Irvine Office Properties with a copy of notices to: IRVINE COMMERCIAL PROPERTY COMPANY THE IRVINE COMPANY LLC 550 Newport Center Drive Newport Beach, CA 92660 Attn: Vice President, Operations Irvine Office Properties, Technology Portfolio	BROADCOM CORPORATION 5300 California Avenue Irvine, CA 92617 Attn: Vice President, Corporate Services and BROADCOM CORPORATION 5300 California Avenue Irvine, CA 92617 Attn: Deputy General Counsel with a copy of notices to DLA Piper US LLP 550 South Hope Street, Suite 2300 Los Angeles, CA 90071 Attn: Michael Meyer, Esq. and Mr. Kim Josephson Real Tech 1601 Dove Street, Suite 210 Newport Beach, CA 92660

13. Address for Payments: All payments due under this Lease shall be made to the address shown on the invoice for the payment due, or if no address is shown, to Landlord's notice address above.

14. Tenant's Liability Insurance Requirement: $2,000,000.00

15. Vehicle Parking Spaces: Two hundred thirty-three (233)

16. The Premises are a portion of certain real property which is leased by Landlord pursuant to that certain Ground Lease (the "**Ground Lease**") dated as of April 11, 2000, by and between The Regents of the University of California, a California corporation ("**Ground Lessor**") and The Irvine Company, a Delaware corporation, a Memorandum of which was recorded on August 30, 2000, as Instrument No. 20000454625 in the Official Records of Orange County, California. Tenant understands and acknowledges that a material consideration for Landlord entering into this Lease with Tenant is the nature of Tenant's business and the mutual benefits to be derived by Tenant and by Ground Lessor. Accordingly, in the event of any proposed assignment of this Lease or sublease of the Premises or any portion thereof, in addition to all of the provisions of Section 9.1(b) of this Lease, Landlord may reasonably withhold its consent to any such proposed assignment or sublease if Landlord determines in its sole and absolute discretion that such mutual benefits will not be derived as a result of the proposed use of the Premises by such assignee, sublessee or transferee.

ARTICLE II. PREMISES

SECTION 2.1. LEASED PREMISES. Landlord leases to Tenant and Tenant leases from Landlord the premises shown in Exhibit A (the "**Premises**"), containing approximately the rentable square footage set forth as the "**Floor Area**" in Item 8 of the Basic Lease Provisions and known by the suite number identified in Item 1 of the Basic Lease Provisions. The Premises are located in the building identified in Item 1 of the Basic Lease Provisions (the Premises together with such building and the underlying real property, are called the "**Building**"), and is a portion of the project identified in Item 2 of the Basic Lease Provisions and shown in Exhibit Y, if any (the "**Project**"). Landlord makes no representation that any portion of the Project designated on Exhibit Y as "Future Development" will be ultimately constructed. All references to "Floor Area" in this Lease shall mean the rentable square footage set forth in Item 8 of the Basic Lease Provisions. The rentable square footage set forth in Item 8 may include or have been adjusted by various factors, including, without limitation, a load factor to allocate a proportionate share of any vertical penetrations, stairwells, common lobby or common features or areas of the Building. Landlord and Tenant agree that the Floor Area set forth in Item 8 shall be binding on Landlord and Tenant for purposes of this Lease regardless of whether any future or differing measurements of the Premises or the Building are consistent or inconsistent with the Floor Area set forth in Item 8.

SECTION 2.2. ACCEPTANCE OF PREMISES. Tenant's lease of the Premises shall be on an "as is" basis without further alteration, addition or improvement to the Premises whatsoever. Tenant acknowledges that, except as specifically set forth in this Lease, neither Landlord nor any representative of Landlord has made any representation or warranty with respect to the Premises, the Building or the Project or their respective suitability or fitness for any purpose, except a representation and warranty that the Tenant's use of the Premises for general business office operations is permitted by the applicable zoning. Further, except as provided above, Further, neither Landlord nor any representative of Landlord has made any representations or warranties regarding (i) what other tenants or uses may be permitted or intended in the Building or the Project, (ii) any exclusivity of use by Tenant with respect to its permitted use of the Premises as set forth in Item 3 of the Basic Lease Provisions, or (iii) any construction of portions of the Project not yet completed. Tenant further acknowledges that the flooring materials which may be installed within portions of the Premises located on the ground floor of the Building may be limited by the moisture content of the Building slab and underlying soils.

SECTION 2.3. BUILDING NAME AND ADDRESS. Tenant may utilize any name selected by Landlord from time to time for the Building and/or the Project to identify the location of Tenant's Premises but shall not include same as any part of Tenant's corporate or trade name. Landlord shall not have the right to change the name of the Building. Landlord shall have the right to change the name, address, number or designation of the Project without liability to Tenant, as long as such name does not constitute an objectionable name associated with racism such as the KKK or American Nazi Party, or sexism such as Hooters, Playboy, and the like, or personal health care products such as Viagra, Trojans, Tampax and the like.

SECTION 2.4. CONDITION AND MAINTENANCE OF BUILDING STRUCTURES AND BUILDING SYSTEMS. Notwithstanding the foregoing or anything in this Lease to the contrary, Landlord hereby warrants to Tenant that the Building, including the foundation, floor/ceiling slabs, roof, curtain wall, exterior glass and mullions, windows and seals, columns, beams, shafts (including elevator shafts), stairs, stairwells, elevator cabs, base building washrooms, and main electrical room (collectively, "**Building Structure**"), the Common Areas, and the mechanical systems (including Building elevators), electrical, life-safety, plumbing, sprinkler systems (connected to the core) and HVAC systems (collectively, "**Building Systems**") shall, as of the date of the commencement of construction of the "Tenant Improvements" (as defined in the Work Letter attached here by as Exhibit X) (the "**TI Commencement Date**"), be in good operating condition and in compliance with all laws (including, without limitation, the Americans with Disabilities Act (**"ADA"**) and laws pertaining to Hazardous Materials) in effect as of the TI Commencement Date, and shall as of the TI Commencement Date be structurally sound with water tight roofs and perimeter walls and windows. Provided that Tenant shall notify Landlord of a non-compliance with the foregoing warranty on or before sixty (60) days following the Commencement Date, then Landlord shall, notwithstanding anything to the contrary contained in the Work Letter attached as Exhibit X to this Lease, promptly after receipt of written notice from Tenant setting forth the nature and extent of such non-compliance, rectify same at Landlord's cost and expense.

ARTICLE III. TERM

SECTION 3.1. GENERAL. The term of this Lease (**"Term"**) shall be for the period shown in Item 5 of the Basic Lease Provisions. Subject to the provisions of Section 3.2 below, the Term shall commence ("**Commencement Date**") on the earlier to occur of: (a) the date Tenant commences its normal business within the Premises, or (b) the first business day of the week (but not sooner that February 11, 2008) following Tenant's receipt of a factually correct notice that the **"Tenant Improvements"** (as defined in the Work Letter attached hereto as Exhibit X) are substantially completed and a certificate of occupancy or the equivalent has been obtained for the Premises (or would have been obtained had no **"Tenant Delay(s)"**, as defined in Exhibit X, occurred), provided that the Premises shall not be tendered to Tenant until all approvals by relevant governmental authorities of the Tenant Improvements which are required for occupancy of the Premises have been obtained (as evidenced by written approval thereof in accordance with the building permits issued for the Tenant Improvements or issuance of a temporary or final certificate of occupancy for the Premises), or (c) February 11, 2008. The date on which this Lease is scheduled to terminate is referred to as the "**Expiration Date**." Within ten (10) days following the occurrence of the Commencement Date, the parties shall memorialize on a form reasonably provided by Landlord the actual Commencement Date and the Expiration Date of this Lease. Tenant shall have no right to have access to, or control of, the Premises until the Commencement Date.

SECTION 3.2. DELAY IN POSSESSION. Landlord shall use commercially reasonable efforts in accordance with its normal and customary construction practices to cause the Tenant Improvements to be constructed as soon as reasonably possible subject to Tenant Delays as defined in Exhibit X and force majeure delays described in Section 20.9. If Landlord is unable to deliver possession of the Premises to Tenant with the Tenant Improvements substantially completed and with occupancy permits obtained therefor as more particularly provided in Section 3.1(b) above by the date provided in Section 3.1(c) above due either to: (i) matters described in Section 20.9 of this Lease, or (ii) Landlord's inability to recover possession of the Premises from the tenant in possession as of the date of this Lease (the "**Tenant in Possession**") by November 1, 2007, then this Lease shall not be void or voidable except as provided below in this Section 3.2 nor shall Landlord be liable to Tenant for any resulting loss or damage except as expressly provided in Section 3.3 below, but the Commencement Date shall not occur, in such event, until the earlier to occur of those dates described in Section 3.1(a) or 3.1(b) above, except that if Landlord cannot tender possession of the Premises in accordance with the provisions of Section 3.1(b) above due to any action or inaction of Tenant (including without limitation any Tenant Delay described in the Work Letter attached to this Lease), then the Commencement Date shall for purposes of Section 3.1(b), be deemed advanced by the collective number of days of delay caused by Tenant. Tenant hereby agrees that Ground Lessor shall have no liability to Tenant, and that Tenant holds Ground Lessor free and harmless, on account of any delay. If Landlord has not recovered possession of the Premises from the Tenant in Possession by November 15, 2007, then Tenant may terminate this Lease on written notice to Landlord given prior to November 30, 2007 whereupon this Lease will terminate unless Landlord recovers possession of the Premises by December 10, 2007. If Landlord does not complete the construction of the Tenant Improvements by October 15, 2008 as extended by Tenant Delays and by force majeure occurrences as described in Section 20.9 (but not beyond October 15, 2009 except that such date will be extended for Tenant Delays), then Tenant may terminate this Lease on written notice given to Landlord within sixty (60) days following October 15, 2008 as such date may be extended.

SECTION 3.3. RENT CREDITS FOR DELAY. Notwithstanding the foregoing provisions of Section 3.2, Landlord shall use commercially reasonable efforts to cause the Tenant in Possession to vacate the Premises by October 15, 2007, but in the event that Landlord has not recovered possession of the Premises from the Tenant in Possession on or before November 1, 2007 (the "**Outside Date**"), then Tenant, as its sole recourse (except as provided in Section 3.3 (ii) below) and in lieu of any other claim for resulting loss or damages, shall be entitled to credits against Basic Rent and Operating Expenses first coming due and payable under this Lease in the amount of one and one-half (1.5) days of per diem Basic Rent and Operating Expenses for each day that possession of the Premises is not so recovered from and after the Outside Date. Notwithstanding anything to the contrary contained in the foregoing provisions of this Section 3.3: (i) the Outside Date shall be extended for the duration of any period that such recovery of possession is delayed due to matters described in Section 20.9 of this Lease and for the duration of any period of time beyond November 1, 2007 that a building permit for the Tenant Improvements is not issued by the City of Irvine; and (ii) Tenant shall be entitled to pursue an action for specific performance in the event that Landlord has not recovered possession from the Tenant in Possession by January 1, 2008 (as such date shall be extended for matters described in Section 20.9 of this Lease).

SECTION 3.4. RIGHT TO EXTEND THIS LEASE. Provided that no Event of Default exists under any provision of this Lease at the time of exercise of the extension right granted herein, and provided Tenant has not assigned this 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 this Lease for two (2) successive periods of sixty (60) months each. Tenant shall exercise its right to extend the Term by and only by delivering to Landlord, not less than eighteen (18) months prior to the expiration date of the Term, Tenant's irrevocable written notice of its commitment to extend the Term of the Lease (the "**Commitment Notice**").

The Basic Rent payable under the Lease during any extension of the Term shall be determined as provided in the following provisions. If Landlord and Tenant have not by then been able to agree upon the Basic Rent for the extension of the Term, then not later than one hundred eighty (180) days prior to the expiration date of the Term, Landlord shall notify Tenant in writing of the Prevailing Market Rent (as defined in Section 3.5 below) that would reflect one hundred percent (100%) of the Prevailing Market Rent rate for a 60-month renewal of comparable space in the Project (together with any increases thereof during the extension period) as of the commencement of the extension period ("**Landlord's Determination**"). Concurrently with the delivery of the Landlord's Determination, Tenant shall deliver to Landlord Tenant's written determination of the Prevailing Market Rent ("**Tenant's Determination**"). If within thirty (30) days following the concurrent delivery of the Landlord's Determination and the Tenant's Determination the parties are still unable to agree on the rental terms for the extension period, then either party may thereafter submit the determination of the Prevailing Market Rent for the extension period to arbitration pursuant to Section 22.7 below. The arbitrator utilized to reach such determination shall have at least ten (10) years of experience in commercial real estate matters.

Within thirty (30) days following the selection of the arbitrator and such arbitrator's receipt of the Landlord's Determination and the Tenant's Determination, the arbitrator shall determine whether the Prevailing Market Rent rate determined by Landlord or by Tenant more accurately reflects one hundred percent (100%) of the Prevailing Market Rent rate for each 60-month renewal of the Lease for the Premises. Accordingly, either the Landlord's Determination or the Tenant's Determination shall be selected by the arbitrator as the Prevailing Market Rent for the extension period. At any time before the decision of the arbitrator is rendered, either party may, by written notice to the other party, accept the rental terms submitted by the other party, in which event such terms shall be deemed adopted as the agreed Prevailing Market Rent. The fees of the arbitration shall be borne entirety by the party whose determination of the fair market rental rate was not accepted by the arbitrator. At any time before the decision of the arbitrator is rendered, either party may, by written notice to the other party, accept the rental terms submitted by the other party, in which event such terms shall be deemed adopted as the agreed Prevailing Market Rent.

Within twenty (20) days after the determination of the Prevailing Market Rent, Landlord shall prepare an appropriate amendment to this Lease for the extension period, and Tenant shall execute and return same to Landlord within ten (10) days after Tenant's receipt of same. Should the Prevailing Market Rent not be established by the commencement of the extension period, then Tenant shall continue paying rent at the rate in effect during the last month of the initial Term, and a lump sum adjustment shall be made promptly upon the determination of such new rental.

The rights granted to Tenant under this Section 3.4 are personal to Broadcom Corporation, a California corporation, and to any assignee thereof permitted pursuant to Section 9.4 of the Lease. Any other attempt to assign or transfer and right or interest created by this Section shall be void from its inception. Tenant shall have no other right to extend the Term beyond the two (2) successive sixty (60) month extension periods created by this paragraph. 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 paragraph.

SECTION 3.5 PREVAILING MARKET RENT. The prevailing market rental rate ("**Prevailing Market Rate**") is defined as the Basic Rent, together with any increases thereof during the extension period, ,and other economic terms then being accepted by Landlord for a 60-month lease of comparable space in the Project in excess of 50,000 rentable square feet to a new, non-sublease, non-renewal and non-expansion (except for extensions by tenants whose leases contain a comparable fair market extension right, whether or not exercised, and for expansions pursuant to an option right at a fair market rate)as of the commencement of the applicable extension term ("**Comparable Transactions**"). To the extent there are not a sufficient number of Comparable Transactions in the Project, then Comparable Transactions will also include what a comparable landlord of comparable buildings with comparable vacancy factors in comparable locations in the vicinity of the Project ("**Comparable Buildings**") would accept in Comparable Transactions, taking into account and adjusting for historic rental differentials between the Comparable Buildings and the Project. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the standard of measurement by which the rentable square footage is measured, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to a base year or a base dollar amount expense stop), parking rights and obligations (it being specifically understood that because Tenant is granted free parking hereunder, Landlord shall be entitled to an economic credit if other tenants of the Project and Comparable Buildings are then paying for parking), roof/antenna and other license rights, signage rights, abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, brokerage commissions (but only if Tenant has engaged the services of a broker or Landlord is otherwise required to pay a commission with respect to a renewal), length of the lease term, size and location of premises being leased, building standard work letter and/or tenant improvements allowances, if any, the condition of the base building and the Landlord's responsibility with respect thereto, the value, if any, of the existing tenant improvements, all other relevant economic considerations and other generally applicable conditions of tenancy for such Comparable Transactions. The intent is that Tenant will obtain (and pay) the same rent and receive the other economic benefits that Landlord would otherwise give in Comparable Transactions and that Landlord will make and receive the same economic payments and concessions that Landlord would otherwise make and receive in Comparable Transactions.

ARTICLE IV. RENT AND OPERATING EXPENSES

SECTION 4.1. BASIC RENT. . From and after the Commencement Date, Tenant shall pay to Landlord without deduction or offset except as specifically permitted by this Lease, the rental amount for the Premises shown in Item 6 of the Basic Lease Provisions (the **"Basic Rent"**), including adjustments shown in said Item 6. Rental adjustments to Basic Rent shall be deemed to occur on the first day of the next calendar month following the specified monthly anniversary of the Commencement Date of the Lease, whether or not the Commencement Date occurs at the end of a calendar month. The rent shall be due and payable in advance commencing on the Commencement Date (as prorated for any partial month) and continuing thereafter on the first day of each successive calendar month of the Term. No demand, notice or invoice shall be required for the payment of Basic Rent. Tenant shall not be required to pay the first month's Basic Rent upon execution of this Lease. Rather, Tenant shall be required to pay the first month's Basic Rent on the Commencement Date.

SECTION 4.2. OPERATING EXPENSES.

(a) From and after the Commencement Date, Tenant shall pay to Landlord, as additional rent, Tenant's Share of all Operating Expenses, as defined in Section 4.2(f), incurred by Landlord in the operation of the Building and the Project. The term "**Tenant's Share**" means one hundred percent (100%) of Operating Expenses determined by Landlord to benefit or relate substantially to the Building rather than the entire Project, plus that portion of any Operating Expenses determined by multiplying the cost of such item by a fraction, the numerator of which is the Floor Area and the denominator of which is the total rentable square footage, as determined from time to time by Landlord, of all or some of the buildings in the Project, for expenses determined by Landlord to benefit or relate substantially to all or some of the buildings in the Project rather than any specific building. Landlord reserves the right to allocate to the entire Project any Operating Expenses which may benefit or substantially relate to a particular building within the Project in order to maintain greater consistency of Operating Expenses among buildings within the Project. In the event that Landlord reasonably determines that the Premises or the Building incur a non-proportional benefit from any expense, or is the non-proportional cause of any such expense, Landlord may allocate a greater percentage of such Operating Expense to the Premises or the Building. In the event that any management and/or overhead fee payable or imposed by Landlord for the management of Tenant's Premises is calculated as a percentage of the rent payable by Tenant and other tenants of Landlord, then the full amount of such management and/or overhead fee which is attributable to the rent paid by Tenant shall be additional rent payable by Tenant, in full, provided, however, that Landlord may elect to include such full amount as part of Tenant's Share of Operating Expenses.

(b) Prior to the start of the first full or partial "Expense Recovery Period" (as defined in this Section 4.2), Landlord shall give Tenant a written estimate (with breakdown by major expense components, prepared on a consistent basis) of the amount of Tenant's Share of Operating Expenses for the applicable Expense Recovery Period. Tenant shall pay the estimated amounts to Landlord in equal monthly installments, in advance concurrently with payments of Basic Rent. If Landlord has not furnished its written estimate for any Expense Recovery Period by the time set forth above, Tenant shall continue to pay monthly the estimated Tenant's Share of Operating Expenses in effect during the prior Expense Recovery Period; if any; provided that when the new estimate is delivered to Tenant, Tenant shall, at the next monthly payment date, pay any accrued estimated Tenant's Share of Operating Expenses based upon the new estimate. For purposes hereof, "**Expense Recovery Period**" shall mean every twelve (12) month period during the Term (or portion thereof for the first and last lease years) commencing July 1 and ending June 30, provided that Landlord shall have the right to change the date on which an Expense Recovery Period commences in which event appropriate reasonable adjustments shall be made to Tenant's Share of Operating Expenses so that the amount payable by Tenant shall not increase as a result of such change.

(c) Within one hundred twenty (120) days after the end of each Expense Recovery Period, Landlord shall furnish to Tenant a statement showing in reasonable detail (i.e., by breakdown of major expense components prepared on a consistent basis) the actual or prorated Tenant's Share of Operating Expenses incurred by Landlord during the period, and the parties shall within thirty (30) days thereafter make any payment or allowance necessary to adjust Tenant's estimated payments of Tenant's Share of Operating Expenses, if any, to the actual Tenant's Share of Operating Expenses as shown by the annual statement. Any delay or failure by Landlord in delivering any statement hereunder shall not constitute a waiver of Landlord's right to require Tenant to pay Tenant's Share of Operating Expenses pursuant hereto; provided, however, any delay by Landlord in billing Tenant for any Operating Expenses of more than six (6) months following the expiration of the Review Period (as defined below) shall be deemed a waiver of Landlord's right to require payment of Tenant's obligations for any such Operating Expenses. Any amount due Tenant shall be credited against installments next coming due under this Section 4.2, and/or against any installments of Basic Rent next coming due under Section 4.1, unless this Lease shall have terminated, in which case Landlord shall pay Tenant the amount due within thirty (30) days, and any deficiency shall be paid by Tenant within thirty (30) days following receipt of an itemized invoice covering such payment. Should Tenant fail to object in writing to Landlord's determination of Tenant's Share of Operating Expenses within two (2) years following delivery of Landlord's expense statement ("**Review Period**"), Landlord's determination of Tenant's Share of Operating Expenses for the applicable Expense Recovery Period shall be conclusive and binding on Tenant for all purposes and any future claims to the contrary shall be barred.

If Tenant disputes the Operating Expense reconciliation, Tenant shall have the right to meet with Landlord and/or its property manager to inspect Landlord's records with respect to such disputed items. If after such meeting and inspection the parties are unable to resolve the dispute, Tenant may cause a certified public accountant or a real estate professional who specializes in lease audits, engaged on a non-contingency fee basis, to audit Operating Expenses by inspecting Landlord's general ledger of expenses not more than once during any Expense Recovery Period. However, to the extent that insurance premiums or any other component of Operating Expenses is determined by Landlord on the basis of an internal allocation of costs utilizing information Landlord in good faith deems proprietary, such expense component shall not be subject to audit so long as it does not exceed the amount per square foot typically incurred by landlords of other first class business parks in Orange County, California. Tenant shall give notice to Landlord of Tenant's intent to audit within the Review Period. Such audit shall be conducted at a mutually agreeable time during normal business hours at the office of Landlord or its management agent where such accounts are maintained. If after such audit is completed Tenant still desires to contest the Operating Expenses for such period, then the results of the audit shall be provided to Landlord. If such audit reveals that Landlord has overcharged Tenant, then within thirty (30) days after the results of such audit are made available to Landlord but subject to Landlord's right to contest the audit results as provided below, Landlord shall reimburse Tenant the amount of such overcharge with interest thereon at the Interest Rate. If the audit reveals that Tenant was undercharged, then within thirty (30) days after the results of the audit are made available to Tenant, Tenant shall reimburse Landlord the amount of such undercharge with interest thereon at the Interest Rate. If Tenant's audit determines that Tenant's Share of the actual Operating Expenses have been overstated by more than five percent (5%), then subject to Landlord's right to review and/or contest the audit results, Landlord shall reimburse Tenant for the reasonable out-of-pocket costs of such audit. Tenant's rent shall be appropriately adjusted to reflect any overstatement in Operating Expenses. In the event of a dispute between Landlord and Tenant regarding such audit, such dispute shall be submitted and resolved by binding arbitration pursuant to Section 22.7 below. All of the information obtained by Tenant and/or its auditor in connection with such audit, as well as any compromise, settlement, or adjustment reached between Landlord and Tenant as a result thereof, shall be held in strict confidence and, except as may be required pursuant to litigation, shall not be disclosed to any third party, directly or indirectly, by Tenant or its auditor or any of their officers, agents or employees. Landlord may require Tenant's auditor to execute a separate reasonable confidentiality agreement affirming the foregoing as a condition precedent to any audit. The payment by Tenant of any amounts pursuant to this Section shall not preclude Tenant from questioning the correctness of any statement provided by Landlord at any time during a Review Period, but the failure of Tenant to object thereto prior to the expiration of the Review Period shall be conclusively deemed Tenant's approval of such statement.

(d) Even though this Lease has terminated and the Tenant has vacated the Premises, when the final determination is made of Tenant's Share of Operating Expenses for the Expense Recovery Period in which this Lease terminates, Tenant shall within thirty (30) days of written notice pay the entire increase over the estimated Tenant's Share of Operating Expenses already paid. Conversely, any overpayment by Tenant shall be rebated by

Landlord to Tenant not later than thirty (30) days after such final determination. The provisions of (c) above shall also apply to payments due under this paragraph.

(e) If, at any time during any Expense Recovery Period, any one or more of the Operating Expenses are increased to a rate(s) or amount(s) in excess of the rate(s) or amount(s) used in calculating the estimated Tenant's Share of Operating Expenses for the year, then the estimate of Tenant's Share of Operating Expenses may be increased by written notice from Landlord for the month in which such rate(s) or amount(s) becomes effective and for all succeeding months by an amount equal to Tenant's Share of the increase. Landlord shall give Tenant written notice of the amount or estimated amount of the increase and the month in which the increase will become effective. Tenant shall pay the increase to Landlord as a part of Tenant's monthly payments of the estimated Tenant's Share of Operating Expenses as provided in Section 4.2(b), commencing with the month following Tenant's receipt of Landlord's notice. Notwithstanding the foregoing, Landlord shall only have the right to adjust the estimated expenses once in any Expense Recovery Period.

(f) The term "**Operating Expenses**" shall mean and include all Site Costs, as defined in subsection (g), and Property Taxes, as defined in subsection (h).

(g) The term "**Site Costs**" shall include all expenses of operation, repair and maintenance of the Building and the Project, including without limitation all appurtenant Common Areas (as defined in Section 6.2), and shall include the following charges by way of illustration but not limitation: water and sewer charges; insurance premiums or reasonable premium equivalents should Landlord elect to self-insure all or any portion of any risk that Landlord is authorized to insure hereunder; license, permit, and inspection fees; heat; light; power; janitorial services to any interior Common Areas maintained by Landlord, if any; air conditioning; supplies; materials; equipment; tools; establishment of reasonable reserves for replacement and repair of the Building roof; the cost of any environmental consultant used by Landlord in connection with the Project; the cost of any capital expenditures but only to the extent of the amortized amount thereof over the useful life of such capital expenditures calculated at a market cost of funds, all as reasonably determined by Landlord, for each such year of useful life during the Term, provided that such capital expenditures shall be limited to (i) improvements which increase or enhance building security and/or safety (such as lighting, life/fire safety systems, etc.), (ii) repairs or replacements of the Building structure, Building systems or Common Areas as required for functional (and not esthetic) reasons; (iii) alterations or improvements required to comply with any law or change in law first becoming effective as to the Building after the date hereof; and (iv) expenditures incurred as a cost or labor saving measure or to affect other economies in the operation or maintenance of the Building or Project (in which event the entire amount of any resulting cost saving may be included in Site Costs during the applicable Expense Recovery Period but in no event in excess of the total cost of the capital expenditure) (collectively, "**Permitted Capital Items**"); costs associated with the maintenance of an air conditioning, heating and ventilation service agreement and maintenance of an intrabuilding network cable service agreement for any intrabuilding network cable telecommunications lines within the Project, and any other installation, maintenance, repair and replacement costs associated with such lines; labor; reasonably allocated wages and salaries, fringe benefits, and payroll taxes for administrative and other personnel (not higher than Building or Project manager or building engineer) directly applicable to the Building and/or Project, including both Landlord's personnel and outside personnel; any expense incurred pursuant to Sections 6.1, 6.2, 6.4, 7.2, and 10.2; and a competitive management fee for the professional operation of the Project. For so long as Tenant is maintaining all Building Systems, such management fee shall be two percent (2%) of the total rent (including Basic Rent and Operating Expenses) payable under this Lease. It is understood and agreed that Site Costs may include competitive charges for direct services provided by any subsidiary or division of Landlord.

(h) The term "**Property Taxes**" as used herein shall include the following: (i) all real estate taxes or personal property taxes which arc levied on the Building and/or the Project and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project, as such property taxes may be reassessed from time to time; and (ii) other taxes, charges and assessments which are levied with respect to this Lease or to the Building and/or the Project, and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project, except that general net income, franchise, capital stock, succession, transfer, gift, estate or inheritance taxes imposed against Landlord, (iii) all assessments and fees for public improvements, services, and facilities and impacts thereon, including without limitation arising out of any Community Facilities Districts, "Mello Roos" districts, similar assessment districts, and any traffic impact mitigation assessments or fees; (iv) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes, other than taxes covered by Article VIII; (v) taxes based on the receipt of rent (including gross receipts or sales taxes applicable to the receipt of rent); and (vi) costs and expenses incurred in contesting the amount or validity of any Property Tax by appropriate proceedings. General net income or franchise taxes imposed against Landlord shall be excluded from Property Taxes.

(i) Notwithstanding the provisions of this Section 4.2 to the contrary, Operating Expenses shall not include any cost or expense identified as the responsibility of Landlord and not an Operating Expense or a Site Cost by the express terms of this Lease, and shall not include any of the following:

(i) Any ground lease rental;

(ii) Costs which are deemed capital expenditures under generally accepted accounting principles consistently applied or otherwise ("**Capital Items**"), except for Permitted Capital Items set forth in Section 4.2 (g) above and any other items specifically authorized herein;

(iii) Rentals for items (except when needed in connection with normal repairs and maintenance of permanent systems) which if purchased, rather than rented, would constitute a Capital Item which is specifically excluded in (ii) above (excluding, however, equipment not affixed to the Building which is used in providing janitorial or similar services);

(iv) Costs incurred for the repair of any casualty damage to the Building and/or the Project if and to the extent that such repair costs exceed Two Hundred Fifty Thousand Dollars ($250,000) per occurrence;

(v) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenants' or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;

(vi) Depreciation, amortization and interest payments, except as provided in this Lease and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services, all as determined in accordance with generally accepted accounting principles, consistently applied, and when depreciation or amortization is permitted or required, the item shall be amortized over its reasonably anticipated useful life;

(vii) Marketing costs including, without limitation, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;

(viii) Expenses in connection with services or other benefits which are not offered to Tenant or for which Tenant is charged for directly but which are provided to another tenant or occupant of the Project;

(ix) Costs incurred by Landlord due to the violation of the terms and conditions of any lease of space in the Project;

(x) Overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(xi) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt (except as permitted in (ii) above);

(xii) Landlord's general corporate overhead and general and administrative expenses;

(xiii) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;

(xiv) Rentals and other related expenses incurred in leasing HVAC systems, elevators or other equipment ordinarily considered to be Capital Items, except for (1) expenses in connection with making minor repairs on or keeping Building Systems in operation while minor repairs are being made, and (2) costs of equipment not affixed to the Building which is used in providing janitorial or similar services;

(xv) Advertising and promotional expenditures, and costs of signs in or on the Building and/or the Project identifying the owner of the Project or other tenants' signs;

(xvi) Electric power costs for which any tenant directly contracts with the local public service company or of which any tenant is separately metered or submetered and pays Landlord directly; provided, however, that if any tenant in any Building contracts directly for electric power service or is separately metered or submetered during any portion of the relevant period, the total electric power costs for such Building shall be "grossed up" to reflect what those costs would have been had each tenant in such Building used the Building-standard amount of electric power,

(xvii) Services and utilities provided, taxes attributable to, and costs incurred in connection with the operation of the retail and restaurant operations in the Project;

(xviii) Costs incurred in connection with upgrading the Building and/or the Project to comply with disability, life, fire and safety codes, ordinances, statutes, or other laws in effect prior to the commencement of construction of the Building, base, shell or core improvements, including, without limitation, the ADA, including penalties or damages incurred due to such noncompliance;

(xix) Tax penalties incurred as a result of the failure to make payments and/or to file any tax or informational returns when due;

(xx) Costs for which Landlord has been compensated by a management fee;

(xxi) Costs arising from the negligence or fault of other tenants or Landlord or its agents, or any vendors, contractors, or providers of materials or services selected, hired or engaged by Landlord or its agents;

(xxii) Notwithstanding any contrary provision of the Lease, including, without limitation, any provision relating to capital expenditures, any and all costs arising from the presence of those items set forth on Landlord's Disclosure attached to this Lease as Exhibit C and made a part hereof and hazardous materials or substances (as defined by applicable laws in effect on the date the Lease is executed) in or about the Premises, the

Building or the Project including, without limitation, hazardous substances in the ground water or soil, not placed in the Premises, the Building or the Project by Tenant, its agents, contractors, employees, invitees or subtenants;

(xxiii) Costs arising from charitable or political contributions;

(xxiv) Costs arising from defects in the base, shell or core of the Building or improvements installed by Landlord or repair thereof exclusive of normal wear and tear and ordinary repair items;

(xxv) Costs for the acquisition of (as opposed to the maintenance of) sculpture, paintings or other objects of art;

(xxvi) Costs (including in connection therewith all attorneys' fees and costs of settlement judgments and payments in lieu thereof) arising from claims, disputes or potential disputes in connection with potential or actual claims, litigation or arbitrations pertaining to Landlord and/or the Building and/or the Project;

(xxvii) Costs associated with the operation of the business of the entity which constitutes Landlord or anyone else or any entity providing services (as such costs are distinguished from the costs of the operation, repair and maintenance of the Building and the Project), including corporate accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees (if any) not engaged in Building operation, disputes of Landlord with Building management, or outside fees paid in connection with disputes with other tenants;

(xxviii) Costs of any initial "tap fees" or any initial sewer or water connection fees for the Project;

(xxix) Costs incurred in connection with any environmental clean-up, response action, or remediation on, in, under or about the Premises or the Building) or the Project, except as may be caused by Tenant or any of its subtenants, including but not limited to, costs and expenses associated with the defense, administration, settlement, monitoring or management thereof;

(xxx) Any expenses incurred for use by other than Tenant or its subtenants of any portions of the Project to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Building services, such as lighting and HVAC to such public portions of the Building and/or the Project in normal Building operations during standard Building hours of operation;

(xxxi) Any entertainment, dining or travel expenses for any purpose;

(xxxii) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, to include, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;

(xxxiii) Any "validated" parking for any person or entity;

(xxxiv) Any "finders fees", brokerage commissions, job placement costs or job advertising cost;

(xxxv) The cost of any magazine, newspaper, trade or other subscriptions;

(xxxvi) The cost of any training or incentive programs, other than for tenant life safety information services;

(xxxvii) The cost of any "tenant relations" parties, events or promotion not consented to by an authorized representative of Tenant in writing;

(xxxviii) "In-house" legal and/or accounting fees;

(xxxix) Reserves of any kind or for any purpose except as specifically authorized in this Lease;

(xl) Any expenses which are expended for any other building in the Project as to which Tenant has agreed to pay for assume and/or perform the work giving rise to such expenses as to the Building under this Lease; and

(xli) Operating Expenses or Property Taxes applicable to any area located outside the Project, except as otherwise permitted by this Lease.

In the event any facilities, services or utilities used in connection with the Building and/or the Project are provided from another location owned or operated by Landlord or vice versa, the costs incurred by Landlord in connection therewith shall be allocated to Operating Expenses by Landlord on a reasonably equitable basis.

(k) Landlord further agrees that since Tenant is leasing the entire Building on a net basis, no gross up provision or calculation shall be included or made in connection with this Lease. Landlord agrees that (i)

Landlord will not collect or be entitled to collect Operating Expenses from Tenant in an amount which is in excess of one hundred percent (100%) of the Operating Expenses actually paid by Landlord in connection with the operation of the Building and/or the Project, and (ii) except for Landlord's management fee, Landlord shall make no profit from Landlord's collections of Operating Expenses. All assessments and premiums which are not specifically charged to Tenant because of what Tenant has done, which can be paid by Landlord in installments, shall be paid by Landlord in the maximum number of installments permitted by law and not included as Operating Expenses except in the year in which the assessment or premium installment is actually paid; provided, however, that if the prevailing practice in Comparable Buildings is to pay such assessments or premiums on an earlier basis, and Landlord pays on such basis, such assessments or premiums shall be included in Operating Expenses as paid by Landlord. Landlord shall not include any imputed interest (except for interest actually paid) on such assessments or premiums in its computation of Operating Expenses.

(l) For the purpose of payment of Operating Expenses, to the extent Landlord pays Property Taxes less frequently than monthly, the cost of same shall not be included in Operating Expenses but shall be separately calculated, with Tenant being obligated to pay Tenant's Share of same on the later of five (5) business days after receipt of an invoice from Landlord or ten (10) days prior to the date Landlord is obligated to pay same to the taxing authority.

SECTION 4.3. [INTENTIONALLY DELETED]

ARTICLE V. USES

SECTION 5.1. USE. Tenant understands that the Ground Lease permits certain uses of the Premises and prohibits any other uses, and that any use of the Premises in violation of the Ground Lease would cause Landlord material and irreparable harm. Tenant shall use the Premises only for the purposes stated in Item 3 of the Basic Lease Provisions, to the extent also permitted under the Ground Lease and by applicable laws and restrictions and pursuant to approvals to be obtained by Tenant from all relevant and required governmental agencies and authorities. The uses permitted under the Ground Lease are as follows: (a) medical and biotechnology equipment design, engineering, manufacturing and assembly; (b) research activities, including research and development laboratories; (c) research activities, including research laboratories, developmental laboratories and related light manufacturing; (d) professional services serving high technology or research activities and business, such as employment agencies, offices for accountants, attorneys, engineers, photographers or artists, and sales offices for products and services; (e) computer assembly, computer design, software design and communications, or computer networking; and (f) accessory and incidental related uses, including cafeterias and auditoriums, and administrative, professional and business offices (including, but not limited to, reception area, conference rooms, private offices, showrooms and document rooms). The parties agree that any contrary use shall be deemed to cause material and irreparable harm to Landlord and shall entitle Landlord to injunctive relief in addition to any other available remedy. Tenant, at its expense, shall procure, maintain and make available for Landlord's inspection throughout the Term, all governmental approvals, licenses and permits required for the proper and lawful conduct of Tenant's permitted use of the Premises. Tenant shall not do or permit anything to be done in or about the Premises which will in any way interfere with the rights of other occupants of the Building or the Project, or use or allow the Premises to be used for any unlawful purpose, or use the Premises in violation of the Ground Lease, nor shall Tenant permit any public or private nuisance or commit any waste in the Premises or the Project. In particular, Tenant shall not permit any use of the Property involving any vibration, noise, sound or disturbance that is objectionable due to intermittence, beat, frequency, shrillness or loudness; any lighting which does not comply with the requirements of Landlord's design guidelines; any electro-mechanical or electro-magnetic disturbance radiation; any air or water pollution; any emission of odorous, noxious, caustic, or corrosive matter, whether toxic or nontoxic, gas; any litter, dust, dirt or fly ash in excessive quantities; any unusual firing, explosion or damaging or dangerous hazard, including the storage, display or sale of explosives or fireworks; any junk yard, stock yard, distillation of bones, or animal raising, storage, slaughter, or disposition of any kind; any drilling for excavation, refining and/or removal of earth materials, oil gas, hydrocarbon substances, water, geothermal system, and any other subsurface substances of any nature whatsoever; any dumping, disposal, incineration, or reduction of animal remains, garbage or refuse of any nature whatsoever, other than handling or reducing any such waste matter if actually produced at the Project from authorized uses and if handled in a reasonably clean and sanitary manner; any auction, public sale, or similar operation; and any commercial excavation of sand, gravel or other building or construction materials. Tenant shall not perform any work or conduct any business whatsoever in the Project other than inside the Premises. Tenant shall not do or permit to be done anything which will invalidate or increase the cost of any insurance policy(ies) covering the Building, the Project and/or their contents, and shall comply with all applicable insurance underwriters rules and the requirements of the Pacific Fire Rating Bureau or any other organization performing a similar function. Tenant shall comply at its expense with all present and future laws, ordinances, restrictions, regulations, orders, rules and requirements of all governmental authorities that pertain to Tenant or its use of the Premises, including without limitation all federal and state occupational health and safety requirements, and all policies, procedures and regulations promulgated by Ground Lessor pertaining generally to the use of portions of Ground Lessor's real property leased for non-public purposes and to activities taking place upon Ground Lessor's real property, whether or not Tenant's compliance will necessitate expenditures or interfere with its use and enjoyment of the Premises. Tenant shall comply at its expense with all present and future covenants, conditions, easements or restrictions now or hereafter affecting or encumbering the Building and/or Project, and any amendments or modifications thereto, including without limitation the payment by Tenant of any periodic or special dues or assessments charged against the Premises or Tenant which may be allocated to the Premises or Tenant in accordance with the provisions thereof. Tenant shall promptly upon demand reimburse Landlord for any additional insurance premium charged by reason of Tenant's failure to comply with the provisions of this Section, and shall indemnify Landlord and Ground Lessor from any liability and/or expense resulting from Tenant's noncompliance.

SECTION 5.2. SIGNS. Provided Tenant continues to lease the entire Building, Tenant shall have the exclusive right to either: (i) one (1) exterior "eye brow" and one (1) exterior "building top" signs on the Building, or

(ii) two (2) exterior “building top” signs on the Building, in either event for Tenant’s name and graphics to the extent permitted by the Signage Criteria (defined below). All such exterior signage shall be in locations reasonably approved by Landlord or in the location shown on Exhibit F, and shall be subject to Landlord’s right of prior approval that such exterior signage is in compliance with the Signage Criteria. Except as provided in the foregoing, Tenant shall not have the right to maintain signs in any location on or about the Building(s) or the Project and shall not place or erect any signs that are visible from the exterior of the Building, and Tenant reserves the right from time to time to install or not install any permitted signs under this Lease (and to remove any signs it installs). The size, design, graphics, material, style, color and other physical aspects of any permitted sign shall be subject to Landlord’s written determination prior to installation that such signage has not been rejected by the Ground Lessor and is in compliance with Landlord’s signage program for the Project in effect and approved by the City of Irvine as of the date of Tenant’s installation of the applicable sign (“**Signage Criteria**”). Prior to placing or erecting any such signs, Tenant shall obtain and deliver to Landlord a copy of any applicable municipal or other governmental permits and approvals and comply with any applicable insurance requirements for such signage. Tenant shall be responsible for the cost of any permitted sign, including, without limitation, the fabrication, installation, maintenance and removal thereof and the cost of any permits therefor. If Tenant fails to maintain its sign in good condition, or if Tenant fails to remove same upon termination of this Lease and repair and restore any damage caused by the sign or its removal and such failure continues for ten (10) business days after notice from Landlord to Tenant of such failure, Landlord may do so at Tenant’s expense. Landlord shall have the right to temporarily remove any signs in connection with any repairs or maintenance in or upon the Building(s). The term “sign” as used in this Section shall include all signs, designs, monuments, displays, advertising materials, logos, banners, projected images, pennants, decals, pictures, notices, lettering, numerals or graphics. Landlord agrees that Tenant’s signage shown on Exhibit F is deemed to meet the Signage Criteria.

Tenant’s exterior signage rights hereunder shall be personal to the original Tenant named herein and an Affiliate thereof, except that Landlord shall authorize a transfer of such rights to a permitted assignee or subtenant if Landlord reasonably determines that such transfer would not impair the first class nature of the Project.

SECTION 5.3. HAZARDOUS MATERIALS.

(a) For purposes of this Lease, the term “**Hazardous Materials**” means (i) any “hazardous material” as defined in Section 25501(o) of the California Health and Safety Code, (ii) hydrocarbons, polychlorinated biphenyls or asbestos, (iii) any toxic or hazardous materials, substances, wastes or materials as defined pursuant to any other applicable state, federal or local law or regulation, and (iv) any other substance or matter which may result in liability to any person or entity as a result of such person’s possession, use, storage, release or distribution of such substance or matter under any statutory or common law theory.

(b) Tenant shall not cause or permit any Hazardous Materials to be brought upon, stored, used, generated, released or disposed of on, under, from or about the Premises (including without limitation the soil and groundwater thereunder) without the prior written consent of Landlord, which consent may be given or withheld in Landlord’s sole and absolute discretion. Notwithstanding the foregoing, Tenant shall have the right, without obtaining prior written consent of Landlord, to utilize within the Premises a reasonable quantity of standard office products that may contain Hazardous Materials (such as photocopy toner, “White Out”, and the like), provided however, that (i) Tenant shall maintain such products in their original retail packaging, shall follow all instructions on such packaging with respect to the storage, use and disposal of such products, and shall otherwise comply with all applicable laws with respect to such products, and (ii) all of the other terms and provisions of this Section 5.3 shall apply with respect to Tenant’s storage, use and disposal of all such products. Tenant shall not cause or permit any Hazardous Materials to be brought upon, stored, used, generated, released or disposed of on, under, from or about the Premises (including without limitation the soil and groundwater thereunder) without the prior written consent of Landlord, which consent may be given or withheld in Landlord’s sole and absolute discretion. Notwithstanding the foregoing, Tenant shall have the right, without obtaining prior written consent of Landlord, to utilize within the Premises a reasonable quantity of standard office products that may contain Hazardous Materials (such as photocopy toner, “White Out”, and the like), provided however, that (i) Tenant shall maintain such products in their original retail packaging, shall follow all instructions on such packaging with respect to the storage, use and disposal of such products, and shall otherwise comply with all applicable laws with respect to such products, and (ii) all of the other terms and provisions of this Section 5.3 shall apply with respect to Tenant’s storage, use and disposal of all such products. Landlord may, in its reasonable discretion, place such conditions as Landlord deems appropriate with respect to Tenant’s use of any such Hazardous Materials, and may further require that Tenant demonstrate that any such Hazardous Materials are necessary or useful to Tenant’s business and will be generated, stored, used and disposed of in a manner that complies with all applicable laws and regulations pertaining thereto and with good business practices. Notwithstanding the foregoing, Tenant may use such materials as are necessary for Broadcom’s research and development operations as long as such use(s) comply with all applicable laws.

(c) Prior to the execution of this Lease, Tenant shall complete, execute and deliver to Landlord an Environmental Questionnaire and Disclosure Statement (the “**Environmental Questionnaire**”) in the form of Exhibit B attached hereto. The completed Environmental Questionnaire shall be deemed incorporated into this Lease for all purposes, and Landlord shall be entitled to rely fully on the information contained therein. On each anniversary of the Commencement Date until the expiration or sooner termination of this Lease, Tenant shall disclose to Landlord in writing the names and amounts of all Hazardous Materials which were stored, generated, used, released and/or disposed of on, under or about the Premises for the twelve-month period prior thereto, and which Tenant desires to store, generate, use, release and/or dispose of on, under or about the Premises for the succeeding twelve-month period. In addition, to the extent Tenant is permitted to utilize Hazardous Materials upon the Premises, Tenant shall promptly provide Landlord with complete and legible copies of all the following environmental documents relating thereto: reports filed pursuant to any self-reporting requirements; permit applications, permits, monitoring reports, emergency response or action plans, workplace exposure and community exposure warnings or notices and all other reports, disclosures, plans or documents (even those which may be characterized as confidential) relating to water discharges, air pollution, waste generation or disposal, and underground storage tanks for Hazardous Materials; orders, reports, notices, listings and correspondence (even those which may be considered confidential) of or concerning the release, investigation of, compliance, cleanup, remedial and corrective actions, and abatement of Hazardous Materials; and all complaints, pleadings and other legal documents filed by or against Tenant related to Tenant's storage, generation, use, release and/or disposal of Hazardous Materials.

(d) Landlord and its agents shall have the right, but not the obligation, to inspect, sample and/or monitor the Premises and/or the soil or groundwater thereunder at any time to determine whether Tenant is complying with the terms of this Section 5.3, and in connection therewith Tenant shall provide Landlord with reasonable access to all facilities, records and personnel related thereto, provided Landlord shall provide Tenant with reasonable prior notice. If Tenant is not in compliance with any of the provisions of this Section 5.3, or in the event of a release of any Hazardous Material on, under or about the Premises caused or permitted by Tenant, its agents, employees, contractors, licensees or invitees, Landlord and its agents shall have the right, but not the obligation, without limitation upon any of Landlord's other rights and remedies under this Lease, to immediately enter upon the Premises without notice in the case of emergency, and otherwise on reasonable prior notice, and to discharge Tenant's obligations under this Section 5.3 at Tenant's expense, including without limitation the taking of emergency or long-term remedial action. Landlord and its agents shall endeavor to minimize interference with Tenant's business in connection therewith, but shall not be liable for any such interference. In addition, Landlord, at Tenant's expense, shall have the right, but not the obligation, to join and participate in any legal proceedings or actions initiated in connection with any claims arising out of the storage, generation, use, release and/or disposal by Tenant or its agents, employees, contractors, licensees or invitees of Hazardous Materials on, under, from or about the Premises.

(e) If the presence of any Hazardous Materials on, under, from or about the Premises or the Project caused by Tenant or its agents, employees, contractors, licensees or invitees results in (i) injury to any person, (ii) injury to or any contamination of the Premises or the Project, or (iii) injury to or contamination of any real or personal property wherever situated, Tenant, at its expense, shall promptly take all actions necessary to return the Premises and the Project and any other affected real or personal property owned by Landlord to the condition existing prior to the introduction of such Hazardous Materials and to remedy or repair any such injury or contamination, including without limitation, any cleanup, remediation, removal, disposal, neutralization or other treatment of any such Hazardous Materials. Notwithstanding the foregoing, Tenant shall not, without Landlord's prior written consent, which consent shall not be unreasonably withheld, take any remedial action in response to the presence of any Hazardous Materials on, from, under or about the Premises or the Project or any other affected real or personal property owned by Landlord or enter into any similar agreement, consent, decree or other compromise with any governmental agency with respect to any Hazardous Materials claims; provided however, Landlord's prior written consent shall not be necessary in the event that the presence of Hazardous Materials on, under or about the Premises or the Project or any other affected real or personal property owned by Landlord (i) imposes an immediate threat to the health, safety or welfare of any individual and (ii) is of such a nature that an immediate remedial response is necessary and it is not possible to obtain Landlord's consent before taking such action. To the fullest extent permitted by law, Tenant shall indemnify, hold harmless, protect and defend (with attorneys reasonably acceptable to Landlord) Landlord and any successors to all or any portion of Landlord's interest in the Premises and the Project and any other real or personal property owned by Landlord from and against any and all liabilities, losses, damages, diminution in value, judgments, fines, demands, claims, recoveries, deficiencies, costs and expenses (including without limitation attorneys' fees, court costs and other professional expenses), whether foreseeable or unforeseeable, arising directly or indirectly out of the use, generation, storage, treatment, release, on- or off-site disposal or transportation of Hazardous Materials on, into, from, under or about the Premises, the Building or the Project and any other real or personal property owned by Landlord caused by Tenant, its agents, employees, contractors, licensees or invitees. Such indemnity obligation shall specifically include, without limitation, the cost of any required or necessary repair, restoration, cleanup or detoxification of the Premises, the Building and the Project and any other real or personal property owned by Landlord, the preparation of any closure or other required plans, whether or not such action is required or necessary during the Term or after the expiration of this Lease, and any loss of rental due to the inability to lease the Premises or any portion of the Building or Project as a result of such Hazardous Materials or remediation thereof. If Landlord at any time discovers that Tenant or its agents, employees, contractors, licensees or invitees may have caused or permitted the release of a Hazardous Material on, under, from or about the Premises, the Building or the Project or any other real or personal property owned by Landlord, Tenant shall, at Landlord's request, immediately prepare and submit to Landlord a comprehensive plan, subject to Landlord's approval, specifying the actions to be taken by Tenant to return the Premises, the Building or the Project or any other real or personal property owned by Landlord to the condition existing prior to the introduction of such Hazardous Materials. Upon Landlord's approval of such cleanup plan, Tenant shall, at its expense, and without limitation of any rights and remedies of Landlord under this Lease or at law or in equity, immediately implement such plan and proceed to cleanup such Hazardous Materials in accordance with all applicable laws and as required by such plan and this Lease. The provisions of this Section 5.3(e) shall expressly survive the expiration or sooner termination of this Lease.

(f) Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, certain facts relating to Hazardous Materials at the Project known by Landlord to exist as of the date of this Lease, as more particularly described in Exhibit C attached hereto. Tenant shall have no liability or responsibility with respect to the Hazardous Materials facts described in Exhibit C, nor with respect to any Hazardous Materials which Tenant proves were not caused or placed on the Premises by Tenant, its agents, employees, contractors, licensees or invitees. Notwithstanding the preceding two sentences, Tenant agrees to notify its agents, employees, contractors, licensees, and invitees of any exposure or potential exposure to Hazardous Materials at the Premises that Landlord brings to Tenant's attention. Landlord hereby represents and warrants that to the best of Landlord's knowledge, other than as set forth in Exhibit C, as of the date of this Lease, no other Hazardous Materials are present in, on or around the Building or the Project. Landlord agrees to indemnify and hold harmless Tenant and Tenant's employees, agents, directors, officers and partners from claims arising from the breach of the warranty contained herein. Nothing in this Section or this Lease shall require Tenant to indemnify Landlord with respect to, or clean up or remediate any Hazardous Materials which were on or in the Premises, the Building or the Project prior to the date this Lease was executed or which were placed on or in the Premises, the Building or the Project by anyone other than Tenant or Tenant's agents, contractors, subtenants or representatives.

ARTICLE VI. COMMON AREAS; SERVICES

SECTION 6.1. UTILITIES AND SERVICES. Tenant shall be responsible for and shall pay promptly, directly to the appropriate supplier, all charges for water, gas, electricity, sewer, heat, light, power, telephone, telecommunications service, refuse pickup, janitorial service, interior landscape maintenance, interior and exterior pest control, interior and exterior window washing, security services, exterior plumbing (back flows testing), and all other utilities, materials and services furnished directly to Tenant or the Premises or used by Tenant in, on or about the Premises during the Term, together with any taxes thereon. Tenant shall provide whatever janitorial and security services it deems appropriate for the Premises and Landlord shall have no responsibility for and shall not provide janitorial services to the Premises unless requested to do so by Tenant. If any utilities or services are not separately metered or assessed to Tenant, Landlord shall make a reasonable determination of Tenant's proportionate share of the Actual Cost (as hereinafter defined) of such utilities and services, and Tenant shall pay such amount to Landlord, as an item of additional rent, within thirty (30) days after receipt of Landlord's statement or invoice therefor. For purposes of this Lease, the term "**Actual Cost**" shall mean an amount equal to actual incremental cost to Landlord to provide the applicable service or utility to Tenant without markup for profit. Alternatively, Landlord may elect to include such cost in the definition of Site Costs in which event Tenant shall pay Tenant's proportionate share of such costs in the manner set forth in Section 4.2. Tenant shall also pay to Landlord as an item of additional rent, within twenty (20) days after receipt of Landlord's annual statement or invoice therefor, an hourly charge of Five Cents ($.05) per ton (which shall be in addition to the electricity charge paid to the utility provider) for Tenant's "after hours" usage of each HVAC unit servicing the Premises. "After hours" shall mean more than three hundred (300) hours per ton of compressor usage of each HVAC unit servicing the Premises during any month during the Term, and shall be determined based upon the average monthly operation of the applicable HVAC unit over each successive twelve (12) month period commencing as of the Commencement Date of the Lease (or the applicable portion of that annual period with respect to the final partial Lease year). Such monthly usage shall be determined by Landlord based upon readings from HVAC meters installed by Landlord. In turn, the average monthly usage levels of each class (by tonnage) of HVAC unit serving the Premises shall be aggregated and averaged so that excess use by Tenant of a particular unit will be offset by a lower usage level of another unit of the same class over the applicable billing cycle. Landlord shall not be liable for damages or otherwise for any failure or interruption of any utility or other service furnished to the Premises, and no such failure or interruption shall be deemed an eviction or entitle Tenant to terminate this Lease or withhold or abate any rent due hereunder except as otherwise provided in this Lease. Landlord shall at all reasonable times have free access to the Building and Premises to install, maintain, repair, replace or remove all electrical and mechanical installations of Landlord; provided, however, that if such electrical and/or mechanical installations are located in the Premises, Landlord shall provide Tenant with reasonable prior notice of this intent to access same and shall follow Tenant's reasonable instructions as to the time and manner such work is to be performed so as to minimize disruption to Tenant's business operations.

Notwithstanding the foregoing, if for more than five (5) consecutive days following written notice to Landlord (the "**Eligibility Period**"), (a) there is no HVAC or electricity service to all or a portion of the Premises, or such an interruption of other essential utilities and building services, such as fire protection or water, (b) there is any repair, maintenance or alteration performed by Landlord, and/or (c) there is any failure by Landlord to provide Tenant with access to the Premises or the parking areas, so that Tenant is prevented from using and does not use all or a portion of the Premises, then provided such interruption of services is not attributable to the fault or neglect of Tenant, its agents, employees, contractors or subtenants or the failure by Tenant to fulfill its responsibilities hereunder, Tenant's rent (inclusive of Basic Rent and Operating Expenses) shall thereafter be abated in the same proportion that the Floor Area of the Premises rendered unusable from time to time bears to the total Floor Area of the Premises until the Premises are again usable by Tenant. However, in the event that Tenant is prevented from conducting, and does not conduct, its business in any portion of the Premises for a period of time in excess of the Eligibility Period, and the remaining portion of the Building is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the rent for the entire Building shall be abated; provided, however, if Tenant reoccupies and conducts its business from any portion of the Building during such period, the rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Building bears to the total rentable area of the Building, shall be payable by Tenant from the date such business operations commence. The foregoing provisions shall be Tenant's sole recourse and remedy in the event of such an interruption of services, and shall not apply in case of damage to, or destruction of, the Premises (which shall be governed by the provisions of Article XI of the Lease). Any disputes concerning the foregoing provisions shall be submitted to and resolved by arbitration pursuant to Section 22.7 of this Lease.

SECTION 6.2. OPERATION AND MAINTENANCE OF COMMON AREAS. During the Term, Landlord shall operate and maintain all Common Areas within the Project in a "first class" manner and shall maintain the Project in compliance with Section 7.2 below. The term "**Common Areas**" shall mean all areas of the Project outside the footprint of the Building and other buildings in the Project which are not held for exclusive use by persons entitled to occupy space, and all other appurtenant areas and improvements within the Project provided by Landlord for the common use of Landlord and tenants and their respective employees and invitees, including without limitation parking areas and structures, driveways, sidewalks, landscaped and planted areas, hallways and interior stairwells not located within the Premises, common electrical rooms and roof access entries, common entrances and lobbies, elevators, and restrooms not located within the premises of any tenant.

SECTION 6.3. USE OF COMMON AREAS The occupancy by Tenant of the Premises shall include the use of the Common Areas in common with Landlord and with all others for whose convenience and use the Common Areas may be provided by Landlord, subject, however, to compliance with all rules and regulations as are prescribed from time to time by Landlord. All costs incurred by Landlord for the maintenance and operation of the Common Areas shall be included in Site Costs except to the extent any particular cost incurred is related to or associated with Tenant and can be charged directly to Tenant whereupon Landlord shall exclude from Site Costs the comparable charges attributable to other tenants. Tenant shall keep the Common Areas clear of any obstruction or unauthorized use related to Tenant's operations or use of Premises, including without limitation, planters and furniture. Unless caused by the negligence or willful misconduct of Landlord or its agents, contractors or employees and not covered by Tenant's insurance, nothing in this Lease shall be deemed to impose liability upon Landlord for any damage to, or loss of the property of, Tenant. As long as Tenant's access to and/or use of the Premises is not adversely affected, Landlord may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations, to prevent a public dedication or the accrual of prescriptive rights, or for any other reason deemed sufficient by Landlord, without liability to Landlord.

SECTION 6.4. PARKING. Without the obligation to pay additional parking charges therefor during the Lease Term, Tenant shall be entitled to the number of vehicle parking spaces set forth in Item 15 of the Basic Lease Provisions, which spaces shall be unreserved and unassigned, on those portions of the Common Areas designated by Landlord for parking. Landlord shall designate and mark ten (10) of such spaces as "reserved" for Tenant. Tenant shall not use more parking spaces than such number. All parking spaces shall be used only for parking of vehicles no larger than full size passenger automobiles, sports utility vehicles, pickup trucks, carpool vehicles and vans. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers or invitees to be loaded, unloaded or parked in areas other than those reasonably designated by Landlord for such activities. Parking within the Common Areas shall be limited to striped parking stalls, and no parking shall be permitted in any driveways, access ways or in any area which would prohibit or impede the free flow of traffic within the Common Areas. There shall be no parking of any vehicles for longer than a forty-eight (48) hour period except in situations where an employee leaves his or her car in the parking area while on a business trip, vacation or because of personal or business necessity, the parties hereby otherwise agreeing that the parking area is not to be used as a storage facility. Nothing contained in this Lease shall be deemed to create liability upon Landlord to Tenant for any damage to motor vehicles of visitors or employees, for any loss of property from within those motor vehicles, or for any injury to Tenant unless ultimately determined to be caused by the sole active negligence or willful misconduct of Landlord or its agents, contractors or employees. Landlord shall cause the parking area to be lighted at night and the landscaping will be subject to Tenant's consent, not to be unreasonably withheld, so as to reduce the likelihood that the trees and bushes will "shed" on vehicles. Landlord shall have the right to establish, and from time to time amend, and to enforce against all users all reasonable rules and regulations that Landlord may reasonably deem necessary and advisable for the proper and efficient operation and maintenance of parking within the Common Areas. Landlord shall have the obligation to construct and maintain the parking areas in good condition and operate lighting facilities within the parking areas; and to do and perform such other acts in and to the parking areas and improvements therein as, in the use of good business judgment, Landlord shall determine to be advisable. Any person using the parking area shall observe all directional signs and arrows and any posted speed limits. Parking areas shall be used only for parking vehicles, except that washing, waxing, cleaning or servicing of vehicles may be performed by or on behalf of Tenant as to vehicles that belong to Tenant or its employees in locations within the parking areas that will not interfere with the rights of other tenants of the Project. Subject to the provisions of Section 10.5, Tenant shall be liable for any damage to the parking areas caused by Tenant or Tenant's employees, suppliers, shippers, customers or invitees, including without limitation damage from excess oil leakage. Tenant shall have no right to install any fixtures, equipment or personal property in the parking areas or in the other Common Areas of the Project.

Notwithstanding anything contained in the Lease, Tenant's parking privileges shall be available to Tenant twenty-four (24) hours per day, seven (7) days per week, every day of the year, in any location where Tenant shall maintain its parking privileges. Tenant's parking shall be non-tandem. In addition, Tenant may load and unload trucks within the loading areas of the Project.

SECTION 6.5. CHANGES AND ADDITIONS BY LANDLORD. As long as Tenant's access to and/or use of the Premises and the Building shall not be adversely affected, Landlord reserves the right to make alterations or additions to the Building or the Project, or to the attendant fixtures and equipment. Landlord may at any time relocate or remove parking areas (so long as reasonable substitute parking is provided to Tenant) and other Common Areas, and may add buildings and areas to the Project from time to time as long as Tenant's use of the Project and Common Areas is not adversely affected. Subject to the provisions of Sections 6.1 and 22.9 of this Lease, no change shall entitle Tenant to any abatement of rent or other claim against Landlord, provided that the change does not deprive Tenant of reasonable access to or use of the Premises.

SECTION 6.6. LICENSE FOR GENERATOR. At any time during the Term, Tenant shall have the right to install, in locations designated by Landlord, one (1) generator for the Building to supply back-up electrical power to the Premises in the event of a reduction or interruption in the supply of normal electrical power to the Premises. Tenant's rights under this Section 6.6 shall be subject to the following additional terms and provisions: (a) the exercise of Tenant's rights under this Section shall be subject to Tenant's compliance, at its sole cost and expense, with all laws and acquisition of all approvals and permits required, from applicable governmental authorities and, if required, from Ground Lessor; (b) the installation, maintenance, repair, monitoring and removal of the generators shall be at Tenant's sole cost and expense; (c) if installed in the parking areas, the space taken up by the generators shall be counted towards the parking spaces allocated to Tenant pursuant to Item 15 of the Basic

Lease Provisions; (d) Tenant shall comply with all laws pertaining to the operation, maintenance and monitoring of generators, along with any additional reasonable requirements imposed by Landlord in connection therewith (including, without limitation, Landlord's prior approval of the screening of the generators and operational issues relating to the use of Hazardous Materials in connection therewith), and shall provide Landlord with evidence of such compliance in such form and at such times as Landlord requires; (e) Tenant shall maintain and repair the generators, and shall be responsible for all reporting, monitoring, clean up and remediation activities and costs pertaining to the generator (including, without limitation, the obligations under Section 5.3 of the Lease respecting Hazardous Materials used, stored and/or released from the generator); (f) Tenant shall remove the generators and attendant screening at the expiration or earlier termination of the Lease in accordance with the provisions of Section 15.3 of the Lease (and shall obtain a customary closure certificate from applicable governmental authorities in connection with such removal), and shall repair any damage to the Building or Common Areas that occurs in connection with such removal. Landlord agrees to reasonably cooperate with Tenant, but at no additional cost or expense to Landlord, in obtaining any required permits and approvals for the generators.

ARTICLE VII. MAINTAINING THE PREMISES

SECTION 7.1. TENANT'S MAINTENANCE AND REPAIR. Tenant at its sole expense shall make all repairs and replacements necessary to keep the Premises and the Building (excluding therefrom the Building Structure which is Landlord's responsibility hereunder but including all Building Systems) in good condition, excepting ordinary wear and tear and damage by casualty, including without limitation all interior glass, interior doors, door closures, hardware, fixtures, electrical, plumbing, fire life safety, access control and HVAC equipment and systems, fire extinguisher equipment and other equipment installed in the Premises and all Alterations constructed by Tenant pursuant to Section 7.3 below. Any damage or deterioration of the Premises shall not be deemed ordinary wear and tear if the same could have been prevented by good maintenance practices by Tenant. In maintaining the Building Systems and HVAC equipment, Tenant shall comply with the normal maintenance standards and specifications followed by Landlord (which maintenance standards may be reasonably enhanced by Landlord to reflect HVAC usage by Tenant that exceeds normal office standards) and with all requirements imposed by equipment manufacturers, and shall use qualified personnel and/or vendors to perform any maintenance or repair work. Tenant shall permit representatives of Landlord access on a regular basis to inspect the equipment and systems and Tenant's maintenance thereof. Should Landlord reasonably determine that Tenant is not properly maintaining the Building Systems and equipment, then subject to Tenant's right to contest such determination pursuant to Section 22.7 below, and if such failure shall continue for ten (10) business days after notice from Landlord which ten (10) business day period will be extended for force majeure occurences as described in Section 20.9, Landlord may elect thereafter to maintain same and the costs thereof shall be included within Operating Expenses. Landlord may also elect to undertake such maintenance responsibilities if the original Tenant named herein or an Affiliate thereof is no longer occupying at least thirty percent (30%) of the Premises. As part of its maintenance obligations hereunder, Tenant shall assure that the Premises remain free of moisture conditions which could cause mold and promptly repair any moisture conditions occurring within the Premises, and Tenant shall, at Landlord's request, provide Landlord with copies of all maintenance schedules, reports and notices prepared by, for or on behalf of Tenant except to the extent such conditions existed at the time the Premises were delivered to Tenant and to such extent, the liability and responsibilities shall remain with Landlord. Tenant shall permit representatives of Landlord access on a regular basis to inspect the equipment and systems and to fulfill its maintenance and repair obligations. All repairs and replacements shall be at least equal in quality to the original work, shall be made only by a licensed contractor and shall be made only at the time or times reasonably approved by Landlord, taking into account that Tenant may be the sole occupant of the Building. Any contractor utilized by Tenant shall be subject to Landlord's reasonable requirements for contractors, as modified from time to time. Landlord may impose reasonable restrictions and requirements with respect to repairs, as provided in Section 7.3, and the provisions of Section 7.4 shall apply to all repairs. If Tenant fails to properly maintain and/or repair the Premises as herein provided following Landlord's notice and the expiration of the applicable cure period (or earlier if Landlord determines that such work must be performed prior to such time in order to avoid damage to the Premises or Building or other detriment), then Landlord may elect, but shall have no obligation, to perform any repair or maintenance required hereunder on behalf of Tenant and at Tenant's expense, and Tenant shall reimburse Landlord upon demand for all costs incurred upon submission of an invoice.

SECTION 7.2. LANDLORD'S MAINTENANCE AND REPAIR. Subject to Sections 6.1 and Section 7.1 and Article XI, Landlord shall provide service, maintenance and repair with respect to the Building Structure, including but not limited to the roof, foundations, and footings, Common Areas, exterior lighting, and the exterior surfaces of the exterior walls of the Building (including exterior glass), except that Tenant at its expense shall make all repairs which Landlord deems reasonably necessary as a result of the act or negligence of Tenant, its agents, employees, invitees, subtenants or contractors; provided, however, that Tenant shall be entitled to reimbursement for the cost of any such repairs to the extent the costs of such repairs is covered by insurance carried (or required to be carried) by Landlord as part of Operating Expenses. Landlord shall have the right to employ or designate any reputable person or firm, including any employee or agent of Landlord or any of Landlord's affiliates or divisions, to perform any service, repair or maintenance function. Landlord need not make any other improvements or repairs except as specifically required under this Lease, and nothing contained in this Section shall limit Landlord's right to reimbursement from Tenant for maintenance, repair costs and replacement costs as provided in Section 10.5 and elsewhere in this Lease. Except as set forth herein, Tenant understands that it shall not make repairs at Landlord's expense or by rental offset. Tenant further understands that Landlord shall not be required to make any repairs to the roof, foundations, footings, or the exterior surfaces of the exterior walls of the Building (excluding exterior glass), unless and until either Tenant has notified Landlord in writing of the need for such repair or Landlord shall otherwise have received notification thereof, and Landlord shall have a reasonable period of time thereafter to commence and complete said repair, if warranted. All costs of any maintenance, repairs and replacement on the part of Landlord provided hereunder shall be considered part of Site Costs subject to the provisions of Section 4.2.

Notwithstanding any provision in this Lease to the contrary, if Landlord shall fail to commence any repair obligations required under this Lease with respect to the Building leased by Tenant within ten (10) business days following Tenant's written request for such repairs and thereafter complete such repairs with commercially reasonable due diligence, or if Landlord shall fail to commence any emergency repairs (i.e., repairs required to avoid imminent injury or damage or cessation of business) with respect to any such full Building being leased by Tenant within three (3) business days following written notice from Tenant and thereafter complete such repairs with commercially reasonable due diligence, then Tenant may elect to make repairs to such Building(s) at Landlord's expense by complying with the following provisions. Before making any such repair, and following the expiration of the applicable period set forth above, Tenant shall deliver to Landlord a notice for the need for such repair ("**Self Help Notice**"), which notice shall specifically advise Landlord that Tenant intends to exercise its self help right hereunder. Should Landlord fail, within five (5) business days following receipt of the Self Help Notice (or within two (2) business days following notice in the event of necessary emergency repairs), to commence the necessary repair or to make other arrangements reasonably satisfactory to Tenant, then Tenant shall have the right to make such repair on behalf of Landlord. Landlord agrees that Tenant will have access to the Building Systems and Building Structure within the Building to the extent necessary to perform the work contemplated by this Section. In the event Tenant takes such action, and such work will affect the Building Structure and/or the Building Systems, Tenant shall use only those contractors used or approved by Landlord in the Building for work on such Building Structure or Building Systems unless such contractors are unwilling or unable to immediately perform, or timely and competitively perform, such work, in which event Tenant may utilize the services of any other qualified contractor which normally and regularly performs similar work in Comparable Buildings in the area. Tenant shall provide Landlord with a reasonably detailed invoice together with reasonable supporting evidence of the costs reasonably and actually incurred. Landlord shall either reimburse Tenant for the reasonable costs of such repairs within thirty (30) days following receipt of Tenant's invoice for such costs or deliver a written objection stating with specificity the reasons Landlord disputes Tenant's actions or the amounts. If Landlord fails to pay Tenant's invoice within such thirty (30) day period or deliver a written objection, Tenant shall have the right to offset such costs against Basic Rent next coming due under this Lease. If Landlord delivers to Tenant, within thirty (30) days, a written objection to the payment of such invoice, setting forth Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive), then Tenant shall not then be entitled to offset any amount from rent, but as Tenant's sole remedy, the dispute shall be resolved by arbitration pursuant to Section 22.7 hereof. If Tenant prevails in the arbitration, the amount of the award shall include interest at the Interest Rate (from the time of each expenditure by Tenant until the date Tenant receives such amount by payment or offset and attorneys' fees and related costs). If Landlord fails to pay the amount of the award within thirty (30) days from the date of the award, the amount of the award may be deducted by Tenant from the Basic Rent next due and owing under the Lease. Tenant shall be responsible for obtaining any necessary governmental permits before commencing the repair work. Tenant shall be liable for any damage, loss or injury resulting from said work to the extent of Tenant's or its agent's, employee's or contractor's negligence.

SECTION 7.3. ALTERATIONS. Tenant shall make no alterations, additions, fixtures or improvements ("**Alterations**") to the Premises or the Building without the prior written consent of Landlord, which consent shall not be withheld unless, and only to the extent that, a "Design Problem" exists as defined in the Work Letter attached as Exhibit X hereto. Notwithstanding the foregoing, Landlord's consent shall not be required for any cosmetic alterations, additions or improvements to the Premises which cost less than Fifty Thousand Dollars ($50,000.00) in the aggregate during any twelve (12) month period and which do not (i) create a Design Problem or incorporate Non-Standard Improvements (as those terms are defined in Exhibit X), or (ii) require any governmental permit as a prerequisite to the construction thereof. Landlord shall in all events, whether or not Landlord's consent is required, have the right to reasonably approve the contractor performing the installation and removal of Alterations and Tenant shall not permit any contractor not approved by Landlord to perform any work on the Premises or on the Building. Tenant shall obtain all required permits for the installation and removal of Alterations and Replacements and shall perform the installation and removal of Alterations and Replacements in compliance with all applicable laws, regulations and ordinances, including without limitation the ADA, all covenants, conditions and restrictions affecting the Project, and the Rules and Regulations as described in Article XVII. Landlord shall be entitled to a supervision fee in the amount of five percent (5%) of the cost of the Alterations; provided that no such fee shall be imposed for any Alteration project that does not require a governmental permit or that costs less than Fifty Thousand Dollars ($50,000.00) in the aggregate. Under no circumstances shall Tenant make any Alterations which incorporate any Hazardous Materials, including without limitation asbestos-containing construction materials into the Premises, the Building or the Common Area. If any governmental entity requires, as a condition to any proposed Alterations by Tenant, that improvements be made to the Common Areas, and if Landlord consents to such improvements to the Common Areas pursuant to the Consent standard set forth herein, then Tenant shall, at Tenant's sole expense, make such required improvements to the Common Areas in such manner, utilizing such materials, and with such contractors, architects and engineers as Landlord may require in its reasonable discretion; provided, however, that Tenant shall not be required to make any modification of or addition to the Building Structure, Building Systems and/or the exterior portions of the Site (including without limitation, the Common Areas) except and to the extent required because of (a) Tenant's use of all or a portion of the Premises for other than normal and customary office operations, or (b) Non-Standard Improvements installed by Tenant. Any request for Landlord's consent to any proposed Alterations shall be made in writing and shall contain architectural plans describing the work in detail reasonably satisfactory to Landlord. Should the work proposed by Tenant and consented to by Landlord modify the basic floor plan of the Premises, then Tenant shall, at its expense, furnish Landlord with as-built drawings and CAD disks compatible with Landlord's systems and standards. Unless Landlord otherwise agrees in writing, all Alterations permanently affixed to the Premises, the Building or to the Common Area (excluding moveable trade fixtures, equipment and furniture), including without limitation all Tenant Improvements constructed pursuant to the Work Letter (except as otherwise provided in the Work Letter), shall become the property of Landlord and shall be surrendered with the Premises at the end of the Term; provided that Landlord may, by notice to Tenant given at the time Tenant requests Landlord's consent to any Alteration, require Tenant to remove by the Expiration Date, or sooner termination date of this Lease, all or any of the Alterations installed either by Tenant or by Landlord at Tenant's request, and to repair any damage to the Premises, the Building or the Common Area arising from that removal. Notwithstanding the foregoing, Tenant shall not be required to remove the Tenant Improvements described in the approved "Preliminary Plan" as defined in Exhibit X attached hereto, nor any Alterations which are normal and customary business office improvements and which either: (1) utilize only "Standard Improvements" (as defined in Exhibit X), or (2) are not a "Design Problem". Tenant may, in connection with making any Alterations approved by Landlord, remove, alter or replace any permanent alterations, additions or improvements previously made to the Premises prior to the Commencement Date of this Lease.

SECTION 7.4. MECHANIC'S LIENS. Tenant shall remove any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. Upon request by Landlord, Tenant shall promptly (but in no event later than five (5) business days following such request) cause any such lien to be released by any legal means and/or by posting a bond in accordance with California Civil Code Section 3143 or any successor statute. In the event that Tenant shall not, within thirty (30) days following notice of the imposition of any lien, cause the lien to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other available remedies, the right to cause the lien to be released by any means it deems proper, including payment of or defense against the claim giving rise to the lien. All expenses so incurred by Landlord, including Landlord's attorneys' fees, and any consequential or other damages incurred by Landlord arising out of such lien, shall be reimbursed by Tenant upon demand, together with interest from the date of payment by Landlord at the maximum rate permitted by law until paid. Tenant shall give Landlord no less than twenty (20) days' prior notice in writing before commencing construction of any kind on the Premises or Common Area and shall again notify Landlord that construction has commenced, such notice to be given on the actual date on which construction commences, so that Landlord may post and maintain notices of nonresponsibility on the Premises or Common Area, as applicable, which notices Landlord shall have the right to post and which Tenant agrees it shall not disturb. Tenant shall also provide Landlord notice in writing within ten (10) days following the date on which such work is substantially completed. The provisions of this Section shall expressly survive the expiration or sooner termination of this Lease

SECTION 7.5. ENTRY AND INSPECTION. Landlord shall at all reasonable times, upon reasonable prior written notice (except in emergencies, when no notice shall be required), have the right to enter the Premises to inspect them, to supply services in accordance with this Lease, to perform any work required or permitted to be performed by Landlord within the Premises, to have access to install, repair, maintain, replace or remove all electrical and mechanical installations of Landlord and to protect the interests of Landlord in the Premises, and to submit the Premises to prospective or actual purchasers or encumbrance holders (or, during the last eighteen (18) months of the Term or when an uncured Tenant Event of Default exists, to prospective tenants), all without being deemed to have caused an eviction of Tenant and without abatement of rent except as provided elsewhere in this Lease. Except for mutually agreed upon times for regularly scheduled services (such as janitorial services) and except in the event of emergencies, Landlord agrees that Tenant may elect to have a representative accompany any entry by Landlord. Furthermore, any entry by Landlord shall be accomplished as expeditiously as reasonably possible and in a manner so as to cause as little interference to Tenant as reasonably possible. Landlord shall have the right, if desired, to retain a key which unlocks all of the doors in the Premises, excluding Tenant's vaults, safes, and Secured Areas (as defined below) and Landlord shall have the right to use any and all means which Landlord may deem proper to open the doors in an emergency in order to obtain entry to the Premises, and any entry to the Premises obtained by Landlord shall not under any circumstances be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or any eviction of Tenant from the Premises. Notwithstanding anything to the contrary set forth above, Tenant may reasonably and in good faith designate certain areas of the Premises as "Secured Areas" should Tenant require such areas for the purpose of securing certain valuable property or confidential information. Landlord may not enter such Secured Areas except in the case of emergency or in the event of a Landlord inspection, in which case Landlord shall provide Tenant with ten (10) days' prior written notice of the specific date and time of such Landlord inspection.

SECTION 7.6. COMMUNICATIONS EQUIPMENT. During the Term of this Lease, Landlord hereby grants to Tenant a license (the "**License**") to install, maintain and operate on the roof of the Building antennas and accompanying communications equipment not exceeding forty-eight inches (48") in height as to each antenna (collectively, the "**Antenna**"), in accordance with and subject to the terms and conditions set forth below. The Antenna shall be installed at a location designated by Landlord and reasonably acceptable to Tenant ("**Licensed Area**"). Except for equipment of the Landlord necessary to service the Building, no one other than Tenant shall have the right to use the roofs of the Building leased by Tenant. The Licensed Area shall be considered to be a part of the Premises for all purposes under the Lease (other than the payment of Basic Rent and Operating Expenses), and except as otherwise expressly provided in this Section 7.6 all provisions applicable to the use of the Premises under the Lease shall apply to the Licensed Area and its use by Tenant.

(1) Tenant shall not be obligated to pay any license fee for the use of the Licensed Area pursuant to this Section 7.6 during the Term of this Lease;

(2) Tenant shall use the Licensed Area only for the installation, operation, repair, replacement and maintenance of the Antenna and the necessary mechanical and electrical equipment to service said Antenna and for no other use or purpose. The installation of the Antenna and all equipment and facilities related thereto, including any required conduit from the Premises to the Antenna, shall be deemed to constitute an alteration subject to the provisions of Section 7.3 of the Lease, provided that Landlord shall not withhold its approval of same unless a Design Problems exist. Landlord may require appropriate screening for the Antenna as a condition of Landlord's approval of the installation of the Antenna;

(3) The Antenna shall be used only for transmitting and/or receiving data, audio and/or video signals to and from Tenant's facilities within the Premises for Tenant's use, and shall not be used or permitted to be

used by Tenant for purposes of broadcasting signals to the public or to provide commercial telecommunications or other communications transmitting or receiving services to any third parties;

(4) In the event any other communications system or broadcast or receiving facilities are operating in the area, Tenant shall at all times during the term of the License take such reasonable steps to conduct its operations so as to ensure that such other systems or facilities shall not be subjected to harmful interference as a result of such operations by Tenant. Upon notification from Landlord of any such interference, Tenant agrees to immediately take the necessary steps to correct such situation, and Tenant's failure to do so shall be deemed a default under the terms of this Lease.

(5) During the term of the License, Tenant shall comply with any standards promulgated by applicable governmental authorities or otherwise reasonably established by Landlord regarding the generation of electromagnetic fields. Any claim or liability resulting from the use of the Antenna or the Licensed Area shall be subject to the indemnification provisions of this Lease applicable to Tenant's use of the Premises;

(6) During the term of the License, Tenant shall pay all taxes attributable to the Antenna and other equipment owned and installed by Tenant, and Tenant shall assure and provide Landlord with evidence that the Licensed Area and Tenant's use thereof are subject to the insurance coverages otherwise required to be maintained by Tenant as to the Premises pursuant to Exhibit D; and

(7) Upon the expiration or sooner termination of the Lease, Tenant shall remove the Antenna and all related equipment and facilities, including any conduit from the Premises to the Antenna, from the Licensed Area and any other portions of the Building within or upon which the same may be installed, and shall restore the Licensed Area and all other areas affected by such removal to their original condition, reasonable wear and tear excepted, all at its sole cost and expense.

SECTION 7.7. COMMUNICATION VENDORS. Tenant shall have the right to select all required communications vendors for the Premises, and such vendors shall be allowed reasonable access to the Buildings and the Common Areas and the risers within the Building without charge (including easements, if necessary) to supply communications service during the Term of this Lease.

ARTICLE VIII. TAXES AND ASSESSMENTS ON TENANT'S PROPERTY

Tenant shall be liable for and shall pay, at least ten (10) days before delinquency, all taxes and assessments levied against all personal property of Tenant located in the Premises, and, if required by Landlord, against all improvements to the Premises made by Landlord (at Tenant's request) or Tenant which are above Landlord's Project standard in quality and/or quantity for comparable space within the Project ("**Above Standard Improvements**"), and against any Alterations (as defined in Section 7.3) made to the Premises or the Building by or on behalf of Tenant. If possible, Tenant shall cause its personal property, Above Standard Improvements and Alterations to be assessed and billed separately from the real property of which the Premises form a part. If any taxes required to be paid by Tenant on Tenant's personal property, Above Standard Improvements and/or Alterations are levied against Landlord or Landlord's property and if Landlord pays the same, or if the assessed value of Landlord's property is increased by the inclusion of a value placed upon the personal property, Above Standard Improvements and/or Alterations of Tenant and if Landlord pays the taxes based upon the increased assessment, Landlord shall have the right to require that Tenant pay to Landlord the taxes so levied against Landlord or the proportion of the taxes resulting from the increase in the assessment. In calculating what portion of any tax bill which is assessed against Landlord separately, or Landlord and Tenant jointly, is attributable to Tenant's Above Standard Improvements, Alterations and personal property, Landlord's reasonable determination shall be conclusive.

ARTICLE IX. ASSIGNMENT AND SUBLETTING

SECTION 9.1. RIGHTS OF PARTIES.

(a) Notwithstanding any provision of this Lease to the contrary, and except as to transfers expressly permitted without Landlord's consent pursuant to Sections 9.4 and 9.5, Tenant will not, either voluntarily or by operation of law, assign, sublet, encumber, or otherwise transfer all or any part of Tenant's interest in this Lease or the Premises, or permit the Premises to be occupied by anyone other than Tenant, without Landlord's prior written consent, which consent shall not unreasonably be withheld conditioned or delayed in accordance with the provisions of Section 9.1(b). Except as to transfers expressly permitted without Landlord's consent pursuant to Sections 9.4 and 9.5 no assignment (whether voluntary, involuntary or by operation of law) and no subletting shall be valid or effective without Landlord's prior written consent and, at Landlord's election, any such assignment or subletting shall be void and of no force and effect. Landlord shall not be deemed to have given its consent to any assignment or subletting by any course of action other than written consent.

(b) If Tenant desires to transfer an interest in this Lease or the Premises, it shall first notify Landlord of its desire and shall submit in writing to Landlord: (i) the name and address of the proposed transferee; (ii) the nature of any proposed transferee's business to be carried on in the Premises; (iii) the terms and provisions of any proposed sublease, assignment or other transfer, including a copy of the proposed assignment, sublease or transfer form; (iv) a completed Environmental Questionnaire from the proposed assignee, subtenant or transferee; (v) any other information reasonably requested by Landlord and reasonably related to the transfer and (vi) the fee described in Section 9.1(e). Except as provided in Section 9.1(c), Landlord shall not unreasonably withhold its consent so long as: (1) the use of the Premises will be consistent with the provisions of this Lease; (2) insurance requirements of the proposed assignee or subtenant shall be brought into conformity with Landlord's then current leasing practice provided such practice is comparable to the practices of landlords of Comparable Buildings; (3) a proposed subtenant or assignee demonstrates to the reasonable satisfaction of Landlord that it is financially responsible to undertake the financial obligations of the transfer by providing credit enhancements such as letters of credit guarantees and the like and/or by submission to Landlord of all reasonable information as requested by Landlord concerning the proposed subtenant or assignee, including, but not limited to, a balance sheet of the proposed subtenant or assignee as of a date within ninety (90) days of the request for Landlord's consent, statements of income or profit and loss of the proposed subtenant or assignee for the two-year period preceding the request for Landlord's consent (or, if shorter, for whatever period the subtenant or assignee has been in business) and/or a certification signed by the proposed subtenant or assignee that it has not been evicted at any other leased premises for the 3-year period preceding the request for Landlord's consent (except that this requirement shall not be imposed if Tenant hereunder has a net worth of at least One Hundred Million Dollars ($100,000.000.00); (4) the proposed transferee is not an existing tenant of the Project (except that this restriction shall not apply if Landlord does not have sufficient available space in the Project to accommodate the proposed transferee(; (5) the proposed transfer will not impose material additional security or other burdens on Landlord; and (6) the proposed transferee has been approved by the Ground Lessor.

If Landlord consents to the proposed transfer, Tenant may effect the transfer upon the terms described in the information furnished to Landlord; provided that any material change in the terms shall be subject to Landlord's consent as set forth in this Section 9.1 Landlord shall approve or disapprove any requested transfer within ten (10) business days following receipt of Tenant's written request, the information set forth above, and the fee set forth below, and any failure by Landlord to respond within such ten (10) business day period shall be deemed to be Landlord's consent thereto.

(c) Notwithstanding anything to the contrary contained in this Article IX, in the event that Tenant contemplates an assignment of this Lease, or a sublease of all or a portion of the Premises for substantially the remainder of the Term of this Lease ("**Contemplated Transfer**"), then Tenant shall give Landlord notice ("**Intention to Transfer Notice**") of such Contemplated Transfer. The Intention to Transfer Notice shall specify the portion and amount of rentable square feet of the Premises which Tenant intends to transfer ("**Contemplated Transfer Space**"), the contemplated date of the commencement of the Contemplated Transfer ("**Contemplated Effective Date**") and shall state that it is an assignment or a sublease of the Contemplated Transfer Space for substantially all of the remainder of the Term of this Lease, and shall specify that such Intention to Transfer Notice is delivered to Landlord pursuant to this Section 9.1(c) in order to allow Landlord to elect to recapture the Contemplated Transfer Space. Thereafter, Landlord shall have the option, by giving written notice to Tenant within fifteen (15) business days after receipt of such Intention to Transfer Notice, to recapture such Contemplated Transfer Space upon the basic terms and conditions specified in the Intention to Transfer Notice. In the event Landlord does not give such written recapture notice to Tenant within such fifteen (15) business day period, Tenant shall have one hundred eighty (180) days thereafter within which to effect the transfer in accordance with the Intention to Transfer Notice and subject to compliance with the other provisions of this Lease. In the event Tenant does not complete the transfer within that 180-day period, Tenant shall be required to deliver a new Intention to Transfer Notice to Landlord and repeat the provisions of this Section. In the event the recapture option is exercised by Landlord, this Lease shall be canceled and terminated with respect to the Contemplated Transfer Space as of the Contemplated Effective Date. In the event of a recapture by Landlord, if this Lease shall be canceled with respect to less than the entire Premises, (i) the rent reserved herein shall be prorated on the basis of the number of rentable square feet retained by Tenant in proportion to the number of rentable square feet contained in the Premises, and this Lease as so amended shall continue thereafter in full force and effect, and upon the request of either party, the parties shall execute written confirmation of the same, (ii) Landlord shall install, on a commercially reasonable basis, any corridor and/or demising wall, at Landlord's expense, which is required as a result of the cancellation of the Lease with respect to less than the entire Premises, and (iii) if the recapture results in Tenant leasing less than a full Building, then the provisions of the next succeeding paragraph of this Section 9.1(c) shall apply with respect to that partial Building space.

Following the exercise by Landlord of it's "recapture" rights herein provided, should Tenant lease space within the Building that consists of less than the entire Building ("**Partial Building Space**") then this Lease shall be deemed amended to reflect normal leasing practices in multi-tenant buildings within the Project. Such changes shall include without limitation the following: (i) not all utility services may be separately metered to the Partial Building Space, in which event the Operating Expenses payable by Tenant for the Partial Building Space shall include Tenant's proportionate share of such costs, (ii) all Building systems and interior Common Areas in the Building shall be maintained by Landlord, (iii) after-hours HVAC charges shall be assessed for the Partial Building Space based on Landlord's normal allotted hours of operation (except that the charge for after-hours usage shall e at the same rate per hour as set forth in Section 6.1 below), (iv) the Operating Expenses for the Partial Building Space shall include a Landlord management fee that is consistent with that imposed in other multi-tenant buildings in the Project (provided that such fee shall not exceed that being generally charged by landlords of comparable office projects in the area), (v) all access control systems for the Building (but not Tenant's space within such Building) and access to Building conduits and risers shall be controlled by Landlord, and (vi) any exclusive rights granted in this Lease with respect to a Building shall be a shared right based on Landlord's normal multi-tenant leasing practice. Should Tenant lease Partial Building Space but subsequently lease the Building in its entirety, then the special provisions of this paragraph shall thereupon cease to be applicable.

(d) Tenant agrees that fifty percent (50%) of any amounts paid by the assignee or subtenant, however described ("**Transfer Profits**") in excess of (i) the Basic Rent payable by Tenant hereunder, or in the case of a sublease of a portion of the Premises, in excess of the Basic Rent reasonably allocable to such portion, plus (ii) Tenant's Transfer Costs which Tenant certifies to Landlord have been paid shall be the property of Landlord and such amounts shall be payable directly to Landlord by Tenant. "**Transfer Costs**" means the direct out-of-pocket costs actually incurred by Tenant to provide occupancy related services to such assignee or subtenant of a nature commonly provided by landlords of similar space including but not limited to reasonable brokerage fees, fees paid by Tenant to Landlord pursuant to this Article IX, rent as to the transferred space paid to Landlord by Tenant from the later of (i) the date Tenant sends to Landlord a factually correct written notice that it has vacated the space being transferred and (ii) the date Tenant shall have retained the services of a broker to market such space until the date the sublease of such space commences to pay rent to Tenant for such space ("**Vacancy Costs**"), cost of tenant improvements for the transferee or other economic concessions, the unamortized cost of the initial Tenant Improvements (exclusive of subsequent Alterations) made to the Premises and funded by Tenant pursuant to the Work Letter hereto and without reimbursement from Landlord ("**Unamortized Improvement Costs**"), reasonable attorneys fees and marketing costs. Notwithstanding the foregoing, however, Unamortized Improvement Costs shall not be recoverable by Tenant in connection with any subletting for which Landlord enters into a Recognition Agreement pursuant to Section 9.6 below, nor shall Vacancy Costs in excess of one (1) year for any space for which Landlord enters into a Recognition Agreement. Tenant shall within thirty (30) days after the effective date of any such assignment or subletting deliver to Landlord a written certified statement setting forth the Transfer Costs incurred and a schedule of the time required to recover those costs. After Tenant has recovered one hundred percent (100%) of its Transfer Costs, fifty percent (50%) of the Transfer Profits shall be paid to Landlord as and when received by Tenant for the remainder of the term of such sublease of assignment. Landlord shall have the right to request copies from Tenant of documentation to support the Transfer Costs incurred and/or to have such records reviewed or audited by an employee of Landlord or an outside accountant to confirm the accuracy thereof. In the event such Transfer Costs are overstated by Tenant by more than five percent (5%), Tenant shall reimburse Landlord for its out-of-pocket costs incurred in connection with such review or audit. At Landlord's request, a written agreement shall be entered into by and among Tenant, Landlord and the proposed assignee or subtenant confirming the requirements of this subsection.

(e) Tenant shall pay to Landlord a fee equal to Five Hundred Dollars ($500.00) to process any request by Tenant for an assignment, subletting or other transfer under this Lease. Tenant shall pay Landlord the sum of Five Hundred Dollars ($500.00) concurrently with Tenant's request for consent to any assignment, subletting or other transfer, and Landlord shall have no obligation to consider such request unless accompanied by such payment. Such fee is hereby acknowledged as a reasonable amount to reimburse Landlord for its costs of review and evaluation of a proposed transfer.

SECTION 9.2. EFFECT OF TRANSFER. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its obligation to pay rent and to perform all its other obligations under this Lease. Moreover, Tenant shall indemnify and hold Landlord harmless, as provided in Section 10.3, for any act or omission by an assignee or subtenant. Each assignee, other than Landlord, shall assume all obligations of Tenant under this Lease and shall be liable jointly and severally with Tenant for the payment of all rent, and for the due performance of all of Tenant's obligations, under this Lease. No assignment or subletting shall be effective or binding on Landlord unless documentation in form and substance reasonably satisfactory to Landlord in its reasonable discretion evidencing the transfer, and in the case of an assignment, the assignee's assumption of the obligations of Tenant under this Lease, is delivered to Landlord and both the assignee/subtenant and Tenant deliver to Landlord an executed consent to transfer instrument prepared by Landlord and consistent with the requirements of this Article. The acceptance by Landlord of any payment due under this Lease from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any transfer. Consent by Landlord to one or more transfers shall not operate as a waiver or estoppel to the future enforcement by Landlord of its rights under this Lease or as a consent to any subsequent transfer.

SECTION 9.3. SUBLEASE REQUIREMENTS. The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Premises and shall be deemed included in each sublease:

(a) Each and every provision contained in this Lease (other than with respect to the payment of rent hereunder) is incorporated by reference into and made a part of such sublease, with "Landlord" hereunder meaning the sublandlord therein and "Tenant" hereunder meaning the subtenant therein and the sublet space being substituted for "Premises." Notwithstanding the foregoing, Landlord agrees that Tenant will not be in violation of this Lease if it grants subtenant lesser rights under the sublease than were granted to Tenant under this Lease or imposes greater obligations on the subtenant under the sublease than were imposed on Tenant under this Lease.

(b) Tenant hereby irrevocably assigns to Landlord all of Tenant's interest in all rentals and income arising from any sublease of the Premises, and Landlord may collect such rent and income and apply same toward Tenant's obligations under this Lease; provided, however, that until there is an Event of Default by Tenant, Tenant shall have the right to receive, collect and retain the sublease rentals. Landlord shall not, by reason of this assignment or the collection of sublease rentals, be deemed liable to the subtenant for the performance of any of Tenant's obligations under the sublease. Tenant hereby irrevocably authorizes and directs any subtenant, upon receipt of written notice from Landlord stating that an uncured Event of Default exists in the performance of Tenant's obligations under this Lease, to pay to Landlord all sums then and thereafter due under the sublease. Tenant agrees that the subtenant may rely on the notice without any duty of further inquiry and notwithstanding any notice or claim by Tenant to the contrary. Tenant shall have no right or claim against the subtenant or Landlord for any rentals so paid to Landlord.

SECTION 9.4. CERTAIN TRANSFERS. The following shall be deemed to constitute an assignment of this Lease: (a) the sale of all or substantially all of Tenant's assets (other than bulk sales in the ordinary course of business) or (b) if Tenant is a corporation, an unincorporated association, a limited liability company or a partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation, association, limited liability company or partnership that results in a change of control of such entity. Notwithstanding the foregoing, occupancy of all or part of the Premises by a corporate parent, subsidiary, or affiliated companies of Tenant or of Tenant's parent or of Tenant's subsidiary shall not be deemed an assignment or subletting provided that such parent, subsidiary or affiliated companies were not formed as a subterfuge to avoid the obligations of this Article IX. Furthermore, without limiting the generality of the foregoing, Tenant may assign the Lease at any time, or sublease all or part of the Premises, without receipt of Landlord's consent, to any entity which acquires all or substantially all of Tenant's business, or which is acquired in whole or in part by Tenant, or which is controlled directly or indirectly by Tenant, or which entity controls, directly or indirectly, Tenant ("**Affiliate**"), or which owns or is owned by the Affiliate, so long as such transaction was not entered into as a subterfuge to avoid the obligations and restrictions of this Lease. In connection with any such transfer to an Affiliate, (i) if Tenant does not survive and remain in existence after such transfer, the net worth of the successor after such transfer is at least equal to the lower of the net worth of Tenant as of the execution of this Lease by Landlord or the net worth of Tenant immediately prior to the date of such transfer, evidence of which, satisfactory to Landlord, shall be presented to Landlord prior to such transfer; (ii) Tenant shall provide to Landlord, prior to such transfer, written notice of such transfer and such assignment documentation and other information as Landlord may reasonably request in connection therewith; and (iii) all of the other terms and requirements of this Article shall apply with respect to such assignment. The normal and customary issuance and transfer of shares among and between the shareholder employees of Tenant to reflect the addition, withdrawal or change in ownership interests of the shareholder employees of Tenant shall not be deemed an assignment or other transfer of Tenant's interest in this Lease.

SECTION 9.5. OCCUPANCY BY OTHERS. Tenant may allow any person or company which is a client or customer of Tenant or which is providing service to Tenant or one of Tenant's clients to occupy, during the period of such business relationship, certain portions of the Premises without such occupancy being deemed an assignment or subleasing as long as such relationship was not created as a subterfuge to avoid the obligations set forth in this Article IX, provided that any such occupancy shall be subject to the requirements of this Lease.

SECTION 9.6. RECOGNITION AGREEMENT. To the extent that Tenant enters into a sublease for all of the Floor Area of the Building, Landlord, if it grants its consent to such sublease, shall also, upon written request delivered to Landlord at the time of the request for Landlord's consent to the sublease, simultaneously jointly execute with the subtenant a recognition and attornment agreement (the "**Recognition Agreement**") pursuant to which the parties shall agree that in the event an Event of Default occurs under this Lease and this Lease is terminated, the parties shall, not later than fifteen (15) days thereafter, enter into a direct lease for the space being subleased subject to the provisions below (the "**New Lease**"); provided that Landlord shall have no obligation to enter into a Recognition Agreement with any prospective subtenant with which Landlord had been in active negotiations for a direct lease of space within the past one hundred fifty (150) days. For purposes of the foregoing, Landlord shall be deemed to have been in active negotiations with a prospective tenant if either (i) a proposed lease document had been prepared by Landlord and delivered to the prospective tenant or (ii) Landlord and such prospective tenant had been in continuing negotiations for space over at least a thirty (30) day period and a written letter of intent or proposal had been submitted by Landlord and responded to by such proposed tenant. Landlord's obligation to enter into the New Lease shall be conditioned upon (i) the subtenant not then being in default of its financial obligations under its sublease with Tenant and (ii) the subtenant not then being the debtor in any bankruptcy or insolvency proceedings. The term of the New Lease shall be for the remaining scheduled Term of this Lease, exclusive of any extension options. The rental rate under the New Lease shall be the higher of the rental rate then and thereafter due under this Lease or the rental rate due under the sublease, and prior to and as a condition of the execution of the New Lease by Landlord, the tenant thereunder shall fund a security deposit to Landlord in the amount of one hundred ten percent (110%) of the last full month's rent under the New Lease (and the New Lease shall contain Landlord's standard security deposit provisions) and shall deliver to Landlord proper evidence of required insurance coverage. The New Lease shall provide that the space is being leased in an as-is condition, and Landlord shall not be responsible for any tenant improvements. Unless otherwise agreed by Landlord at the time, no extension or expansion rights shall be provided by Landlord under the New Lease. Landlord shall be entitled under the New Lease to its then standard property management and construction management fees for the Project. In no event shall Landlord be liable for any act, omission, covenant or breach by Tenant under the sublease or for the return of any advance rental payments or deposits under the sublease that have not been actually delivered to Landlord, nor shall Landlord be liable for any brokerage commissions in connection with the New Lease. The New Lease shall be prepared by Landlord and, subject to the provisions above in this Section, shall be consistent with the non-economic terms and provisions of this Lease, except for the following modifications: (1) Sections 3.2, 3.3, 3.4, 3.5, 9.6, 10.2(b), 10.6, 13.2, 15.2 and 21.4 of this Lease shall be deleted in their entireties from the New Lease; (2) appropriate modifications shall be made to the New Lease to reflect that all Building Systems shall, at Landlord's election, be maintained by Landlord; (3) the New Lease shall reflect Landlord's then-standard after-hours HVAC standards and charges and Section 6.1 shall be appropriately modified; (4) the definition of Non-Standard Improvements in Section 7.3 shall be amended to refer to any improvements other than Landlord's Building Standard Improvements as defined in Exhibit X to this Lease; and (5) the definition of "Transfer Costs" in Section 9.1(d) shall be modified to delete the inclusion of Vacancy Costs and Unamortized Improvement Costs.

ARTICLE X. INSURANCE AND INDEMNITY

SECTION 10.1. TENANT'S INSURANCE. Tenant, at its sole cost and expense, shall provide and maintain in effect the insurance described in Exhibit D. Evidence of that insurance must be delivered to Landlord prior to the Commencement Date or any earlier date on which Tenant may enter upon or take possession of the Premises for any reason whatsoever.

SECTION 10.2. LANDLORD'S INSURANCE. (a) Landlord shall provide all of the following types of insurance, with customary deductible and in amounts and coverages as may be determined by Landlord in its reasonable discretion based on the types and amounts of insurance (and deductibles) being maintained by comparable landlords of Comparable Buildings: "all risk" property insurance, subject to standard exclusions, covering the Building and/or Project, loss of rent insurance, worker's compensation insurance and commercial general liability coverage. Landlord shall not be required to carry insurance of any kind on Tenant's removable improvements or property, including, without limitation, Tenant's trade fixtures, furnishings, equipment, signs and all other items of personal property, and Landlord shall not be obligated to repair or replace that property should damage occur. All proceeds of insurance maintained by Landlord upon the Building and/or Project shall be the property of Landlord, whether or not Landlord is obligated to or elects to make any repairs. At Landlord's option, Landlord may self-insure all or any portion of the risks for which Landlord elects to provide insurance hereunder.

(b) Notwithstanding the foregoing, however, Tenant may elect to carry the all-risk property insurance coverage on the Building, provided that the coverage (and the financial rating of the carrier) is in all material respects at least equivalent to that being carried by Landlord. Tenant may exercise such election by written notice to Landlord delivered prior to the date that Landlord purchases its annual property policy. All costs of that insurance shall be timely funded in full by Tenant, and Landlord shall be the named insured on that policy. Landlord shall have the right to review and approve any such policy based upon the foregoing criteria. Should Tenant elect to purchase such insurance, then the Site Costs allocated to Tenant shall not include any property insurance component for the Building or for any other buildings in the Project. For purposes of this subsection, an "affiliate" of Landlord shall mean any entity controlled by, controlling, or under common control with The Irvine Company, or any entity succeeding to a substantial portion of the commercial property assets of The Irvine Company.

SECTION 10.3. TENANT'S INDEMNITY. . To the fullest extent permitted by law, Tenant shall defend, indemnify, protect, save and hold harmless Landlord, its agents, any and all affiliates of Landlord, including, without limitation, any corporations or other entities controlling, controlled by or under common control with Landlord, and the Ground Lessor from and against any and all claims, liabilities, costs or expenses arising either before or after the Commencement Date from Tenant's use or occupancy of the Premises, the Building or the Common Areas, including without limitation, the use by Tenant, its agents, employees, invitees or licensees of any recreational facilities within the Common Areas, or from the conduct of its business, or from any activity, work, or thing done, permitted or suffered by Tenant or its agents, employees, invitees or licensees in or about the Premises, the Building or the Common Areas, or from any Event of Default in the performance of any obligation on Tenant's part to be performed under this Lease, or from any act or negligence or willful misconduct of Tenant or its agents, employees, visitors, patrons, guests, invites or licensees in, on or about the Premises, the Building or the Project. In cases of alleged negligence asserted by third parties against Landlord and/or Ground Lessor which arise out of, are occasioned by, or in any way attributable to Tenant, its agents', employees', contractors', licensees' or invitees' use and occupancy of the Premises, the Building or the Common Areas, or from the conduct of its business or from any activity, work or thing done, permitted or suffered by Tenant or its agents, employees, invitees or licensees on Tenant's part to be performed under this Lease, or from any negligence or willful misconduct of Tenant, its agents, employees, licensees or invitees in, on or about the Premises, the Building or the Project, Tenant shall accept any tender of defense for Landlord and Ground Lessor and shall, notwithstanding any allegation of negligence or willful misconduct on the part of the Landlord, defend Landlord and Ground Lessor with counsel reasonably satisfactory to Landlord and protect and hold Landlord and Ground Lessor harmless and pay all costs, expenses and attorneys' fees incurred in connection with such litigation, provided that Tenant shall not be liable for any such injury or damage, and Landlord shall reimburse Tenant for the reasonable attorneys' fees and costs for the attorney representing both parties, all to the extent and in the proportion that such injury or damage is ultimately determined by a court of competent jurisdiction (or in connection with any negotiated settlement agreed to by Landlord) to be attributable to the negligence or willful misconduct of Landlord or its authorized agents or employees. Upon Landlord's request, Tenant shall at Tenant's sole cost and expense, retain a separate attorney reasonably selected by Landlord to represent Landlord or Ground Lessor in any such suit if Landlord reasonably determines that the representation of both Tenant and Landlord or Ground Lessor by the same attorney would cause a conflict of interest; provided, however, that to the extent and in the proportion that the injury or damage which is the subject of the suit is ultimately determined by a court of competent jurisdiction (or in connection with any negotiated settlement agreed to by Landlord) to be attributable to the negligence or willful misconduct of Landlord, Landlord shall reimburse Tenant for the reasonable legal fees and costs of the separate attorney retained by Tenant. The provisions of this Section shall expressly survive the expiration or sooner termination of this Lease. Notwithstanding the foregoing, in the event it is ultimately determined that any claim, liability or expense was caused by the negligence or willful misconduct of Landlord, its employees, agents or contractors, then subject to Sections 10.5 and 14.8 below, Landlord shall indemnify and hold Tenant harmless from and against such liability or expense.

SECTION 10.4. LANDLORD'S NONLIABILITY. Except to the extent of the negligence or willful misconduct of Landlord or its agents, contractors or employees (but subject to Sections 10.5 and 14.8 below), Landlord shall not be liable to Tenant, and Tenant hereby waives all claims against Landlord and knowingly assumes the risk of for loss of or damage to any property, or loss or interruption of business or income, or any other loss, cost, damage, injury or liability whatsoever (including without limitation any consequential damages and lost profit or opportunity costs) resulting from, but not limited to, Acts of God, acts of civil disobedience or insurrection, acts or omissions of third parties and/or of other tenants within the Project or their agents, employees, contractors, guests or invitees, fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak or flow from or into any part of the Premises or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, electrical works, roof, windows or other fixtures in the Building, whether the damage or injury results from conditions arising in the Premises or in other portions of the Building. It is understood that any such condition may require the temporary evacuation or closure of all or a portion of the Building. Except as provided in Section 6.1 above and Sections 11.1 and 12.1 below, Landlord shall have no liability (including without limitation consequential damages and lost profit or opportunity costs) and there shall be no abatement of rent, by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements to any portion of the Building, including repairs to the Premises, nor shall any related activity by Landlord constitute an actual or constructive eviction; provided, however, that in making repairs, alterations or improvements, Landlord shall interfere as little as reasonably practicable with the conduct of Tenant's business in the Premises. Should Tenant elect to receive any service or products from a concessionaire, licensee or third party tenant of Landlord, Landlord shall have no liability for any services or products so provided or for any breach of contract by such third party provider. Neither Landlord nor its agents shall be liable for interference with light or other similar intangible interests. Tenant shall immediately notify Landlord in case of fire or accident in the Premises, the Building or the Project and of defects in any improvements or equipment.

SECTION 10.5. WAIVER OF SUBROGATION. Landlord and Tenant each hereby waives all rights of recovery against the other and the other's agents on account of loss and damage occasioned to the property of such waiving party to the extent that such loss or damage is required to be insured against under any "all risk" property insurance policy required by this Article X, except to the extent of any commercially reasonable deductibles under any such policy. By this waiver it is the intent of the parties that neither Landlord nor Tenant shall be liable to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage insured against, or required to be insured against, under any "all-risk" property insurance policies required by this Lease (except for reasonable deductibles thereunder), even though such loss or damage might be occasioned by the negligence of such party, its agents, employees, contractors, guests or invitees. The provisions of this Section shall not limit the indemnification provisions elsewhere contained in this Lease.

SECTION 10.6 BLANKET INSURANCE/SELF INSURANCE. Notwithstanding the forgoing or anything set forth in Exhibit D, all of the insurance requirements set forth herein on the part of Tenant to be observed shall be deemed satisfied if the Premises are covered by a blanket insurance policy or, for so long as Broadcom Corporation or an Affiliate thereof remains the Tenant hereunder, if Tenant sends a letter to Landlord, signed by an authorized officer of Tenant, stating that Tenant has elected to act as a self-insurer whereupon Tenant shall have the same obligations and rights, and Landlord shall have the same rights and obligations, as if Tenant was an insurance company furnishing the policies and coverages required under this Lease. Notwithstanding the foregoing, however, Tenant shall not have the right to self-insure the general liability insurance coverage required under this Lease.

ARTICLE XI. DAMAGE OR DESTRUCTION

SECTION 11.1. RESTORATION.

(a) If the Premises or the Building or a part thereof are materially damaged by any fire, flood, earthquake or other casualty, Landlord shall have the right to terminate this Lease upon written notice to Tenant if: (i) Landlord reasonably determines that the full cost of repair (exclusive of any deductible up to seven and one-half percent of the loss amount) is not covered by Landlord's insurance that Landlord is required to maintain by this Lease which Landlord carries and includes as part of Operating Expenses, including without limitation earthquake insurance, plus such additional amounts Tenant elects, at its option, to contribute, excluding however the deductible (for which Tenant shall be responsible for Tenant's Share as an Operating Expense); (ii) Landlord reasonably determines that the Premises cannot, with reasonable diligence, be fully repaired by Landlord (or cannot be safely repaired because of the presence of hazardous factors, including without limitation Hazardous Materials, earthquake faults, and other similar dangers) within one (1) year after the date of the damage; (iii) an uncured Event of Default by Tenant has occurred and remains uncured at the time of such casualty; or (iv) the material damage occurs during the final twelve (12) months of the Term. Landlord shall notify Tenant in writing ("**Landlord's Notice**") within thirty (30) days after the damage occurs as to (A) whether Landlord is terminating this Lease as a result of such material damage and (B) if Landlord is not terminating this Lease, the number of days within which Landlord has estimated that the Premises, with reasonable diligence, are likely to be fully repaired. In the event Landlord elects to terminate this Lease, this Lease shall terminate as of the date of Landlord's Notice. Notwithstanding the foregoing, Landlord shall only have the right to terminate this Lease under (i) above if Landlord terminates the leases of all tenants in the Project similarly damaged by such casualty and such tenants have comparable rights and obligations in the event of such casualty.

(b) If Landlord has the right to terminate this Lease pursuant to Section 11.1(a) and does not elect to so terminate this Lease, and provided that at the time of Landlord's Notice no uncured Event of Default exists under this Lease, then within fifteen (15) business days following delivery of Landlord's Notice pursuant to Section 11.1(a), Tenant may elect to terminate this Lease by written notice to Landlord, but only if (i) Landlord's Notice specifies that Landlord has determined that the Premises cannot be repaired, with reasonable diligence, within twelve (12) months after the date of damage (the "**Maximum Period**") or (ii) the casualty has occurred within the final twelve (12) months of the Term and Tenant is prevented from using the Premises for sixty (60) consecutive days due to such damage. If Tenant fails to provide such termination notice within such fifteen (15) business day period, Tenant shall be deemed to have waived any termination right under this Section 1l.1(b) or any other applicable law.

(c) In the event that neither Landlord nor Tenant terminates this Lease pursuant to this Section 11.1 as a result of material damage to the Building resulting from a casualty, Landlord shall, except as provided in subsection (e) below, repair all material damage to the Premises or the Building as soon as reasonably possible and this Lease shall continue in effect for the remainder of the Term. Notwithstanding the foregoing, the repair of damage to the Premises to the extent such damage is not material shall be governed by Sections 7.1 and 7.2.

Notwithstanding anything to the contrary contained in this Section 11.1(c), if the anticipated repair period set forth in Landlord's Notice was less than the Maximum Period but Landlord subsequently determines that the actual repair period will exceed the Maximum Period, then Landlord shall so notify Tenant and Tenant may, within ten (10) business days thereafter, elect to terminate this Lease effective as of the date of Landlord's notice; otherwise, the Maximum Period shall be deemed extended as set forth in the notice from Landlord. Should Landlord fail substantially to complete the restoration within the Maximum Period (as the same may be extended as aforesaid), then Tenant may elect to terminate this Lease by written notice to Landlord.

(d) From and after the sixth (6th) business day after such material damage to the Building (or such earlier date that Landlord is entitled to rent loss insurance proceeds), and ending on the sooner of the date the damage is repaired or the date this Lease is terminated, the rental to be paid under this Lease shall be abated in the same proportion that the Floor Area of the Premises that is rendered unusable by the damage from time to time bears to the total Floor Area of the Premises, as reasonably determined by Landlord. However, in the event that Tenant is prevented from conducting, and does not conduct, its business in any portion of the Premises for a period of time in excess of the Eligibility Period, and the remaining portion of the Building is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the rent for the entire Building shall be abated; provided, however, if Tenant reoccupies and conducts its business from any portion of the Building during such period, the rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Building bears to the total rentable area of the Building, shall be payable by Tenant from the date such business operations commence.

(e) Landlord shall not be required to repair or replace any improvements or fixtures that Tenant is obligated to repair or replace pursuant to Section 7.1 or any other provision of this Lease but Tenant’s Rent shall continue to abate until Tenant has been given sufficient time to repair such improvements, reinstall its furniture, fixtures and equipment and move back into the Premises.

(f) Tenant shall fully cooperate with Landlord in removing Tenant’s personal property and any debris from the Premises to facilitate all inspections of the Premises and the making of any repairs. Notwithstanding anything to the contrary contained in this Lease, if Landlord in good faith believes there is a risk of injury to persons or damage to property from entry into the Building or Premises following any damage or destruction thereto, Landlord may restrict entry into the Building or the Premises by Tenant, its employees, agents and contractors in a non-discriminatory manner, without being deemed to have violated Tenant’s rights of quiet enjoyment to, or made an unlawful detainer of, or evicted Tenant from, the Premises. Upon request, Landlord shall consult with Tenant to determine if there are safe methods of entry into the Building or the Premises solely in order to allow Tenant to retrieve files, data in computers, and necessary inventory, subject however to all indemnities and waivers of liability from Tenant to Landlord contained in this Lease and any additional indemnities and waivers of liability which Landlord may require.

SECTION 11.2. LEASE GOVERNS. Tenant agrees that the provisions of this Lease, including without limitation Section 11.1, shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law.

ARTICLE XII. EMINENT DOMAIN

SECTION 12.1. TOTAL OR PARTIAL TAKING. If all or a material portion of the Premises is taken by any lawful authority by exercise of the right of eminent domain, or sold to prevent a taking, either Tenant or Landlord may terminate this Lease effective as of the date possession is required to be surrendered to the authority. In the event title to a portion of the Building or Project, whether or not including a portion of the Premises, is taken or sold in lieu of taking, and if the Lease is not or cannot be terminated, Landlord must, if possible, restore the Building in such a way as to not alter the Premises materially. In the event neither party has elected to terminate this Lease as provided above, then Landlord shall promptly proceed to restore the Premises to substantially their condition prior to the taking, and a proportionate allowance shall be made to Tenant for the rent corresponding to the time during which, and to the part of the Premises of which, Tenant is deprived on account of the taking and restoration as provided in Section 6.1. Landlord shall be entitled to the entire amount of the condemnation award without deduction for any estate or interest of Tenant; provided that nothing in this Section shall be deemed to give Landlord any interest in, or prevent Tenant from seeking any award against the taking authority for, the taking of personal property and fixtures belonging to Tenant, the unamortized cost of the Tenant Improvements or other alterations to the extent paid for by Tenant, or relocation or business interruption expenses recoverable from the taking authority.

SECTION 12.2. TEMPORARY TAKING. No temporary taking of the Premises shall terminate this Lease or give Tenant any right to abatement of rent, and any award specifically attributable to a temporary taking of the Premises shall belong entirely to Tenant. A temporary taking shall be deemed to be a taking of the use or occupancy of the Premises for a period of not to exceed ninety (90) days.

SECTION 12.3. TAKING OF PARKING AREA. In the event there shall be a taking of the parking area such that Landlord can no longer provide sufficient parking to comply with this Lease, Landlord may substitute reasonably equivalent parking in a location reasonably close to the Building(s); provided that if Landlord fails to make that substitution within ninety (90) days following the taking and if the taking materially impairs Tenant’s use and enjoyment of the Premises, Tenant may, at its option, terminate this Lease by written notice to Landlord. If this Lease is not so terminated by Tenant, there shall be no abatement of rent and this Lease shall continue in effect.

ARTICLE XIII. SUBORDINATION; ESTOPPEL CERTIFICATE; FINANCIALS

SECTION 13.1. SUBORDINATION. At the option of Landlord, the Ground Lessor, or any lender of Landlord’s that obtains a security interest in the Building, this Lease shall be either superior or subordinate to the Ground Leases and to all ground or underlying leases, mortgages and deeds of trust, if any, which may hereafter affect the Building, and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, that so long as no Event of Default exists under this Lease, Tenant's possession and quiet enjoyment of the Premises shall not be disturbed and this Lease shall not terminate in the event of termination of any such ground or underlying lease, or the foreclosure of any such mortgage or deed of trust, to which this Lease has been subordinated pursuant to this Section. Tenant shall execute and deliver any commercially reasonable documents or agreements requested by Landlord or such lessor or lender which provide Tenant with the non-disturbance protections set forth in this Section. In the event of a termination or foreclosure, Tenant shall, subject to the provisions of Section 12.5 of the Ground Leases, become a tenant of and attorn to the successor-in-interest to Landlord upon the same terms and conditions as are contained in this Lease, and shall execute any instrument reasonably required by Landlord's successor for that purpose. Tenant shall also, upon written request of Landlord, execute and deliver all instruments as may be required from time to time to subordinate the rights of Tenant under this Lease to any ground or underlying lease or to the lien of any mortgage or deed of trust (provided that such instruments include the nondisturbance and attornment provisions set forth above), or, if requested by Landlord, to subordinate, in whole or in part, any ground or underlying lease or the lien of any mortgage or deed of trust to this Lease.

SECTION 13.2. GROUND LESSOR NDAA. Landlord hereby represents and warrants that, as of the date hereof, there are no ground leases (except for the Ground Leases described above) and no mortgages and/or deeds of trust affecting the Project. Furthermore, and notwithstanding the foregoing to the contrary, Landlord agrees to provide Tenant with a commercially reasonable non-disturbance and attornment agreement ("**NDAA**") in favor of Tenant from the current Ground Lessor concurrently with the execution of the Lease in substantially the form of Exhibit Z attached to this Lease. Landlord also agrees to provide Tenant with a commercially reasonable NDAA from any ground lessor, mortgagor, lien holder or deed of trust holder of Landlord who later come(s) into existence at any time prior to the expiration of the Term of the Lease, as it may be extended, in consideration of, and as a condition precedent to, Tenant's agreement to be bound by this Section.

SECTION 13.3. ESTOPPEL CERTIFICATE.

(a) Tenant shall, at any time upon not less than ten (10) business days prior written notice from Landlord, execute, acknowledge and deliver to Landlord, in any form that Landlord may reasonably require, a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of the modification and certifying that this Lease, as modified, is in full force and effect) and the dates to which the rental, additional rent and other charges have been paid in advance, if any, and (ii) acknowledging that, to Tenant's actual knowledge as of the date thereof, there are no uncured defaults on the part of Landlord, or specifying each default if any are claimed, and (iii) setting forth all further information that Landlord or any purchaser or encumbrancer may reasonably require. Tenant's statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Building(s) or Project.

(b) Notwithstanding any other rights and remedies of Landlord, Tenant's failure to deliver any estoppel statement within the provided time shall be conclusive upon Tenant that (i) this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) there are no uncured Events of Default in Landlord's performance, and (iii) not more than one month's rental has been paid in advance.

(c) Landlord hereby agrees to execute and deliver to Tenant an estoppel certificate for the benefit of a transferee or lender of Tenant containing the same types of information, and within the same periods of time, as are set forth above, except such changes as are reasonably necessary to reflect that the estoppel certificate is being granted and signed by Landlord to Tenant's lender, assignee or sublessee, rather than from Tenant to Landlord or to a lender or purchaser. Notwithstanding anything to the contrary set forth in this Lease, neither Landlord nor Tenant will be appointed to act as power of attorney to sign for the other.

SECTION 13.4. FINANCIALS. Upon request by Landlord in connection with the sale or financing of the Project or a portion thereof, Tenant shall deliver to Landlord Tenant's current financial statements, certified true, accurate and complete by the chief financial officer of Tenant, including a balance sheet and profit and loss statement for the most recent prior year; provided that, so long as Tenant is a publicly traded corporation on a nationally recognized stock exchange, then in lieu of the foregoing, Landlord shall instead look to Tenant's current financial reports filed with the Securities and Exchange Commission (either of the foregoing being collectively referred to as the "**Statements**"), which Statements shall accurately and completely reflect the financial condition of Tenant. Landlord agrees that it will keep the Statements confidential (unless otherwise available to the public), except that Landlord shall have the right to deliver the same to any proposed purchaser or encumbrancer of all or any portion of the Project.

ARTICLE XIV. EVENTS OF DEFAULT AND REMEDIES

SECTION 14.1. TENANT'S DEFAULTS. The occurrence of any one or more of the following events (following the expiration of any cure period set forth below, if any is provided) shall constitute an "**Event of Default**" by Tenant:

(a) The failure by Tenant to make any payment of Basic Rent or additional rent required to be made by Tenant, as and when due, where the failure continues for a period of five (5) business days after receipt by Tenant of written notice from Landlord that such payment was not made when due; provided, however, that any such notice shall be in addition to and not in lieu of, any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended. For purposes of these Events of Default and remedies provisions, the term "additional rent" shall be deemed to include all amounts of any type whatsoever other than Basic Rent to be paid by Tenant pursuant to the terms of this Lease.

(b) The failure by Tenant to observe or perform any of the covenants or provisions of this Lease to be observed or performed by Tenant, where the failure continues for a period of thirty (30) days after receipt by Tenant of written notice from Landlord to Tenant; provided, however, that any such notice shall be in addition to and not in lieu of, any notice required under California Code of Civil Procedure Section 1161 and 1161(a) as amended. However, if the nature of the failure is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to have committed an Event of Default if Tenant commences the cure within thirty (30) days, and thereafter diligently pursues the cure to completion.

SECTION 14.2. LANDLORD'S REMEDIES.

(a) If an Event of Default by Tenant occurs, then in addition to any other remedies available to Landlord, Landlord may exercise the following remedies:

(i) Landlord may terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. Such termination shall not affect any accrued obligations of Tenant under this Lease. Upon termination, Landlord shall have the right to reenter the Premises and remove all persons and property. Landlord shall also be entitled to recover from Tenant:

(1) The worth at the time of award of the unpaid Basic Rent and additional rent which had been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid Basic Rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such loss that Tenant proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid Basic Rent and additional rent for the balance of the Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided;

(4) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from Tenant's Event of Default, including, but not limited to, the cost of recovering possession of the Premises, refurbishment of the Premises, marketing costs, commissions and other expenses of reletting, including necessary repair, the unamortized portion of any tenant improvements and brokerage commissions funded by Landlord in connection with this Lease, reasonable attorneys' fees, and any other reasonable costs; and

(5) At Landlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. The term "rent" as used in the Lease shall be deemed to mean the Basic Rent, Tenant's Share of Operating Expenses and any other sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease. Any sum, other than Basic Rent, shall be computed on the basis of the average monthly amount accruing during the twenty-four (24) month period immediately prior to the Event of Default, except that if it becomes necessary to compute such rental before the twenty-four (24) month period has occurred, then the computation shall be on the basis of the average monthly amount during the shorter period. As used in Sections 14.2(a)(i) (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of ten percent (10%) per annum. As used in Section 14.2(a)(i)(3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(ii) Landlord may elect not to terminate Tenant's right to possession of the Premises, in which event Landlord may continue to enforce all of its rights and remedies under this Lease, including the right to collect all rent as it becomes due. Efforts by the Landlord to maintain, preserve or relet the Premises, or the appointment of a receiver to protect the Landlord's interests under this Lease, shall not constitute a termination of the Tenant's right to possession of the Premises. In the event that Landlord elects to avail itself of the remedy provided by this Section 14.2(a)(ii), Landlord shall not unreasonably withhold its consent to an assignment or subletting of the Premises subject to the reasonable standards for Landlord's consent as are contained in this Lease.

(b) Except for maintenance and repair obligations under the Lease, Landlord shall be under no obligation to observe or perform any covenant of this Lease on its part to be observed or performed which accrues after the date of any Event of Default by Tenant unless and until the Event of Default is cured by Tenant, it being understood and agreed that the performance by Landlord of its obligations under this Lease are expressly conditioned upon Tenant's full and timely performance of its obligations under this Lease. The various rights and remedies reserved to Landlord in this Lease or otherwise shall be cumulative and, except as otherwise provided by California law, Landlord may to the extent it does not result in a double recovery by Landlord pursue any or all of its rights and remedies at the same time.

(c) No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any breach or Event of Default by Tenant. The acceptance by Landlord of rent shall not be a (i) waiver of any preceding breach or Event of Default by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent accepted, regardless of Landlord's knowledge of the preceding breach or Event of Default at the time of acceptance of rent, or (ii) a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of the breach or Event of Default. The acceptance of any payment from a debtor in possession, a trustee, a receiver or any other person acting on behalf of Tenant or Tenant's estate shall not waive or cure a breach or Event of Default under Section 14.1. No payment by Tenant or receipt by Landlord of a lesser amount than the rent required by this Lease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Landlord shall accept the check or payment without prejudice to Landlord's right to recover the balance of the rent or pursue any other remedy available to it. No act or thing done by Landlord or Landlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Landlord. No employee of Landlord or of Landlord's agents shall have any power to accept the keys to the Premises prior to the termination of this Lease, and the delivery of the keys to any employee shall not operate as a termination of this Lease or a surrender of the Premises. Unless Landlord has entered into a new lease for all or a portion of the Premises with a third party with whom Landlord had executed a Recognition Agreement pursuant to Section 9.6 above, nothing in this Lease shall be deemed to constitute a waiver by Tenant of its right to seek a relief from forfeiture pursuant to Section 1179 of the California Code of Civil Procedure.

SECTION 14.3. LATE PAYMENTS. Any payment due to Landlord under this Lease, including without limitation Basic Rent, Tenant's Share of Operating Expenses or any other payment due to Landlord under this Lease, that is not received by Landlord within ten (10) days following the date due shall bear interest at the lesser of (i) the per annum rate of ten percent (10%) and (ii) the maximum rate permitted by law (**"Interest Rate"**) from the date due until fully paid. The payment of interest shall not cure any breach or Event of Default by Tenant under this Lease. In addition, Tenant acknowledges that the late payment by Tenant to Landlord of Basic Rent and Tenant's Share of Operating Expenses will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Those costs may include, but are not limited to, administrative, processing and accounting charges, and late charges which may be imposed on Landlord by the terms of any ground lease, mortgage or trust deed covering the Premises. Accordingly, if any Basic Rent or Tenant's Share of Operating Expenses due from Tenant shall not be received by Landlord or Landlord's designee within five (5) business days after receipt by Tenant from Landlord of written notice that same has not been paid when due, then Tenant shall pay to Landlord, in addition to the interest provided above, a late charge, which the Tenant agrees is reasonable, in a sum equal to the lesser of two percent (2%) of the amount overdue or Two Thousand Dollars ($2,000.00) for each delinquent payment; provided that in no event shall such late charge be less than One Hundred Dollars ($100.00). Acceptance of a late charge by Landlord shall not constitute a waiver of Tenant's breach or Event of Default with respect to the overdue amount, nor shall it prevent Landlord from exercising any of its other rights and remedies.

SECTION 14.4. RIGHT OF LANDLORD TO PERFORM. All covenants and agreements to be performed by Tenant under this Lease shall be performed at Tenant's sole cost and expense and without any abatement of rent or right of set-off (except as otherwise provided in this Lease). If Tenant fails to pay any sum of money, other than rent payable to Landlord, or fails to perform any other act on its part to be performed under this Lease, and the failure continues beyond any applicable grace period set forth in Section 14.1, then in addition to any other available remedies, Landlord may, at its election, following three (3) business days notice to Tenant (unless Tenant cures within such three (3) business day period) make the payment or perform the other act on Tenant's part. Landlord's election to make the payment or perform the act on Tenant's part shall not give rise to any responsibility of Landlord to continue making the same or similar payments or performing the same or similar acts. Tenant shall, promptly upon demand by Landlord, reimburse Landlord for all sums paid by Landlord and all necessary incidental costs, together with interest at the Interest Rate from the date of the payment by Landlord.

SECTION 14.5. DEFAULT BY LANDLORD. Landlord shall not be deemed to be in default in the performance of any obligation under this Lease, and Tenant shall have no rights to take any action against Landlord, unless and until Landlord has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion. Upon any such default by Landlord, Tenant may exercise any of its rights provided in law or at equity, provided that such remedies shall not include termination rights except as expressly provided herein.

SECTION 14.6. EXPENSES AND LEGAL FEES. All sums reasonably incurred by Landlord or Tenant in connection with any Event of Default by Tenant or default by Landlord under Section 14.5, above, or holding over of possession by Tenant after the expiration or earlier termination of this Lease, or any action related to a filing for bankruptcy or reorganization by Tenant or Landlord, including without limitation all costs, expenses and actual accountants, appraisers, attorneys and other professional fees, and any collection agency or other collection charges, shall be due and payable to the non defaulting party on demand, and shall bear interest at the Interest Rate. Should either Landlord or Tenant bring any action in connection with this Lease which results in a judgment or an award, the prevailing party shall be entitled to recover as a part of the action its reasonable attorneys' fees, and all other costs. The prevailing party for the purpose of this Section shall be determined by the trier of the facts.

SECTION 14.7. WAIVER OF JURY TRIAL/JUDICIAL REFERENCE.

(a) LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY, AND, TO THE EXTENT ENFORCEABLE UNDER CALIFORNIA LAW, EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL

BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR ANY CLAIM OF INJURY OR DAMAGE. FURTHERMORE, THIS WAIVER AND RELEASE OF ALL RIGHTS TO A JURY TRIAL IS DEEMED TO BE INDEPENDENT OF EACH AND EVERY OTHER PROVISION, COVENANT, AND/OR CONDITION SET FORTH IN THIS LEASE.

(b) IN THE EVENT THAT THE JURY WAIVER PROVISIONS OF SECTION 14.7(a) ARE NOT ENFORCEABLE UNDER CALIFORNIA LAW, THEN THE PROVISIONS OF THIS SECTION 14.7(b) SHALL APPLY. IT IS THE DESIRE AND INTENTION OF THE PARTIES TO AGREE UPON A MECHANISM AND PROCEDURE UNDER WHICH CONTROVERSIES AND DISPUTES ARISING OUT OF THIS LEASE OR RELATED TO THE PREMISES WILL BE RESOLVED IN A PROMPT AND EXPEDITIOUS MANNER. ACCORDINGLY, EXCEPT WITH RESPECT TO ACTIONS FOR UNLAWFUL OR FORCIBLE DETAINER OR WITH RESPECT TO THE PREJUDGMENT REMEDY OF ATTACHMENT, ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR ANY CLAIM OF INJURY OR DAMAGE, SHALL BE HEARD AND RESOLVED BY A REFEREE UNDER THE PROVISIONS OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, SECTIONS 638 — 645.1, INCLUSIVE (AS SAME MAY BE AMENDED, OR ANY SUCCESSOR STATUTE(S) THERETO) (THE "REFEREE SECTIONS"). ANY FEE TO INITIATE THE JUDICIAL REFERENCE PROCEEDINGS SHALL BE PAID BY THE PARTY INITIATING SUCH PROCEDURE; PROVIDED HOWEVER, THAT THE COSTS AND FEES, INCLUDING ANY INITIATION FEE, OF SUCH PROCEEDING SHALL ULTIMATELY BE BORNE IN ACCORDANCE WITH SECTION 14.6 ABOVE. THE VENUE OF THE PROCEEDINGS SHALL BE IN THE COUNTY IN WHICH THE PREMISES ARE LOCATED. WITHIN TEN (10) DAYS OF DELIVERY BY ANY PARTY TO THE OTHER PARTY OF A WRITTEN REQUEST TO RESOLVE ANY DISPUTE OR CONTROVERSY PURSUANT TO THIS SECTION 14.7(b), THE PARTIES SHALL AGREE UPON A SINGLE REFEREE WHO SHALL TRY ALL ISSUES, WHETHER OF FACT OR LAW, AND REPORT A FINDING AND JUDGMENT ON SUCH ISSUES AS REQUIRED BY THE REFEREE SECTIONS. IF THE PARTIES ARE UNABLE TO AGREE UPON A REFEREE WITHIN SUCH TEN (10) DAY PERIOD, THEN ANY PARTY MAY THEREAFTER FILE A LAWSUIT IN THE COUNTY IN WHICH THE PREMISES ARE LOCATED FOR THE PURPOSE OF APPOINTMENT OF A REFEREE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTIONS 638 AND 640, AS SAME MAY BE AMENDED OF ANY SUCCESSOR STATUTE(S) THERETO. IF THE REFEREE IS APPOINTED BY THE COURT, THE REFEREE SHALL BE A NEUTRAL AND IMPARTIAL RETIRED JUDGE WITH SUBSTANTIAL EXPERIENCE IN THE RELEVANT MATTERS TO BE DETERMINED, FROM JAMS/ENDISPUTE, INC., THE AMERICAN ARBITRATION ASSOCIATION OR SIMILAR MEDIATION/ARBITRATION ENTITY. THE PROPOSED REFEREE MAY BE CHALLENGED BY ANY PARTY FOR ANY OF THE GROUNDS LISTED IN SECTION 641 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, AS SAME MAY BE AMENDED OR ANY SUCCESSOR STATUTE(S) THERETO. THE REFEREE SHALL HAVE THE POWER TO DECIDE ALL ISSUES OF FACT AND LAW AND REPORT HIS OR HER DECISION ON SUCH ISSUES, AND TO ISSUE ALL RECOGNIZED REMEDIES AVAILABLE AT LAW OR IN EQUITY FOR ANY CAUSE OF ACTION THAT IS BEFORE THE REFEREE, INCLUDING AN AWARD OF ATTORNEYS' FEES AND COSTS IN ACCORDANCE WITH CALIFORNIA LAW. THE REFEREE SHALL NOT, HOWEVER, HAVE THE POWER TO AWARD PUNITIVE DAMAGES, NOR ANY OTHER DAMAGES WHICH ARE NOT PERMITTED BY THE EXPRESS PROVISIONS OF THIS LEASE, AND THE PARTIES HEREBY WAIVE ANY RIGHT TO RECOVER ANY SUCH DAMAGES. THE PARTIES SHALL BE ENTITLED TO CONDUCT ALL DISCOVERY AS PROVIDED IN THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND THE REFEREE SHALL OVERSEE DISCOVERY AND MAY ENFORCE ALL DISCOVERY ORDERS IN THE SAME MANNER AS ANY TRIAL COURT JUDGE, WITH RIGHTS TO REGULATE DISCOVERY AND TO ISSUE AND ENFORCE SUBPOENAS, PROTECTIVE ORDERS AND OTHER LIMITATIONS ON DISCOVERY AVAILABLE UNDER CALIFORNIA LAW. THE REFERENCE PROCEEDING SHALL BE CONDUCTED IN ACCORDANCE WITH CALIFORNIA LAW (INCLUDING THE RULES OF EVIDENCE), AND IN ALL REGARDS, THE REFEREE SHALL FOLLOW CALIFORNIA LAW APPLICABLE AT THE TIME OF THE REFERENCE PROCEEDING. IN ACCORDANCE WITH SECTION 644 OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, THE DECISION OF THE REFEREE UPON THE WHOLE ISSUE MUST STAND AS THE DECISION OF THE COURT, AND UPON THE FILING OF THE STATEMENT OF DECISION WITH THE CLERK OF THE COURT, OR WITH THE JUDGE IF THERE IS NO CLERK, JUDGMENT MAY BE ENTERED THEREON IN THE SAME MANNER AS IF THE ACTION HAD BEEN TRIED BY THE COURT. THE PARTIES SHALL PROMPTLY AND DILIGENTLY COOPERATE WITH ONE ANOTHER AND THE REFEREE, AND SHALL PERFORM SUCH ACTS AS MAY BE NECESSARY TO OBTAIN A PROMPT AND EXPEDITIOUS RESOLUTION OF THE DISPUTE OR CONTROVERSY IN ACCORDANCE WITH THE TERMS OF THIS SECTION 14.7(b). TO THE EXTENT THAT NO PENDING LAWSUIT HAS BEEN FILED TO OBTAIN THE APPOINTMENT OF A REFEREE, ANY PARTY, AFTER THE ISSUANCE OF THE DECISION OF THE REFEREE, MAY APPLY TO THE COURT OF THE COUNTY IN WHICH THE PREMISES ARE LOCATED FOR CONFIRMATION BY THE COURT OF THE DECISION OF THE REFEREE IN THE SAME MANNER AS A PETITION FOR CONFIRMATION OF AN ARBITRATION AWARD PURSUANT TO CODE OF CIVIL PROCEDURE SECTION 1285 ET SEQ. (AS SAME MAY BE AMENDED OR ANY SUCCESSOR STATUTE(S) THERETO).

SECTION 14.8. SATISFACTION OF JUDGMENT. The obligations of Landlord do not constitute the personal obligations of the individual partners, trustees, directors, officers or shareholders of Landlord or its constituent partners. Should Tenant recover a money judgment against Landlord, such judgment shall be satisfied only from the interest of Landlord in the Project and out of the rent or other income from such property receivable by Landlord or out of consideration received by Landlord from the sale or other disposition of all or any part of Landlord's right, title or interest in the Project or from any insurance proceeds available to Landlord and no action for any deficiency may be sought or obtained by Tenant.

ARTICLE XV. END OF TERM

SECTION 15.1. HOLDING OVER. This Lease shall terminate without further notice upon the expiration of the Term, and any holding over by Tenant after the expiration shall not constitute a renewal or extension of this Lease, or give Tenant any rights under this Lease, except when in writing signed by both parties. If Tenant holds over for any period after the Expiration Date (or earlier termination) of the Term with or without the prior written consent of Landlord, such possession shall constitute a month-to-month tenancy commencing on the first (1st) day following the termination of this Lease and terminating thirty (30) days following delivery of written notice of termination by either Landlord or Tenant to the other. In such event, possession shall be subject to all of the terms of this Lease, except that the monthly Basic Rent shall be one hundred thirty-seven and one-half percent (137.5%) of the Basic Rent for the month immediately preceding the date of termination. Any such monthly hold-over rental shall be appropriately prorated for any partial calendar month so long as Tenant has provided the requisite thirty days prior notice of termination. If Tenant fails to surrender the Premises within forty-five (45) days following the expiration of this Lease despite demand to do so by Landlord, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including without limitation, any claims made by any succeeding tenant relating to such failure to surrender. The foregoing provisions of this Section are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord under this Lease or at law.

SECTION 15.2. PERMITTED HOLD-OVER Notwithstanding anything to the contrary set forth above, Tenant shall have the right, upon the expiration of the original Term of this Lease or any extension thereof, to hold over in the Premises for a period not to exceed six (6) months upon the same terms and conditions that were applicable to the Premises during the last month of the Term of the Lease (except that the Basic Rent shall be one hundred thirty-seven and one-half percent (137.5%) of the Basic Rent for the final month of the Term), by giving written notice of such election to Landlord not less than eighteen (18) months prior to the scheduled Expiration Date, as it may be extended. Such notice by Tenant shall provide that it is being delivered pursuant to this Section 15.2 and shall specify the length of the hold-over period, which period shall not thereafter be subject to change by Tenant.

SECTION 15.3. MERGER OF TERMINATION. Subject to the provisions of Section 9.6, the voluntary or other surrender of this Lease by Tenant, or a mutual termination of this Lease, shall terminate any or all existing subleases unless Landlord, at its option, elects in writing to treat the surrender or termination as an assignment to it of any or all subleases affecting the Premises.

SECTION 15.4 SURRENDER OF PREMISES; REMOVAL OF PROPERTY. Subject to the provisions of Section 7.3 of this Lease and of the Work Letter attached hereto, upon the Expiration Date or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order, condition and repair as when received or as hereafter may be improved by Landlord or Tenant, reasonable wear and tear, damage and casualty and repairs which are Landlord's obligation excepted, and shall, without expense to Landlord, remove or cause to be removed from the Premises all wall coverings installed by Tenant, all personal property, removable trade fixtures, and equipment and debris and shall perform all work required under Section 7.3 of this Lease and/or the Work Letter attached hereto, except for any of such items that Landlord may by written authorization allow to remain. Tenant shall repair all damage to the Premises resulting from the removal, which repair shall include the repair of structural damage, provided that Tenant shall not be required to patch carpeting, paint walls or patch small holes in the walls or floors. If Tenant shall fail to comply with the provisions of this Section, Landlord may effect the removal and/or make any repairs, and the actual and reasonable cost to Landlord shall be additional rent payable by Tenant upon demand. If Tenant fails to remove Tenant's personal property from the Premises upon the expiration of the Term, Landlord may upon three (3) business days notice to Tenant referencing this Section 15.4, remove, store, dispose of and/or retain such personal property, at Landlord's option, in accordance with then applicable laws, all at the expense of Tenant. If requested by Landlord, Tenant shall execute, acknowledge and deliver to Landlord an instrument in writing releasing and quitclaiming to Landlord all right, title and interest of Tenant in the Premises.

ARTICLE XVI. PAYMENTS AND NOTICES

All sums payable by Tenant to Landlord shall be deemed to be rent under this Lease and shall be paid, without deduction or offset (except as otherwise provided in this Lease), in lawful money of the United States to Landlord at its address set forth in Item 12 of the Basic Lease Provisions, or at any other place as Landlord may designate in writing. Unless this Lease expressly provides otherwise, as for example in the payment of Basic Rent and the Tenant's Share of Operating Costs pursuant to Sections 4.1 and 4.2, then any payment from either party shall be due and payable within twenty (20) days after delivery to such party, at its notice address herein, of written demand and supporting invoices/documentation with respect thereto. All payments requiring proration shall be prorated on the basis of a thirty (30) day month and a three hundred sixty (360) day year. Any notice, election, demand, consent, approval or other communication to be given or other document to be delivered by either party to the other may be delivered by courier or overnight delivery service, return receipt requested, to the other party, or may be deposited in the United States mail, duly registered or certified, postage prepaid, return receipt requested, and addressed to the other party at the address set forth in Item 12 of the Basic Lease Provisions. Either party may, by written notice to the other, served in the manner provided in this Article, designate a different address for notices.

ARTICLE XVII. RULES AND REGULATIONS

Subject to the preamble to Exhibit E, Tenant agrees to observe faithfully and comply with the Rules and Regulations, attached as Exhibit E, and any reasonable and nondiscriminatory amendments, modifications and/or additions as may be adopted and published by written notice to tenants by Landlord for the safety, care, security, good order, or cleanliness of the Premises, Building, Project and Common Areas; provided, however, that no amendments, modifications or additions shall interfere with Tenant's permitted use of the Premises or materially decrease Tenant's rights under this Lease. Landlord shall not be liable to Tenant for any violation of the Rules and Regulations or the breach of any covenant or condition in any lease by any other tenant or such tenant's agents, employees, contractors, guests or invitees. One or more waivers by Landlord of any breach of the Rules and Regulations by Tenant or by any other tenant(s) shall not be a waiver of any subsequent breach of that rule or any other. Landlord shall not enforce the Rules and Regulations in an unreasonable or discriminatory manner or in a manner which shall unreasonably interfere with or restrict the normal and customary use of the Premises by Tenant for normal and customary business office operations. In the case of any conflict between the Rules and Regulations and this Lease, this Lease shall be controlling.

ARTICLE XVIII. BROKER'S COMMISSION

The parties recognize as the broker(s) who negotiated this Lease the firm(s), whose name(s) is (are) stated in Item 10 of the Basic Lease Provisions, and agree that Landlord shall be responsible for the payment of brokerage commissions to those broker(s) unless otherwise provided in this Lease. It is understood and agreed that Landlord's Broker represents only Landlord in this transaction and that Tenant's Broker (if any) represents only Tenant. Each party warrants that it has had no dealings with any other real estate broker or agent in connection with the negotiation of this Lease, and agrees to indemnify and hold the other party harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed by the indemnifying party in connection with the negotiation of this Lease. The foregoing agreement shall survive the termination of this Lease.

ARTICLE XIX. TRANSFER OF LANDLORD'S INTEREST

In the event of any transfer of Landlord's interest in the Premises, the transferor shall be automatically relieved of all further obligations on the part of Landlord accruing under this Lease from and after the date of the transfer, provided that such transferee assumes the obligations as to which Landlord is being relieved, and the transferor shall be relieved of any obligation to pay any funds in which Tenant has an interest to the extent that such funds have been turned over, subject to that interest, to the transferee and Tenant is notified of the transfer as required by law. It is intended that the covenants and obligations contained in this Lease on the part of Landlord shall, subject to the foregoing, be binding on Landlord, its successors and assigns, only during and with respect to obligations arising during their respective successive periods of ownership.

ARTICLE XX. INTERPRETATION

SECTION 20.1. GENDER AND NUMBER. Whenever the context of this Lease requires, the words "**Landlord**" and "**Tenant**" shall include the plural as well as the singular, and words used in neuter, masculine or feminine genders shall include the others.

SECTION 20.2. HEADINGS. The captions and headings of the articles and sections of this Lease are for convenience only, are not a part of this Lease and shall have no effect upon its construction or interpretation.

SECTION 20.3. JOINT AND SEVERAL LIABILITY. If more than one person or entity is named as Tenant, the obligations imposed upon each shall be joint and several and the act of or notice from, or notice or refund to, or the signature of, any one or more of them shall be binding on all of them with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, termination or modification of this Lease.

SECTION 20.4. SUCCESSORS. Subject to Articles IX and XIX, all rights and liabilities given to or imposed upon Landlord and Tenant shall extend to and bind their respective heirs, executors, administrators, successors and assigns. Nothing contained in this Section is intended, or shall be construed, to grant to any person other than Landlord and Tenant and their successors and assigns any rights or remedies under this Lease.

SECTION 20.5. TIME OF ESSENCE. Time is of the essence with respect to the performance of every provision of this Lease.

SECTION 20.6. CONTROLLING LAW/VENUE. This Lease shall be governed by and interpreted in accordance with the laws of the State of California. Any litigation commenced concerning any matters whatsoever arising out of or in any way connected to this Lease shall be initiated in the Superior Court of the county in which the Project is located.

SECTION 20.7. SEVERABILITY. If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party or the deletion of which is consented to by the party adversely affected, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

SECTION 20.8. WAIVER AND CUMULATIVE REMEDIES. One or more waivers by Landlord or Tenant of any breach of any term, covenant or condition contained in this Lease shall not be a waiver of any subsequent breach of the same or any other term, covenant or condition. Consent to any act by one of the parties shall not be deemed to render unnecessary the obtaining of that party's consent to any subsequent act. No breach by Tenant or Landlord of this Lease shall be deemed to have been waived by the other party unless the waiver is in a writing signed by Landlord or Tenant, as applicable. The rights and remedies of Landlord and Tenant under this Lease shall be cumulative and in addition to any and all other rights and remedies which Landlord and Tenant may have.

SECTION 20.9. INABILITY TO PERFORM. In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party, then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay. The provisions of this Section shall not operate to excuse Tenant from the prompt payment of rent, Landlord from the payment of any sums due Tenant hereunder, or either party from the timely performance of any other obligation under this Lease within such party's reasonable control.

SECTION 20.10. ENTIRE AGREEMENT. This Lease and its exhibits and other attachments cover in full each and every agreement of every kind between the parties concerning the Premises, the Building, and the Project, and all preliminary negotiations, oral agreements, understandings and/or practices, except those contained in this Lease, are superseded and of no further effect. Tenant and Landlord waive their respective rights to rely on any representations or promises made by the other or others which are not contained in this Lease. No verbal agreement or implied covenant shall be held to modify the provisions of this Lease, any statute, law, or custom to the contrary notwithstanding.

SECTION 20.11. QUIET ENJOYMENT. So long as an Event of Default shall not have occurred under this Lease, and subject to the other provisions of this Lease, Tenant shall have the right of quiet enjoyment and use of the Premises for the Term without hindrance or interruption by Landlord or any other person claiming by or through Landlord.

SECTION 20.12. SURVIVAL. All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease, including without limitation any warranty or indemnity hereunder, shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns.

SECTION 20.13. INTERPRETATION. This Lease shall not be construed in favor of or against either party, but shall be construed as if both parties prepared this Lease.

ARTICLE XXI. EXECUTION AND RECORDING

SECTION 21.1. COUNTERPARTS. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement.

SECTION 21.2. CORPORATE, LIMITED LIABILITY COMPANY AND PARTNERSHIP AUTHORITY. If Landlord or Tenant is a corporation, limited liability company or partnership, each individual executing this Lease on behalf of the corporation, limited liability company or partnership represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of the corporation, limited liability company or partnership, and that this Lease is binding upon the corporation, limited liability company or partnership in accordance with its terms.

SECTION 21.3. EXECUTION OF LEASE; NO OPTION OR OFFER. The submission of this Lease to Tenant shall be for examination purposes only, and shall not constitute an offer to or option for Tenant to lease the Premises. Execution of this Lease by Tenant and its return to Landlord shall not be binding upon Landlord, notwithstanding any time interval, until Landlord has in fact executed and delivered this Lease to Tenant, it being intended that this Lease shall only become effective upon execution by Landlord and delivery of a fully executed counterpart to Tenant.

SECTION 21.4. RECORDING. Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

SECTION 21.5. AMENDMENTS. No amendment or termination of this Lease shall be effective unless in writing signed by authorized signatories of Tenant and Landlord, or by their respective successors in interest. No actions, policies, oral or informal arrangements, business dealings or other course of conduct by or between the parties shall be deemed to modify this Lease in any respect.

SECTION 21.6. EXECUTED COPY. Any fully executed photocopy or similar reproduction of this Lease shall be deemed an original for all purposes.

SECTION 21.7. ATTACHMENTS. All exhibits, amendments, riders and addenda attached to this Lease are hereby incorporated into and made a part of this Lease.

ARTICLE XXII. MISCELLANEOUS

SECTION 22.1. NONDISCLOSURE OF LEASE TERMS. Tenant and Landlord acknowledge and agree, subject to the exceptions and qualifications set forth below, that the terms of this Lease are confidential and constitute proprietary information of Landlord and Tenant. Tenant and Landlord agree that they, and their respective partners, officers, directors, employees and attorneys, shall not intentionally and voluntarily disclose, by public filings or otherwise, the terms and conditions of this Lease to any other tenant or apparent prospective tenant of the Building or the Project, or to another landlord or to any media, either directly or indirectly, without the prior written consent of the other, except to disclose the location and size of the Premises and the term of the Lease; provided, however, notwithstanding the foregoing, Tenant and Landlord may disclose the terms of this Lease to prospective assignees of this Lease and prospective subtenants under this Lease, or to purchasers of the Building(s) or of the Landlord or Tenant, or to their respective lenders and/or investors, or to their lawyers, accountants, brokers and others who are providing services and need to know the terms and conditions of this Lease in connection with the providing of such services, or as otherwise required by applicable laws, including filings required by applicable government agencies.

SECTION 22.2. [***INTENTIONALLY OMITTED***]

SECTION 22.3. CHANGES REQUESTED BY LENDER. If, in connection with obtaining financing for the Project, the lender shall request reasonable modifications in this Lease as a condition to the financing, Tenant will not unreasonably withhold or delay its consent, provided that the modifications do not increase the monetary obligations of Tenant or materially increase the non-monetary obligations of Tenant or materially and adversely affect the leasehold interest created by this Lease.

SECTION 22.4. MORTGAGEE PROTECTION. No act or failure to act on the part of Landlord which would otherwise entitle Tenant to be relieved of its obligations hereunder shall result in such a release or termination unless (a) Tenant has given notice by registered or certified mail to any beneficiary of a deed of trust or mortgage covering the Building whose address has been furnished to Tenant and (b) such beneficiary is afforded a reasonable opportunity to cure the default by Landlord (which in no event shall be more than sixty (60) days), including, if necessary to effect the cure, time to obtain possession of the Building by power of sale or judicial foreclosure provided that such foreclosure remedy is diligently pursued. Tenant agrees that each beneficiary of a deed of trust or mortgage covering the Building is an express third party beneficiary hereof, Tenant shall have no right or claim for the collection of any deposit from such beneficiary or from any purchaser at a foreclosure sale unless such beneficiary or purchaser shall have actually received and not refunded the deposit, and Tenant shall comply with any written directions by any beneficiary to pay rent due hereunder directly to such beneficiary without determining whether a default exists under such beneficiary's deed of trust.

SECTION 22.5. COVENANTS AND CONDITIONS. All of the provisions of this Lease shall be construed to be conditions as well as covenants as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

SECTION 22.6. SECURITY MEASURES. At its election, Landlord may provide a security service or other security measures for the exterior of the Building or the Common Areas of the Project. Tenant hereby acknowledges that Landlord shall have no obligation whatsoever to provide guard service or other security measures for the benefit of the Premises or the Project. Tenant assumes all responsibility for the protection of Tenant, its employees, agents, invitees and property from acts of third parties. Nothing herein contained shall prevent Landlord, at its sole option, from providing security protection for the Project or any part thereof, in which event the cost thereof shall be included within the definition of Site Costs. Tenant's interior security systems for the Building leased by Tenant shall not be subject to Landlord's approval thereto, provided that such systems do not interfere with any Building Systems and are removed by Tenant at its expense upon termination of this Lease. Without limiting the generality of the foregoing, Tenant shall be permitted to install security cameras in the Building leased by Tenant, subject to any reasonable requirements imposed by Landlord for compliance with laws, cosmetic considerations, safety and the like; provided that such cameras shall be removed by Tenant at is expense upon termination of this Lease. Tenant shall not have to pay additional consideration to Landlord for its rights under this Section.

SECTION 22.7. ARBITRATION OF DISPUTES.

(a) EXCEPT AS SET FORTH IN SUBPARAGRAPH (b) BELOW, IN THE EVENT OF ANY CLAIMS OR DISPUTES BETWEEN LANDLORD AND TENANT ARISING OUT OF, OR RELATING TO THE LEASE, EXCEPT WITH RESPECT TO ACTIONS FOR UNLAWFUL OR FORCIBLE DETAINER, EITHER PARTY MAY CAUSE THE DISPUTE TO BE SUBMITTED TO EITHER JAMS/ENDISPUTE ("JAMS") OR THE AMERICAN ARBITRATION ASSOCIATION ("AAA"), OR THEIR ITS SUCCESSORS, IN THE COUNTY IN WHICH THE BUILDING IS SITUATED FOR BINDING ARBITRATION BEFORE A SINGLE ARBITRATOR. HOWEVER, EACH PARTY RESERVES THE RIGHT TO SEEK A PROVISIONAL REMEDY BY JUDICIAL ACTION. NO ARBITRATION ELECTION BY EITHER PARTY PURSUANT TO THIS SUBSECTION SHALL BE EFFECTIVE IF MADE LATER THAN THIRTY (30) DAYS FOLLOWING SERVICE OF A JUDICIAL SUMMONS AND COMPLAINT BY OR UPON SUCH PARTY CONCERNING THE DISPUTE. THE ARBITRATION ELECTION SHALL DESIGNATE WHETHER THE ARBITRATION WILL BE CONDUCTED WITH JAMS OR AAA. THE ARBITRATION SHALL BE CONDUCTED IN ACCORDANCE WITH THE RULES OF PRACTICE AND PROCEDURE OF JAMS OR THE COMMERCIAL ARBITRATION RULES OF THE AAA, AS APPLICABLE, AND OTHERWISE PURSUANT TO THE CALIFORNIA ARBITRATION ACT (CODE OF CIVIL PROCEDURE SECTIONS 1280 ET SEQ.). NOTWITHSTANDING THE FOREGOING, THE ARBITRATOR IS SPECIFICALLY DIRECTED TO LIMIT DISCOVERY TO THAT WHICH IS ESSENTIAL TO THE EFFECTIVE

PROSECUTION OR DEFENSE OF THE ACTION, AND IN NO EVENT SHALL SUCH DISCOVERY BY EITHER PARTY INCLUDE MORE THAN ONE NON-EXPERT WITNESS DEPOSITION UNLESS BOTH PARTIES OTHERWISE AGREE. THE ARBITRATOR SHALL, TO THE EXTENT APPLICABLE, FOLLOW THE SUBSTANTIVE LAW OF CALIFORNIA AND SHALL RENDER A REASONED WRITTEN DECISION WITHIN TWENTY DAYS FOLLOWING THE HEARING. THE ARBITRATOR SHALL APPORTION THE COSTS OF THE ARBITRATION, TOGETHER WITH THE ATTORNEYS' FEES OF THE PARTIES, IN THE MANNER DEEMED EQUITABLE BY THE ARBITRATOR, IT BEING THE INTENTION OF THE PARTIES THAT THE PREVAILING PARTY ORDINARILY BE ENTITLED TO RECOVER ITS REASONABLE COSTS AND FEES. JUDGMENT UPON ANY AWARD RENDERED BY THE ARBITRATOR MAY BE ENTERED BY ANY COURT HAVING JURISDICTION.

(b) THE PROVISIONS OF THIS SECTION SHALL NOT APPLY TO:

(i) ANY UNLAWFUL DETAINER ACTION INSTITUTED BY LANDLORD AS A RESULT OF A DEFAULT OR ALLEGED DEFAULT BY TENANT PURSUANT TO THIS LEASE;

(ii) ANY REQUEST OR APPLICATION FOR AN ORDER OR DECREE GRANTING ANY PROVISIONAL OR ANCILLARY REMEDY (SUCH AS A TEMPORARY RESTRAINING ORDER OR INJUNCTION) WITH RESPECT TO ANY RIGHT OR OBLIGATION OF EITHER PARTY TO THIS LEASE, AND ANY PRELIMINARY DETERMINATION OF THE UNDERLYING CONTROVERSY, DISPUTE, QUESTION OR ISSUE AS IS REQUIRED TO DETERMINE WHETHER OR NOT TO GRANT THE RELIEF REQUESTED OR APPLIED FOR. A FINAL AND BINDING DETERMINATION OF SUCH UNDERLYING CONTROVERSY, DISPUTE, QUESTION OR ISSUE SHALL BE MADE BY AN ARBITRATION CONDUCTED PURSUANT TO THIS SECTION AFTER AN APPROPRIATE TRANSFER UPON MOTION OR APPLICATION OF EITHER PARTY HERETO. ANY ANCILLARY OR PROVISIONAL RELIEF WHICH IS GRANTED PURSUANT TO THIS CLAUSE (iii) SHALL CONTINUE IN EFFECT PENDING AN ARBITRATION DETERMINATION AND ENTRY OF JUDGMENT THEREON PURSUANT TO THIS SECTION.

(iii) EXERCISE OF ANY REMEDIES TO ENFORCE ANY JUDGMENT ENTERED BASED UPON A DETERMINATION MADE BY ARBITRATION PURSUANT TO THIS SECTION.

SECTION 22.8. CONSENT/DUTY TO ACT REASONABLY. Except where a party is expressly given the right to consent to any matter in its sole or absolute discretion, and except for matters which could have an adverse effect on the Building Structure or Building Systems or the exterior appearance of the Building, whereupon in each such case Landlord's duty is to act in good faith and in compliance with the Lease, any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld, conditioned or delayed. Whenever the Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations (other than decisions to exercise expansion, contraction, cancellation, termination or renewal options), then except as otherwise provided herein, Landlord and Tenant shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated tenant or landlord concerning the benefits to be enjoyed under the Lease

SECTION 22.9. ACCESS. Subject to the terms and conditions of this Lease and except in emergency circumstances or during periods of necessary repair, Tenant shall be granted access to the Building, the Premises and the parking provided to the Building twenty-four (24) hours per day, seven (7) days per week, every day of the year.

LANDLORD:TENANT:

IRVINE COMMERCIAL PROPERTY COMPANY LLC, a Delaware limited liability company	**BROADCOM CORPORATION,** **a California corporation**
By: /s/ Richard I. Gilchrist Richard I. Gilchrist President, Investment Properties Group	By: /s/ Eric Brandt Name (Print): Eric Brandt Title (Print): Senior Vice President & Chief Financial Officer
By: E. Valjean Wheeler E. Valjean Wheeler President, Office Properties	By: Name: Title:

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Name of Entity	State or Other Jurisdiction of Incorporation or Organization
Broadcom International Limited	Cayman Islands
Broadcom Singapore Pte Ltd.	Singapore
ServerWorks Corporation	Delaware
ServerWorks International Ltd.	Cayman Islands

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-60763, 333-80317, 333-87673, 333-93457, 333-33170, 333-41110, 333-49158, 333-49680, 333-51632, 333-53492, 333-58498, 333-58574, 333-67702, 333-71338, 333-90862, 333-107882, 333-114405, 333-116877, 333-117866, 333-119553, 333-127775, 333-132533, 333-140188, 333-142526, Form S-4 No. 333-112997, and Form S-3 No. 333-112998,) of Broadcom Corporation of our reports dated January 25, 2008 with respect to the consolidated financial statements and schedule of Broadcom Corporation and the effectiveness of internal control over financial reporting of Broadcom Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

Orange County, California
January 25, 2008

Exhibit 31.1

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

I, Scott A. McGregor, President and Chief Executive Officer, 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 fourth 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

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

Date: January 28, 2008

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

I, Eric K. Brandt, Senior Vice President and Chief Financial Officer, 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 fourth 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

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

Date: January 28, 2008

Exhibit 32

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, 2007 (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

Scott A. McGregor
Chief Executive Officer

Date: January 28, 2008

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, 2007 (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

Eric K. Brandt
Chief Financial Officer

Date: January 28, 2008