



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-23993



**Broadcom Corporation**

*(Exact Name of Registrant as Specified in Its Charter)*

**California**  
*(State or Other Jurisdiction  
of Incorporation or Organization)*

**33-0480482**  
*(I.R.S. Employer  
Identification No.)*

**5300 California Avenue  
Irvine, California 92617-3038**  
*(Address of Principal Executive Offices) (Zip Code)*

**(949) 926-5000**  
*(Registrant's telephone number, including area code)*

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

As of September 30, 2008 the registrant had 446.7 million shares of Class A common stock, \$0.0001 par value, and 63.8 million shares of Class B common stock, \$0.0001 par value, outstanding.

**BROADCOM CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008**

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

BROADCOM CORPORATION  
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008	December 31, 2007
(In thousands)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,475,858	\$ 2,186,572
Short-term marketable securities	770,872	141,728
Accounts receivable, net	501,015	369,004
Inventory	322,605	231,313
Prepaid expenses and other current assets	105,481	125,663
Total current assets	3,175,831	3,054,280
Property and equipment, net	252,999	241,803
Long-term marketable securities	40,905	75,352
Goodwill	1,386,394	1,376,721
Purchased intangible assets, net	34,253	46,607
Other assets	58,293	43,430
Total assets	<u>\$ 4,948,675</u>	<u>\$ 4,838,193</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 459,593	\$ 313,621
Wages and related benefits	166,137	147,853
Deferred revenue	10,246	15,864
Accrued liabilities	238,010	253,226
Total current liabilities	873,986	730,564
Commitments and contingencies		
Long-term deferred revenue	4,764	8,108
Other long-term liabilities	65,879	63,373
Shareholders' equity:		
Common stock	51	54
Additional paid-in capital	11,174,887	11,576,042
Accumulated deficit	(7,165,115)	(7,539,124)
Accumulated other comprehensive loss	(5,777)	(824)
Total shareholders' equity	4,004,046	4,036,148
Total liabilities and shareholders' equity	<u>\$ 4,948,675</u>	<u>\$ 4,838,193</u>

See accompanying notes.

**BROADCOM CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
Net revenue	\$ 1,298,475	\$ 949,959	\$ 3,531,616	\$ 2,749,360
Cost of revenue	619,459	465,970	1,655,218	1,343,956
Gross profit	679,016	483,989	1,876,398	1,405,404
Operating expense:				
Research and development	379,279	352,283	1,115,002	985,223
Selling, general and administrative	141,941	124,907	395,904	373,413
Amortization of purchased intangible assets	183	314	550	843
In-process research and development	—	4,970	10,900	15,470
Impairment of intangible assets	250	—	2,150	1,500
Settlement costs	—	—	15,810	—
Restructuring costs (reversal)	—	—	(1,000)	—
Income from operations	157,363	1,515	337,082	28,955
Interest income, net	12,451	31,443	44,983	101,355
Other expense, net	(3,720)	(1,670)	(2,987)	(2,437)
Income before income taxes	166,094	31,288	379,078	127,873
Provision for income taxes	1,188	3,528	5,069	4,866
Net income	\$ 164,906	\$ 27,760	\$ 374,009	\$ 123,007
Net income per share (basic)	\$ .32	\$ .05	\$ .72	\$ .23
Net income per share (diluted)	\$ .31	\$ .05	\$ .70	\$ .21
Weighted average shares (basic)	509,041	539,931	517,418	542,881
Weighted average shares (diluted)	523,759	577,583	531,187	579,479

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Cost of revenue	\$ 6,652	\$ 7,214	\$ 18,354	\$ 19,889
Research and development	93,334	94,619	262,043	263,882
Selling, general and administrative	33,328	37,023	93,661	106,256

See accompanying notes.

**BROADCOM CORPORATION**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
<b>Operating activities</b>		
Net income	\$ 374,009	\$ 123,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,929	42,555
Stock-based compensation expense:		
Stock options and other awards	168,891	249,326
Restricted stock units issued by Broadcom	205,167	140,701
Acquisition-related items:		
Amortization of purchased intangible assets	12,354	10,394
In-process research and development	10,900	15,470
Impairment of intangible assets	2,150	1,500
Impairment of strategic investments and marketable securities	6,047	4,769
Changes in operating assets and liabilities:		
Accounts receivable	(131,998)	(8,330)
Inventory	(91,292)	(8,929)
Prepaid expenses and other assets	(1,629)	(41,610)
Accounts payable	147,332	55,149
Accrued settlement liabilities	(2,000)	(2,000)
Other accrued and long-term liabilities	17,757	30,800
Net cash provided by operating activities	<u>772,617</u>	<u>612,802</u>
<b>Investing activities</b>		
Net purchases of property and equipment	(65,151)	(123,318)
Net cash paid for acquisitions and other purchased intangible assets	(29,795)	(219,324)
Purchases of strategic investments	(355)	(3,194)
Purchases of marketable securities	(1,109,673)	(568,462)
Proceeds from sales and maturities of marketable securities	512,022	821,092
Net cash used in investing activities	<u>(692,952)</u>	<u>(93,206)</u>
<b>Financing activities</b>		
Repurchases of Class A common stock	(859,775)	(811,822)
Minimum tax withholding paid on behalf of employees for restricted stock units	(45,186)	(53,032)
Proceeds from issuance of common stock	114,582	224,362
Net cash used in financing activities	<u>(790,379)</u>	<u>(640,492)</u>
Decrease in cash and cash equivalents	(710,714)	(120,896)
Cash and cash equivalents at beginning of period	2,186,572	2,158,110
Cash and cash equivalents at end of period	<u>\$ 1,475,858</u>	<u>\$ 2,037,214</u>

See accompanying notes.

**BROADCOM CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**

**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; System/™ 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***

The interim unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission, or SEC, Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2007, included in our Annual Report on Form 10-K filed with the SEC January 28, 2008.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our consolidated financial position at September 30, 2008 and December 31, 2007, the consolidated results of our operations for the three and nine months ended September 30, 2008 and 2007, and our consolidated cash flows for the nine months ended September 30, 2008 and 2007. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results to be expected for future quarters or the full year.

***Foreign Currency Translation***

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

***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

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, rebates, 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, 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 pursuant to a patent license agreement and, to a lesser extent, software licenses, 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Sales of semiconductor products	96.0%	99.2%	95.9%	99.1%
Royalty and other	4.0(1)	0.8	4.1(1)	0.9
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Includes royalties in the amount of \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, received pursuant to a patent license agreement entered into in July 2007.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Sales made through direct sales force	81.9%	83.9%	84.4%	84.8%
Sales made through distributors	18.1	16.1	15.6	15.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

In accordance with SEC Staff Accounting Bulletin, or SAB, No. 104, *Revenue Recognition*, or SAB 104, we recognize product revenue when all of 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. 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 account for rebates in accordance with Emerging Issues Task Force, or 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 sale we accrue 100% of the potential rebate as a reduction to revenue and do not apply a breakage factor. The amount of these

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

reductions is based upon the terms included in our various rebate agreements. We reverse the accrual for unclaimed rebates as specific rebate programs contractually end or when we believe unclaimed rebates are no longer subject to payment and will not be paid. See Note 2, *Supplementary Financial Information*, for a summary of our rebate activity.

A portion of our sales is made through distributors under agreements allowing for pricing credits and/or rights of return. These pricing credits and/or rights of return provisions prevent us from being able to reasonably estimate the final price of the inventory to be sold and the amount of inventory that could be returned pursuant to these agreements. As a result, the criteria listed in (iii) in the paragraph above and all customer acceptance requirements have not been met at the time we deliver products to our distributors. Accordingly, product revenue from sales made through these distributors is not recognized until the distributors ship the product to their customers. 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.

In arrangements that include a combination of semiconductor products and software, where software is considered 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*, or EITF 03-5. Under EITF 03-5, we are required to 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*, and related interpretations, or SOP 97-2.

In arrangements that include a combination of semiconductor products, software and/or services, where software is not considered more-than-incidental to the product being sold, we follow the guidance in EITF Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, or EITF 00-21.

In the arrangements described above, both the semiconductor products and software are delivered concurrently and post-contract customer support is not provided. Therefore, under both SOP 97-2 and SAB 104, we recognize revenue upon shipment of the semiconductor product, assuming all other basic revenue recognition criteria are met, as both the semiconductor products and software are considered delivered elements and no undelivered elements exist. In limited instances where there are undelivered elements, we allocate revenue based on the relative fair value of the individual elements. 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 cases where the undelivered element is a data or support service, the revenue and costs applicable to both the delivered and undelivered elements are recorded ratably over the respective service period or estimated product life. 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.

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 is recognized in accordance with the provisions of SOP 97-2. 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.

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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

***Cash and Cash Equivalents***

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

***Marketable Securities***

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

We account for our investments in debt and equity instruments under Statement of Financial Accounting Standards, or SFAS, No. 115, *Accounting for Certain Investments in Debt and Equity Securities* and Financial Accounting Standards Board, or 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. Historically we classified our cash equivalents and marketable securities as held-to-maturity. Effective February 2008 we reclassified our cash equivalents and marketable securities as available-for-sale and recorded a net unrealized gain in the amount of \$0.2 million. Investments are adjusted for amortization of premiums and discounts to maturity and such amortization is included in interest income. Cash equivalents and marketable securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of shareholders' equity, net of tax. 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 other expense, net in the unaudited condensed consolidated statements of income.

***Fair Value of Financial Instruments***

Our financial instruments consist principally of cash and cash equivalents, short-term and long-term marketable securities, accounts receivable and accounts payable. Marketable securities consist of available-for-sale securities that are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of shareholders' equity, net of tax. Pursuant to SFAS No. 157, *Fair Value Measurements*, or SFAS 157, the fair value of our cash equivalents and marketable securities is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective durations.

***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 net 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 unaudited condensed consolidated statements of income.

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)****Property and Equipment**

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

**Goodwill and 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 Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*. Impairment is based on the excess of the carrying amount over the fair value of those assets.

**Warranty**

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

**Guarantees and Indemnifications**

In some agreements to which we are a party, we have agreed to indemnify the other party for certain matters 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 unaudited condensed 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 directors, officers and employees to the maximum extent not prohibited by law. Under these obligations, Broadcom is required to indemnify each such

## BROADCOM CORPORATION

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

director, officer and employee against expenses, including attorneys' fees, judgments, fines and settlements, paid by such individual in connection with our currently outstanding securities litigation and related government investigations described in Note 7 (subject to certain exceptions). The maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant. We maintain directors' and officers' insurance policies that may limit our exposure and enable us to recover a portion of the amounts paid with respect to such obligations. However, certain of our insurance carriers have reserved their rights under these policies. In the three months ended September 30, 2008, one of our insurance carriers notified us that it had denied coverage under these policies. If our coverage under these policies is reduced or eliminated, our potential financial exposure in the pending securities litigation and related government investigations would be increased. In the three months ended June 30, 2008, due to a change in the underlying facts and circumstances related to director and officer claims, we commenced recognizing reimbursements from our directors' and officers' insurance carriers on a cash basis, pursuant to which we record a reduction to selling, general and administrative expense only when cash is actually received from our insurance carriers instead of offsetting a majority of the expenses in a quarter with a receivable from the carriers. In the six months ended June 30, 2008 we recorded a reduction of \$9.5 million to selling, general and administrative expense related to insurance recoveries. In the three months ended September 30, 2008 no insurance proceeds were received. From inception of these matters through September 30, 2008, we have recovered legal expenses in the amount of \$26.7 million under these insurance policies, which amount we have recorded as a reduction to selling, general and administrative expense. In certain limited circumstances, all or portions of the 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 No. 5, *Accounting for Contingencies*, or SFAS 5. As of September 30, 2008 we have not recorded a liability in connection with these potential insurance repayment provisions.

**Income Taxes**

We utilize the asset and liability method of accounting for income taxes as set forth in SFAS No. 109, *Accounting for Income Taxes*, or SFAS 109. Under the asset and 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.

**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, and applied the provisions of SAB No. 107, *Share-Based Payment*, which require 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.

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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 principally recognized as expense ratably over the requisite service period. 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.

***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 amount or 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 period. Net income per share (diluted) is calculated by adjusting outstanding shares, assuming any dilutive effects of options, employee stock purchase plan stock purchase rights and restricted stock units calculated using the treasury stock method. Under the treasury stock method, an increase in the fair market value of our Class A common stock results in a greater dilutive effect from outstanding options, stock purchase rights and restricted stock units. Additionally, the exercise of employee stock options and stock purchase rights and the vesting of restricted stock units result in a further dilutive effect on net income per share.

***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 September 30, 2008, 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 2008;

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

- 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 share similar economic characteristics, we have aggregated our results of operations into one reportable operating segment.

***Self-Insurance***

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

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

***Recent Accounting Pronouncements***

In September 2006 the FASB issued SFAS 157, which 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 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008 the FASB issued FSP 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS 157 for non-financial assets and liabilities to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 related to financial assets and liabilities did not have a material impact on our consolidated financial statements. We are currently evaluating the impact, if any, that SFAS 157 may have on our future consolidated financial statements related to non-financial assets and liabilities.

In October 2008 the FASB issued FSP SFAS No. 157-3, *Determining the Fair Value of a Financial Asset When The Market for That Asset Is Not Active*, or FSP 157-3, to clarify the application of the provisions of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies to our September 30, 2008 financial statements. The application of the provisions of FSP 157-3 did not materially affect our results of operations or financial condition as of and for the periods ended September 30, 2008.

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.

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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 financial statements 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 according to SFAS 141, *Business Combinations*, 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.

**2. Supplemental Financial Information**

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

At September 30, 2008 we had \$2.288 billion in cash, cash equivalents and marketable securities. Pursuant to SFAS 157, the fair value of all of our cash equivalents and marketable securities is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We maintain an investment portfolio of various security holdings, types and maturities. We do not use derivative financial instruments. We place our cash investments in instruments that meet 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. With the exception of one impaired investment, at September 30, 2008 all of our marketable securities were rated AAA, Aaa, A+, A-1 or P-1 by the major credit rating agencies. We recorded an other-than-temporary impairment on this investment in the amount of \$1.8 million which was recorded as other expense, net, in our unaudited condensed consolidated statement of income in the three months ended September 30, 2008.

A summary of our cash, cash equivalents and short and long-term marketable securities by major security type follows:

	Cash and Cash Equivalents	Short-Term Marketable Securities (In thousands)	Long-Term Marketable Securities	Total
<b>September 30, 2008</b>				
Time deposits	\$ 652,538	\$ —	\$ —	\$ 652,538
U.S. Treasury and agency money market funds	446,390	—	—	446,390
Cash	250,260	—	—	250,260
U.S. Treasury and agency obligations	84,695	767,518	40,905	893,118
Commercial paper and corporate bonds	41,975	3,354	—	45,329
	<u>\$ 1,475,858</u>	<u>\$ 770,872</u>	<u>\$ 40,905</u>	<u>\$ 2,287,635</u>
<b>December 31, 2007</b>				
Time deposits	\$ 757,157	\$ —	\$ —	\$ 757,157
U.S. Treasury and agency money market funds	755,000	—	—	755,000
Cash	44,779	—	—	44,779
U.S. Treasury and agency obligations	33,706	52,098	70,123	155,927
Commercial paper and corporate bonds	77,313	89,630	5,229	172,172
Institutional money market funds	518,617	—	—	518,617
	<u>\$ 2,186,572</u>	<u>\$ 141,728</u>	<u>\$ 75,352</u>	<u>\$ 2,403,652</u>

**BROADCOM CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Our cash, cash equivalents and short and long-term marketable securities had maturities as follows:

	September 30, 2008	December 31, 2007
	(In thousands)	
<b>Maturity</b>		
Less than one year	\$ 2,246,730	\$ 2,328,300
One to two years	26,890	37,268
Two to three years	14,015	38,084
	<u>\$ 2,287,635</u>	<u>\$ 2,403,652</u>

**Inventory**

The following table presents details of our inventory:

	September 30, 2008	December 31, 2007
	(In thousands)	
Work in process	\$ 131,543	\$ 60,479
Finished goods	191,062	170,834
	<u>\$ 322,605</u>	<u>\$ 231,313</u>

**Property and Equipment**

The following table presents details of our property and equipment:

	Useful Life (In years)	September 30, 2008	December 31, 2007
		(In thousands)	
Leasehold improvements	1 to 10	\$ 153,566	\$ 140,089
Office furniture and equipment	3 to 7	25,087	24,817
Machinery and equipment	3 to 5	197,624	208,453
Computer software and equipment	2 to 4	135,083	149,459
Construction in progress	N/A	3,805	6,558
		515,165	529,376
Less accumulated depreciation and amortization		(262,166)	(287,573)
		<u>\$ 252,999</u>	<u>\$ 241,803</u>

In the nine months ended September 30, 2008, we disposed of property and equipment with a net book value of \$3.4 million. In addition, we paid \$9.2 million related to capital equipment purchases that were accrued at December 31, 2007 and accrued \$7.8 million for capital equipment purchases at September 30, 2008.

**BROADCOM CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Goodwill**

The following table summarizes the activity related to the carrying value of our goodwill during the nine months ended September 30, 2008:

	Nine Months Ended September 30, 2008 (In thousands)
Beginning balance	\$ 1,376,721
Contingent consideration(1)	10,000
Goodwill recorded in connection with Sunext Design, Inc. acquisition (Note 3)	320
Other	(647)
Ending balance	<u>\$ 1,386,394</u>

(1) Contingent consideration was paid to the former holders of Global Locate, Inc. capital stock and other rights upon satisfaction of certain performance goals met during the nine months ended September 30, 2008. Additional contingent consideration of up to \$49.8 million may be paid to such holders for the attainment of future performance goals in 2008.

**Purchased Intangible Assets**

The following table presents details of our purchased intangible assets:

	September 30, 2008			December 31, 2007		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Completed technology	\$ 218,769	\$ (186,021)	\$ 32,748	\$ 218,769	\$ (174,217)	\$ 44,552
Customer relationships	49,266	(47,816)	1,450	49,266	(47,366)	1,900
Customer backlog	3,436	(3,436)	—	3,436	(3,436)	—
Other	7,614	(7,559)	55	7,614	(7,459)	155
	<u>\$ 279,085</u>	<u>\$ (244,832)</u>	<u>\$ 34,253</u>	<u>\$ 279,085</u>	<u>\$ (232,478)</u>	<u>\$ 46,607</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Cost of revenue	\$ 3,935	\$ 3,935	\$ 11,804	\$ 9,551
Operating expense	183	314	550	843
	<u>\$ 4,118</u>	<u>\$ 4,249</u>	<u>\$ 12,354</u>	<u>\$ 10,394</u>

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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 Asset Amortization by Year					Total
	Remainder of 2008	2009	2010 (In thousands)	2011	2012 and Thereafter	
Cost of revenue	\$ 3,935	\$ 15,263	\$ 12,527	\$ 1,022	\$ —	\$ 32,747
Operating expenses	183	623	600	100	—	1,506
	<u>\$ 4,118</u>	<u>\$ 15,886</u>	<u>\$ 13,127</u>	<u>\$ 1,122</u>	<u>\$ —</u>	<u>\$ 34,253</u>

**Accrued Liabilities**

The following table presents details of our accrued liabilities:

	September 30, 2008	December 31, 2007(1)
	(In thousands)	
Accrued rebates	\$ 119,129	\$ 132,603
Warranty reserve	10,708	23,287
Accrued payments on repurchases of Class A common stock	—	16,067
Accrued taxes	15,776	10,911
Accrued settlement costs	—	2,000
Deferred rent	8,574	7,970
Restructuring liabilities	3,319	4,460
Qualcomm royalty payments	28,342	—
Other	52,162	55,928
	<u>\$ 238,010</u>	<u>\$ 253,226</u>

(1) Excludes \$27.0 million of deferred rent that has been reclassified to other long-term liabilities to conform to the current year presentation.

**Other Long-Term Liabilities**

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

	September 30, 2008	December 31, 2007(1)
	(In thousands)	
Accrued taxes	\$ 28,015	\$ 32,331
Deferred rent	33,471	27,045
Restructuring liabilities	1,255	2,997
Other	3,138	1,000
	<u>\$ 65,879</u>	<u>\$ 63,373</u>

(1) Includes \$27.0 million of deferred rent that has been reclassified from accrued liabilities to conform to the current year presentation.

**BROADCOM CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Accrued Rebate Activity**

The following table summarizes the activity related to accrued rebates during the nine months ended September 30, 2008 and 2007:

	Nine Months Ended September 30,	
	2008	2007
(In thousands)		
Beginning balance	\$ 132,603	\$ 131,028
Charged as a reduction to revenue	181,508	157,816
Reversal of unclaimed rebates	(36,525)	(10,540)
Payments	(158,457)	(156,708)
Ending balance	<u>\$ 119,129</u>	<u>\$ 121,596</u>

**Warranty Reserve Activity**

The following table summarizes the activity related to the warranty reserve during the nine months ended September 30, 2008 and 2007:

	Nine Months Ended September 30,	
	2008	2007
(In thousands)		
Beginning balance	\$ 23,287	\$ 19,222
Charged to cost of revenue	2,282	7,237
Reversal of warranty reserve(1)	(10,600)	—
Payments	(4,261)	(4,203)
Ending balance	<u>\$ 10,708</u>	<u>\$ 22,256</u>

(1) Relates to warranty costs incurred at a rate less than previously estimated.

**Restructuring Activity**

The following table summarizes the activity related to our current and long-term restructuring liabilities during the nine months ended September 30, 2008:

	Nine Months Ended September 30, 2008	
	(In thousands)	
Beginning balance	\$	7,457
Reversal of restructuring liabilities(1)		(1,000)
Cash payments(2)		(1,883)
Ending balance	<u>\$</u>	<u>4,574</u>

(1) We recorded a reversal of restructuring liabilities of \$1.0 million reflecting revised assumptions on the final facility included in the restructuring plan.

(2) Cash payments related to net lease payments on excess facilities, lease terminations and non-cancelable lease costs. The remaining excess facility cost will be paid over the remaining lease term through 2010.

**BROADCOM CORPORATION**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Computation of Net Income Per Share**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
Numerator: Net income	\$ 164,906	\$ 27,760	\$ 374,009	\$ 123,007
Denominator: Weighted average shares outstanding	509,134	540,013	517,511	542,947
Less: Unvested common shares outstanding	(93)	(82)	(93)	(66)
Denominator for net income per share (basic)	509,041	539,931	517,418	542,881
Effect of dilutive securities:				
Unvested common shares outstanding	17	—	6	7
Stock awards	14,701	37,652	13,763	36,591
Denominator for net income per share (diluted)	523,759	577,583	531,187	579,479
Net income per share (basic)	\$ .32	\$ .05	\$ .72	\$ .23
Net income per share (diluted)	\$ .31	\$ .05	\$ .70	\$ .21

Net income per share (diluted) does not include the effect of anti-dilutive common share equivalents from outstanding stock options to purchase 50.1 million and 15.7 million shares of Class A common stock in the three months ended September 30, 2008 and 2007, respectively, and from outstanding stock options to purchase 51.4 million and 31.7 million shares of Class A common stock in the nine months ended September 30, 2008 and 2007, respectively.

At September 30, 2008 there were outstanding stock options to purchase 124.8 million shares of Class A or Class B common stock with a weighted average exercise price of \$25.32 per share. In addition, there were 27.7 million restricted stock units outstanding that entitle the holders to receive a like number of freely transferable shares of Class A common stock as the awards vest.

**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 amounts of \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, under this agreement and have recorded a cumulative total of \$141.0 million from the commencement of the agreement through September 30, 2008.

**Supplemental Cash Flow Information**

In the nine months ended September 30, 2008 we paid \$16.1 million related to 2007 share repurchases that had not settled by December 31, 2007. At September 30, 2008 there were no unsettled share repurchases. In addition, we paid \$9.2 million related to capital equipment purchases that were accrued at December 31, 2007 and accrued \$7.8 million for capital equipment purchases at September 30, 2008. The amounts accrued for capital equipment purchases at September 30, 2008 have been excluded from the unaudited condensed consolidated statements of cash flows. In the unaudited condensed consolidated statement of cash flows for the nine months ended September 30, 2007, we reduced net cash provided by operating activities and decreased net cash used in

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

investing activities by \$2.2 million resulting from accretion of marketable securities to conform to the current year presentation.

**3. Business Combinations*****Completed Transactions***

In February 2008 we acquired Sunext Design, Inc., a wholly-owned subsidiary of Sunext Technology Corporation, Ltd., which specializes in the design of optical storage semiconductor products, for \$9.9 million. In connection with the acquisition, we assumed \$0.8 million in net liabilities and incurred \$0.5 million in acquisition costs. We recorded a one-time charge of \$10.9 million for purchased in-process research and development, or IPR&D, expense, as Sunext Design was an early stage company that had no completed technology, and recorded \$0.3 million in goodwill. The amount allocated to IPR&D in the nine months ended September 30, 2008 was determined through established valuation techniques used in the high technology industry and was expensed upon acquisition as it was determined that the underlying projects had not reached technological feasibility and no alternative future uses existed. In addition, we are required to pay up to an additional \$38.0 million in future license fees and royalties on optical disk reader and writer technology, assuming Sunext Technology successfully delivers the technologies as defined in the license agreement. These royalties and license rights will be capitalized upon delivery and amortized to cost of revenue over the estimated economic useful life of the related products. As of September 30, 2008 these technologies, as defined in the license agreement, had not been delivered.

Our primary reasons for the acquisition were to reduce the time required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing high definition DVD technologies, augment our engineering workforce, and enhance our technological capabilities. Certain of the cash consideration in the above acquisition is currently held in escrow pursuant to the terms of the acquisition agreement.

The unaudited condensed consolidated financial statements for the nine months ended September 30, 2008 include the results of operations of Sunext Design commencing as of the acquisition date. No supplemental pro forma information is presented for the acquisition due to the immaterial effect of the acquisition on our results of operations.

***Pending Transaction***

In August 2008 we entered into an agreement to acquire the digital TV business of Advanced Micro Devices, Inc. Pursuant to the terms of the acquisition agreement, we agreed to pay approximately \$192.8 million in cash in exchange for AMD's digital TV assets. A portion of the consideration payable to AMD will be placed into escrow pursuant to the terms of the definitive asset purchase agreement. The board of directors of each company has approved the transaction and shareholder approval of the transaction is not required by either company. The closing, which is targeted to occur prior to December 31, 2008, remains subject to customary closing conditions and review by relevant regulatory organizations. We may record a one-time charge for purchased IPR&D expenses related to the acquisition in the quarter in which the transaction closes. The amount of that charge, if any, has not yet been determined. A preliminary purchase price allocation is anticipated to be recorded by December 31, 2008.

**4. Income Taxes**

We recorded tax provisions of \$1.2 million and \$5.1 million for the three and nine months ended September 30, 2008, respectively, and tax provisions of \$3.5 million and \$4.9 million for the three and nine months ended September 30, 2007, respectively. Our effective tax rates were 0.7% and 1.3% for the three and nine months ended September 30, 2008, respectively, and 11.3% and 3.8% for the three and nine months ended September 30, 2007, respectively. The difference between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate for the three and nine

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

months ended September 30, 2008 and September 30, 2007, domestic losses recorded without income tax benefit for the three and nine months ended September 30, 2007, and tax benefits of \$4.4 million and \$4.6 million for the nine months ended September 30, 2008 and September 30, 2007, respectively, resulting primarily from the expiration of the statutes of limitations for the assessment of taxes in various foreign jurisdictions. Additionally, we recorded a tax benefit of \$2.6 million in the three and nine months ended September 30, 2008 reflecting the utilization of a portion of our credits for increasing research activities (research and development tax credits) pursuant to a provision contained in *The Housing Assistance Act of 2008*, which was signed into law July 30, 2008.

We utilize the asset and liability method of accounting for income taxes as set forth in 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, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of \$5.9 million and \$3.3 million, at September 30, 2008 and December 31, 2007, respectively, in accordance with SFAS 109.

We file federal, 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 foreign jurisdictions, the 2001 through 2007 tax years generally remain subject to examination by tax authorities.

Our income tax returns for the 2004, 2005 and 2006 tax years are currently under examination by the Internal Revenue Service and certain state jurisdictions. We do not expect that the results of these examinations will have a material effect on our financial condition or results of operations.

We operate under tax holidays in Singapore, which are effective through March 31, 2014. The tax holidays are conditional upon our meeting certain employment and investment thresholds.

On October 3, 2008 the Emergency Economic Stabilization Act of 2008 was signed into law. A provision in this legislation provided for the extension of the research and development tax credit for qualifying expenditures paid or incurred from January 1, 2008 through December 31, 2009. As a result of this new legislation, we expect to generate federal research and development tax credits for the year ended December 31, 2008 resulting in additional tax credit carryovers. We do not expect to record any tax benefit for these credit carryovers in the year ended December 31, 2008 since we expect to continue to have a full valuation allowance on our U.S. deferred tax assets as of December 31, 2008.

**5. Shareholders' Equity*****Share Repurchase Program***

In November 2007 the Board of Directors authorized a 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. In the nine months ended September 30, 2008 we repurchased a total of 37.8 million shares of Class A common stock at a weighted average price of \$22.31 per share, for a total of \$843.7 million. In the nine months ended September 30, 2008, we paid \$16.1 million related to 2007 repurchases that had not settled by December 31, 2007. From commencement of the this program through September 30, 2008, we repurchased a total of 43.5 million shares of Class A common stock at a weighted average price of \$22.97 per share. As of September 30, 2008 no repurchases remained authorized under this program.

## BROADCOM CORPORATION

## NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2008 the Board of Directors 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 that commenced July 31, 2008 and continuing through and including July 31, 2011. As of September 30, 2008 no repurchases had been made under this program.

Repurchases under our share repurchase programs were and will continue to be made in open market or privately negotiated transactions in compliance with Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended, the Exchange Act.

**Comprehensive Income**

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

	Nine Months Ended September 30,	
	2008	2007
	(In thousands)	
Net income	\$ 374,009	\$ 123,007
Other comprehensive loss:		
Unrealized loss on marketable securities, net of tax	(440)	—
Translation adjustments	(4,513)	442
Total comprehensive income	<u>\$ 369,056</u>	<u>\$ 123,449</u>

**6. Employee Benefit Plans****Combined Incentive Plan Activity**

Activity under all stock option incentive plans in 2008 is set forth below:

	Options Outstanding			Black-Scholes Weighted Average Grant-Date Fair Value per Share
	Number of Shares (In thousands)	Exercise Price Range per Share	Weighted Average Exercise Price per Share	
Balance at December 31, 2007	126,142	\$ .01 - \$81.50	\$ 24.96	\$ 15.81
Options granted under the 1998 Plan	6,675	19.36 - 28.75	26.54	10.30
Options cancelled	(2,949)	.01 - 78.92	31.68	10.94
Options exercised	(5,039)	.01 - 28.30	14.03	12.47
Balance at September 30, 2008	<u>124,829</u>	<u>.01 - 81.50</u>	<u>25.32</u>	<u>15.76</u>

BROADCOM CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted stock unit activity in 2008 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, 2007	17,053	\$ 33.50
Restricted stock units granted under the 1998 Plan	17,660	25.84
Restricted stock units cancelled	(1,056)	31.09
Restricted stock units vested	(5,923)	31.53
Balance at September 30, 2008	27,734	29.14

The per share fair values of stock options and employee stock purchase rights granted in the nine months ended September 30, 2008 in connection with stock incentive plans have been estimated with the following weighted average assumptions:

	Employee Stock Options	Employee Stock Purchase Rights
Expected life (in years)	4.24	1.67
Volatility	0.44	.43
Risk-free interest rate	2.92%	2.24%
Dividend yield	0.00%	0.00%
Weighted average fair value	\$ 10.30	\$ 10.06

In June 2008 Broadcom's 1998 Stock Incentive Plan, as previously amended and restated, or the 1998 Plan, was further restated to: (i) revise the Director Automatic Grant Program in effect for non-employee directors under the plan, (ii) extend the term of the plan through March 12, 2018, (iii) revise the adjustments that may be made to certain performance criteria that may serve as the vesting conditions for performance-based awards made under the plan, and (iv) effect various technical revisions to facilitate plan administration.

In June 2008 Broadcom's 1998 Employee Stock Purchase Plan, as amended and restated, or the 1998 ESPP, was amended to: (i) extend the term of the plan through April 30, 2018, (ii) revise the automatic annual share increase provision of the plan so that the number of shares of Class A common stock that will be automatically added to the share reserve on the first trading day of January in each calendar year will increase from 1.00% to 1.25% of the total number of shares of Class A and Class B common stock outstanding on the last trading day of the immediately preceding calendar year, and (iii) effect various technical revisions and improvements. The increase described in (ii) will be in effect for the January 2009 automatic increase. Similar amendments have also been made to the 2007 International Employee Stock Purchase Plan, which draws its shares of Class A common stock from the share reserve available under the 1998 ESPP. We issued an additional 2.0 million shares of our Class A common stock pursuant to our employee stock purchase plans in the nine months ended September 30, 2008.

**Unearned Stock-Based Compensation**

The amount of unearned stock-based compensation currently estimated to be expensed in the remainder of 2008 through 2012 related to unvested share-based payment awards at September 30, 2008 is \$1.085 billion. Of this amount, \$130.5 million, \$438.7 million, \$298.7 million, \$174.8 million and \$42.5 million are currently estimated to be recorded in the remainder of 2008, and in 2009, 2010, 2011 and 2012, respectively. The

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

weighted-average period over which the unearned stock-based compensation is expected to be recognized is approximately 1.5 years. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards or assume unvested equity awards in connection with acquisitions.

**7. 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 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. In September 2008 the appeals court upheld the ITC's determination on one of the patents that were found not infringed, but remanded a second patent that was found not infringed back to the ITC for further proceedings. In October 2008 the appeals court upheld the determination that the third patent was valid, but remanded it back to the ITC for further proceedings on the issue of whether Qualcomm induced infringement. The appeals court also ruled that the ITC lacked authority to issue a Limited Exclusion Order against downstream products of parties not named in the action.

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 2007 the ITC instituted an investigation based upon the allegations made in our complaint. A hearing in the matter occurred in April 2008. An initial determination is currently set for late November 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, where they were later dismissed upon joint motion of the parties. 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

**BROADCOM CORPORATION****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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 two of the infringed patents. In December 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. The court amended the injunction in February 2008 and again in March 2008. The court entered final judgment against Qualcomm in March 2008, setting compensatory damages at \$22.8 million, plus pre-judgment and post-judgment interest. In April, July, and October 2008 Qualcomm paid Broadcom royalties pursuant to the terms of the amended injunction, which payments have been recorded as a liability in our unaudited consolidated condensed financial statements. In August 2008 the court issued an order holding Qualcomm in contempt of the permanent injunction. In September 2008 the United States Court of Appeals for the Federal Circuit affirmed the judgment against Qualcomm with respect to two of the patents, but reversed the judgment as to the third. Also in September, the court lifted the stay entered in December 2006 on a fourth patent. A trial date on that patent has not yet been set.

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, and a hearing occurred in August 2008. In January 2008 the court granted-in-part our motion for sanctions against Qualcomm for litigation misconduct, awarding us our attorneys' fees and costs. In January 2008 Qualcomm paid Broadcom \$8.6 million pursuant to that award, which amount has been reflected as a reduction of legal expense included in selling, general and administrative expense in the nine months ended September 30, 2008.

In October 2008 we filed a complaint against Qualcomm in the United States District Court for the Southern District of California seeking a declaratory judgment that Qualcomm's sales and licensing practices amount to patent misuse, that Qualcomm patents are exhausted by Qualcomm's practices, and that Qualcomm patents and patent licenses are unenforceable. Qualcomm has not yet answered the complaint.

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 in July 2007, 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.

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In February 2007 SiRF filed a complaint in the ITC alleging 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. SiRF withdrew two patents from the investigation, and an ITC administrative law judge conducted a hearing on SiRF's remaining two patents in suit in March 2008. In June 2008 the ITC administrative law judge issued an initial determination finding SiRF's two patents not infringed and one patent invalid. In August 2008 the ITC denied SiRF's petition to review the administrative law judge's initial determination finding no violation, thereby adopting the administrative law judge's initial determination as the final determination of the ITC and terminating the investigation. In October 2008 SiRF filed a notice of appeal with the United States Court of Appeal for the Federal Circuit.

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, incorporated in 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. A hearing was held in April and May 2008. In August 2008 the administrative law judge issued an initial determination finding that SiRF and the other SiRF Defendants infringed each of Global Locate's six patents, and that each of the six patents was not invalid and issued a recommended determination on remedy and bonding. In October 2008 the ITC determined, in part, not to review the administrative law judge's initial determination finding violation of three of Global Locate's patents. The ITC also decided to review the administrative law judge's initial determination that three other Global Locate patents were infringed by SiRF. The ITC has set a target date for completion of the investigation in December 2008.

In May 2008 Broadcom filed a complaint in the United States District Court for the Central District of California against SiRF, alleging that certain SiRF GPS and multimedia products infringe four Broadcom patents relating generally to graphics and communications technology. The District Court complaint seeks preliminary and permanent injunctions against SiRF and the recovery of monetary damages, including treble damages for willful infringement, and attorneys' fees. In June 2008 SiRF answered the complaint and asserted counterclaims seeking a declaratory judgment that Broadcom's patents are invalid and not infringed. In September 2008 the court denied SiRF's motion to stay the case. Discovery is ongoing but no trial date has been scheduled.

In July 2007 OPTi Inc. filed a complaint against us and others in the United States District Court for the Eastern District of Texas. The complaint alleges that we have infringed, both directly and indirectly, two patents relating generally to a bus interface architecture. The complaint seeks preliminary and permanent injunctions, the recovery of monetary damages, including treble damages for willful infringement, and attorneys' fees. In September 2007 we answered the complaint and asserted counterclaims seeking declaratory judgments that the asserted patents are invalid, unenforceable, and not infringed. Discovery is ongoing. Trial has been set for November 2009.

In October 2007 Wi-LAN Inc. filed complaints against us and multiple other defendants in the United States District Court for the Eastern District of Texas alleging that certain Broadcom products infringe three Wi-LAN patents relating generally to wireless LAN and DSL technology. The complaint seeks a permanent injunction against us as well as the recovery of monetary damages and attorneys' fees. We filed an answer in January 2008 denying the allegations in Wi-LAN's complaint and asserting counterclaims seeking a declaratory judgment that

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

the three Wi-LAN patents are invalid, unenforceable and not infringed. Discovery is ongoing. Trial has been set for January 2011.

In March 2008 Netgear, Inc. filed a third party complaint against us and multiple other defendants in the United States District Court for the Western District of Wisconsin alleging that, to the extent Broadcom was a supplier of components for products accused of infringement in a related patent infringement case by LG Electronics Inc., Fujitsu Limited and U.S. Philips Corporation, Broadcom is obligated to defend and indemnify Netgear. In June 2008 the judge granted the parties' joint motion to dismiss all claims asserted by Netgear against Broadcom in the case without prejudice.

*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 asserted 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 District 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 Court for further proceedings. In November 2007 we filed an amended complaint in the case adding additional causes of action based primarily upon allegations originally made in the California state unfair competition case described below. In February 2008 Qualcomm filed counterclaims seeking a declaratory judgment that it had complied with its obligations to industry standards bodies. Qualcomm also filed an affirmative defense asserting that our claims were barred by unclean hands. In August 2008 the court granted our motion to transfer the case to the United States District Court for the Southern District of California. Discovery is in progress, but no trial date has been set.

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.

*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. Samuelli, et al.* (Case No. 06CC0124) and *Servais v. Samuelli, et al.* (Case No. 06CC0142), were filed in the

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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 consolidated 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 California 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 Exchange Act 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. In March 2008 the district judge entered a revised order appointing lead class counsel. The lead plaintiff filed an amended consolidated class action complaint in late April 2008, naming additional defendants including certain current officers and directors of Broadcom as well as Ernst & Young LLP, our former independent registered public accounting firm, or E&Y. In October 2008, the district judge granted defendants' motions to dismiss with leave to amend. We intend to defend the consolidated class 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). The maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant. We maintain directors' and officers' insurance policies that may limit our exposure and enable us to recover a portion of the amounts paid with respect to such obligations. However, certain of our insurance carriers have reserved their rights under these policies. In the three months ended September 30, 2008, one of our insurance carriers notified us that it had denied coverage under these policies. If our coverage under these policies is reduced or eliminated, our potential financial exposure in the pending securities litigation and related government investigations would be increased.

In April 2008 we delivered a Notice of Arbitration and Arbitration Claim to our former independent registered public accounting firm, E&Y, and certain related parties. The arbitration relates to the issues that led to the restatement of Broadcom's financial statements for the periods from 1998 through March 31, 2006 as disclosed

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

in an amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and an amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed with the SEC January 23, 2007. In May 2008 E&Y delivered a Notice of Defense and Counterclaim. No date for an arbitration hearing has been scheduled.

*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 provided substantial amounts of documents and information to the SEC on a voluntary basis. In addition, we have produced documents pursuant to subpoenas. In July 2007 we received a "Wells Notice" from the SEC in connection with this investigation. Our then Chairman of the Board of Directors and Chief Technical Officer, Dr. Henry Samuelli, also received a Wells Notice at that time. In August 2007 our then 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. In April 2008 the SEC brought a complaint against Broadcom alleging violations of the federal securities laws, and we entered into a settlement with the SEC. Without admitting or denying the SEC's allegations, we agreed to pay a civil penalty of \$12.0 million, which we recorded as a settlement cost in the nine months ended September 30, 2008, and stipulated to an injunction against future violations of certain provisions of the federal securities laws. The settlement was approved by the United States District Court for the Central District of California Court in late April 2008, thus concluding the SEC's investigation of this matter with respect to Broadcom.

In May 2008 the SEC filed a complaint in the United States District Court for the Central District of California (Case No. SACV08-539 CJC (RNBx)) against Dr. Samuelli, Mr. Dull and two other former executive officers of Broadcom, relating to its previously-disclosed investigation of the company's historical stock option granting practices. The SEC's civil complaint alleges that Dr. Samuelli and Mr. Dull, along with the other defendants, violated the anti-fraud provisions of the federal securities laws, falsified books and records, and caused the company to report false financial results. The SEC's complaint seeks to: (i) enjoin the defendants from future violations of the securities laws; (ii) require Mr. Dull and another defendant to disgorge any ill-gotten gains and pay prejudgment interest; (iii) require all defendants to pay civil monetary penalties; (iv) require two defendants to disgorge bonuses and stock sales profits pursuant to Section 304 of the Sarbanes-Oxley Act of 2002; (v) bar all defendants from serving as officers or directors of a public company; and (vi) provide other appropriate relief. Pending resolution of the SEC action, Dr. Samuelli and Mr. Dull have taken leaves of absence from their positions as executive officers of Broadcom and Dr. Samuelli resigned from his position as Chairman and a member of the Board of Directors. We do not know when the investigation will be resolved with respect to Dr. Samuelli and/or Mr. Dull or what actions, if any, the SEC may require either to take in resolution of the investigation against him personally.

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 2007 and 2008 we have continued to provide substantial amounts of documents and information to the U.S. Attorney's Office on a voluntary basis and pursuant to grand jury subpoenas. In June 2008 Dr. Samuelli pled guilty to making a materially false statement to the SEC in connection with its investigation of alleged stock options backdating at the company. In September 2008 the United States District Court for the Central District of California rejected Dr. Samuelli's plea agreement. Dr. Samuelli has appealed the ruling in the United States Court of Appeals for the Ninth Circuit. We are continuing to cooperate with the U.S. Attorney's Office in its investigation. Any further action by the SEC, the U.S. Attorney's Office or other governmental agency could result in additional 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

**BROADCOM CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

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.* The foregoing discussion includes material developments that occurred prior to September 30, 2008 or thereafter in material legal proceedings in which we and/or our subsidiaries are involved. For additional information regarding certain of these and related legal proceedings, see Note 11 of Notes to Consolidated Financial Statements in Broadcom's Annual Report on Form 10-K for the year ended December 31, 2007.

We and our subsidiaries are also involved in other legal proceedings, claims and litigation arising in the ordinary course of business. In the nine months ended September 30, 2008 we settled a patent infringement claim for \$3.8 million and recorded the settlement cost in our unaudited condensed consolidated statement of operations.

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 ongoing 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.

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

**Cautionary Statement**

*You should read the following discussion and analysis in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related Notes thereto contained in Part I, Item 1 of this Report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2007 and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.*

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

*All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements. 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 current economic conditions, 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 and/or design wins 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; the impact of the IRS review of certain income tax returns on our results of operations; 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 the section entitled "Risk Factors." 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.*

**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 pursuant to a patent license agreement and, to a lesser extent, software licenses, 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Sales of semiconductor products	96.0%	99.2%	95.9%	99.1%
Royalty and other	4.0(1)	0.8	4.1(1)	0.9
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Includes royalties in the amount of \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, received pursuant to a patent license agreement entered into in July 2007.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Sales made through direct sales force	81.9%	83.9%	84.4%	84.8%
Sales made through distributors	18.1	16.1	15.6	15.2
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Sales made through distributors increased in the three months ended September 30, 2008 due to new product ramps for our mobile and wireless and broadband communications products, principally in Asia.

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, which may impact the level of consumer and information technology spending, which in turn could affect the demand for our products;
- the inability of certain of our customers who depend on credit to have access to their traditional sources of credit to finance the purchase of products from us, which may lead them to reduce their level of purchases or to seek credit or other accommodations from us;
- 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 for the three months ended September 30, 2008 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 five largest customers, including sales to their manufacturing subcontractors, as a percentage of net revenue were as follows:

	Three Months		Nine Months	
	Ended September 30, 2008	2007	Ended September 30, 2008	2007
Five largest customers as a group	33.5%	37.6%	35.9%	41.5%

As we have broadened our customer base, net revenue derived from these top customers as a percentage of net revenue has decreased. However, 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. The primary factors that contributed to the decrease in net revenue from our top customers as a percentage of net revenue were: (i) product mix changes with some of our large customers, (ii) new product ramps at new customers that increased our total revenues and (iii) royalties received pursuant to a patent license agreement entered into in July 2007.

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:

	Three Months		Nine Months	
	Ended September 30, 2008	2007	Ended September 30, 2008	2007
Asia (primarily in Japan, Korea, China and Taiwan)	30.8%	30.0%	29.4%	26.4%
Europe (primarily in Finland, France and the United Kingdom)	10.0	8.4	9.8	7.8
Other	0.4	0.4	0.5	0.5
	<u>41.2%</u>	<u>38.8%</u>	<u>39.7%</u>	<u>34.7%</u>

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

	Three Months		Nine Months	
	Ended September 30, 2008	2007	Ended September 30, 2008	2007
Asia (primarily in China, Hong Kong, Taiwan and Japan)	86.1%	81.9%	83.0%	81.7%
Europe (primarily in Hungary, Germany and Sweden)	2.7	2.5	2.7	2.7
Other	2.3	3.8	2.8	3.7
	<u>91.1%</u>	<u>88.2%</u>	<u>88.5%</u>	<u>88.1%</u>

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;
- stock-based compensation expense; and
- reversals of unclaimed rebates and warranty reserves.

*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 and insurance recoveries;
- settlement costs;
- the loss of interest income resulting from lower average interest rates and 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;
- deferral of revenue under multiple-element arrangements;
- Other-than-temporary impairment of marketable securities and strategic investments;
- gain (loss) on strategic investments; and
- restructuring costs or reversals thereof.

In the three months ended September 30, 2008 our net income was \$164.9 million as compared to \$27.8 million in the three months ended September 30, 2007, a difference of \$137.1 million. This increase in profitability was the direct result of increased gross profit generated from a \$348.5 million increase in net revenue, offset in part by a \$39.2 million increase in operating expenses. The primary increase in net revenue was the result of strong growth driven by new products and customer ramps for our Bluetooth®, wireless LAN, touch controller and GPS product offerings, and an increase in demand for our digital set-top box and Ethernet switch products. The remaining increase in net revenue included royalty revenue in the amount of \$38.0 million and the reversal of rebates in the amount of \$10.0 million. Operating expenses increased principally due to (i) an increase in the number of employees engaged in operating activities, (ii) increases in cash compensation levels since September 30, 2007 as a result of our annual merit increase program and (iii) increases in legal expenses.

In the nine months ended September 30, 2008 our net income was \$374.0 million as compared to \$123.0 million in the nine months ended September 30, 2007, a difference of \$251.0 million. This increase in profitability was the direct result of increased gross profit generated from a \$782.3 million increase in net revenue, offset in part by a \$162.9 million increase in operating expenses. The increase in net revenue was primarily the result of strong growth driven by new products and customer ramps for our Bluetooth, wireless LAN, touch controller and GPS products, and an increase in demand for our digital set-top box, broadband modems, digital TV and high definition DVD applications, Ethernet switch, and broadband network and security processor products. The remaining increase in net revenue included royalty revenue in the amount of \$109.2 million and the reversal of rebates in the amount of \$36.5 million. Operating expenses increased principally due to an increase in the number of employees engaged in operating activities, and increased mask and prototyping costs due to the continued transition of certain products to 65 nanometer process technology. Operating expenses also increased due to (i) an increase in cash compensation levels since September 30, 2007 as a result of our annual merit increase program and (ii) settlement costs of \$15.8 million.

*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. See Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements for information related to an acquisition made and a pending acquisition disclosed during the nine months ended September 30, 2008.

*Business Enterprise Segments.* We operate in one reportable operating segment, wired and wireless broadband communications. Statement of Financial Accounting Standards, or 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 September 30, 2008, 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 2008;
- 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 share similar economic characteristics, we have aggregated our results of operations into one reportable operating segment.

#### **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, rebates, 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, 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 estimates or assumptions in the preparation of our consolidated financial statements or (ii) other key accounting policies that generally do not require us to make estimates or assumptions but may require us to make difficult or subjective judgments:

- *Net Revenue.* We recognize product revenue when all of 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.

In arrangements in which our semiconductor products and software are delivered concurrently and post-contract customer support is not provided, we recognize revenue upon shipment of the semiconductor product, assuming all other basic revenue recognition criteria are met, as both the semiconductor products and software are considered delivered elements and no undelivered elements exist. In limited instances in which there are undelivered elements, we allocate revenue based on the relative fair value of the individual elements. 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 data or a support service, the revenue and costs applicable to both the delivered and undelivered elements are recorded ratably over the respective service period or estimated product life. 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. If 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.

A portion of our sales is made through distributors under agreements allowing for pricing credits and/or rights of return. These pricing credits and/or rights of return provisions prevent us from being able to reasonably estimate the final price of the inventory to be sold and the amount of inventory that could be returned pursuant to these agreements. As a result, the price to the customer is not fixed or determinable and all customer acceptance requirements have not been met at the time we deliver products to our distributors. Accordingly, product revenue from sales made through these distributors is not recognized until the distributors ship the product to their customers. 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 with periodic data regarding product, price, quantity, and customers when products are shipped to their customers, as well as the quantities of our products that they still have in stock. For specialized shipping terms we may rely on data provided by our freight forwarding providers. For our royalty revenue we rely

on data provided by the licensee. Any error in the data provided to us by customers, distributors or other third parties could lead to inaccurate reporting of our revenue, gross profit and net income.

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

- *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 No. 123R (revised), *Share-Based Payment*, or 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 to employees, 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 expected 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. 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.

- **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 asset and liability method of accounting for income taxes. We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our cumulative losses in the U.S. and certain foreign jurisdictions, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance against our net deferred tax assets is appropriate in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we record valuation allowances to reduce our net deferred tax assets to the amount we believe is more likely than not to be realized. In the future, if we realize a deferred tax asset that currently carries a valuation allowance, we may record a reduction 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. As a multinational corporation, we are subject to taxation in many jurisdictions, and the

calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine the liability no longer applies. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than we expect the ultimate assessment to be. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

- Litigation and Settlement Costs.* We are involved in disputes, litigation and other legal proceedings. We prosecute and defend these matters aggressively. However, there are many uncertainties associated with any litigation, and we cannot 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 amount or 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 for the Three and Nine Months Ended September 30, 2008 Compared to the Three and Nine Months Ended September 30, 2007**

The following table sets forth certain condensed consolidated statements of income data expressed as a percentage of net revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net revenue	100.0%(1)	100.0%	100.0%(1)	100.0%
Cost of revenue	47.7	49.1	46.9	48.9
Gross profit	52.3	50.9	53.1	51.1
Operating expense:				
Research and development	29.2	37.1	31.6	35.8
Selling, general and administrative	11.0	13.1	11.2	13.6
Amortization of purchased intangible assets	—	—	—	—
In-process research and development	—	0.5	0.3	0.6
Impairment of intangible assets	—	—	0.1	—
Settlement costs	—	—	0.4	—
Restructuring costs (reversal)	—	—	—	—
Income from operations	12.1	0.2	9.5	1.1
Interest income, net	1.0	3.3	1.3	3.7
Other expense, net	(0.3)	(0.2)	(0.1)	(0.1)
Income before income taxes	12.8	3.3	10.7	4.7
Provision for income taxes	0.1	0.4	0.1	0.2
Net income	12.7%	2.9%	10.6%	4.5%

(1) Includes royalties in the amount of \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, received pursuant to a patent license agreement entered into in July 2007.

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 unaudited condensed consolidated statements of income data above:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Cost of revenue	0.5%	0.8%	0.5%	0.7%
Research and development	7.2	10.0	7.4	9.6
Selling, general and administrative	2.6	3.9	2.7	3.9

**Net Revenue, Cost of Revenue and Gross Profit**

The following tables present net revenue, cost of revenue and gross profit for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Increase	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
(In thousands, except percentages)						
Net revenue	\$ 1,298,475(2)	100.0%	\$ 949,959	100.0%	\$ 348,516	36.7%
Cost of revenue(1)	619,459	47.7	465,970	49.1	153,489	32.9
Gross profit	\$ 679,016	52.3%	\$ 483,989	50.9%	\$ 195,027	40.3

	Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007		Increase	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
(In thousands, except percentages)						
Net revenue	\$ 3,531,616(2)	100.0%	\$ 2,749,360	100.0%	\$ 782,256	28.5%
Cost of revenue(1)	1,655,218	46.9	1,343,956	48.9	311,262	23.2
Gross profit	\$ 1,876,398	53.1%	\$ 1,405,404	51.1%	\$ 470,994	33.5

(1) Includes stock-based compensation expense resulting from stock options, stock purchase rights 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 \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, received pursuant to 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, touch controller, 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 the three months ended September 30, 2008 as compared to the three months ended September 30, 2007:

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Increase	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In thousands, except percentages)					
Broadband communications	\$ 458,323	35.3%	\$ 361,171	38.0%	\$ 97,152	26.9%
Mobile and wireless	494,429(1)	38.1	302,892	31.9	191,537	63.2
Enterprise networking	345,723	26.6	285,896	30.1	59,827	20.9
Net revenue	\$ 1,298,475(1)	100.0%	\$ 949,959	100.0%	\$ 348,516	36.7

(1) Includes royalties in the amount of \$38.0 million in the three months ended September 30, 2008 received pursuant to a patent license agreement entered into in July 2007.

The increase in net revenue from our broadband communications target market resulted primarily from increased demand for digital set-top box and broadband modem products, and to a lesser extent high definition DVD products. The increase in net revenue from our mobile and wireless target market resulted primarily from new products and customer ramps for our Bluetooth, wireless LAN, touch controller and GPS product offerings, as well as royalty revenue in the amount of \$38.0 million received pursuant to a patent license agreement entered into in July 2007, offset in part by a decrease in demand for our mobile multimedia product offerings. The increase in net revenue from our enterprise networking target market resulted primarily from an increase in demand attributable to our Ethernet switches and transceivers.

The following table presents net revenue from each of our major target markets and its respective contribution to net revenue in the nine months ended September 30, 2008 as compared to the nine months ended September 30, 2007:

	Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007		Increase	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In thousands, except percentages)					
Broadband communications	\$ 1,281,688	36.3%	\$ 1,058,461	38.5%	\$ 223,227	21.1%
Mobile and wireless	1,267,928(1)	35.9	843,322	30.7	424,606	50.3
Enterprise networking	982,000	27.8	847,577	30.8	134,423	15.9
Net revenue	\$ 3,531,616(1)	100.0%	\$ 2,749,360	100.0%	\$ 782,256	28.5

(1) Includes royalties in the amount of \$109.2 million in the nine months ended September 30, 2008 received pursuant to a patent license agreement entered into in July 2007.

The increase in net revenue from our broadband communications target market resulted primarily from an increase in demand for digital set-top box, broadband modem, digital TV and high definition DVD products. 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, wireless LAN, touch controller and GPS product offerings, as well as royalty revenue in the amount of \$109.2 million received pursuant to a patent license agreement entered into in July 2007, offset in part by a decrease in demand for our mobile multimedia product offerings. The increase in net revenue from our enterprise networking target market resulted primarily from an increase in demand attributable to our Ethernet switch, broadband network and security processor product lines.

We recorded rebates to certain customers of \$71.1 million and \$48.5 million in the three months ended September 30, 2008 and 2007, respectively, and \$181.5 million and \$157.8 million in the nine months ended September 30, 2008 and 2007, respectively. We account for rebates in accordance with Emerging Issues Task

Force, or 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 \$10.0 million and \$6.5 million in the three months ended September 30, 2008 and 2007, respectively, and \$36.5 million and \$10.5 million in the nine months ended September 30, 2008 and 2007, respectively.

The following table presents net revenue from each of our major target markets and its respective contribution to net revenue in the three months ended September 30, 2008 as compared to the three months ended June 30, 2008:

	Three Months Ended September 30, 2008		Three Months Ended June 30, 2008		Increase	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In thousands, except percentages)					
Broadband communications	\$ 458,323	35.3%	\$ 457,924	38.1%	\$ 399	0.1%
Mobile and wireless(1)	494,429	38.1	414,471	34.5	79,958	19.3
Enterprise networking	345,723	26.6	328,536	27.4	17,187	5.2
Net revenue(1)	\$ 1,298,475	100.0%	\$ 1,200,931	100.0%	\$ 97,544	8.1

(1) Includes royalties in the amount of \$38.0 and \$35.6 million in the three months ended September 30, 2008 and June 30, 2008, respectively, received pursuant to a patent license agreement entered into in July 2007.

The slight increase in net revenue in our broadband communications target market resulted primarily from an increase in demand for high definition DVD and digital TV products, offset in part by a decrease in demand for our broadband modems and digital set-top box products. The increase in net revenue for our mobile and wireless target market resulted primarily from strong demand for our Bluetooth, wireless LAN and touch controller products. The increase in net revenue from our enterprise networking target market resulted primarily from increased demand for our Ethernet switch products.

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 amounts of \$38.0 million and \$109.2 million in the three and nine months ended September 30, 2008, respectively, under this agreement and have recorded a cumulative total of \$141.0 million from the commencement of the agreement through September 30, 2008. Royalty revenue is currently expected to be recognized under this agreement through March 31, 2009.

*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 increase in absolute dollars of gross profit in the three and nine months ended September 30, 2008 as compared to the three and nine months ended September 30, 2007 resulted primarily from the 36.7% and 28.5% increase in net revenue in the three and nine months ended September 30, 2008, respectively. Gross margin increased from 50.9% in the three months ended September 30, 2007 to 52.3% in the three months ended September 30, 2008. The primary factors that contributed to the increase in gross margin were: (i) royalty revenue

in the amount of \$38.0 million, (ii) a reversal of warranty reserves of \$10.6 million related to warranty costs incurred at a rate less than previously estimated and (iii) a net increase in the reversal of rebates in the amount of \$3.5 million related to unclaimed rebates; offset by an increase in excess and obsolete inventory reserves in the amount of \$12.3 million due to increased inventory levels. Gross margin increased from 51.1% in the nine months ended September 30, 2007 to 53.1% in the nine months ended September 30, 2008. The primary factors that contributed to the increase in gross margin were: (i) royalty revenue in the amount of \$109.2 million, (ii) a reversal of warranty reserves of \$10.6 million and (ii) a net increase in the reversal of rebates in the amount of \$26.0 million related to unclaimed rebates; offset by an increase in excess and obsolete inventory reserves in the amount of \$4.1 million due to increased inventory levels.

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 and rebates, 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. 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 Expense**

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

The following tables present details of research and development expense for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended			
	September 30,			
	2008	2007	Increase	%
	Amount	Amount	(Decrease)	Change
	(In thousands, except percentages)			
Salaries and benefits	\$ 180,058	\$ 151,878	\$ 28,180	18.6%
Stock-based compensation(1)	93,334	94,619	(1,285)	(1.4)
Development and design costs	50,200	57,748	(7,548)	(13.1)
Other	55,687	48,038	7,649	15.9
	<u>\$ 379,279</u>	<u>\$ 352,283</u>	<u>\$ 26,996</u>	<u>7.7</u>

  

	Nine Months Ended			
	September 30,			
	2008	2007	Increase	%
	Amount	Amount	(Decrease)	Change
	(In thousands, except percentages)			
Salaries and benefits	\$ 523,852	\$ 430,623	\$ 93,229	21.6%
Stock-based compensation(1)	262,043	263,882	(1,839)	(0.7)
Development and design costs	165,085	151,106	13,979	9.3
Other	164,022	139,612	24,410	17.5
	<u>\$ 1,115,002</u>	<u>\$ 985,223</u>	<u>\$ 129,779</u>	<u>13.2</u>

(1) Includes stock-based compensation expense resulting from stock options, stock purchase rights 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.

The increases in salaries and benefits are primarily attributable to (i) an increase in headcount by 534 personnel (predominantly in the mobile and wireless area) to 5,046 at September 30, 2008, which represents an 11.8% increase from our September 30, 2007 levels, as well as (ii) an increase in cash compensation levels as a result of our annual merit review program in May 2008. In the three months ended September 30, 2008 development and design costs decreased due to reduced subcontracting costs. In the nine months ended September 30, 2008, development and design costs such as mask and prototyping costs increased due to the continued transition of certain products to 65 nanometer process technology, offset by reduced subcontracting costs. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. The increase in the *Other* line item included in the above tables is primarily attributable to an increase in our facilities and equipment expenses.

We remain committed to significant research and development efforts to extend our technology leadership in the wired and wireless communications markets in which we operate. We currently hold over 2,900 U.S. and 1,300 foreign patents, and maintain an active program of filing for and acquiring additional U.S. and foreign patents in wired and wireless communications and other fields.

**Selling, General and Administrative Expense**

Selling, general and administrative expense consists primarily of personnel-related expenses, including stock-based compensation expense, legal and other professional fees, facilities expenses and communications expenses.

The following tables present details of selling, general and administrative expense for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,			
	2008 Amount	2007 Amount	Increase (Decrease)	% Change
	(In thousands, except percentages)			
Salaries and benefits	\$ 54,740	\$ 44,546	\$ 10,194	22.9%
Stock-based compensation(1)	33,328	37,023	(3,695)	(10.0)
Legal and accounting fees	37,544	23,639	13,905	58.8
Other	16,329	19,699	(3,370)	(17.1)
	<u>\$ 141,941</u>	<u>\$ 124,907</u>	<u>\$ 17,034</u>	<u>13.6</u>

	Nine Months Ended September 30,			
	2008 Amount	2007 Amount	Increase (Decrease)	% Change
	(In thousands, except percentages)			
Salaries and benefits	\$ 159,976	\$ 128,829	\$ 31,147	24.2%
Stock-based compensation(1)	93,661	106,256	(12,595)	(11.9)
Legal and accounting fees	93,778	80,911	12,867	15.9
Other	48,489	57,417	(8,928)	(15.5)
	<u>\$ 395,904</u>	<u>\$ 373,413</u>	<u>\$ 22,491</u>	<u>6.0</u>

(1) Includes stock-based compensation expense resulting from stock options, stock purchase rights 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.

The increases in salaries and benefits are primarily attributable to (i) an increase in headcount by 105 personnel to 1,289 at September 30, 2008, which represents an 8.9% increase from our September 30, 2007 levels, as well as (ii) an increase in cash compensation levels as a result of our annual merit review program in May 2008. The remainder of the increase in selling, general and administrative expenses was primarily attributable to an increase in legal and accounting fees. Legal fees consist primarily of attorney's fees and expenses related to our outstanding intellectual property and securities litigation, patent prosecution and filings, and the consummation of various transactions. Legal fees fluctuate from period to period due to the nature, scope, timing and costs of the matters in litigation from time to time. The decrease in the *Other* line item included in the above tables is primarily attributable to a reduction in travel expenses.

We have obligations to indemnify certain of our present and former directors, officers and employees to the maximum extent not prohibited by law. Under these obligations, Broadcom is required to indemnify each such director, officer and employee against expenses, including attorney's fees, judgments, fines and settlements, paid by such individual in connection with our currently outstanding securities litigation and related government investigations described in Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements (subject to certain exceptions). The maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant. We maintain insurance policies that may limit our exposure and enable us to recover a portion of our legal fees paid related to our equity award review and related securities litigation and government investigations. However, certain of our insurance carriers have reserved their rights under these policies. In the three months ended September 30, 2008, one of our insurance carriers notified us that it had denied coverage under these policies. If our coverage under these policies is reduced or eliminated, our potential financial exposure in the pending securities litigation and related government investigations would be increased. In the three months ended June 30, 2008, due to a change in the underlying facts and circumstances related to director and officer claims, we commenced recognizing reimbursements from our directors' and officers' insurance carriers on a cash basis. In the six months ended June 30, 2008 we recorded a reduction of \$9.5 million to selling, general and administrative expense related to insurance recoveries. In the three months ended September 30, 2008 no insurance proceeds were received. From inception of the securities litigation and related government investigations through September 30, 2008, we have recovered legal expenses in the amount of \$26.7 million under these insurance policies, which amount we have recorded as a reduction to selling, general and administrative expense. In certain limited circumstances, all or portions of the 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 No. 5, *Accounting for Contingencies*, or SFAS 5. As of September 30, 2008 we have not recorded a liability in connection with these potential insurance repayment provisions.

For further discussion of litigation matters, see Note 7 of Notes to Unaudited Condensed 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 unaudited condensed consolidated statements of income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Cost of revenue	\$ 6,652	\$ 7,214	\$ 18,354	\$ 19,889
Research and development	93,334	94,619	262,043	263,882
Selling, general and administrative	33,328	37,023	93,661	106,256

The amount of unearned stock-based compensation currently estimated to be expensed in the remainder of 2008 through 2012 related to unvested share-based payment awards at September 30, 2008 is \$1.085 billion. Of this amount, \$130.5 million, \$438.7 million, \$298.7 million, \$174.8 million and \$42.5 million are currently estimated to be recorded in the remainder of 2008, and in 2009, 2010, 2011 and 2012, respectively. The weighted-average period over which the unearned stock-based compensation is expected to be recognized is approximately 1.5 years.

The increase in unearned stock-based compensation of \$136.7 million to \$1.085 billion at September 30, 2008 from the \$948.3 million balance at December 31, 2007 was primarily the result of our regular annual employee review program. If there are any modifications or cancellations of the underlying unvested equity 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.

During the nine months ended September 30, 2008 we granted options to purchase a total of 6.7 million shares and awarded 17.7 million restricted stock units. We recognize stock-based compensation expense related to those awards over their respective service periods. Unearned stock-based compensation is principally amortized ratably over the service periods of the underlying stock options and restricted stock units, generally 48 months and 16 quarters, respectively. We issued an additional 2.0 million shares of our Class A common stock pursuant to our employee stock purchase plan in the nine months ended September 30, 2008. As a result of employee terminations, we cancelled options to purchase 2.9 million shares of our Class A common stock and 1.1 million restricted stock units during the nine months ended September 30, 2008.

**Amortization of Purchased Intangible Assets**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands)			
Cost of revenue	\$ 3,935	\$ 3,935	\$ 11,804	\$ 9,551
Operating expense	183	314	550	843
	<u>\$ 4,118</u>	<u>\$ 4,249</u>	<u>\$ 12,354</u>	<u>\$ 10,394</u>

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 Asset Amortization by Year					Total
	Remainder of 2008	2009	2010	2011	2012 and Thereafter	
	(In thousands)					
Cost of revenue	\$ 3,935	\$ 15,263	\$ 12,527	\$ 1,022	\$ —	\$ 32,747
Operating expenses	183	623	600	100	—	1,506
	<u>\$ 4,118</u>	<u>\$ 15,886</u>	<u>\$ 13,127</u>	<u>\$ 1,122</u>	<u>\$ —</u>	<u>\$ 34,253</u>

**In-Process Research and Development**

In the nine months ended September 30, 2008 and 2007, we recorded IPR&D of \$10.9 million and \$15.5 million, respectively, related to our acquisitions of Sunext Design, Inc. in 2008 and LVL7 Systems, Inc, Octalica, Inc. and Global Locate, Inc. in 2007. 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.

**Settlement Costs**

In April 2008 we entered into a settlement with the SEC relating to the previously-disclosed SEC investigation of Broadcom's historical stock option granting practices. Without admitting or denying the SEC's allegations, we agreed to pay a civil penalty of \$12.0 million, which we recorded as a settlement cost in the nine months ended September 30, 2008. The settlement was approved by the United States District Court for the

Central District of California in late April 2008. In addition, we settled a patent infringement claim for \$3.8 million in the nine months ended September 30, 2008. For further discussion of litigation matters, see Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements.

**Interest and Other Income (Expense), Net**

The following table presents interest and other income, net, for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30, 2008		Three Months Ended September 30, 2007		Increase (Decrease)	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
Interest income, net	\$ 12,451	1.0%	\$ 31,443	3.3%	\$ (18,992)	(60.4)%
Other expense, net	(3,720)	(0.3)	(1,670)	(0.2)	2,050	122.8
			(In thousands, except percentages)			
	Nine Months Ended September 30, 2008		Nine Months Ended September 30, 2007		Increase (Decrease)	% Change
	Amount	% of Net Revenue	Amount	% of Net Revenue		
Interest income, net	\$ 44,983	1.3%	\$ 101,355	3.7%	\$ (56,372)	(55.6)%
Other expense, net	(2,987)	(0.1)	(2,437)	(0.1)	550	22.6

Interest income, net, reflects interest earned on cash and cash equivalents and marketable securities balances. Other expense, net, primarily includes recorded gains and losses on strategic investments and other-than-temporary impairments of marketable securities as well as gains and losses on foreign currency transactions and dispositions of property and equipment. The decrease in interest income, net, was the result of the overall decrease in market interest rates and a decrease in our average cash and marketable securities balances. In the three and nine months ended September 30, 2008 we recorded an other-than-temporary impairment of a marketable security in the amount of \$1.8 million. In the three and nine months ended September 30, 2008 we recorded impairments of strategic investments in the amounts of \$2.5 million and \$4.3 million, respectively. Our cash and marketable securities balances decreased from \$2.404 billion at December 31, 2007 to \$2.288 billion at September 30, 2008, primarily due to repurchases of shares of our Class A common stock. The average interest rates earned for the nine months ended September 30, 2008 and 2007 were 2.66% and 5.21%, respectively.

**Provision for Income Taxes**

We recorded tax provisions of \$1.2 million and \$5.1 million for the three and nine months ended September 30, 2008, respectively, and tax provisions of \$3.5 million and \$4.9 million for the three and nine months ended September 30, 2007, respectively. Our effective tax rates were 0.7% and 1.3% for the three and nine months ended September 30, 2008, respectively, and 11.3% and 3.8% for the three and nine months ended September 30, 2007, respectively. The difference between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate for the three and nine months ended September 30, 2008 and September 30, 2007, domestic losses recorded without income tax benefit for the three and nine months ended September 30, 2007, and tax benefits of \$4.4 million and \$4.6 million for the nine months ended September 30, 2008 and September 30, 2007, respectively, resulting primarily from the expiration of the statutes of limitations for the assessment of taxes in various foreign jurisdictions. Additionally, we recorded a tax benefit of \$2.6 million in the three and nine months ended September 30, 2008 reflecting the utilization of a portion of our credits for increasing research activities (research and development tax credits) pursuant to a provision contained in *The Housing Assistance Act of 2008*, which was signed into law July 30, 2008.

We utilize the asset and liability method of accounting for income taxes as set forth in 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, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of \$5.9 million and \$3.3 million, at September 30, 2008 and December 31, 2007, respectively, in accordance with SFAS 109.

We file federal, 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 foreign jurisdictions, the 2001 through 2007 tax years generally remain subject to examination by tax authorities.

Our income tax returns for the 2004, 2005 and 2006 tax years are currently under examination by the Internal Revenue Service and certain state jurisdictions. We do not expect that the results of these examinations will have a material effect on our financial condition or results of operations.

We operate under tax holidays in Singapore, which are effective through March 31, 2014. The tax holidays are conditional upon our meeting certain employment and investment thresholds. We believe we have met these employment and investment thresholds for prior periods, and that we will continue to meet all requirements for the duration of the tax holidays.

On October 3, 2008 the *Emergency Economic Stabilization Act of 2008* was signed into law. A provision in this legislation provided for the extension of the research and development tax credit for qualifying expenditures paid or incurred from January 1, 2008 through December 31, 2009. As a result of this new legislation, we expect to generate federal research and development tax credits for the year ended December 31, 2008 resulting in additional tax credit carryovers. We do not expect to record any tax benefit for these credit carryovers in the year ending December 31, 2008 since we expect to continue to have a full valuation allowance on our U.S. deferred tax assets as of December 31, 2008.

**Liquidity and Capital Resources**

*Working Capital and Cash and Marketable Securities.* The following table presents working capital, cash and cash equivalents and marketable securities:

	September 30, 2008	December 31, 2007 (In thousands)	Increase (Decrease)
Working capital	\$ 2,301,845	\$ 2,323,716	\$ (21,871)
Cash and cash equivalents(1)	\$ 1,475,858	\$ 2,186,572	\$ (710,714)
Short-term marketable securities(1)	770,872	141,728	629,144
Long-term marketable securities	40,905	75,352	(34,447)
	<u>\$ 2,287,635</u>	<u>\$ 2,403,652</u>	<u>\$ (116,017)</u>

(1) Included in working capital.

Our working capital, cash and cash equivalents and marketable securities decreased in the nine months ended September 30, 2008 primarily due to repurchases of shares of our Class A common stock and purchases of capital equipment, offset in part by cash provided by operations. See the summary of cash, cash equivalents, short and long-term marketable securities by major security type and discussion of market risk that follows in Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

*Cash Provided and Used in the Nine Months Ended September 30, 2008 and 2007.* Cash and cash equivalents decreased to \$1.476 billion at September 30, 2008 from \$2.187 billion at December 31, 2007 as a result of cash

used in financing (primarily for net purchases of marketable securities) and investing activities (primarily for repurchases of our Class A common stock), offset in part by cash provided by operating activities.

	Nine Months Ended September 30,	
	2008	2007(1)
	(In thousands)	
Cash provided by operating activities	\$ 772,617	\$ 612,802
Cash used in investing activities	(692,952)	(93,206)
Cash used in financing activities	(790,379)	(640,492)
Net decrease in cash and cash equivalents	\$ (710,714)	\$ (120,896)
Cash and cash equivalents at beginning of period	2,186,572	2,158,110
Cash and cash equivalents at end of period	<u>\$ 1,475,858</u>	<u>\$ 2,037,214</u>

- (1) For the unaudited condensed consolidated statement of cash flows for the nine months ended September 30, 2007, we reduced net cash provided by operating activities and decreased net cash used in investing activities by \$2.2 million resulting from accretion of marketable securities to conform to the current year presentation.

In the nine months ended September 30, 2008 our operating activities provided \$772.6 million in cash. This was primarily the result of \$374.0 million in net income and \$460.4 million in net non-cash operating expenses, offset in part by \$61.8 million in net cash used by changes in operating assets and liabilities. Non-cash items included in net income in the nine months ended September 30, 2008 consisted of depreciation and amortization, stock-based compensation expense, amortization of purchased intangible assets, IPR&D, impairment of intangible assets and impairment of strategic investments and marketable securities. In the nine months ended September 30, 2007 our operating activities provided \$612.8 million in cash. This was primarily the result of \$123.0 million in net income, \$464.7 million in net non-cash operating expenses and \$25.1 million in net cash provided by changes in operating assets and liabilities. Non-cash items included in net income in the nine months ended September 30, 2007 consisted of depreciation and amortization, stock-based compensation expense, amortization of purchased intangible assets, IPR&D, impairment of intangible assets and loss on strategic investments.

Accounts receivable increased \$132.0 million from \$369.0 million at December 31, 2007 to \$501.0 million at September 30, 2008. Our days sales outstanding increased from 32.7 days at December 31, 2007 to 35.1 days at September 30, 2008, driven by an increase in revenue and a variation in revenue linearity. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may face issues gaining access to sufficient credit on a timely basis.

Inventories increased \$91.3 million from \$231.3 million at December 31, 2007 to \$322.6 million at September 30, 2008 to support higher demand and shorter lead times. Our inventory days on hand increased from 43.1 days at December 31, 2007 to 47.4 days at September 30, 2008. 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, and competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

Investing activities used cash of \$693.0 million in the nine months ended September 30, 2008, which was primarily the result of net purchases of marketable securities of \$597.6 million, \$65.2 million of capital equipment purchases mostly to support our research and development efforts, \$9.6 million in net cash paid for the acquisition of Sunext Design, \$20.1 million related to contingent consideration paid to former holders of Global Locate capital stock and other rights for the attainment of certain performance goals by Global Locate, and the purchase of \$0.4 million of strategic investments. Investing activities used cash of \$93.2 million in the nine months ended September 30, 2007, which was primarily the result of the purchase of \$123.3 million of capital equipment to

support our operations and the build-out and relocation of our facilities in Irvine, California, \$233.3 million net cash paid for the acquisitions of LVL7 Systems, Inc., Octalica, Inc. and Global Locate and other purchased intangible assets, and the net purchase of \$3.2 million of strategic investments, offset in part by \$252.6 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 Technologies Inc.

Our financing activities used \$790.4 million in cash in the nine months ended September 30, 2008, which was primarily the result of \$859.8 million in repurchases of shares of our Class A common stock pursuant to the share repurchase program implemented in November 2007, offset in part by \$69.4 million in net proceeds received from issuances of common stock upon exercise of stock options and pursuant to our employee stock purchase plan. Our financing activities used \$640.5 million in cash in the nine months ended September 30, 2007, which was primarily the result of \$811.8 million in repurchases of shares of our Class A common stock pursuant to our share repurchase program implemented in February 2007, offset in part by \$171.3 million in net proceeds received from issuances of common stock upon exercise of stock options and pursuant to our employee stock purchase plan. An additional \$6.5 million of repurchases of our Class A common stock was not settled in cash as of September 30, 2007.

In November 2007 the Board of Directors authorized a 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. From the commencement of this program through September 30, 2008, we repurchased a total of 43.5 million shares of Class A common stock at a weighted average price of \$22.97 per share. As of September 30, 2008 no repurchases remained authorized under this program.

In July 2008 the Board of Directors 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 this program may be made at any time and from time to time during the period that commenced July 31, 2008 and continuing through and including July 31, 2011. As of September 30, 2008 no repurchases had been made under this program.

We received reduced proceeds from the exercise of stock options in the nine months ended September 30, 2008 as compared with the nine months ended September 30, 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 and, in some cases solely restricted stock units, 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 issued upon vesting of restricted stock units withheld to satisfy minimum statutory withholding taxes, which we then pay in cash to the appropriate tax authorities on each employee's behalf.

*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 and commitments 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 may be able to raise such funds by selling equity or debt securities to the public or to selected investors, or by borrowing money from financial institutions. We could also reduce certain expenditures, such as the 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 to obtain credit facilities for other reasons. 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 Class A common stock.

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

- general economic and market conditions, which may impact the level of consumer and information technology spending, which in turn could affect the demand for our products;
- the inability of certain of our customers who depend on credit to have access to their traditional sources of credit to finance the purchase of products from us, which may lead them to reduce their level of purchases or to seek credit or other accommodations from us;
- the overall levels of sales of our products, royalty revenue 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, including our proposed acquisition of the digital TV business of AMD;
- 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; and
- the level of exercises of stock options and stock purchases under our employee stock purchase plan.

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

*Off-Balance Sheet Arrangements.* At September 30, 2008 we had no material off-balance sheet arrangements.

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

**Investment and Interest Rate Risk**

At September 30, 2008 we had \$2.288 billion in cash, cash equivalents and marketable securities. We maintain an investment portfolio of various security holdings, types and maturities. Pursuant to SFAS No. 157, *Fair Value Measurements*, or SFAS 157, the fair value of all of our cash equivalents and marketable securities is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. We do not use derivative financial instruments. We place our cash investments in instruments that meet 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. With the exception of one impaired investment, at September 30, 2008 all of our marketable securities were rated AAA, Aaa, A+, A-1 or P-1 by the major credit rating agencies.

A summary of our cash, cash equivalents and short and long-term marketable securities by major security type follows:

	<u>Cash and Cash Equivalents</u>	<u>Short-Term Marketable Securities</u>	<u>Long-Term Marketable Securities</u>	<u>Total</u>
	(In thousands)			
<b>September 30, 2008</b>				
Time deposits	\$ 652,538	\$ —	\$ —	\$ 652,538
U.S. Treasury and agency money market funds	446,390	—	—	446,390
Cash	250,260	—	—	250,260
U.S. Treasury and agency obligations	84,695	767,518	40,905	893,118
Commercial paper and corporate bonds	41,975	3,354	—	45,329
	<u>\$ 1,475,858</u>	<u>\$ 770,872</u>	<u>\$ 40,905</u>	<u>\$ 2,287,635</u>
<b>December 31, 2007</b>				
Time deposits	\$ 757,157	\$ —	\$ —	\$ 757,157
U.S. Treasury and agency money market funds	755,000	—	—	755,000
Cash	44,779	—	—	44,779
U.S. Treasury and agency obligations	33,706	52,098	70,123	155,927
Commercial paper and corporate bonds	77,313	89,630	5,229	172,172
Institutional money market funds	518,617	—	—	518,617
	<u>\$ 2,186,572</u>	<u>\$ 141,728</u>	<u>\$ 75,352</u>	<u>\$ 2,403,652</u>

We account for our investments in debt and equity instruments under 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. Historically we classified our cash equivalents and marketable securities as held-to-maturity. Effective February 2008 we reclassified our cash equivalents and marketable securities as available-for-sale and recorded a net unrealized gain in the amount of \$0.2 million. Cash equivalents and marketable securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of shareholders' equity, net of tax. 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 other income (expense), net, in the condensed consolidated statements of income. The fair value of cash equivalents and marketable securities is determined based on quoted market prices for those securities. We recorded an other-than-temporary impairment of a marketable security in the amount of \$1.8 million which was recorded as other expense, net, in our unaudited condensed consolidated statement of income in the three months ended September 30, 2008.

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.

Our cash, cash equivalents and short and long-term marketable securities had maturities as follows:

Maturity	September 30,	December 31,
	2008	2007
	(In thousands)	
Less than one year	\$ 2,246,730	\$ 2,328,300
One to two years	26,890	37,268
Two to three years	14,015	38,084
	<u>\$ 2,287,635</u>	<u>\$ 2,403,652</u>

The fair value of our cash equivalents and 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. Due in part to these factors, our future investment income may fall short of expectations as a result of changes in interest rates or if the decline in fair value of our publicly traded debt or equity investments is judged to be other-than-temporary. We may suffer losses in principal if we are forced to sell securities that have declined in market value.

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, declining interest rates will negatively impact investment income.

Current economic conditions have had widespread negative effects on the financial markets. Due to credit concerns and lack of liquidity in the short-term funding markets, we have shifted a larger percentage of the portfolio to U.S. Treasury and other government securities and time deposits, which may negatively impact our investment portfolio, particularly in the form of declining yields.

#### 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. A small percentage of our international operational expenses are denominated in foreign currencies. Exchange rate volatility could negatively or positively impact those operating costs. Fluctuations in currency exchange rates could have a greater effect on our business in the future.

#### Item 4. Controls and Procedures

We are committed to maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, 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.

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 September 30, 2008, 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 three months ended September 30, 2008 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.

## **PART II. OTHER INFORMATION**

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

The information set forth under Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see "Risk Factors" immediately below.

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

*Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere and the other information contained in this Report and in our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2007 and subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Broadcom, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our Class A common stock will likely decline, and you may lose all or part of your investment.*

***Our 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.

In addition, during these downturns some competitors may become more aggressive in their pricing practices, which would adversely impact our gross margin. 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.

Recently general worldwide economic conditions have experienced a downturn due to the credit conditions impacted by the subprime-mortgage turmoil and other factors, 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 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. Furthermore, during challenging economic times our customers may face issues gaining timely access to sufficient credit, which could result in an impairment of their ability to make timely payments to us. If that were to occur, we may be required to increase our allowance for doubtful accounts and our days sales outstanding would be negatively impacted. 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. Additionally, the combination of our lengthy sales cycle coupled with challenging macroeconomic conditions could have a synergistic negative impact on the results of our operations.

***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 cyclical nature 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 some of 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 dependence on a few significant customers and/or design wins 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 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;

- intellectual property disputes, customer indemnification claims and other types of litigation risks;
- 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;
- the availability and pricing of third party semiconductor foundry, assembly and test capacity and raw materials;
- our ability to timely and accurately predict market requirements and evolving industry standards and to identify and capitalize upon opportunities in new markets;
- 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;
- 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;
- our ability to timely and effectively transition to smaller geometry process technologies or achieve higher levels of design integration;
- the volume of our product sales and pricing concessions on volume sales;
- the impact of the IRS review of certain of our income tax returns; 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. However, certain of our new products, such as products for the cellular phone market, will likely continue to have lower gross margins than our customary products even after we commence volume production of those products.

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.

In the past we have 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 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 ratably over the respective service period or estimated product life. There are also other scenarios under EITF 00-21 and other accounting literature 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.

*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 that will 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, 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 could hold excess or obsolete inventory, which would reduce our profit margins and adversely affect our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we could forego revenue opportunities and potentially lose market share and damage our customer relationships. 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. Our use of these arrangements increased in the first nine months of 2008 and we expect that trend to continue for the foreseeable future. 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 product, price, quantity, and when products are shipped to their customers, 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.

***Because we depend on a few significant customers and/or design wins for a substantial portion of our revenue, the loss of a key customer or design win 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 35.9% and 41.5% of our net revenue in the nine months ended September 30, 2008 and 2007, 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.

A significant portion of our revenue may also depend on a single product design win with a large customer. As a result, the loss of any such key design win could materially and adversely affect our financial condition and results of operations. In addition, these key design wins are often with large customers who have significantly greater financial, sales, marketing and other resources than we have and greater bargaining and pricing power, which could materially and adversely affect our operating margins.

We may not be able to maintain or increase sales to certain of our key customers or continue to secure key design wins 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 portion of our 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 or design win, a reduction in sales to any key customer, or our inability to attract new significant customers or secure new key design wins could seriously impact our revenue and materially and adversely affect our results of operations.

*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.

***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. Our outstanding civil litigation relating to these matters could result in significant costs to us. In addition, any other related action by a governmental agency could result in civil or criminal sanctions against certain of our current and/or former officers, directors and/or employees.***

In connection with the voluntary review of our past equity award practices, 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 Forms 10-K, 10-Q and 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 historical option granting practices. In December 2006 we were informed that the SEC had issued a formal order of investigation in the matter. In April 2008 the SEC brought a complaint against Broadcom alleging violations of the federal securities laws, and we entered into a settlement with the SEC. Without admitting or denying the SEC's allegations, we agreed to pay a civil penalty of \$12.0 million, which we recorded as a settlement cost in the nine months ended September 30, 2008, and stipulated to an injunction against future violations of certain provisions of the federal securities laws. The settlement was approved by the United States District Court for the Central District of California in late April 2008, thus concluding the SEC's investigation of this matter with respect to Broadcom.

As discussed in detail in Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, in May 2008 the SEC filed a complaint in the United States District Court for the Central District of California against Dr. Henry Samuelli, our then Chairman of the Board and Chief Technical Officer, Mr. David A. Dull, our then Senior Vice President, Business Affairs and General Counsel, and two other former executive officers of Broadcom. The SEC's civil complaint alleges that Dr. Samuelli and Mr. Dull, along with the other defendants, violated the anti-fraud provisions of the federal securities laws, falsified books and records, and caused the company to report false financial results. We do not know when the SEC action will be resolved with respect to Dr. Samuelli and/or Mr. Dull or what actions, if any, the SEC may require either to take in resolution of the matter against him personally.

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 2007 and 2008 we have continued to provide substantial amounts of documents and information to the U.S. Attorney's Office on a voluntary basis and pursuant to grand jury subpoenas. In June 2008 Dr. Samuelli pled guilty to making a materially false statement in connection with the SEC's investigation of alleged stock options backdating at the company. In September 2008 the United States District Court for the Central District of California rejected Dr. Samuelli's plea agreement. Dr. Samuelli has appealed the ruling in the United States Court of Appeals for the Ninth Circuit. We are continuing to cooperate with the U.S. Attorney's Office in its investigation. Any further action by the SEC, the U.S. Attorney's Office or other governmental agency could result in additional civil or criminal sanctions and/or fines against us and/or certain of our current or former officers, directors and/or employees.

Additionally, as discussed in Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements, 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 that may exceed any reimbursement we may be entitled to under our directors' and officers' insurance policies. 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 maximum potential amount of the future payments we could be required to make under these indemnification obligations could be significant.

In addition, we rely on independent registered public accounting firms for opinions and consents to maintain current reports under the Exchange Act and to have effective registration statements under the Securities Act of 1933, as amended, or the Securities Act, on file with the SEC, including our outstanding registration statements on Forms S-1 and S-8. The pending arbitration proceedings involving Ernst & Young LLP, or E&Y, our former independent registered public accounting firm, could adversely impact our ability to obtain any necessary consents in the future from E&Y or the ongoing effectiveness of opinions previously rendered by E&Y. In that event, we may be required to have our new independent registered public accounting firm reaudit the affected periods and during such reaudit may not be able to timely file required Exchange Act reports with the SEC or to issue equity, including common stock pursuant to equity awards that comprise a significant portion of our compensation packages, under our outstanding or any new registration statements. Furthermore, as a result of the reaudit, it is possible that additional accounting issues may be identified.

The resolution of the pending investigation by the 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 has in the past and could continue to 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 these matters reach conclusion. However, certain of our insurance carriers have reserved their rights under these policies. In the three months ended September 30, 2008, one of our insurance carriers notified us that it had denied coverage under these policies. If our coverage under these policies is reduced or eliminated, our potential financial exposure in the pending securities litigation and related government investigations would be increased. 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 paid 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 Chief Executive Officer, Scott A. McGregor, and senior executives, and our Senior Technical Advisor, Dr. Samuelli. 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 with Broadcom. We do not have employment agreements with any other executives, or any other key employees, although we do have limited change in control severance benefit arrangements in place with certain executives. The loss of the services of 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, 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 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 over 2,900 U.S. and 1,300 foreign patents and have filed more than 7,600 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 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 September 30, 2008, we acquired 38 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 Class A and/or Class B 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.

***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 6,853 full-time, contract and temporary employees as of September 30, 2008. 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 or if we do not execute successfully, 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 long 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 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.

***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, potential wafer shortages and higher wafer prices, particularly in light of the recent volatility in the commodities markets, which has the impact of increasing the cost of metals used in production of wafers;
- 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.

***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, 39.7% of our net revenue in the nine months ended September 30, 2008 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 88.5% of our net revenue in the nine months ended September 30, 2008. 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 and unexpected changes in regulatory requirements;
- 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;
- 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 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 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.

***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. Eight 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. Additionally, the recent volatility in the commodities markets could significantly increase our substrate costs.

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. Recently we have experienced a substantial decline in the market price of our Class A common stock. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control, including:

- 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 some of our products are incorporated;
- quarter-to-quarter variations in our operating results;
- changes in earnings estimates or investment recommendations by analysts;
- 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;
- changes in accounting rules;
- continuing international conflicts and acts of terrorism;
- 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 programs, 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 Exchange Act. As a result, sales of shares by our executive officers may not be indicative of their respective opinions of Broadcom's performance at the time of sale or of our potential future performance. Nonetheless, the market price of our stock may be affected by sales of shares by our executive officers.

***Our co-founders 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 September 30, 2008 our co-founders, directors, executive officers and their respective affiliates beneficially owned 13.2% of our outstanding common stock and held 57.6% 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 September 30, 2008 our two founders, Dr. Henry T. Nicholas III and Dr. Samuelli, who are no longer officers or directors of Broadcom, beneficially owned a total of 12.3% of our outstanding common stock and held 57.3% 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 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 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 2. *Unregistered Sales of Equity Securities and Use of Proceeds***

In the three months ended September 30, 2008, we issued an aggregate of 3.2 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.

**Issuer Purchases of Equity Securities**

In November 2007 the Board of Directors authorized a 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. From commencement of that program through September 30, 2008, we repurchased a total of 43.5 million shares of

Class A common stock at a weighted average price of \$22.97 per share. As of September 30, 2008 no repurchases remained authorized under this program.

Repurchases under our share repurchase programs were and will continue to 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 repurchases during the three months ended September 30, 2008:

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)
July 2008	86	\$ 26.69	86	—
August 2008	—	—	—	—
September 2008	—	—	—	—
Total	86	\$ 26.69	86	—

In July 2008 the Board of Directors 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 this program may be made at any time and from time to time during the period that commenced July 31, 2008 and continuing through and including July 31, 2011. As of September 30, 2008 no repurchases had been made under this program.

**Item 3. Defaults upon Senior Securities**

None.

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

None.

**Item 5. Other Information**

The 2009 Annual Meeting of Shareholders, or the 2009 Annual Meeting, will be held May 14, 2009, a date that is more than 30 days prior to the anniversary of the 2008 Annual Meeting of Shareholders. The dates by which shareholders may submit proposals for the 2009 Annual Meeting remain unchanged from the dates set forth in our proxy statement for the 2008 Annual Meeting of Shareholders, as filed with the SEC April 29, 2008.

**Item 6. Exhibits**

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

<u>Exhibit Number</u>	<u>Description</u>
2.1†	Asset Purchase Agreement by and among the registrant, Broadcom International Limited, and Advanced Micro Devices, Inc. dated as of August 25, 2008.
10.1†	Intellectual Property Cross-License Agreement by and between Advanced Micro Devices, Inc. and the registrant.
10.2†	IP Core License Agreement by and between Advanced Micro Devices, Inc. and the registrant.
10.3*	1998 Stock Incentive Plan form of Restricted Stock Unit Issuance Agreement for executive officers participating in the Special RSU Program.
10.4*	Second Amendment dated August 12, 2008 to Letter Agreement between the registrant and Scott A. McGregor.
10.5*	Amendment dated August 12, 2008 to Letter Agreement between the registrant and Eric K. Brandt.
10.6*	Form of Letter Agreement for Change in Control Severance Benefit Program dated August 12, 2008 between the registrant and each of the following executive officers: Thomas F. Lagatta and Vahid Manian.
10.7*	Letter Agreement for Change in Control Severance Benefit Program dated August 12, 2008 between the registrant and Robert L. Tirva.
31	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and furnished herewith pursuant to SEC Release No. 33-8238.

† Confidential treatment has been requested with respect to the redacted portions of the referenced exhibit.

The representations, warranties and covenants of Broadcom and AMD set forth in the asset purchase and intellectual property license agreements filed herewith have been made solely for the benefit of the other party or parties to those agreements. Investors are not third-party beneficiaries of any of these agreements. The representations, warranties and covenants in these agreements (a) may be subject to limitations and exceptions, and may be qualified or modified by disclosures, set forth in confidential disclosure schedules delivered by the parties in connection with these agreements or in schedules and exhibits for which the parties have requested confidential treatment from the SEC; (b) may be qualified by materiality, under materiality standards that differ from what investors may view as material, or may be qualified by knowledge or other limitations; (c) were made only as of the date of the agreements (or another date specified in the agreements); and (d) may have been included in the agreements for the purpose of allocating risks and obligations as between Broadcom and AMD rather than to establish matters as facts. The agreements are included with this filing to provide investors with information regarding their terms, and not to provide investors with any other factual information regarding the parties or their respective businesses, assets or liabilities. Accordingly, investors should not rely on the representations, warranties or covenants or any descriptions thereof as characterizations of the actual state of facts or condition of Broadcom or AMD or the assets, liabilities or businesses described in the agreements. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the agreements, and such information may or may not be fully reflected in the public disclosures of Broadcom or AMD.

\* Indicates management contract or compensatory plan or arrangement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BROADCOM CORPORATION,  
a California corporation  
(Registrant)

/s/ ERIC K. BRANDT

---

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

/s/ ROBERT L. TIRVA

---

Robert L. Tirva  
*Vice President and  
Corporate Controller*  
(Principal Accounting Officer)

October 22, 2008

EXHIBIT INDEX

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\* Indicates management contract or compensatory plan or arrangement.

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

ASSET PURCHASE AGREEMENT  
BY AND AMONG  
BROADCOM CORPORATION,  
BROADCOM INTERNATIONAL LIMITED,  
and  
ADVANCED MICRO DEVICES, INC.  
Dated as of August 25, 2008

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Exhibit E	—	Forms of Bill of Sale
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Broadcom Corporation agrees to furnish supplementally a copy of any of the foregoing exhibits or schedules to the SEC upon request.

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (together with the Disclosure Schedules and the other schedules and exhibits hereto, the "Agreement") is made and entered into as of August 25, 2008, by and among Broadcom Corporation, a California corporation ("Purchaser"), Broadcom International Limited, an exempted company organized and existing under the laws of the Cayman Islands ("BIL"), and Advanced Micro Devices, Inc., a Delaware corporation ("Seller"). Capitalized terms used and not otherwise defined herein have the meanings set forth in Article 10.

RECITALS

A. Seller, through its Consumer Electronics Group, is engaged, directly and through certain of its Subsidiaries, in the Business.

B. Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, certain of the assets of Seller and its Subsidiaries, on the terms and subject to the conditions set forth herein.

C. Seller and Purchaser desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated by this Agreement, and concurrently herewith are executing and delivering Intellectual Property License Agreements in the forms annexed hereto as Exhibits K.1, K.2 and K.3, the licenses granted therein to be subject to the consummation of the transactions contemplated by this Agreement and to be effective from and after the Effective Time.

D. A portion of the cash consideration otherwise payable by Purchaser pursuant to this Agreement will be placed into escrow by Purchaser, the release of which will be contingent upon certain events and conditions, all as set forth in Article 1 and Article 7.

NOW, THEREFORE, in consideration of the premises, and the covenants, promises, representations and warranties set forth herein, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties), intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1.

PURCHASE AND SALE OF ASSETS; CLOSING

1.1 Purchase and Sale of Assets. At the Closing, on the terms and subject to the conditions set forth in this Agreement (and, in the case of Assets and Properties located in the People's Republic of China, in the China Asset Purchase Agreement, in the case of Assets and Properties located in India, in the India Asset Purchase Agreement, in the case of Assets and Properties located in Korea, in the Korea Asset Purchase Agreement, and, in the case of Assets and Properties located in Japan, in the Japan Asset Purchase Agreement), BIL (and/or one or more Subsidiaries of BIL, as designated by BIL prior to the Closing) shall purchase, acquire and accept from Seller and its Subsidiaries, and Seller shall (and shall cause each applicable Subsidiary of Seller to) sell, transfer, assign, convey and deliver to BIL (and/or one or more Subsidiaries of BIL, as designated by BIL prior to the Closing), all right, title and interest held by

Seller and its Subsidiaries in, to and under all of the Assets and Properties described in Section 1.1(b) and Section 1.1(c) (or such portion thereof or such fractional interest therein as BIL shall designate prior to the Closing) and Purchaser shall (and shall cause its designated Subsidiaries to) purchase, acquire and accept from Seller and its Subsidiaries, and Seller shall (and shall cause each applicable Subsidiary of Seller to) sell, transfer, assign, convey and deliver to Purchaser and its designated Subsidiaries, all right, title and interest held by Seller and its Subsidiaries in, to and under all of the Assets and Properties (other than the Assets and Properties described in Section 1.1(b) and Section 1.1(c), or the portion thereof or fractional interest therein, purchased by BIL or Subsidiaries of BIL), wherever situated and of whatever kind and nature (whether real or personal, tangible or intangible, and whether or not reflected on the books and records of Seller or any of its Subsidiaries or Affiliates), that, other than the Excluded Assets, are primarily related to (or are otherwise required for the operation of) the Business (*provided, however*, that with respect to the categories and types of Assets and Properties set forth in Sections 1.1(a), (b), (c), (d) and (m), only such Assets and Properties as specifically listed or described in such sections) (the "Purchased Assets"), free and clear of all Liens except for Permitted Exceptions, by delivery of one or more Bills of Sale in substantially the forms set forth in Exhibit E hereto, Patent assignments in substantially the forms set forth in Exhibit F hereto, trademark assignments in substantially the form set forth in Exhibit G hereto, copyright assignments in substantially the form set forth in Exhibit H hereto, an Assignment and Assumption Agreement in substantially the form of Exhibit I hereto, Real Property Transfer Agreements in substantially the form set forth in Exhibit M hereto (with such amendments, reasonably acceptable to Purchaser, BIL and Seller, as may be required to obtain applicable landlord consents thereto) and/or such other instruments of transfer and title as are contemplated by the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement and the Japan Asset Purchase Agreement or as Purchaser may otherwise reasonably request, in each case in form and substance reasonably acceptable to Purchaser, including each of the assets described in this Section 1.1, such sales, transfers, assignments, conveyances and deliveries to be effective immediately after midnight of the day on which the last of the acts constituting the Closing shall be completed (the "Effective Time");

(a) the leasehold and subleasehold interests of Seller and its Subsidiaries in the Business Real Properties listed in Schedule 1.1(a), and all right, title and interest held by Seller and its Subsidiaries in, to and under all tenant improvements therein and thereto (the "Assigned Leasehold and Subleasehold Interests");

(b) (i) the Registered Intellectual Property Rights listed in Schedule 1.1(b) (the "Purchased Registered Intellectual Property Rights"), and (ii) all other Intellectual Property Rights (other than Patents) exclusively related to the Business or to the extent otherwise covering the Purchased Technology (the "Other Purchased Intellectual Property Rights");

(c) (i) all versions of the Technology listed in Schedule 1.1(c) (whether or not such version is included in a Current Business Product existing on the date hereof) ("Listed Purchased Technology"), and (ii) all versions of all other Technology owned by Seller or its Subsidiaries that is exclusively related to the Business as of the Closing Date (the "Other Purchased Technology");

(d) the Contracts listed or described in Schedule 1.1(d) (but not, for the avoidance of doubt, Excluded Contracts as defined in Section 1.2) (the “Assigned Contracts”);

(e) all goods and services and all other economic benefits to be received, directly or indirectly, by the Business subsequent to the Effective Time arising out of prepayments and payments by Seller and its Subsidiaries prior to the Effective Time, including the prepayments and payments listed in Schedule 1.1(e) (the “Assigned Prepayments”);

(f) all Permits and Approvals (including all Environmental Permits) primarily related to or necessary for the operation of the Business or any of the Purchased Assets (to the extent such Permits and Approvals are transferable), including those listed in Schedule 1.1(f) (the “Assigned Permits and Approvals”);

(g) all equipment (including work stations, computers, servers, routers, hardware emulators, third-party reference designs and laboratory equipment), furniture, furnishings, fixtures, machinery, vehicles, tools and tooling and other tangible personal property primarily related to (or otherwise necessary for the operation of) the Business (including all equipment, furniture, furnishings, fixtures, machinery, vehicles, tools and tooling and other tangible personal property used or held for use in the Business and all related warranties and guarantees, if any, whether express or implied, existing for the benefit of Seller or any of its Subsidiaries in connection therewith to the extent transferable), including the items listed in Schedule 1.1(g) (the “Purchased Furniture and Equipment”), it being understood and agreed that, for the avoidance of doubt, the following are not intended to be covered by this Section 1.1(g): (i) software tools which are addressed pursuant to Section 1.1(c) and Section 1.1(d) of this Agreement or the Transition Services Agreement and (ii) office equipment used by Non-transferring Employees;

(h) all inventories of raw materials, work in process, finished goods and spare parts, office supplies, maintenance supplies, packaging materials, promotional materials and other similar inventory primarily related to the Business, including all such items listed in Schedule 1.1(h) (the “Purchased Inventory”);

(i) to the extent such rights relate to any of the tangible Purchased Assets (but not to any Intellectual Property Rights or Technology), all rights of Seller and its Subsidiaries under or pursuant to all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent related to any of the tangible Purchased Assets, including the rights listed in Schedule 1.1(i) (the “Assigned Warranty Rights”);

(j) all property and casualty insurance proceeds, and all rights to property and casualty insurance proceeds, in each case to the extent received or receivable in respect of any of the Purchased Assets, including the proceeds and rights to proceeds listed in Schedule 1.1(j) (the “Assigned Insurance Proceeds”);

(k) all Business Books and Records, subject to any restrictions imposed by applicable Law on the transfer of employee files, it being understood and agreed that where such Business Books and Records also relate to or are also required for the operation of the assets and businesses retained by Seller, Seller may retain the originals of any such Business Books and Records that relate primarily to other assets and businesses of Seller and may deliver copies thereof to Purchaser;

(l) all Assets and Properties to be sold, assigned, transferred, conveyed, subleased, and delivered to Purchaser or a Subsidiary of Purchaser pursuant to the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement and the Japan Asset Purchase Agreement;

(m) all Assets and Properties being transferred pursuant to the IT Separation Plan listed on Schedule 1.1(m) and the furniture, equipment and other Assets and Properties listed on Schedule 1.1(m) used by Continuing Employees who are members of Seller's ASAT Group; and

(n) the goodwill of the Business to the extent associated with the trademarks and service marks included in the Purchased Registered Intellectual Property Rights or otherwise exclusively related to the Business.

1.2 Excluded Assets. Unless otherwise listed or described in any of the Asset Schedules, nothing herein shall be deemed to sell, transfer, assign or convey the Excluded Assets to Purchaser or any of its Subsidiaries, and Seller shall retain all right, title and interest in, to and under the Excluded Assets. "Excluded Assets" means each of the following assets:

(a) any and all Contracts not expressly assigned to and assumed by Purchaser or a Subsidiary of Purchaser pursuant to this Agreement or any of the Ancillary Agreements, including collective bargaining agreements (if any) and the Contracts listed in Schedule 1.2(a) (the "Excluded Contracts");

(b) cash;

(c) accounts receivable for the Business Products actually shipped by Seller and its Subsidiaries prior to the Effective Time in the ordinary course of business consistent with past practice;

(d) personnel files for employees who are not Continuing Employees;

(e) all Technology and Intellectual Property Rights other than the Purchased IP Assets. For the avoidance of doubt, "Excluded Assets" include any processor core or product that (i) is able to execute the object code of any AMD Processor, (ii) substantially utilizes the instruction set of any AMD Processor, (iii) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor, or (iv) is a chipset (Northbridge/Southbridge) for use with any AMD Processor;

(f) Assets and Properties used primarily in the ASAT organization except the assets described in Section 1.1(b), Section 1.1(c), Schedule 1.1(d), Schedule 1.1(g) and/or Schedule 1.1(m);

(g) Assets and Properties under any Seller Benefit Plans; and

(h) Assets and Properties listed in Schedule 1.2(h).

1.3 Assumption of Liabilities. At the Closing, on the terms and subject to the conditions set forth in this Agreement, Purchaser shall (or shall cause its designated Subsidiaries to) assume, effective as of the Closing, the following liabilities (collectively, the “Assumed Liabilities”) and no other liabilities, the assumption of such liabilities to be effective as of the Effective Time:

(a) Liabilities that arise out of the ownership or use by Purchaser and its Subsidiaries of, or the exercise by Purchaser and its Subsidiaries of rights under, the Purchased Assets or the operation of the Business by Purchaser and its Subsidiaries (and that relate to periods) after the Effective Time (other than Liabilities that arise out of the use by Seller or any of its Subsidiaries of, or the exercise by Seller or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology licensed to Seller pursuant to the Intellectual Property License Agreements) (but including, for the avoidance of doubt, Liabilities that arise out of a continuation or recurrence of the facts or circumstances giving rise to the matters set forth in Schedule 2.9 to the extent (but only to the extent), if any, that such facts and circumstances continue or recur (and relate to periods) after the Effective Time and arise out of the ownership or use by Purchaser and its Subsidiaries of, or the exercise by Purchaser and its Subsidiaries or rights under, the Purchased Assets or the operation of the Business by Purchaser and its Subsidiaries);

(b) Liabilities for severance (if any) payable to any Continuing Employee in the event of termination of such Continuing Employee’s employment with Purchaser and its Subsidiaries after the Effective Time, but only to the following extent and subject in each case to the following limitations: (i) if termination occurs more than thirty six (36) months after the Effective Time, Purchaser shall bear and be liable and responsible for the full amount of such severance (if any) payable to such Continuing Employee, and (ii) if termination occurs after the Effective Time and not more than thirty six (36) months after the Effective Time, Purchaser shall bear and be liable and responsible only for the portion of such severance amount that is calculated and payable based on the duration of such Continuing Employee’s post-Closing service to Purchaser and its Subsidiaries and shall not bear or be liable or responsible for the portion of such severance that is calculated or payable based on any period of pre-Closing service, such amounts to be calculated and paid, in each case, in accordance with the provisions of Section 5.7(g);

(c) other Liabilities in respect of the Continuing Employees for events occurring, and for employment periods, after the Effective Time (it being understood and agreed, for the avoidance of doubt, that with respect to severance liabilities, in the event of conflict between the provisions of this Section 1.3(c) and Section 1.3(b), the provisions of Section 1.3(b) shall govern, control and prevail);

(d) Liabilities for Taxes for which Purchaser is liable pursuant to Section 5.6;

(e) Liabilities under the Assigned Contracts and the leases and subleases underlying the Assigned Leasehold and Subleasehold Interests that arise (and that relate to periods) after the Effective Time (it being understood and agreed, for the avoidance of doubt,

that Purchaser assumes no Liability for breaches, defaults or nonperformance under any Assigned Contract or any lease or sublease underlying any of the Assigned Leasehold and Subleasehold Interests occurring prior to the Effective Time); *provided, however* that with respect to those premises that are occupied both by employees of Purchaser and by employees of Seller (or their respective Subsidiaries), such Liabilities shall be limited as provided under the applicable Real Property Transfer Agreement or the applicable provisions of the Transition Services Agreement or related statement of work;

(f) Liabilities that arise out of the use by Purchaser or any of its Affiliates or any of its or their sublicensees of, or the exercise by Purchaser or any of its Affiliates or any of its or their sublicensees of rights under, the Intellectual Property Rights or Technology licensed to Purchaser pursuant to the Intellectual Property License Agreements; and

(g) Liabilities in respect of any Action or Proceeding or claim to the extent arising out of, relating to, or otherwise in respect of Purchaser's or its Subsidiaries' operation of the Business or ownership of the Purchased Assets after the Effective Time.

1.4 Retained Liabilities. Neither Purchaser nor BIL (nor any of their respective Subsidiaries) shall assume or be liable for any Retained Liabilities. Seller shall, and shall cause its Subsidiaries to, timely perform, satisfy and discharge all Retained Liabilities related to the Business in accordance with their respective terms. "Retained Liabilities" means all Liabilities of Seller and its Subsidiaries other than Assumed Liabilities, including all Liabilities in the following categories:

(a) Liabilities that arise out of or relate to the ownership or use of, or the exercise of rights under, the Purchased Assets or the operation of the Business prior to the Effective Time (including, for the avoidance of doubt, Liabilities that arise out of, or relate to, the facts, claims, allegations or circumstances giving rise or related to the matters set forth on Schedule 2.9 and that relate to such period prior to the Effective Time);

(b) Liabilities arising out of, relating to, or otherwise in respect of any of the Excluded Assets (other than Liabilities that arise out of the use by Purchaser or any of its Subsidiaries of, or the exercise by Purchaser or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology licensed to Purchaser pursuant to the Intellectual Property License Agreements);

(c) Liabilities arising out of the ownership or use by Seller or any of its Subsidiaries of, or the exercise by Seller or any of its Subsidiaries of rights under, the Intellectual Property Rights or Technology covered by the Intellectual Property License Agreements;

(d) Liabilities in respect of any and all products sold and/or services performed by Seller and its Subsidiaries prior to the Effective Time;

(e) Liabilities in respect of Environmental Laws and Environmental Permits, and/or Releases of Hazardous Materials, in each case to the extent arising out of or otherwise related to (i) acts or omissions occurring prior to the Effective Time or the ownership, occupancy or operation by Seller or any of its Subsidiaries of the Business Real Property or any other real property of Seller or any of its Subsidiaries prior to the Effective Time, or any condition thereon,

including (A) the Release prior to the Effective Time (or continuing Release, if existing as of the Effective Time) of any Hazardous Material, and (B) any noncompliance by Seller or any of its Subsidiaries with Environmental Laws, (ii) the Business or any of the Purchased Assets for any time period prior to the Effective Time, (iii) the Excluded Assets or any other real property formerly owned, operated, leased or otherwise used by Seller or any of its Subsidiaries, or (iv) the offsite transportation, storage disposal, treatment or recycling of Hazardous Material generated by or taken offsite by or on behalf of Seller or any of its Subsidiaries;

(f) Liabilities for severance (if any) payable to any Continuing Employee in the event of termination of such Continuing Employee's employment with Purchaser and its Subsidiaries within thirty six (36) months after the Effective Time, to the extent that such severance amount is calculated or payable based on the duration of such Continuing Employee's pre-Closing service to Seller and its Subsidiaries or any of their predecessors in interest (it being understood and agreed, for the avoidance of doubt, that Seller shall not bear or be liable or responsible for the portion of such severance that is calculated or payable based on any period of post-Closing service to Purchaser and its Subsidiaries), such amounts to be calculated and paid, in each case, in accordance with the provisions of Section 5.7(g);

(g) Liabilities arising out of, relating to or with respect to (i) the employment by Seller or any of its Subsidiaries of employees (including Liabilities for salary, wages, bonuses and other compensation) or the performance of services by such employees prior to the Effective Time, or termination of employment of any Business Employee by Seller or any of its Subsidiaries prior to the Effective Time, (ii) workers' compensation claims against Seller or any of its Subsidiaries that relate to the Continuing Employees for the period prior to the Effective Time (or to other Business Employees for any period), regardless of whether such claims are made prior to or after the Effective Time, or (iii) any Seller Benefit Plan, including Liabilities arising under COBRA (regardless of when the Liability for such claims arise) (it being understood and agreed, for the avoidance of doubt, that with respect to severance liabilities, in the event of conflict between the provisions of Section 1.4(f) and this Section 1.4(g), the provisions of Section 1.4(f) shall govern, control and prevail);

(h) Liabilities arising out of, under or in connection with any Contract that is not an Assigned Contract and, with respect to Assigned Contracts and the leases and subleases underlying the Assigned Leasehold and Subleasehold Interests, Liabilities in respect of a breach or nonperformance by or default of Seller or any of its Subsidiaries occurring or accruing under such Contracts or the leases or subleases underlying such Assigned Leasehold and Subleasehold Interests, or with respect to any period prior to the Effective Time;

(i) Liabilities arising out of, under or in connection with any non-current accounts payable of Seller or any of its Subsidiaries, or accounts payable related to Assets and Properties that are not included in the Purchased Assets;

(j) Liabilities for Taxes for which Seller and/or any of its Subsidiaries is liable pursuant to Section 5.6;

(k) Liabilities in respect of any pending or threatened Action or Proceeding or claim to the extent arising out of, relating to, or otherwise in respect of (i) the operation of the

Business or the ownership of the Purchased Assets prior to the Effective Time, or (ii) any Excluded Asset;

(l) Liabilities arising out of Indebtedness of Seller or any of its Subsidiaries;

(m) Liabilities relating to amounts required to be paid by Seller hereunder;

(n) Liabilities arising out of, relating to or with respect to WARN or similar applicable state, local and foreign laws arising out of the termination of employment of any Business Employee as a result of the transactions contemplated by this Agreement; and

(o) Liabilities retained by Seller or any of its Subsidiaries pursuant to the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement or the Japan Asset Purchase Agreement, including Liabilities for customs and import duties and VAT under the Laws of the People's Republic of China (or any Governmental or Regulatory Authority thereunder or subdivision thereof) relating to equipment and machinery currently under customs supervision and previously exempted on a bonded basis.

1.5 Consideration. The aggregate consideration for the Purchased Assets shall consist of (i) cash in the amount of one hundred ninety two million eight hundred thousand dollars (\$192,800,000), minus the value of employee-related expenses calculated in accordance with Section 5.7(d)(i) and Section 5.7(d)(iii) and subject to the provisions of Section 5.16 (the "Purchase Price"), and (ii) the assumption of the Assumed Liabilities.

#### 1.6 Closing.

(a) Subject to the satisfaction of the conditions set forth in Article 6 (or the waiver thereof by the Party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets and the assumption of the Assumed Liabilities provided for in Article 1 (the "Closing") shall take place at the offices of Wilmer Cutler Pickering Hale and Dorr LLP, 1117 California Avenue, Palo Alto, CA 94304 (or at such other place as the parties may designate in writing) at 10:00 a.m. (local time) on the second Business Day after satisfaction or waiver of the conditions set forth in Article 6 (other than conditions that by their nature are to be satisfied at the Closing), unless another time and/or date are agreed to in writing by the Parties. Notwithstanding the foregoing, and notwithstanding any other provision of this Agreement, if the immediately preceding sentence would require the Closing to occur (i) prior to October 15, 2008, then the Closing shall not occur prior to such date unless otherwise mutually agreed by Purchaser and Seller, (ii) after November 9, 2008 and before January 1, 2009, then the Closing shall not occur (and Purchaser and BIL shall not be required to consummate the transactions contemplated by this Agreement) until after January 1, 2009 unless Purchaser in its sole and absolute discretion agrees to an earlier date, and (iii) after January 1, 2009 and prior to January 15, 2009, then the Closing shall not occur (and Seller shall not be required to consummate the transactions contemplated by this Agreement) until January 15, 2009 unless Seller in its sole and absolute discretion agrees to an earlier date.

(b) At the Closing: (i) Purchaser and BIL shall pay, and Purchaser shall cause the other Subsidiaries of Purchaser designated in Schedule 1.6 to pay, to Seller (in one or more payments, either directly or indirectly by causing an appropriate Subsidiary of Purchaser to pay

to an appropriate Subsidiary of Seller, in accordance with Schedule 1.6) (such schedule to be agreed by the Parties no later than two (2) Business Days prior to the Closing) the cash Purchase Price prescribed by Section 1.5, minus the Escrow Amount and minus the Withheld Amount, if any, pursuant to Section 5.16, by wire transfer of immediately available funds to an account or accounts designated by Seller not less than two (2) Business Days before the Closing Date; (ii) Purchaser shall deliver to the Escrow Agent the Escrow Amount for deposit into the Escrow Fund and the Withheld Amount, if any, into a separate escrow fund (such fund as mutually agreed by Seller and Purchaser); and (iv) Purchaser shall deliver to Seller the Purchaser Closing Deliverables; and (v) Seller shall sell, transfer, assign, convey and deliver to Purchaser and BIL (and such other Subsidiaries of Purchaser as may be designated in Schedule 1.6) the respective Purchased Assets being acquired by them (as set forth in Section 1.1, the Foreign Asset Purchase Agreements, and the Bills of Sale) and (vi) Seller shall deliver copies of the Technology elements of the Licensed IP Assets to Purchaser, and (vii) Seller shall deliver to Purchaser the Seller Closing Deliverables, in each case, pursuant to Section 1.7 below.

(c) The date on which the Closing is actually held (and, if held on more than one day, the date on which the Closing is actually completed) is referred to in this Agreement as the "Closing Date." All transactions occurring at the Closing shall be deemed to occur simultaneously, and shall be effective as of the Effective Time.

**1.7 Delivery of Assets; Further Conveyances and Assumptions; Consent of Third Parties.**

(a) The parties hereto acknowledge and agree that all Purchased Technology and Technology elements of the Licensed IP Assets will be delivered at the Closing by electronic transmission and/or in physical form, in each case as Purchaser shall reasonably direct within five (5) calendar days prior to the Closing; *provided, however*, that the delivery of such Purchased Technology and of the Technology elements of the Licensed IP Assets shall be governed by the applicable provisions of the Transition Services Agreement (or related statement of work), to the extent (and only to the extent) expressly covered thereby and expressly enumerated therein. In addition, on the Closing Date, Seller shall deliver (i) to Purchaser at the site designated by Purchaser copies or originals of all Business Books and Records, Assigned Contracts, Assigned Permits and Approvals and (ii) at the locations designated by Purchaser all other Purchased Assets. With respect to any Purchased Assets that are computer software or are otherwise determined to constitute "prewritten programs" within the meaning of the California Sales and Use Tax Regulations (collectively, the "Purchased Software"), Purchaser and Seller shall (and, to the extent appropriate, Seller shall cause its Affiliates to) take all steps necessary to ensure that the transfer of the Purchased Software is not subject to California sales or use Tax, including transferring the Purchased Software either (i) by remote telecommunications (where Purchaser does not obtain possession of any tangible personal property, such as storage media, in connection with the transfer) or (ii) by Seller (and, to the extent appropriate, Seller's Affiliates) installing the Purchased Software on Purchaser's computers without providing any storage media to Purchaser in connection with the transfer.

(b) From time to time following the Closing, Purchaser and Seller shall, and shall cause their respective Subsidiaries and Affiliates to, execute, acknowledge and deliver all such further conveyances, notices, assumptions, releases, assignments and such other

instruments, and shall take such further actions, as may be reasonably necessary (i) to assure fully to Purchaser, BIL or any other Subsidiary of Purchaser acquiring Purchased Assets and their respective successors or assigns, the transfer to Purchaser and the ownership, possession and control by Purchaser of all of the Purchased Assets, (ii) to enable Purchaser, its Subsidiaries and its and their respective successors or assigns to exercise their license rights under the Intellectual Property License Agreements, including the delivery of the Technology elements of the Licensed IP Assets, (iii) otherwise to make effective the transactions contemplated by this Agreement, (iv) to assure fully to Seller the assumption by Purchaser of the Assumed Liabilities and otherwise to make effective the transactions contemplated by this Agreement, and (v) to seek to obtain for Purchaser, using commercially reasonable efforts, the benefits of the performance warranties, representations or guarantees received by Seller or any of its Subsidiaries pursuant to Contracts with third parties applicable to the Purchased Assets (including Technology); *provided, however*, that (x) the delivery of such Purchased Assets and of the Technology elements of the Licensed IP Assets shall be governed by the applicable provision of the Transition Services Agreement (or related statement of work), to the extent (and only to the extent) expressly covered thereby and expressly enumerated therein; (y) Seller shall deliver all the forms of the Technology elements of the Purchased Assets and of the Licensed IP Assets then in the possession of Seller, its Subsidiaries or Affiliates (including, by of example, the Source Code, object code and machine-executable forms of any Software), in accordance with Section 1.7(a); and (z) upon identification by either Party of any prior version of Technology included in the Purchased Assets previously undelivered, Seller shall deliver such version to Purchaser if such version then exists in Seller's possession. In addition, Seller may retain copies of the relevant Technology elements of the Purchased IP Assets solely for purposes of enabling Seller and its Subsidiaries to exercise their license rights pursuant to the Intellectual Property License Agreements. In addition, to the extent that Purchaser received a copy, Purchaser shall, and shall cause its Subsidiaries to, take such further action as may be reasonably necessary to deliver copies of the Technology elements of the Purchased IP Assets to Seller and its Subsidiaries and Affiliates for purposes of enabling Seller and its Subsidiaries to exercise their license rights pursuant to the Intellectual Property License Agreements.

(c) Nothing in this Agreement or in the consummation of the transactions contemplated hereby shall be construed as an attempt or agreement to assign (or enter into a sublease with respect to) any Purchased Asset, Contract underlying a consent required by Section 6.3(d), or other Contract, Permit (including any Environmental Permit), Approval, certificate, authorization or other right, which by its terms or by Law is nonassignable (or otherwise is prohibited) without the consent of a third party or a Governmental or Regulatory Authority or is cancelable by a third party in the event of an assignment (or sublease) ("Nonassignable Assets") unless and until such consent shall have been obtained; *provided, however* that the Parties acknowledge and agree that the Real Property Transfer Agreements for Seller's Assigned Leasehold and Subleasehold Interests in Frimley, United Kingdom and Shanghai, China shall be in the form of a real property license or similar occupancy agreement which shall not require the respective landlord's consent, and Purchaser's employees shall have the right to occupy such Nonassignable Assets in accordance with the terms and conditions of the Real Property Transfer Agreements applicable thereto. Seller and Purchaser shall, and shall cause each of its relevant Subsidiaries to, diligently and expeditiously take such action as is necessary or advisable to obtain such consents as promptly as reasonably practicable; *provided, however*, that all costs and expenses (other than costs and expenses of Seller's legal counsel) of obtaining any such consent,

including consents or renegotiations of any other Contract, Permit (including any Environmental Permit), Approval, certificate, authorization or other right constituting a consent required by Section 6.3(d) or other arrangement that the Parties mutually agree shall be delivered in connection with the transactions contemplated hereby, shall be the responsibility of Purchaser (it being understood and agreed that nothing herein shall require Purchaser, in connection with any such required consent or arrangement, (i) to pay or assume responsibility for any unreasonable cost or expense or (ii) agree to additional terms and conditions that are adverse to Purchaser in any material respect, in each case in connection with the applicable Contract, Permit, Approval, or other instrument to which such required consent relates). To the extent not prohibited by applicable Law and the terms of the Nonassignable Assets, in the event any such consents to assignment cannot be obtained, such Nonassignable Assets shall be held, from and after the Closing, by Seller and its Subsidiaries in trust for Purchaser and the covenants and obligations thereunder shall be performed by Purchaser in the name of Seller and its Subsidiaries and all benefits and obligations existing thereunder shall be for Purchaser's account. Seller and its Subsidiaries shall take or cause to be taken at Purchaser's expense such actions in its name or otherwise as Purchaser may reasonably request so as to provide Purchaser with the benefits of the Nonassignable Assets and to effect collection of money or other consideration that becomes due and payable under the Nonassignable Assets, and Seller and its Subsidiaries shall promptly pay over to Purchaser all money or other consideration received by any of them in respect of all Nonassignable Assets. From and after the Closing, Seller, on its own behalf and on behalf of its Subsidiaries, authorizes Purchaser, to the extent permitted by applicable Law and the terms of the Nonassignable Assets, at Purchaser's expense, to perform all the obligations and receive all the benefits of Seller and its Subsidiaries under the Nonassignable Assets. If after the Closing any Nonassignable Asset becomes assignable (either because consent for the assignment thereof is obtained or otherwise), Seller shall promptly notify Purchaser and transfer and assign such previously Nonassignable Asset to Purchaser or a Subsidiary of Purchaser, as Purchaser shall designate.

(d) From time to time following the Closing, Seller shall, and shall cause its Subsidiaries to, make available to Purchaser such non-confidential data in personnel records of Continuing Employees, to the extent (if any) such records have not theretofore been delivered to Purchaser as part of the Purchased Assets, as is reasonably necessary for Purchaser to transition such employees into Purchaser's records; *provided, however*, that Seller shall have no obligation to make available any records the disclosure of which is prohibited by Law.

(e) From time to time following the Closing, if Seller or any of its Subsidiaries receives any payment for products sold or shipped by Purchaser or any of its Subsidiaries or that is otherwise due or owing to Purchaser or any of its Subsidiaries, Seller shall as promptly as practicable (and in any event within ten (10) Business Days after discovery thereof) forward or remit such payment, or pay the amount of such payment, to Purchaser. From time to time following the Closing, if Purchaser or any of its Subsidiaries receives any payment for products sold or shipped by Seller or any of its Subsidiaries or that is otherwise due or owing to Seller or any of its Subsidiaries, Purchaser shall as promptly as practicable (and in any event within ten (10) Business Days after discovery thereof) forward or remit such payment, or pay the amount of such payment, to Seller.

1.8 Bulk Sales Laws. Seller shall indemnify and hold harmless Purchaser and its Subsidiaries from and against any Liability associated with non-compliance with or under the Bulk Sales Act (Ontario) or any other "bulk sale," "bulk transfer" or similar Law of any other jurisdiction that may be applicable to the transactions contemplated by this Agreement and the Ancillary Agreements. Subject to such indemnification, Purchaser hereby waives compliance by Seller and its Subsidiaries with the requirements and provisions of any "bulk transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Purchaser and its designated Subsidiaries.

1.9 Purchase Price Allocation.

(a) Purchaser and BIL shall use commercially reasonable efforts to prepare and deliver to Seller, within ninety (90) calendar days after the Closing Date, copies of Form 8594 under the Internal Revenue Code (and any comparable form under any applicable Tax Law of any other jurisdiction where any of the Purchased Assets are situated, by the date required by applicable Law) and any required exhibits thereto (the "Asset Acquisition Statement") allocating the Purchase Price and the Assumed Liabilities among the Purchased Assets. Seller shall provide such cooperation to Purchaser and BIL as may be required for the preparation of such forms and as Purchaser and BIL may reasonably request. Thereafter Purchaser and BIL shall prepare and deliver to Seller from time to time revised copies of the Asset Acquisition Statement (the "Revised Statements") so as to report any matters in the Asset Acquisition Statement that require revision as a result of any adjustment to the Purchase Price pursuant to this Agreement. If Seller disputes any calculation in the Asset Acquisition Statement or Revised Statements (as the case may be), Seller shall deliver written notice of its objection to Purchaser within ten (10) calendar days after delivery by Purchaser and BIL of the applicable Asset Acquisition Statement or Revised Statement to Seller, specifying in reasonable detail the items and amounts in dispute and the grounds for dispute. Seller, Purchaser and BIL shall promptly seek in good faith to resolve amicably such dispute within ten (10) calendar days, and if amicable resolution is not reached, either Party may refer the matter for determination to an Accountant, whose determination shall be final and binding. The fees and expenses of the Accountant shall be borne by the non-prevailing Party in such dispute.

(b) The final allocation of the Purchase Price shall be final and binding upon the parties for all purposes, including the filing of all Tax Returns or other returns and the preparation of all financial statements and other documents and records, and the Purchase Price for the Purchased Assets shall be allocated in accordance with the Asset Acquisition Statement or, if applicable, the last Revised Statement, provided by Purchaser or BIL (as applicable) to Seller (or, if applicable, the Accountant's determination), and all Tax Returns and reports filed by Purchaser, BIL and Seller shall be prepared consistently with such allocation, unless otherwise required pursuant to a "determination" within the meaning of Section 1313(a) of the Internal Revenue Code. The parties shall make jointly the necessary elections and execute and file, within the prescribed delays, the prescribed election forms and any other documents required to give effect to the foregoing and shall also prepare and file all of their respective Tax Returns in a manner consistent with such elections.

(c) Notwithstanding the foregoing, to the extent that the Laws of any jurisdiction require that the portion of the Purchase Price allocated to the Purchased Assets

located in such jurisdiction be fixed and determined at or prior to the Effective Time (or within any time period after the Effective Time that is shorter than the time period set forth in this [Section 1.9\(a\)](#)), Purchaser, BIL and Seller shall agree to the allocation of such portion prior to the Closing and shall execute and deliver at the Closing such documentation as may be required by (or sufficient under) applicable Law to memorialize and report such allocation. Notwithstanding the foregoing, Purchaser, BIL and Seller shall use commercially reasonable efforts to agree to the allocation of that portion of the Purchase Price allocated to the Purchased Assets located in each jurisdiction other than the United States and Canada at the Closing in connection with the form of Bill of Sale or local asset purchase agreement (if any) applicable to each such jurisdiction.

ARTICLE 2.  
REPRESENTATIONS AND WARRANTIES OF  
SELLER

Seller hereby makes the following representations and warranties to Purchaser, except as otherwise set forth in the disclosure schedule and schedule of exceptions delivered by Seller herewith and dated as of the date hereof (the "[Seller Disclosure Schedule](#)"). The parties hereto agree that any reference in a particular section or subsection of the Seller Disclosure Schedule shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) the representations and warranties contained in the corresponding section and subsection of this Agreement and shall not be deemed to be an exception to (or, as applicable, a disclosure for purposes of) any other representation and warranty contained in this Agreement, unless the relevance of that reference as an exception to (or a disclosure for purposes of) such other representation and warranty is readily apparent from the face of such disclosure to a Person who has read only that reference and such other representation and warranty and Seller has used commercially reasonable efforts to provide express cross-references where applicable.

**2.1 Organization and Qualification.** Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and has full corporate power and authority to conduct the Business as presently conducted and to own, use, license and lease the Assets and Properties of the Business. Seller is duly qualified, licensed or admitted to do business and is in good standing as a foreign corporation in each jurisdiction in which such qualification, licensing or admission is necessary for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, and in each case where the absence of which would not be reasonably likely to materially interfere with the operation of the Business or the Purchased Assets, or otherwise subject the Business or the Purchased Assets to Liability for violation of Law. Each Subsidiary of Seller that holds any of the Purchased Assets, each of which set forth in [Section 2.1 of the Seller Disclosure Schedule](#), is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, as set forth in [Section 2.1 of the Seller Disclosure Schedule](#), and has full corporate power and authority to conduct the Business as presently conducted and to own, use, license and lease its Assets and Properties. Each such Seller Subsidiary is duly qualified, licensed or admitted to do business and is in good standing as a foreign corporation in each jurisdiction in which the ownership, use, licensing or leasing of the Purchased Assets held by it, or the conduct of the portion of the Business conducted by it, makes such qualification, licensing or admission necessary, except for such qualifications, licenses or admissions the absence of which would not have a Business Material Adverse Effect.

2.2 Authority Relative to this Agreement. Seller has full corporate power and corporate authority to execute and deliver this Agreement and the Ancillary Agreements to which Seller is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The board of directors of Seller (and, to the extent required by applicable Law or the organizational documents of each Subsidiary of Seller transferring any Assets and Properties pursuant to this Agreement or an Ancillary Agreement, each such Subsidiary of Seller and its shareholders) have approved this Agreement and the execution and delivery by Seller and each of its Subsidiaries of this Agreement and the Ancillary Agreements to which Seller or such Subsidiary is a party and the consummation by Seller and its Subsidiaries of the transactions contemplated hereby and thereby, and the performance by Seller and its Subsidiaries of its and their obligations hereunder and thereunder, have been duly and validly authorized by all necessary corporate action by Seller and such Subsidiary, as applicable, and no other action on the part of Seller or any of its Subsidiaries is required to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements to which Seller or any of its Subsidiaries is a party and the consummation by Seller and its Subsidiaries of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to which Seller or any of its Subsidiaries is a party have been or will be, as applicable, duly and validly executed and delivered by Seller or such Subsidiary, as applicable, and, assuming the due authorization, execution and delivery hereof (and, in the case of the Ancillary Agreements to which Purchaser or any of its Subsidiaries is a party, thereof) by Purchaser or its applicable Subsidiary, each constitutes or will constitute, as applicable, a legal, valid and binding obligation of Seller or such Subsidiary enforceable against Seller or such Subsidiary in accordance with its respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity. Seller has the power and authority to cause each of its applicable Subsidiaries to comply with the obligations contemplated in this Agreement and the Ancillary Agreements and to perform the transactions contemplated to be performed by such Subsidiaries pursuant to this Agreement and the Ancillary Agreements.

2.3 Title to and Sufficiency of Purchased Assets. Seller and its Subsidiaries own, are in possession of, and have good title to each of the Purchased Assets and each of the Licensed IP Assets that they purport to own and valid leasehold interests in each of the Purchased Assets that they purport to lease, good title or valid license rights to each of the Licensed IP Assets that they purport to license, and valid rights under Contract with respect to the Purchased Assets that they purport to hold (or that arise) under Contracts, in each case free and clear of all Liens other than Permitted Exceptions and non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice. The Purchased Assets, together with the Licensed IP Assets, constitute all of the material Assets and Properties used or held for use by Seller and its Subsidiaries in the Business and all of the Assets and Properties required for Purchaser to conduct the Business immediately after the Closing Date without interruption in the ordinary course of business as it has heretofore been conducted by Seller without giving effect to any changes in the conduct of the Business by Purchaser and its Subsidiaries. Purchaser acknowledges and agrees that the foregoing is not intended by either Party to address issues of

infringement of third-party Intellectual Property Rights, which are addressed in Section 2.11 below. The Purchased Technology includes, in the aggregate, all material Technology that is exclusively related to the Business. Upon execution and delivery by Seller to Purchaser of the instruments of sale, assignment, transfer and conveyance referred to in Section 1.1, Purchaser will become the true and lawful owner of, and will receive good title to, the Purchased Assets, free and clear of all Liens other than Liens (if any) arising solely on account of Purchaser's actions or omissions and other than licenses to which any of the Purchased IP Assets may be subject, as disclosed in Section 2.11(d)(i) of the Seller Disclosure Schedule. The Asset Schedules accurately set forth, for each material Purchased Asset, the location and whether such asset is owned by Seller or a Subsidiary of Seller, and, if owned by a Subsidiary, the identity and jurisdiction of organization of such Subsidiary. Schedules 10.1(CBP), 10.1(PBP) and 10.1(RBP), taken in the aggregate, set forth a true, correct and complete list of all of the past and present products commercialized, or products currently planned to be designed or developed for commercialization, by Seller or its Subsidiaries in the Purchaser Field.

2.4 No Conflicts. The execution and delivery by Seller of this Agreement and the Ancillary Agreements to which Seller is a party do not, and Seller's and its Subsidiaries' performance of (or compliance with) their obligations under this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby do not and will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of Seller's certificate of incorporation, bylaws or similar governing documents;

(b) subject to (i) such filings as may be required under applicable state or federal securities Laws, and (ii) the making of such filings (if any) as may be required under the Competition Act (Canada), the Investment Canada Act, or antitrust, notification, merger control, and similar Laws of other jurisdictions, and the receipt of approvals and/or the expiration or early termination of any applicable waiting period thereunder or therefrom, conflict with or result in a violation or breach of any Law applicable to Seller or any of its Subsidiaries or any of its or their Assets or Properties;

(c) subject to obtaining the consents and Approvals, making the filings and giving the notices set forth in Section 2.4(b), if any, conflict in any material respect with or result in a violation or breach, in any material respect, of any Law applicable to Seller or any of its Subsidiaries, the Business or any of the Purchased Assets; or

(d) (i) conflict with or result in a violation or breach of, (ii) constitute a default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, (iii) require Seller or any of its Subsidiaries to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional right or entitlement to any increased, additional, accelerated or guaranteed payment or performance under, (vi) result in the creation or imposition of (or the obligation to create or impose) any Lien (other than Permitted Exceptions) upon Seller or any of its Subsidiaries or any of the Purchased

Assets or any restriction on the Business under, or (vii) result in the loss of any material benefit under, any of the terms, conditions or provisions of any of the Assigned Contracts, any Lease Document underlying the Assigned Leasehold and Subleasehold Interests, any of the Assigned Permits and Approvals, any Contract underlying the Assigned Warranty Rights, any Contract underlying the Assigned Prepayments, any Contract underlying the Assigned Insurance Proceeds or any Contract underlying the Licensed IP Assets or affecting Seller's ability to license the Licensed IP Assets to Purchaser as contemplated by the Intellectual Property License Agreements, in each case in any material respect.

2.5 Books and Records; Organizational Documents. The Business Books and Records transferred hereunder are accurate and complete copies or originals in all material respects.

2.6 Absence of Changes. From March 31, 2008 to the date of this Agreement, except as required by this Agreement or the Ancillary Agreements:

(a) there has not been any Business Material Adverse Effect or any occurrence or event which, individually or in the aggregate, would be reasonably expected to have any Business Material Adverse Effect;

(b) neither Seller nor any of its Subsidiaries has (i) entered into, terminated, amended in any material respect, or granted any material waiver (or agreed or made any commitment to enter into terminate, amend in any material respect or grant any material waiver) under any Contract that constitutes (or would, but for such action, constitute) an Assigned Contract or other Purchased Asset or which is material to the Business or Assumed Liabilities, or (ii) incurred any Liability in excess of two hundred fifty thousand dollars (\$250,000), individually or in the aggregate, that constitutes an Assumed Liability;

(c) neither Seller nor any of its Subsidiaries has entered into, approved or resolved to enter into any Contract (other than Licenses, which are addressed in Section 2.6(f) and Section 2.6(g)) involving (i) the sale, disposition or transfer of any of the Purchased Assets, other than the sales of finished Current Business Products in the ordinary course of the business, or (ii) any material restriction on the future conduct of the Business;

(d) neither Seller nor any of its Subsidiaries has entered into, approved or resolved to enter into any Contract that (i) contains noncompetition restrictions, including any covenants limiting or purporting to limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business or with any Person or in any area or which would limit the freedom of Purchaser or any of its Subsidiaries to compete in any material line of business after the Effective Time, (ii) grants any exclusive supply or distribution right for a Business Product in any territory, (iii) grants from Seller or any of its Subsidiaries any "most favored nation" or similar preferred pricing right to any of the customers of Seller or any of its Subsidiaries regarding any of the Business Products, or (iv) grants any right of first refusal, right of first negotiation or similar right with respect to any Business Product or any Purchased IP Asset, any Exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, or any Listed Licensed IP

Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements;

(e) there has not been any sale, disposition, transfer or grant of any Lien (not including non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice) or exclusive License to any Person of any right in, to or under (i) any Purchased IP Asset, (ii) any Exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, (iii) any Listed Licensed IP Asset in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements, or (iv) any other Intellectual Property Rights or Technology that, but for such sale, disposition, transfer, Lien or exclusive License, would constitute part of (A) the Purchased IP Assets, (B) the Exclusively Licensed IP Assets or (C) the Listed Licensed IP Assets;

(f) there has not been any grant of a License (i) of Purchased Assets or (ii) of Exclusively Licensed IP Assets in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, in each case, other than non-exclusive Licenses of Software to customers and partners in the ordinary course of business consistent with past practice;

(g) neither Seller nor any of its Subsidiaries has sold, transferred, disposed of, waived any right to, or leased to any other Person, mortgaged, pledged or incurred or suffered to exist any Lien, other than Permitted Exceptions, on, or terminated, accepted for surrender or failed to renew any lease or sublease of, any Asset and Property (excluding Intellectual Property Rights and Technology) that constitutes or, but for such action, would constitute a material Purchased Asset;

(h) neither Seller nor any of its Subsidiaries has made or agreed to make any write-off or write-down, any determination to write-off or write-down, or revalue, any material Purchased Asset or any material portion of the Purchased Assets, or change any reserves or liabilities associated therewith;

(i) neither Seller nor any of its Subsidiaries has failed to pay or otherwise satisfy any material Liability presently due and payable that is an Assumed Liability, except such Liabilities which are being contested in good faith by appropriate means or procedures and which, both individually and in the aggregate, are immaterial in amount;

(j) neither Seller nor any of its Subsidiaries has granted, paid or made any commitment to grant or pay to any Business Employee any bonus, stay-put, severance, or termination payment or any other payment other than normal employee compensation in amounts established in the ordinary course of business;

(k) neither Seller nor any of its Subsidiaries has granted or approved any increase of greater than five percent (5%) in salary, rate of commissions, rate of consulting fees or any other compensation of any Business Employee or any consultant providing services to the Business;

(l) neither Seller nor any of its Subsidiaries has established or modified any target, goal, pool or similar provision under, or any salary range, increased guideline or similar provision in respect of, any Seller Benefit Plan, employment Contract or other employee compensation arrangement or independent contractor Contract or other compensation arrangement applicable to any Business Employee;

(m) neither Seller nor any of its Subsidiaries has adopted, entered into, amended or modified in any material respect, or terminated (whether partially or completely), any Seller Benefit Plan affecting any Business Employee;

(n) neither Seller nor any of its Subsidiaries has (i) made, changed or rescinded any material election in respect of any Tax relating to the Business or any of the Purchased Assets, adopted or changed any accounting or reporting method, policy or principle in respect of any material Tax relating to the Business or any of the Purchased Assets, (ii) entered into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets, (iii) consented to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets with any Taxing Authority or otherwise, or (iv) failed to pay and discharge any material Tax relating to the Business or any of the Purchased Assets, except such Taxes which are being contested in good faith by appropriate means or procedures;

(o) neither Seller nor any of its Subsidiaries has made any change in accounting policies, principles, methods, practices or procedures relating to any of the Purchased Assets or Assumed Liabilities (including for bad debts, contingent liabilities or otherwise, respecting capitalization or expense of research and development expenditures, depreciation or amortization rates or timing of recognition of income and expense), except for any such change required by reason of a concurrent change in GAAP;

(p) neither Seller nor any of its Subsidiaries has commenced or terminated, or made any material change in, any line of business included in the Business;

(q) neither Seller nor any of its Subsidiaries has failed to renew any material insurance policy covering the Business or any of the Purchased Assets; no material insurance policy of Seller or any of its Subsidiaries covering the Business or any of the Purchased Assets has been cancelled or materially amended;

(r) there has been no non-renewal or material amendment of any of the Assigned Permits and Approvals or any of the leases or subleases underlying the Assigned Leasehold and Subleasehold Interests;

(s) Seller and its Subsidiaries have taken all action reasonably necessary or appropriate (i) to procure, maintain, renew, extend or enforce any Seller Registered Intellectual Property Right that is (or, but for the failure to take such action, would be) included in the Purchased Registered Intellectual Property Rights, including submission of required documents or fees during the prosecution of patent, trademark or other applications for such Registered

Intellectual Property Right, and (ii) to reasonably protect, maintain or enforce each other Seller IP Asset that is (or, but for the failure to take such action, would be) included in the Other Purchased Intellectual Property Rights or the Purchased Technology;

(t) neither Seller nor any of its Subsidiaries has taken any action with respect to the Business not in the ordinary course of business consistent with past practice (other than actions already addressed by other lettered subsections of this Section 2.6 and disclosed in Section 2.6 of the Seller Disclosure Schedule);

(u) there has been no physical damage, destruction or other casualty loss (whether or not covered by insurance) affecting any of the Purchased Assets or any Assets and Properties that, but for such occurrence, would constitute Purchased Assets, except ordinary wear and tear; and

(v) neither Seller nor any of its Subsidiaries has entered into or approved any agreement, commitment, arrangement or understanding, to do, permit, engage in or cause or having the effect of any of the foregoing.

**2.7 Business Financials; Asset Schedules; No Undisclosed Liabilities.**

(a) Attached to Section 2.7(a) of the Seller Disclosure Schedule is a correct and complete copy of the Unaudited Business Financials. The Unaudited Business Financials were prepared in all material respects in accordance with the books and records of Seller and its Subsidiaries and in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other (except as may be indicated in the notes thereto as delivered to Purchaser prior to the date hereof) and fairly present, on a carve-out basis and incorporating certain additionally allocated costs for the respective periods presented, in all material respects the results of operations of the Business for the periods indicated, subject to normal year-end adjustments and the omission of footnotes. The Audited Business Financials will be prepared in all material respects in accordance with the books and records of Seller and its Subsidiaries and in accordance with GAAP applied on a basis consistent throughout the periods indicated and consistent with each other, and fairly present, on a carve-out basis, in all material respects, as applicable, either (i) the assets acquired and liabilities assumed and the net revenues and direct expenses or (ii) the assets and liabilities, results of operations and cash flows, of the Business as of the dates and for the periods indicated, in each case on the basis described therein, subject, in the case of the Audited 2008 Business Financials, to normal year-end adjustments.

(b) Attached to Section 2.7(b) of the Seller Disclosure Schedule is a correct and complete copy of the schedule of tangible Assets and Properties (including inventory) of the Business as of the date hereof. Such tangible asset schedule fairly reflects in all material respects the correct acquisition value, depreciation amount, and book value of the Assets and Properties (including inventory) listed therein.

(c) Seller and its Subsidiaries make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the acquisitions and dispositions of assets by Seller and its Subsidiaries. Neither Seller nor any of its Subsidiaries has any Liability

or Indebtedness related to the Business, the Purchased Assets or the Assumed Liabilities other than (i) Retained Liabilities, (ii) Liabilities that are fully reflected in, reserved against or otherwise detailed in the Unaudited Business Financials, and (iii) Liabilities incurred in the ordinary course of business of the Business since December 31, 2007 that are not material, either individually or in the aggregate, in amount.

2.8 Taxes. Seller has filed all material Tax Returns required by Law to be filed and paid all material Taxes due (whether or not shown as due on such returns) in respect of the Business, the Purchased Assets and the employment of the Business Employees by Seller and its Subsidiaries, and shall transfer such Purchased Assets to Purchaser free and clear of all Liens relating to Taxes, except for Permitted Exceptions. The transactions contemplated by this Agreement do not involve a disposition of "taxable Canadian property" by a Person not resident in Canada for purposes of the Income Tax Act (Canada).

2.9 Legal Proceedings. There is no Action or Proceeding pending or, to Seller's knowledge, threatened against, relating to or affecting the Business or any of the Purchased Assets or Assumed Liabilities or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or any of the Ancillary Agreements. There is no fact or circumstance known to Seller that, either alone or together with other facts and circumstances, could reasonably be expected to give rise to any material Action or Proceeding against, relating to or affecting the Business or any of the Purchased Assets or Assumed Liabilities and Seller and its Subsidiaries have not received any written notice and otherwise do not have knowledge of any Order relating to or affecting, in any material respect, the Business or any of the Purchased Assets or Assumed Liabilities.

2.10 Compliance with Laws and Orders.

(a) Neither Seller nor any of its Subsidiaries, nor to Seller's knowledge any of its or their respective directors, officers, agents or employees in his, her or its capacity as such, has violated in any material respect, or is currently in default or violation in any material respect under, any Law or Permit applicable to the Business or any of the Purchased Assets or Assumed Liabilities, and Seller has no knowledge of a written claim for such a violation. Seller and its Subsidiaries possess all material Permits and Approvals required by Law for the ownership and operation of the Purchased Assets and for the ownership and operation of the Business as currently conducted; and all such material Permits and Approvals are in full force and effect.

(b) Without limiting the generality of the foregoing, neither Seller nor any of its Subsidiaries that are engaged in the Business, nor, to Seller's knowledge, any agent, employee or other Person associated with or acting on behalf of the Business, has, directly or indirectly, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, made any unlawful payment to any foreign or domestic government official or employee or to any foreign or domestic political party or campaign from corporate funds, violated any provision of the Foreign Corrupt Practices Act of 1977, as amended or Money Laundering Laws, or similar legislation in applicable jurisdictions or made any bribe, rebate, payoff, influence payment, kickback or other similar unlawful payment.

## 2.11 Intellectual Property.

(a) Purchased Registered Intellectual Property Rights. Section 2.11(a) of the Seller Disclosure Schedule lists all proceedings or actions pending as of the date hereof before any court or tribunal (including the PTO or equivalent authority anywhere in the world) related to any of the Purchased Registered Intellectual Property Rights. To Seller's knowledge, there are no inventorship challenges, opposition or nullity proceedings or interferences declared, commenced or threatened with respect to any patents or patent applications included in the Purchased Registered Intellectual Property Rights and neither Seller nor any of its Subsidiaries nor any of its patent counsel has received from any Person any written notice of an inventorship challenge, opposition or nullity proceeding or interference declared or commenced with respect to any patents or patent applications included in the Purchased Registered Intellectual Property Rights. Seller and its Subsidiaries and their respective patent and trademark counsel have complied with their duty of candor and disclosure to the PTO and any relevant foreign patent or trademark office with respect to all patent and trademark applications included in the Purchased Registered Intellectual Property Rights and have made no material misrepresentation in such applications; *provided* that the foregoing does not guarantee that (i) any patents will issue from such applications or (ii) if any patents do issue from such applications, that the scope of the claims granted will be the same as the claims set forth in such applications. Seller and its Subsidiaries have no knowledge of any information that would preclude them from having clear title to the Purchased Registered Intellectual Property Rights or affect in any material respect the patentability or enforceability of any Purchased Registered Intellectual Property Rights.

(b) Title; License Rights. Seller and its Subsidiaries have all right, title and interest in, to and under (or valid and enforceable rights under Licenses to grant the rights to Purchaser in accordance with the Intellectual Property License Agreements) all Purchased IP Assets and all Licensed IP Assets. Each item of Purchased IP Assets (i) is owned exclusively by Seller and its Subsidiaries, (ii) is free and clear of all Liens (other than Permitted Exceptions and non-exclusive Licenses granted to customers and partners in the ordinary course of business consistent with past practice), and (iii) will be owned or available for use by Purchaser immediately following the Closing on substantially identical terms and conditions as it was owned or available for use by Seller and its Subsidiaries immediately prior to the Closing. To Seller's knowledge, no Person is infringing, violating or otherwise misappropriating or misusing any Purchased IP Asset listed on Schedules 1.1(b) or 1.1(c), and neither Seller nor any of its Subsidiaries has made any written claim of such infringement, violation, misappropriation or misuse against any Person. Each item of Exclusively Licensed IP Assets (A) is owned exclusively by Seller and its Subsidiaries, and (B) is free and clear of all Liens (other than Permitted Exceptions and non-exclusive Licenses to customers and partners granted in the ordinary course of business consistent with past practice) in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements.

(c) Sufficiency. The Purchased Technology listed on Schedule 1.1(c) in the aggregate includes substantially all Technology that is both material to the operation of the Business and exclusively related to the Business. The Purchased Registered Intellectual Property Rights and the Purchased Technology listed on Schedule 1.1(c) and the Licensed IP Assets listed in the schedules to the Intellectual Property License Agreements in the aggregate include substantially all material Intellectual Property Rights and Technology that is both necessary to the operation of the Business and exclusively or primarily related to the Business. All of the Seller Registered Intellectual Property Rights that Seller or its Subsidiaries (or any Person

acquired by Seller or any of its Subsidiaries that is comprised in or relates to the Business) acquired from Terayon Communication Systems, Inc. or any of its Affiliates are included in the Purchased Registered Intellectual Property Rights.

(d) Contracts, Section 2.11(d)(i) of the Seller Disclosure Schedule lists, as of the date hereof, all Contracts and Licenses relating to Intellectual Property Rights or Technology (including all inbound Licenses, other than to Non-Critical Software, and all outbound Licenses) to which Seller or any of its Subsidiaries is a party that relate to the Purchased IP Assets or Exclusively Licensed IP Assets, including any agreement, assignment or License pursuant to which any Purchased IP Asset was developed or created by any Person other than Seller and its Subsidiaries. Except pursuant to agreements listed in Section 2.11(d)(i) of the Seller Disclosure Schedule, neither Seller nor any of its Subsidiaries has transferred ownership of, or granted (whether expressly or by implication) (and are not obligated to grant) any License of or other right under, any Purchased IP Asset or, in the field exclusively licensed to Purchaser and its Affiliates pursuant to the Intellectual Property License Agreements, any Exclusively Licensed IP Asset to any other Person. None of the Purchased IP Assets or, in the field exclusively licensed to Purchaser and its Affiliates pursuant to the Intellectual Property License Agreements, the Exclusively Licensed IP Assets is required to be licensed under any forum, consortium or other standards body agreement. None of the Purchased IP Assets or Exclusively Licensed IP Assets has been submitted to any licensing entity, standards body or representative thereof for a determination of essentiality to or inclusion in an industry standard, nor has any request been made therefor. Section 2.11(d)(ii) of the Seller Disclosure Schedule lists all forums, consortiums, standards bodies or similar organizations in which Seller or any of its Subsidiaries currently, or have in the past, participated in connection with the Business, or been a member or to which Seller or any of its Subsidiaries has made any disclosure of any Purchased IP Assets or Exclusively Licensed IP Assets.

(e) Non-Infringement. The operation of the Business as presently conducted and as conducted within the one (1) year period prior to the date hereof, and the design, development, distribution, marketing, manufacture, use, import, license, or sale of the Current Business Products and functional and discrete components that have been reviewed, verified and integrated into the product database of the Business on or before the Closing Date, do not (and did not at any time within the one (1) year period prior to the date hereof) (i) infringe or misappropriate the Intellectual Property Rights of any Person, (ii) violate any material term or provision of any License or Contract concerning the Intellectual Property Rights or Technology of any Person, (iii) violate any other term or provision of any License or Contract concerning such Intellectual Property Rights or Technology which violation could result in the termination, or any material alteration or limitation of, such License or Contract or the right to use or exercise rights under such Intellectual Property Rights or Technology, (iv) violate any moral right, right of privacy or right of publicity of any Person, (v) disclose any material confidential information of Seller or any of its Subsidiaries that is not pursuant to a confidentiality agreement, other than such disclosures made to the PTO, other patent offices, standard-setting organizations or otherwise, which disclosures were consistent with the exercise of reasonable business judgment, (vi) disclose any material third-party confidential information that is protected by a confidentiality agreement, unless such disclosure was authorized by the relevant third party with the right to permit such disclosure, or (vii) constitute unfair competition or an unfair trade practice under any Law. Neither Seller nor any of its Subsidiaries nor any of its or their

respective employees or Representatives has (x) received from any Person any written notice claiming that any Business Product or the operation of the Business infringes or misappropriates the Intellectual Property Rights of any Person or constitutes unfair competition or trade practices under any Law or (y) in the three (3) year period prior to the date hereof, received from any Person and brought to the attention of the legal department of Seller or any of its Subsidiaries any written notice of third-party Patent or other Intellectual Property Rights relating to the operation of the Business or any Current Business Product from a putative or potential licensor of such rights. Neither Seller nor any of its Subsidiaries has, within the one (1) year period prior to the date hereof, brought or resolved any Action or Proceeding for infringement of Purchased IP Assets or Exclusively Licensed IP Assets or breach of any License or Contract involving Purchased IP Assets or Exclusively Licensed IP Assets against any Person. Notwithstanding the foregoing, in no event does Seller represent that operation of the Business or any Business Product or Purchased Asset does not infringe any Patents which would necessarily be infringed by an implementation of a required element of a Standard.

(f) Disputes. There is no Contract or License between Seller or any of its Subsidiaries, on the one hand, and any other Person, on the other hand, with respect to Purchased IP Assets or Exclusively Licensed IP Assets under which there is any material dispute (and, to Seller's knowledge, there are no facts or circumstances that may reasonably be expected to lead to a material dispute) regarding the scope of such Contract or License, or performance under such Contract or License, including with respect to any payment to be made or received by Seller or any of its Subsidiaries thereunder.

(g) IP Protection Measures. Seller and its Subsidiaries have taken all steps reasonably necessary or appropriate (i) consistent with reasonable business judgment to protect and preserve ownership of all Purchased IP Assets and Exclusively Licensed IP Assets claimed or purported to be owned by Seller and its Subsidiaries, (ii) to protect their rights in confidential information and trade secrets of Seller and its Subsidiaries included in Purchased IP Assets or Exclusively Licensed IP Assets, other than such disclosures made to the PTO, other patent offices, standard-setting organizations or otherwise, which disclosures were consistent with the exercise of reasonable business judgment, and (iii) to protect confidential information and trade secrets provided by any other Person to Seller or any of its Subsidiaries subject to a duty of confidentiality or a limitation on use, which confidential information and trade secrets are included in Purchased IP Assets or Exclusively Licensed IP Assets. Without limiting the generality of the foregoing, Seller and its Subsidiaries have, and enforce, a policy requiring each employee, consultant and independent contractor (including consultants and employees who contributed to the creation or development of all Purchased IP Assets, and all Listed Licensed IP Assets and Exclusively Licensed IP Assets owned or purported to be owned by Seller and its Subsidiaries) to execute proprietary information, confidentiality and invention and copyright assignment agreements substantially in the form made available to Purchaser, which agreements, by their terms, irrevocably transfer to Seller and its Subsidiaries all rights in such Intellectual Property Rights and Technology (subject only to a copyright owner's right, pursuant to the Copyright Act of 1976 or the foreign equivalent thereof, to terminate a copyright transfer), and, to Seller's knowledge, all current and former employees, consultants and independent contractors of Seller and its Subsidiaries since October 25, 2006 have executed such an agreement; and copies of all such agreements have heretofore been provided or made available to Purchaser.

(h) Restrictions on Use. No Purchased IP Asset, the Technology in the Licensed IP Asset or Current Business Product is subject to any Order, Action or Proceeding, settlement, compulsory license, U.S. or Canadian government "march in" right, or, to Seller's knowledge, any other Governmental Authority or Regulatory "march in" right, that restricts in any manner the use, transfer or licensing of such Purchased IP Asset, the Technology in the Licensed IP Asset or Current Business Product by Seller or any of its Subsidiaries. For purposes hereof, a "march-in" right is a right retained by a Governmental Authority equivalent to the rights retained by the U.S. Government pursuant to 35 U.S.C. Section 203. No Purchased IP Asset, Technology in the Licensed IP Asset, or Current Business Product is subject to (i) requirements under 35 U.S.C. §§200-212 that products be manufactured substantially in the United States, (ii) requirements imposed by Canadian federal or provincial government that products be manufactured substantially in Canada or in a Canadian province, or (iii) to Seller's knowledge, requirements imposed by any other Government or Regulatory Authority that products be manufactured substantially in any jurisdiction. No Purchased IP Asset, Exclusively Licensed IP Asset or Current Business Product was created or developed by or for any Governmental or Regulatory Authority, university or academic institution, and neither Seller nor any of its Subsidiaries has received any funding from any such entity or otherwise has any obligation to any such entity with respect to any Purchased IP Asset, Exclusively Licensed IP Asset or Current Business Product. There are no restrictions, either pursuant to any Contract or under any Law, on the transferability or ownership of any Purchased IP Assets, and the transferability of the Purchased IP Assets is not, other than in regard to compliance with applicable export control and embargo regulations, restricted under any Law. Schedule 1.1(b) sets forth each Purchased Registered Intellectual Property Rights by jurisdiction.

(i) No Changes Caused by the Transaction. Neither the execution or the consummation of this Agreement nor the Ancillary Agreements, nor any transaction contemplated by this Agreement or any of the Ancillary Agreements, will result in the grant of any right or license with respect to the Purchased IP Assets or the Exclusively Licensed IP Assets to any Person (other than Purchaser).

(j) Software List. Section 2.11(j) of the Seller Disclosure Schedule sets forth a list of all Software which Seller or any of its Subsidiaries has licensed from any third party which is used in the Business (other than Non-Critical Software).

(k) Failure Analysis Reports. Seller has provided to Purchaser its failure analysis reports, return material authorizations and errata with respect to the Business (including its percentage error rates for each Business Product) from January 1, 2007 until the date hereof and such records are accurate and materially complete.

(l) Open Source. Except as specifically set forth in Section 2.11(l) of the Seller Disclosure Schedule, (i) no Open Source Software is incorporated (either directly or indirectly, by incorporation of third-party Software that itself incorporates Open Source Software) into any Current Business Products; (ii) no Current Business Product (A) is intermingled or bundled by Seller or its Subsidiaries with or (B) is otherwise derived from or contains part of, or uses or links to, any Open Source Software or any libraries or routines that constitute Open Source Software or contains elements that previously used or were linked to Open Source Software or any libraries or routines that constitute Open Source Software; and (iii) the Purchased IP Assets are not Open Source Software.

(m) Source Code Protection. Neither Seller nor any of its Subsidiaries has licensed, distributed or disclosed, and neither Seller nor any of its Subsidiaries has any knowledge of any distribution or disclosure by any other Person (including employees and contractors) of, any Source Code for any Software within the Purchased IP Assets or included in any Current Business Product or other confidential information constituting, embodied in or pertaining to such Software ("Business Source Code") to any Person, except pursuant to the agreements listed in Section 2.11(m) of the Seller Disclosure Schedule, and Seller and its Subsidiaries have taken reasonable physical and electronic security measures to prevent unauthorized disclosure of such Business Source Code. No event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time, or both) will, or would reasonably be expected to, and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements will not, result in the disclosure or release of any such Business Source Code by (i) Seller or any of its Subsidiaries to any escrow agent or any other third party; or (ii) any escrow agent or other Person to any third party either (A) pursuant to any Contract entered into by Seller or its Subsidiaries or (B) to Seller's knowledge, for any other reason.

2.12 Contracts.

(a) Section 2.12(a) of the Seller Disclosure Schedule contains, as of the date of this Agreement, a true and complete list of:

(i) each Assigned Contract involving payments in excess of one hundred fifty thousand dollars (\$150,000) over the life of the Assigned Contract that is not terminable by Seller or its Subsidiaries upon thirty (30) calendar days (or less) notice by Seller or its Subsidiaries without penalty or obligation to make any payment based on such termination;

(ii) each Contract or License primarily or exclusively related to the Business, Purchased Assets or Assumed Liabilities that contains, constitutes or provides for:

- (A) material continuing design or other services (including engineering and research and development services) by Seller or any of its Subsidiaries, other than in the ordinary course of business;
- (B) any covenant or other provision which limits Seller's or any of its Subsidiaries' ability to compete with any Person or in any area or territory;
- (C) any strategic alliance, joint development or joint marketing Contract regarding the Business, the Purchased Assets or the Assumed Liabilities;
- (D) material manufacturing, marketing, distribution, license or similar Contract of any type or scope granted to a third party with respect to any Purchased Asset or Current Business Product;

(E) any Contract for employment or compensation with Business Employees or independent contractors (including agreements with respect to bonus, stay-put, severance, termination payments or other payments to any Business Employee or independent contractors and any agreement with any Canadian Business Consultant) other than normal employee compensation, performance bonuses and other fringe benefits, in each case on the terms and in amounts established in the ordinary course of business; and/or

(iii) each other material Contract relating to the Business or any of the Purchased Assets or Assumed Liabilities, including each of the Lease Documents underlying the Assigned Leasehold and Subleasehold Interests.

(b) True and complete copies of all such Contracts or, if not reduced to writing, reasonably complete and accurate written descriptions of which, together with all amendments and supplements thereto and all waivers of any terms thereof, have been provided or made available to Purchaser prior to the execution of this Agreement. Each Assigned Contract and Contract listed or required to be listed in Section 2.12(a) of the Seller Disclosure Schedule is in full force and effect and constitutes a legal, valid and binding agreement, enforceable against Seller, and to Seller's knowledge, each other party thereto, in accordance with its terms. To Seller's knowledge, no other party to any such Contract is, or has received any claim or notice that it is, in violation or breach of or default under any such Contract (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contract). Neither Seller nor any of its Subsidiaries is a party to or bound by any Assigned Contract set forth in Section 2.12(a)(ii)(E) of the Seller Disclosure Schedule that automatically terminates or allows termination by the other party thereto upon consummation of any of the transactions contemplated by this Agreement or any of the Ancillary Agreements.

#### 2.13 Insurance.

(a) Each insurance policy to which Seller or any of its Subsidiaries is a party covering the Business or any of the Purchased Assets is valid and binding and in full force and effect, all premiums due thereunder have been paid when due, and neither Seller nor the Person to whom such policy has been issued has received any notice of cancellation or termination in respect of any such policy or is in default thereunder.

(b) Section 2.13(b) of the Seller Disclosure Schedule contains a list of all claims in excess of fifty thousand dollars (\$50,000) made under any insurance policies covering the Business or any of the Purchased Assets in the two years immediately preceding the date of this Agreement. Seller has not received notice that any insurer under any policy is denying, disputing or questioning liability with respect to a claim thereunder or defending under a reservation of rights clause.

2.14 Affiliate Transactions. No Assumed Liability arises out of any Contract or Liability between Seller or any of its Subsidiaries, on the one hand, and any current or former officer or director of Seller, or (to Seller's knowledge) any company in which such officer or director holds a material interest, or any stockholder or Affiliate of Seller, on the other hand. No current or former officer, director or stockholder of Seller or any of its Subsidiaries or any

Affiliate of Seller (other than Subsidiaries of Seller) provides or causes to be provided any assets (including any of the Purchased Assets), services (other than services performed by employees, officers or directors of Seller or its Subsidiaries in their capacity as such) or facilities to the Business.

2.15 Employees; Labor Relations.

(a) Seller has heretofore delivered to Purchaser a complete and accurate list of all (i) employees of Seller or any of its Subsidiaries engaged in or otherwise supporting the conduct of the Business by Seller and its Subsidiaries who are employed by Seller or any of its Subsidiaries as of the date hereof (and, with respect to the employees with the titles of manager or above, at any time during the six (6) month period ending on the date hereof), including layout, test, product engineering and general and administrative employees, with a description of each individual's respective position and responsibilities (to the extent requested by Purchaser) and cash and non-cash compensation (with a breakdown by type and amount), and, in the case of current employees, each individual's (A) employee number, (B) status (i.e., full time, part time, temporary, casual, seasonal, co-op student), (C) employment authorization or work visa status, to the extent required for employment authorization and/or verification purposes in the applicable jurisdiction, (D) date of hire and service dates, (E) current wages, salaries or hourly rate of pay, benefits, vacation entitlement, commissions and bonus (whether monetary or otherwise), (F) other material compensation paid or payable since the beginning of the most recently completed fiscal year, (G) for any benefit that takes into account length of service to the employer, the date upon which each such term of employment with Seller or any of its Subsidiaries became effective, (H) jurisdiction of current employment, and (I) unless prohibited by applicable Law, age (such current employees of Seller or any of its Subsidiaries hereinafter referred to as the "Business Employees"). Section 2.15(a) of the Seller Disclosure Schedule sets forth a complete and accurate list of the names of all Canadian Business Consultants of Seller and any of its Subsidiaries, whether the Canadian Business Consultant is providing services pursuant to a written consulting Contract, the term of any Contract, the notice, if any, required for Seller or any of its Subsidiaries to terminate the consulting relationship without cause, the date the Canadian Business Consultant first commenced providing services to Seller or any of its Subsidiaries, the hourly fee of the Canadian Business Consultant and the annual fees paid to the consultant for the preceding calendar year.

(b) Neither Seller nor any of its Subsidiaries in any of the jurisdictions affected by the transactions contemplated by this Agreement is a party (or is otherwise subject) to any collective bargaining agreement, trade union agreement, or works council, employee representative or information or consulting agreement or requirement covering any Business Employee, and there are no unfair labor practice or arbitration proceeds pending or ongoing, or to Seller's knowledge, threatened with respect to the Business. To Seller's knowledge, there is presently (and during the three (3) years immediately preceding the date of this Agreement there has been) no organizational effort underway or threatened involving any of the Business Employees, and there has never been any work stoppage, strike or other concerted action by employees engaged in the conduct of the Business. As of the Closing Date, Seller and its Subsidiaries shall have complied in all material respects with their respective obligations to inform, consult with and/or seek consent from any Business Employee (or such Business Employee's representatives) concerning the transactions contemplated by this Agreement.

(c) Each Business Employee resident in the United States is employed at will and each Business Employee resident outside of the United States is employed pursuant to applicable Laws, and no Business Employee is represented by a union. The UK Employees and the French EU Business Employee are the only Business Employees who are employed in any Member State of the European Union. No Canadian Business Employee is on short-term or long-term disability leave, parental leave, extended absence or receiving benefits pursuant to the Workplace Safety and Insurance Act, 1997 (Ontario) or similar workers' compensation legislation in other jurisdictions.

(d) The completion of the transactions contemplated by this Agreement will not result in any payment or increased payment becoming due to any Business Employee, and, to Seller's knowledge, as of the date of this Agreement, no Business Employee has made any threat, or otherwise revealed an intent, to terminate his or her relationship with Seller or any of its Subsidiaries, for any reason, including because of the consummation of the transactions contemplated by this Agreement. No Business Employee is employed by any outside agency.

(e) During the three (3) years immediately preceding the date of this Agreement there has been no governmental or private individual complaint or claim based on sex, sexual or other harassment, age, disability, race or other form of discrimination prohibited by Law, and no complaint or claim, including any claim of wrongful termination, by any Business Employee or by any individual performing work for the Business but provided by an outside employment agency, and to Seller's knowledge, no such complaints or claims are threatened or pending. Seller and its Subsidiaries have complied in all material respects with all Laws related to the employment of the Business Employees and the payment of all required wages and benefits to them or on their behalf, and neither Seller nor any of its Subsidiaries has received any notice during the three (3) years immediately preceding the date of this Agreement of any claim that it has not complied in any material respect with any Law relating to the employment of any of the Business Employees, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and similar Taxes, payment to pension plans or other required benefits under applicable Law, equal employment opportunity, employment discrimination, WARN, employee safety, or that it is liable for any arrearage of wages or any Tax or penalty for failure to comply with any of the foregoing.

(f) To Seller's knowledge, no Business Employee is bound by, subject to or obligated under any Contract or subject to any Law that would prevent him or her from working for Purchaser or any of its Subsidiaries or interfere with the conduct of the Business as presently conducted or as presently proposed to be conducted. To Seller's knowledge, neither the execution nor delivery of this Agreement, nor the carrying on of the Business as presently conducted or as presently proposed to be conducted, nor any activity of such Business Employees in connection with the carrying on of the Business as presently conducted or as presently proposed to be conducted, will conflict with or result in a breach of the terms, conditions or provisions of, constitute a default under, or trigger a condition precedent to any right under any Contract or other agreement under which any such Business Employee is now bound. To Seller's knowledge, no Business Employee has, either directly or indirectly, been solicited, induced, recruited or encouraged by Seller or any of its Subsidiaries or any of its or their respective Representatives to leave his or her former employer and accept employment with Seller or any of its Subsidiaries in violation of an obligation to a former employer.

(g) All amounts that Seller or any of its Subsidiaries is legally or contractually required either (i) to deduct from the salaries of the Business Employees or to transfer to such employees' pension, life insurance, disability, or other similar fund or (ii) to withhold from Business Employees' salaries and pay to any Governmental or Regulatory Authority, have, in each case, been duly deducted, transferred, withheld and paid, and Seller and its Subsidiaries do not have any outstanding obligation to make such deduction, transfer, withholding or payment.

(h) Seller has furnished Purchaser with true, correct and complete copies of all material written employee policies, employee handbooks and employee manuals applicable to the Business Employees.

#### 2.16 Employee Benefit Plans.

(a) Neither Seller nor any of its ERISA Affiliates maintains or sponsors (or ever maintained or sponsored), or makes or is required to make contributions to, any Seller Benefit Plan. None of the Seller Benefit Plans is or was a "multiemployer plan," as defined in Section 3(37) of ERISA and none of the Seller Benefit Plans is or was a "defined benefit pension plan" within the meaning of Section 3(35) of ERISA. None of the Seller Benefit Plans is or was adopted or maintained by Seller or any ERISA Affiliate for the benefit of individuals who perform services outside the United States. Seller has delivered to Purchaser true and complete copies of: (i) each of the Seller Benefit Plans and any related funding agreements thereto (including insurance contracts) including all amendments and (ii) the currently effective Summary Plan Description pertaining to each of the Seller Benefit Plans.

(b) With respect to each Seller Benefit Plan that is maintained outside the jurisdiction of the United States or Canada or primarily covers Business Employees residing or working outside the United States or Canada, (i) such Seller Benefit Plan has been established, maintained and administered in all material respects in compliance with its terms and all applicable Laws; (ii) all contributions and expenses that are required to be made have been made or will be made in a timely manner prior to or immediately following the Closing; and (iii) with respect to any such Seller Benefit Plan that is intended to be eligible to receive favorable Tax treatment under the Laws applying to such Plan, all requirements necessary to obtain such favorable Tax treatment have been satisfied.

(c) Section 2.16(c) of the Seller Disclosure Schedule contains a complete and accurate list of all Canadian Seller Benefit Plans. Except as set forth in Section 2.16(c) of the Seller Disclosure Schedule, (i) Seller has heretofore made available to Purchaser a current copy of each Canadian Seller Benefit Plan and the funding agreements and summary descriptions of each such plan; (ii) all Canadian Seller Benefit Plans are registered and have been administered in all material respects in accordance with the terms of such plans, including the terms of the material documents that support such plans, and in accordance in all material respects with all applicable Laws; (iii) none of the Canadian Seller Benefit Plans provide for benefit increases that are contingent upon, or will be triggered by the completion of the transactions contemplated herein; and (iv) none of the Canadian Seller Benefit Plans provides benefits beyond retirement or other termination of service to employees or former employees or to the beneficiaries or dependants of such employees.

2.17 Tangible Assets. All of the tangible assets included in the Purchased Assets are in good working order and condition in all material respects, ordinary wear and tear excepted.

2.18 Real Property and Facilities.

(a) Section 2.18(a) of the Seller Disclosure Schedule contains a correct list of each facility and the correct address for each location where the Business is regularly conducted (or where any of the Purchased Assets are located or any of the Business Employees is regularly employed) (the "Business Real Properties"). Seller and its Subsidiaries have the right to lease, assign or sublease to Purchaser the Assigned Leasehold and Subleasehold Interests, and to allow Purchaser to occupy the applicable facilities to be occupied by Purchaser and its Subsidiaries pursuant to the Transition Services Agreement. At the Effective Time, the premises to be conveyed or leased to Purchaser pursuant to the Assigned Leasehold and Subleasehold Interests shall be free and clear of all occupants other than Business Employees. Seller has not granted to any Person any options or encumbrances on the Business Real Properties, which would allow such Person to interfere with or limit Seller's rights in the Assigned Leasehold and Subleasehold Interests during the term thereof. No real property where the Business is regularly conducted or any of the Purchased Assets is located or any of the Business Employees are regularly employed is owned by Seller or any of its Subsidiaries.

(b) Subject to the terms of applicable Lease Documents, Seller and its Subsidiaries have a valid and subsisting leasehold estate in and the right to quiet enjoyment of each of the leased Business Real Properties related to each Assigned Leasehold and Subleasehold Interest for the full term of the applicable leases (including renewal periods) relating thereto. Each Lease Document related to each Assigned Leasehold and Subleasehold Interest is a legal, valid and binding agreement, enforceable in accordance with its terms, of Seller (or a Subsidiary of Seller, as the case may be) and, to Seller's knowledge, of each other Person that is a party thereto, and there is no, and neither Seller nor any of its Subsidiaries have received notice of any, default (or any condition or event which, after notice or lapse of time or both, would constitute a default) thereunder; *provided* that, to Seller's knowledge, neither Seller nor any of its Subsidiaries is in breach or default under any such Lease Document, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under any such Lease Document.

(c) All improvements on each Business Real Property related to each Assigned Leasehold and Subleasehold Interest (i) comply with, and the operation of the Business therein is operated in accordance with, the applicable Lease Documents and all with applicable Laws in all material respects and all applicable Liens, Approvals, Contracts, covenants and restrictions, and (ii) are in all material respects in good operating condition and in a state of good maintenance and repair, ordinary wear and tear excepted, and to Seller's knowledge, there is no condemnation, expropriation or appropriation proceeding pending or threatened against any of such real property or any of the improvements thereon.

(d) True and correct copies of the documents under which the applicable Business Real Property is leased or subleased to or utilized and/or operated by Seller and its Subsidiaries (the "Lease Documents") have heretofore been delivered or made available to Purchaser. The Lease Documents are unmodified and in full force and effect.

2.19 Environmental Matters.

(a) Seller and its Subsidiaries possess all Environmental Permits necessary to operate the Business.

(b) Seller and its Subsidiaries are in compliance in all material respects with (i) all terms, conditions and provisions of all Environmental Permits related to the Business or any of the Purchased Assets and (ii) all Environmental Laws applicable to the Business or any of the Purchased Assets.

(c) Neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has received any notice of alleged, actual or potential responsibility for, any Order, or any inquiry regarding, (i) any material Release or presence or threatened or suspected Release or presence of any Hazardous Material involving the Business or any of the Purchased Assets, or (ii) any material violation of Environmental Law involving the Business or any of the Purchased Assets.

(d) Regarding the Business and the Purchased Assets, neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has any obligation or Liability with respect to any Hazardous Material, including any Release or threatened or suspected Release of any Hazardous Material, that could give rise to a Liability of (or claim against) Purchaser, and there has been no event, fact or circumstance which, either alone or in combination, would reasonably be expected to form the basis of any such obligation or Liability.

(e) To Seller's knowledge, no Release of Hazardous Material(s) has occurred at, from, in, to, on, or under any Site related to the Business or any of the Purchased Assets and no Hazardous Material is present in, on, about or migrating to or from any such Site, in each case in a manner or in quantities reasonably likely to materially interfere with the operation of the Business or the Purchased Assets, or otherwise subject the Business or the Purchased Assets to Liability for violation of Environmental Law.

(f) Neither Seller nor any of its Subsidiaries, nor, to Seller's knowledge, any of its or their respective predecessors or any entity previously owned by any of the foregoing, has transported or arranged for the treatment, storage, handling, disposal or transportation of any Hazardous Material at or to any location relating to the Business or any of the Purchased Assets, except in each case in compliance with applicable Environmental Laws.

(g) No Site related to the Business or any of the Purchased Assets is a current or proposed Environmental Clean-up Site.

(h) There is no Lien under or pursuant to any Environmental Law on any Site related to the Business or any of the Purchased Assets.

(i) To Seller's knowledge, there is no (i) underground storage tank, active or abandoned, (ii) polychlorinated biphenyl containing equipment, (iii) asbestos-containing material, (iv) radon, (v) lead-based paint or (vi) urea formaldehyde at any Site related to the Business or any of the Purchased Assets.

(j) There has been no environmental investigation, sampling data, study, audit, test, review or other analysis conducted or commissioned by Seller or in the control, possession or custody of Seller or any of its Subsidiaries with respect to any Site which has not been delivered to Purchaser prior to execution of this Agreement.

(k) Neither Seller nor any of its Subsidiaries is a party, whether as a direct signatory or as successor, assign, third-party beneficiary, guarantor or otherwise, to, and neither Seller nor any of its Subsidiaries is otherwise bound by, any lease, sublease or other Contract related to the Business or any of the Purchased Assets under which it is obligated or may be obligated by any representation, warranty, covenant, restriction, indemnification or other undertaking respecting Hazardous Materials or under which any other Person is or has been released respecting Hazardous Materials.

(l) Seller and its Subsidiaries, and, to Seller's knowledge, its and their respective predecessors and each entity previously owned by any of the foregoing, have provided all notifications and warnings, made all registrations and pre-registrations, made all reports, and kept and maintained all records required pursuant to all Environmental Laws applicable to the Business or any of the Purchased Assets.

2.20 No Brokers. Other than Lehman Brothers, Inc., whose fees shall be paid by Seller, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby based on arrangements made by or on behalf of Seller or any of its Subsidiaries.

2.21 No Breach of Exclusivity Agreement. Since May 8, 2008, neither Seller nor any of its Subsidiaries has taken or permitted any of its or their respective Representatives to take, either directly or indirectly, any action that is a breach of the Exclusivity Agreement.

2.22 Financial Projections. Seller has provided to Purchaser a true, correct and complete copy of Seller's (i) working written budget dated as of August 6, 2008 for the Business for the balance of 2008 (the "Operating Plan") and (ii) Project Butterfly DTV Division Revenue Forecast dated August 6, 2008. Such plan and forecast were adopted by Seller in the ordinary course of business consistent with past practice and there have been no amendments or updates to such plan or forecast so adopted between the applicable dates thereof and the date of this Agreement. From August 6, 2008 to the date of this Agreement, Seller and its Subsidiaries have operated the Business in accordance with the Operating Plan.

2.23 Customers and Suppliers. Section 2.23 of the Seller Disclosure Schedule sets forth a list of (a) (i) the top ten (10) customers, by consolidated revenue, of the Business, and (ii) each customer that accounted for more than five percent (5%) of the revenues of the Business, in each case during Seller's last full fiscal year and the five-month period ended May 31, 2008 and

the amount of revenues accounted for by such customer during each such period, and (b) each supplier that is the sole supplier of any significant Current Business Product. To Seller's knowledge, no such customer has indicated to Seller that it intends to terminate or materially adversely change its relationship with Seller or any of its Subsidiaries (except, in the case of indications first made after the date hereof, where such termination or change would not reasonably be expected to have a Business Material Adverse Effect).

2.24 Inventory. The Purchased Inventory consists of a quality usable and salable in the ordinary course of business as currently conducted. All Purchased Inventory is and immediately prior to the Effective Time shall be the property of Seller and its Subsidiaries free and clear of any Lien other than Permitted Exceptions, and is not and shall not be pledged as collateral and is not and shall not at any time prior to the Effective Time be held by Seller and its Subsidiaries on consignment from others.

2.25 Warranties. Section 2.25 of the Seller Disclosure Schedule sets forth a description of the standard warranties currently offered or still in effect with respect to the Business as of the date of this Agreement (other than warranties under applicable Law), and the aggregate expenses incurred by the Business in fulfilling warranty obligations since January 1, 2007. Except for return material authorizations, errata and failure analysis reports, to the knowledge of Seller, Seller has not received any written notice that the Current Business Products in current production have any material defects in construction and design and do not satisfy any and all Contract or other specifications related thereto to the extent stated in writing in such Contracts or specifications.

2.26 Disclosure. Seller has heretofore provided or made available to Purchaser all of the Contracts, Licenses, Permits, Approvals, and Books and Records heretofore requested on behalf of Purchaser in writing, and all other material information concerning the Business, the Purchased Assets and the Assumed Liabilities in the possession, custody or control of Seller or any of its Subsidiaries.

ARTICLE 3.  
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby makes the following representations and warranties to Seller, except as otherwise set forth in the disclosure schedule and schedule of exceptions delivered by Purchaser herewith and dated as of the date hereof (the "Purchaser Disclosure Schedule"). The parties hereto agree that any reference in a particular section or subsection of the Purchaser Disclosure Schedule shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) the representations and warranties contained in the corresponding section and subsection of this Agreement and shall not be deemed to be an exception to (or, as applicable, a disclosure for purposes of) any other representation and warranty contained in this Agreement, unless the relevance of that reference as an exception to (or a disclosure for purposes of) such other representation and warranty is readily apparent from the face of such disclosure to a Person who has read only that reference and such other representation and warranty and Purchaser has used commercially reasonable efforts to provide express cross-references where applicable.

3.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the State of California. Purchaser has full corporate power and corporate authority to conduct its business as presently conducted and as presently proposed to be conducted and to own, use and lease its Assets and Properties. Purchaser is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use, licensing or leasing of its Assets and Properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for such failures to be so duly qualified, licensed or admitted and in good standing that would not have a Purchaser Material Adverse Effect. The transactions contemplated by this Agreement do not involve the acquisition of intangible Assets and Properties by a Person resident in Canada or registered pursuant to subdivision (d) of Division V under Part IX of the Excise Tax Act (Canada).

3.2 Authority Relative to this Agreement. Purchaser has full corporate power and corporate authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements to which it is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly and validly authorized by all necessary action by the board of directors of Purchaser, and no other action on the part of the board of directors of Purchaser is required to authorize the execution, delivery and performance of this Agreement and the Ancillary Agreements to which it is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby. This Agreement and the Ancillary Agreements to which Purchaser is a party have been or will be, as applicable, duly and validly executed and delivered by Purchaser and, assuming the due authorization, execution and delivery hereof by Seller and/or the other parties thereto, constitutes or will constitute, as applicable, a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws relating to the enforcement of creditors' rights generally and by general principles of equity.

3.3 No Conflicts. The execution and delivery by Purchaser of this Agreement and the Ancillary Agreements to which it is a party do not, and the performance by Purchaser of its obligations under this Agreement and the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby will not:

(a) conflict with or result in a violation or breach of any of the terms, conditions or provisions of the articles of incorporation or bylaws of Purchaser;

(b) subject to (i) such filings as may be required under applicable state or federal securities Laws, and (ii) the making of such filings (if any) as may be required under the Competition Act (Canada), the Investment Canada Act, or antitrust, notification, merger control, and similar Laws of other jurisdictions, and the receipt of approvals and/or the expiration or early termination of any applicable waiting period thereunder or therefrom, conflict with or result in a violation or breach of any Law applicable to Purchaser or its Assets or Properties; or

(c) except as would not have a Purchaser Material Adverse Effect, (i) conflict with or result in a material violation or breach of, (ii) constitute a material default (or an event that, with or without notice or lapse of time or both, would constitute a material default) under, or (iii) require Purchaser to obtain any material consent, approval or action of, make any material filing with or give any material notice to any Person as a result of the terms of, any material Contract or material License to which Purchaser is a party or by which any of its Assets and Properties are bound.

3.4 Litigation. There is no Order, Action or Proceeding pending or, to Purchaser's knowledge, threatened against or affecting, Purchaser as of the date hereof before any Governmental or Regulatory Authority which in any manner challenge or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement.

3.5 No Brokers. No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or similar fee or commission in connection with this Agreement or any of the Ancillary Agreements or any of the transactions contemplated hereby or thereby based on arrangements made by or on behalf of Purchaser.

3.6 Funds. Purchaser has sufficient funds on hand to pay the Purchase Price at the Closing.

ARTICLE 4.  
CONDUCT PRIOR TO THE CLOSING

4.1 Conduct of the Business. During the period from the execution and delivery of this Agreement by Seller and continuing until the earlier of the termination of this Agreement or the Closing, without the advance written consent of Purchaser (which will not be unreasonably withheld, conditioned or delayed) Seller shall (and shall cause its Subsidiaries to), in each case as applicable to the Business, (i) carry on the Business in the usual, regular and ordinary course consistent with past practice, (ii) pay Liabilities and Taxes (other than Taxes and Liabilities, if any, that are not Assumed Liabilities and that are being contested in good faith through appropriate proceedings) consistent with Seller's past practices (and in any event when due), (iii) pay or perform other obligations when due consistent with Seller's past practices (other than other obligations, if any, that are not Assumed Liabilities and that are being contested in good faith through appropriate proceedings), (iv) comply with all applicable Laws in all material respects, and (v) use commercially reasonable efforts (which shall not include the making of extraordinary payments) to preserve intact the Purchased Assets and the Business, keep available the services of the Business Employees, and preserve relationships with customers, suppliers, distributors, licensors, licensees, lessors, employees, independent contractors and other Persons having dealings with the Business, all with the purpose and intent of preserving unimpaired the Purchased Assets and the goodwill and ongoing business of the Business at the Closing. Except as expressly required by this Agreement, Seller shall not (and shall cause its Subsidiaries not to), without the prior written consent of Purchaser (which will not be unreasonably withheld or delayed), knowingly take any action that would cause, or agree in writing or otherwise to take any action that Seller knows would cause, any condition to Purchaser's closing obligations in Section 6.1 or Section 6.3 (other than Section 6.3(a)) (or Seller's closing obligations in Section 6.1 or Section 6.2) not to be satisfied. Without limiting the generality of the foregoing,

during the period from the execution and delivery of this Agreement by Seller and continuing until the earlier of the valid termination of this Agreement or the Closing, except as expressly required by this Agreement or the Ancillary Agreements, and except as set forth in Schedule 4.1, Seller shall not take, cause or permit any of the following actions, without the prior written consent of Purchaser (which will not be unreasonably withheld or delayed):

(a) Contracts: enter into any Contract (other than standard non-disclosure agreements or sales of Business Products under Seller's or its Subsidiaries' standard purchase order and sales acknowledgment terms entered into in the ordinary course of business consistent with past practice) affecting any of the Purchased Assets, Assumed Liabilities or the Business or that would be an Assigned Contract, or violate, amend or otherwise modify, in any material respect, or waive any of the material terms or terminate or accept a surrender of any such Contract;

(b) Intellectual Property: (i) sell, dispose of, License or transfer to any Person any right to, or permit the imposition of any Lien on, any Intellectual Property Rights or Technology that constitute (or would, but for such action, constitute) any Purchased IP Assets (other than non-exclusive licenses granted in the ordinary course of business in connection with sales of Business Products in the ordinary course of business consistent with past practice); (ii) sell, dispose of, License in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements, or transfer to any Person, or permit the imposition of any Lien on, any Exclusively Licensed IP Assets (other than non-exclusive licenses granted in the ordinary course of business in connection with sales of products in the ordinary course of business consistent with past practice); or (iii) sell, dispose of or transfer to any Person, license, or permit the imposition of any Lien on, any other Licensed IP Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries under any Licensed IP Asset pursuant to the Intellectual Property License Agreements;

(c) Exclusive Rights: enter into or amend in any material respect any Contract pursuant to which any other party is granted any exclusive marketing or other exclusive right of any type or scope with respect to any Business Product or enter into a Contract involving any material restriction on the future conduct of the Business, including any Contract that (i) contains noncompetition restrictions, including any covenants limiting or purporting to limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business or with any Person or in any area or which would limit the freedom of Seller or any of its Subsidiaries to compete in any material line of business after the Effective Time, (ii) grants any exclusive supply or distribution right for a material product or territory, (iii) grants from Seller or any of its Subsidiaries any "most favored nation" or similar preferred pricing right to any of the customers of Seller and any of its Subsidiaries or (iv) grants any right of first refusal, right of first negotiation or similar right with respect to any Business Product or Intellectual Property Right, any Purchased IP Asset, any exclusively Licensed IP Asset in the field exclusively licensed to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements or any Listed Licensed IP Assets in any manner that would prevent the grant of the license to Purchaser and its Subsidiaries thereunder pursuant to the Intellectual Property License Agreements;

(d) Dispositions: sell, transfer, lease, license, or otherwise dispose of, waive any right to, encumber, mortgage, pledge or incur or suffer to exist any Lien (other than Permitted Exceptions), terminate, accept for surrender or fail to renew any lease or sublease of, any of the Purchased Assets (other than dispositions of inventory in the ordinary course of business consistent in nature and amount with the past practice of Seller and its Subsidiaries);

(e) Acquisitions: acquire or agree to acquire, by purchase of all or substantially all of the assets, purchase of stock, merger, consolidation or otherwise, any business that would constitute Purchased Assets;

(f) Revaluation: write-off, write-down, revalue or change any reserves or liabilities associated with any of the Purchased Assets or make any determination to do any of the foregoing, except in each case to the extent required by GAAP;

(g) Obligations: incur or fail to pay or otherwise satisfy any Liability that would be an Assumed Liability (other than immaterial Liabilities in the ordinary course of business consistent with past practice);

(h) Employee Benefit Plans; New Hires; Pay Increases: (i) terminate any Business Employee (other than in the ordinary course of business consistent with past practice for misconduct or unsatisfactory performance and other than employees who have been conclusively determined to be Non-transferring Employees), (ii) hire any Person to perform the functions of a Business Employee (other than in the ordinary course of business consistent with past practice and other than replacement positions for any employee (A) who has been conclusively determined to be a Non-transferring Employee and (B) whose employment with Seller has been terminated), (iii) adopt, modify or amend any Seller Benefit Plan, Canadian Seller Benefit Plan or stock purchase or option plan or any employment Contract applicable to any Business Employee (other than Non-transferring Employees), (iv) agree to any acceleration of the vesting of any options or other benefits held by any Business Employee (other than Non-transferring Employees), (v) pay any special bonus or special remuneration to any Business Employee (other than Non-transferring Employees) or (vi) increase the salary, wage rate, rate of commissions or other compensation of any Business Employee (other than Non-transferring Employees and other than as required by Contracts in effect as of the date hereof and listed in Schedule 4.1(h)).

(i) Severance Arrangements: grant, pay or agree or commit to pay any severance, termination, retention or stay-put payment, bonus or other payment out of the ordinary course of business to any Business Employee (other than Non-transferring Employees);

(j) Lawsuits: commence or settle any lawsuit relating primarily or exclusively to the Business or any of the Purchased Assets or Assumed Liabilities other than (i) for the routine collection of bills, or (ii) in such cases where it in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business, *provided* that Seller shall consult with Purchaser prior to the filing of such a suit;

(k) Accounts Receivable: accelerate the timing, or increase the volume, of sales or shipments of Business Products, or offer or agree to any inducement, or otherwise take any action or enter any arrangement with the purpose or effect of increasing the level of accounts receivable from the Business (other than in response to bona fide unsolicited orders by

customers) above the historical range for forecasted revenue for the third calendar quarter of 2008 set forth in Schedule 4.1(k) (to be measured consistent with Seller's ordinary course of business consistent with past practice);

(l) Inventory: defer, or reduce the volume of, purchase of inventory, or otherwise take any action with the purpose or effect of reducing the level of Purchased Inventory below the level set forth in Schedule 4.1(l) (to be measured consistent with Seller's ordinary course of business consistent with past practice);

(m) Taxes: (i) make, change or rescind any material election in respect of any Tax relating to the Business or any of the Purchased Assets, (ii) adopt or change any accounting or reporting method, policy or principle in respect of any material Tax relating to the Business or any of the Purchased Assets, (iii) enter into any Tax allocation agreement, Tax sharing agreement, Tax indemnity agreement or closing agreement, settlement or compromise of any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets, or (iv) consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Tax relating to the Business or any of the Purchased Assets with any Taxing Authority or otherwise;

(n) Accounting: make any change in accounting policies, principles, methods, practices or procedures relating to any of the Purchased Assets or Assumed Liabilities (including for bad debts, contingent liabilities or otherwise, respecting capitalization or expense of research and development expenditures, depreciation or amortization rates or timing of recognition of income and expense), except for any such change required by reason of a concurrent change in GAAP;

(o) Insurance, Leases, Permits and Approvals: fail to renew, materially amend or cancel any (i) material insurance policy covering the Business or any of the Purchased Assets, (ii) Assigned Permits and Approvals or (iii) any of the leases or subleases underlying the Assigned Leasehold and Subleasehold Interests;

(p) Material Changes: commence or terminate, or make any material change in, any line of business included in the Business; or

(q) Other: take or agree in writing or otherwise to take, any of the actions described in Section 4.1(a) through Section 4.1(p) above, or any other action that would prevent Seller or any of its Subsidiaries from performing, or cause Seller or any of its Subsidiaries not to perform, any of its covenants and agreements hereunder.

#### 4.2 No Solicitation.

(a) Until (and including) the earlier of the Closing or the date of termination of this Agreement in accordance with the provisions of Section 8.1, Seller shall not, and shall not authorize or permit any of its Representatives to, either directly or indirectly: (i) solicit, initiate, encourage or facilitate any proposal or offer from, or participate or engage in or conduct any discussions or negotiations with, any Person relating to any inquiry, contact, proposal or offer, whether oral, written or by any other means, formal or informal, involving the possibility of a sale, transfer or change in direct or indirect ownership or control of the Business or any of the

Purchased Assets (each such inquiry, contact, offer or proposal, a "Competing Proposal or Inquiry"). (ii) provide any information concerning the Business or any of the Purchased Assets to any Person in response to a Competing Proposal or Inquiry (or which could reasonably be expected to be used to formulate a Competing Proposal or Inquiry), (iii) otherwise assist, cooperate with, or facilitate or encourage any Competing Proposal or Inquiry, (iv) approve, agree to or enter into a Contract with any Person with respect to a Competing Proposal or Inquiry, or (v) make or authorize any statement, recommendation, solicitation or endorsement in support of any Competing Proposal or Inquiry.

(b) Seller shall immediately cease and cause to be terminated any contacts, discussions, negotiations and other activities with any Person relating to any Competing Proposal or Inquiry. In addition to the foregoing, if (after this Agreement is signed and delivered by Seller and prior to the Closing or the earlier termination of this Agreement in accordance with Section 8.1) Seller or any of its Representatives receive any Competing Proposal or Inquiry, Seller shall immediately notify Purchaser thereof and provide Purchaser with the details thereof, including the identity of the Person or Persons making such Competing Proposal or Inquiry, and shall keep Purchaser fully informed on a current basis of the status and details of such Competing Proposal or Inquiry and of any modifications to the terms thereof, in each case to the extent not prohibited by a confidentiality, nondisclosure or other agreement then in effect and entered into prior to the date hereof; *provided, however*, that this provision shall not in any way be deemed to limit the obligations of Seller and its Representatives set forth in the previous sentence.

(c) Each of Seller and Purchaser acknowledge that this Section 4.2 was a significant inducement for Purchaser to enter into this Agreement, and that the absence of such provision would have resulted in either (i) a material reduction in the consideration to be paid by Purchaser pursuant to this Agreement or (ii) a failure to induce Purchaser to enter into this Agreement.

ARTICLE 5.  
ADDITIONAL AGREEMENTS

5.1 Access to Information. Between the date of this Agreement and the earlier of the Closing or the termination of this Agreement in accordance with Section 8.1, upon reasonable written notice and subject to such limitations as are imposed by applicable antitrust Laws (if any), Seller shall (a) give Purchaser and its officers, employees, accountants, counsel, financing sources and other agents and representatives reasonable access to all buildings, offices, and other facilities and to all Books and Records related primarily (or in any material respect) to the Business, the Purchased Assets or the Assumed Liabilities, wherever located; (b) permit Purchaser to make such inspections as Purchaser may reasonably require; (c) furnish Purchaser such financial, operating, technical and product data and other information with respect to the Business, the Purchased Assets or the Assumed Liabilities as Purchaser from time to time may reasonably request, including financial statements and schedules; (d) allow Purchaser reasonable opportunity to interview Business Employees; and (e) assist and cooperate with Purchaser in the development of integration plans for implementation by Purchaser following the Closing; *provided, however*, that no investigation pursuant to this Section 5.1 shall affect or be deemed to modify any representation or warranty made by Seller herein. Notwithstanding anything in this

Section 5.1 to the contrary, Seller shall not be required to provide access to any Tax Returns or information or materials required by Law or by agreements with third parties to be kept confidential. In the case of material protected by the attorney-client privilege or work product immunity, Seller may, prior to and as a condition of furnishing such material, require the recipient to enter into a reasonably appropriate agreement intended to preserve such privileges and immunities.

#### 5.2 Confidentiality.

(a) Except as required (in the disclosing Party's reasonable good faith determination following consultation with legal counsel) by Law and applicable stock exchange rules or required for the consummation of the transactions contemplated by this Agreement, (i) Seller shall not (and shall cause its Subsidiaries not to) make any public statement or disclose to any Person (other than its Representatives) any nonpublic information concerning the Business or any of the Purchased Assets, the Assumed Liabilities or the Business Products, and (ii) Purchaser shall not (and shall cause its Subsidiaries not to) make any public statement or disclose to any Person (other than its Representatives) any nonpublic information concerning any of the Retained Liabilities or the Excluded Assets.

(b) Notwithstanding anything to the contrary contained herein, the confidentiality of the Purchased IP Assets and of information exchanged between the Parties after the Effective Time pursuant to the Intellectual Property License Agreements shall be governed by the confidentiality terms set forth in the Intellectual Property License Agreements.

(c) (i) The Exclusivity and Confidentiality Agreement between the Parties dated as of May 8, 2008 (the "Exclusivity Agreement") and (ii) the terms of the Project Addendum dated March 24, 2008 ("Project Addendum") to the Mutual Nondisclosure Agreement between the Parties dated June 7, 2007 (the "NDA") to the extent related or pertaining to the information or disclosures regarding the Business, Business Products, Purchased Assets, Assumed Liabilities or the transactions contemplated by this Agreement, are hereby suspended, effective immediately, and shall automatically terminate as of the Effective Time and thereafter be of no further force or effect (it being acknowledged and agreed that all other provisions of, and subject disclosures pursuant to, the Project Addendum to the extent not so related or pertaining shall remain in full force and effect). In the event that the Effective Time does not occur and this Agreement is terminated in accordance with the provisions of Section 8.1, the full Project Addendum and Sections 2, 4, 5, 6 and 7 of the Exclusivity Agreement shall revive and continue and shall remain in effect in accordance with their respective terms. Notwithstanding anything to the contrary contained herein, the NDA shall remain full force and effect in accordance with its terms.

(d) Purchaser and Seller shall be fully liable and responsible pursuant to this Agreement for any breach of this Section 5.2 by their respective Subsidiaries, officers, employees, accountants, counsel and other Representatives; *provided* the terms of the Project Addendum, the NDA and Exclusivity Agreement shall govern, control and prevail to the extent such agreements or their terms survive pursuant to this Section 5.2.

5.3 Public Disclosure. Except as (i) required for the pursuit of the third-party consents required by Section 6.3(d), (ii) required for the performance of the parties' obligations pursuant to this Agreement and the Ancillary Agreements, and (iii) otherwise required by Law (including federal and state securities Laws) or by stock exchange rules, neither Seller nor Purchaser shall issue or cause the publication of any press release or other public announcement or disclosure to any third party of the existence or any subject matter, terms or conditions of this Agreement or the Ancillary Agreements unless approved by Purchaser prior to release, announcement or disclosure.

5.4 Conditions, Approvals, Cooperation. Subject to the limitations set forth below, each Party shall use commercially reasonable efforts to cause each of the conditions set forth in Article 6 to be satisfied, where the satisfaction of such conditions depends on action or forbearance from action by such Party, and to obtain, as soon as reasonably practicable after the date hereof, all Approvals from Governmental or Regulatory Authorities and under the Contracts to which it is a party as are required for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including the Required Purchaser Approvals, the Required Seller Approvals, and the Approvals identified in Section 2.4 of the Seller Disclosure Schedule and Schedule 6.3(d)). Without limiting the generality of the foregoing, each Party shall provide the other Party with such assistance and information, execute and deliver such instruments, and do and perform such other acts and things as may be reasonably necessary for effecting the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, including all action reasonably necessary (i) to comply with all required or desirable filings, applications and notifications under the Competition Act (Canada), the Investment Canada Act, and any other applicable Law of any jurisdiction and to cause all waiting periods (if any) thereunder to expire or early termination thereof to be granted, and (ii) to pursue and obtain the Required Purchaser Approvals and Required Seller Approvals. Notwithstanding the foregoing, and notwithstanding any other provision of this Agreement, neither Purchaser nor (unless approved and so directed by Purchaser in advance) Seller shall be obligated to make or consent to any divestiture or operational limitation or activity, any waiver or modification of any right, or any payment of money or grant of any other commercial concession, or to suffer, submit or agree to any other materially burdensome condition or undertaking in connection with, or as a condition to obtaining, any Approval.

5.5 Compliance with Certain Laws and Regulations.

(a) On or prior to the Closing Date, Seller shall deliver to Purchaser a properly executed statement in a form reasonably acceptable to Purchaser for purposes of satisfying Purchaser's obligations under Treasury Regulation Section 1.1445-2(c)(3).

(b) Seller shall be exclusively responsible for complying with WARN, COBRA (including similar state and local laws), all similar Laws of Canada, the People's Republic of China, India and other applicable jurisdictions outside the United States with respect to the Business Employees until the Effective Time (and the Business Employees who are Non-transferring Employees from and after the Effective Time) and their qualified beneficiaries by reason of any such employee's termination of employment with Seller, and Purchaser shall not have any obligation or liability to provide rights under WARN or COBRA on account of any such termination of employment. Subject to the provisions of Section 1.3(b), Section 1.4(f) and

Section 5.7. Seller shall indemnify and hold Purchaser and its Affiliates harmless with respect to any Business Employee from (i) any employment-related liability with respect to employment of Business Employees prior to the Effective Time and employment of Non-transferring Employees at any time; (ii) any Liability relating to, arising under or in connection with any Seller Benefit Plan at any time; and (iii) any liability under WARN or any similar applicable state, local or foreign laws which arises out of or results from any termination of any Business Employee as a result of this transaction or any other employee by Seller at any time.

(c) Pursuant to the "Standard Procedure" provided in Section 5 of Revenue Procedure 96 60, 1996 2 C.B. 399, (i) Purchaser and Seller shall report on a predecessor/successor basis as set forth therein, (ii) Seller will not be relieved from filing a Form W2 with respect to any applicable Business Employees, and (iii) Purchaser will undertake to file (or cause to be filed) a Form W2 for each Continuing Employee only with respect to the portion of the year during which such Continuing Employee is employed by Purchaser, excluding the portion of such year that such Continuing Employee was employed by Seller or any of its Subsidiaries.

#### 5.6 Tax Matters.

(a) Following the Closing, Purchaser and Seller shall (i) reasonably cooperate with each other in furnishing information, evidence, testimony and other assistance in connection with any Tax Return filing obligations, actions, proceedings, arrangements or disputes of any nature with respect to Tax imposed with respect to the Purchased Assets and the Business; and (ii) furnish or cause to be furnished to each other (each at its own expense), as promptly as reasonably practicable, such information (including access to Books and Records) and assistance, including making employees available on a mutually convenient basis to provide additional information and explanations of material provided, relating to the Purchased Assets as is reasonably necessary for the filing of any Tax Returns, for the preparation of any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to Taxes. Without limiting the generality of the foregoing, Purchaser and Seller and their respective Affiliates shall reasonably cooperate in the preparation of all Tax Returns for any Tax periods for which one Party could reasonably require the assistance of the other Party in obtaining any necessary information. Such cooperation shall include, but not be limited to, furnishing prior years' Tax Returns or return preparation packages to the extent related to the Business illustrating previous reporting practices or containing historical information relevant to the preparation of such Tax Returns, and furnishing such other information within such Party's possession requested by the Party filing such Tax Returns as is reasonably relevant to their preparation. Such cooperation and information also shall include promptly forwarding copies of appropriate notices and forms or other communications received from or sent to any Taxing Authority which relate to the Business, providing copies of all relevant Tax Returns to the extent related to the Business, together with accompanying schedules and related workpapers, documents relating to rulings or other determinations by any Taxing Authority and records concerning the ownership and Tax basis of property, which the requested Party may possess. Purchaser and Seller and their respective Affiliates shall make their respective employees and facilities reasonably available on a mutually convenient basis to explain any documents or information provided hereunder.

(b) All Income Taxes resulting from the sale of the Business and the Purchased Assets shall be paid by Seller and its Subsidiaries. In addition, Seller shall be responsible for and shall pay or cause to be paid all Taxes of Seller and its Subsidiaries that relate to the Business or any of the Purchased Assets that were incurred in or are attributable to any taxable period or portion thereof ending prior to the Effective Time. Purchaser shall be responsible for and shall pay all Taxes that relate to any of the Business or any of the Purchased Assets that were incurred in or are attributable to any taxable period or portion thereof beginning at or after the Effective Time, other than Income Taxes, sales, transfer, value-added and other similar Taxes resulting from the purchase and sale of the Purchased Assets contemplated by this Agreement and other fees and charges described in Section 5.6(c), responsibility for which shall be governed by the provisions of Section 5.6(c). In no event shall Purchaser be responsible for any Income Taxes incurred by Seller or any of its Subsidiaries regardless of when such Taxes are due or payable. In the case of any Taxes that are imposed on a periodic basis and are payable for a Tax period that includes (but does not end at) the Effective Time, the portion of such Tax that relates to the portion of such Tax period ending at the Effective Time shall (i) in the case of any Taxes other than Taxes based upon or related to income or receipts (other than Income Taxes resulting from the sale of the Business and the Purchased Assets), be deemed to be the amount of such Tax for the entire Tax period multiplied by a fraction the numerator of which is the number of days in the Tax period ending on (and including) the Closing Date and the denominator of which is the number of days in the entire Tax period, and (ii) in the case of any Tax based upon or related to income or receipts, be deemed equal to the amount which would be payable if the relevant Tax period ended on (and included) the Closing Date. Seller shall be entitled to any refunds (including any interest paid thereon) or credits of Taxes with respect to the Business attributable to taxable periods (or portions thereof) ending prior to the Effective Time. Purchaser shall be entitled to any refunds (including any interest paid thereon) or credits of Taxes with respect to the Business attributable to taxable periods (or portions thereof) beginning at or after the Effective Time. Purchaser shall forward to or reimburse Seller for any such refunds (including any interest paid thereon) or credits due to Seller after receipt thereof, and Seller shall promptly forward to Purchaser or reimburse Purchaser for any such refunds (including any interest paid thereon) or credits due to Purchaser after receipt thereof.

(c) Purchaser shall use commercially reasonable efforts to obtain and deliver certificates establishing that the sale and transfer of the Purchased Assets as contemplated by this Agreement are exempt from any transfer Taxes, deed excise stamps and similar charges related to the sale of the Purchased Assets contemplated by this Agreement.

(i) To the extent that any of the transactions contemplated by this Agreement are not exempt from, but are subject to, such Taxes or charges, or to any other applicable sales, use, stamp, documentary, filing, recording, transfer or similar fees or Taxes or governmental charges (including real property transfer gains Taxes, UCC 3 filing fees, FAA, ICC, DOT, real estate and motor vehicle registration, title recording or filing fees and other amounts payable in respect of transfer filings), Purchaser and its Subsidiaries shall be responsible for (and shall jointly and severally indemnify and hold harmless Seller and its Subsidiaries against) the first three hundred thousand dollars (\$300,000) of such aggregate Taxes, fees and charges, and Seller and its Subsidiaries shall be solely responsible for (and shall jointly and severally indemnify and hold harmless Purchaser and its Subsidiaries against) for all amounts in excess of three hundred thousand dollars (\$300,000).

(ii) Notwithstanding the provisions of clause (i) of this Section 5.6(c), Purchaser shall be responsible for any “goods and services taxes” (but not Ontario retail sales taxes, which shall be governed by clause (i) of this Section 5.6(c)) applicable to the tangible Purchased Assets transferred from any Canadian Subsidiary of Seller to any Canadian Subsidiary of Purchaser and shall pay the same to Seller on the Closing Date for remittance (which Seller shall promptly thereafter remit) to the applicable Taxing Authority, and the allocation set forth in clause (i) of this Section 5.6(c) shall not apply to such Taxes; *provided, however*, that to the extent the aggregate amount of “goods and services taxes” paid by Purchaser and its Subsidiaries pursuant to this clause (ii) exceeds the aggregate amount of refund or credit against any future Tax Liability actually received by Purchaser and its Subsidiaries in respect of such “goods and services taxes”, such unrefunded or uncredited excess shall count toward the satisfaction of Purchaser’s responsibility for the first three hundred thousand dollars (\$300,000) of aggregate Taxes, fees and charges under clause (i) of this Section 5.6(c) and toward the determination of the obligation of Seller and its Subsidiaries with respect to amounts in excess of such three hundred thousand dollar (\$300,000) amount under such clause (i).

(iii) The Party that is responsible (or whose Subsidiary is responsible) for such Taxes under applicable Law shall file (or cause its applicable Subsidiary to file) all necessary documents (including all Tax Returns) with respect to all such Taxes in a timely manner. To the extent that any Tax described in Section 5.6(c)(i) is paid or required by Law to be paid by Purchaser or any of its Subsidiaries, Seller shall pay or reimburse Purchaser for such Tax upon notice from Purchaser of the amount of such Tax, to the extent that the amount of such Tax, when added to the other Taxes, fees and charges paid by Purchaser pursuant to Section 5.6(c)(i) plus any such unrefunded or uncredited “goods and services taxes” paid by Purchaser pursuant to Section 5.6(c)(ii), exceeds three hundred thousand dollars (\$300,000).

(d) Each Party shall timely and duly prepare and cause to be filed, at its own expense, all Tax Returns and other documentation with respect to all Taxes subject to Section 5.6 that are required by Law to be filed by such Party, and shall timely pay to the relevant Taxing Authority all such Taxes that are required to be paid by such Party (subject to such reimbursement from the other Party as provided for herein).

(e) Seller shall be responsible for and shall pay or cause to be paid any Liability of Seller or any of its Subsidiaries for the Taxes of any other Person arising under Reg. §1.1502-6 (or any similar provision of state, local, or foreign law) or as a result of an express or implied obligation to indemnify such Person, including pursuant to a Tax sharing or allocation agreement.

(f) Seller and Purchaser shall in a timely fashion jointly make an election to have subsection 20(24) of the ITA apply in respect of amounts paid for the undertaking of future obligations by Purchaser hereunder and shall file such election with the Canada Revenue Agency with their respective Tax Returns for their respective taxation years that include the date hereof.

(g) On the Closing Date, or as soon thereafter as possible, Seller shall deliver to Purchaser, in form and substance reasonably satisfactory to Purchaser, evidence that all Taxes required to be paid by Seller under the Retail Sales Tax Act (Ontario) have been paid; *provided*, that, in the case of the Retail Sales Tax Act (Ontario), the delivery of a certificate issued under Section 6 of that Act which covers all periods up to and including the Effective Time shall constitute satisfactory evidence for the purposes of the Taxes required to be paid under that Act.

#### 5.7 Employment.

(a) Continuing Employees. Except in the case of EU Transferring Employees, Purchaser shall have the right to recruit, make offers of post-Closing employment with Purchaser and its Subsidiaries to, and to employ (or cause a Subsidiary of Purchaser to employ) (following the Closing) such Business Employees as Purchaser shall designate in their sole discretion, and Seller shall (and shall cause its Subsidiaries to) cooperate with and facilitate Purchaser's review of and contacts with Business Employees for possible post-Closing employment; *provided*, that Purchaser shall make offers of post-Closing employment to substantially all (which in no event shall be less than ninety-five percent (95%) of the employees identified or described in Schedule 5.7(a)). Without limiting the generality of the foregoing, Seller shall (and shall cause its Subsidiaries to) (i) provide Purchaser and its Representatives with access to Business Employees who wish to meet with Purchaser during normal business hours for the purpose of conducting meetings and interviews and (ii) provide prompt written notice to Purchaser of any Business Employees who notify Seller or any of its Subsidiaries that such Business Employee (A) intends to terminate, or terminates, his or her employment with Seller or its Subsidiaries (as applicable) except in connection with such employee's acceptance of employment with Purchaser or its Subsidiaries (as applicable) or (B) intends to not accept Purchaser's offer of employment or intends to accept Purchaser's offer of employment and subsequently terminate such employment after the Effective Time. Prior to the Closing, any personal information (as defined by applicable privacy Laws) about Business Employees which is disclosed to Purchaser by Seller for the purposes contemplated in this Section 5.7(a) or for any other purposes contemplated by this Agreement, shall be held by Purchaser in strict confidence and shall not be used, disclosed or retained by Purchaser for any other purposes, and shall otherwise be handled by Purchaser in compliance with applicable privacy Laws. Promptly following the execution and delivery of this Agreement, and in any event no later than seven (7) calendar days (or such longer period as may be required by applicable Law) prior to the Closing, Purchaser shall deliver, in writing, an offer of employment to the Business Employees identified or described in Schedule 5.7(a), such employment to commence on the day immediately following the Closing, subject to Purchaser's standard conditions for employees in each applicable jurisdiction (the employees accepting such offers of employment, together with the EU Continuing Employees, being referred to herein as the "Continuing Employees"). The terms offered to each such Business Employee will be on terms that are not less favorable, in the aggregate, for each such Business Employee, than the terms applicable to such employee summarized in a confidential letter delivered by Purchaser to Seller concurrently with the execution and delivery of this Agreement, it being understood that the content of such letter shall be subject to applicable privacy Laws and shall be kept strictly confidential by Seller. Purchaser shall deliver to Seller a preliminary schedule of the names of the Continuing Employees, to the extent then known by Purchaser, no later than two (2) calendar days prior to the Closing, and a revised final schedule of the names of the Continuing Employees promptly following the

Closing. Such offers will, where permitted by Law, be on an “at will” basis and otherwise will offer compensation packages commensurate with each Continuing Employee’s experience and proposed title and position with Purchaser. Purchaser and Seller shall abide by any local or country-specific notification or consultation requirements with respect to Continuing Employees and shall use their commercially reasonable efforts to cause the applicable Business Employees to accept such offers and to consent to any changes in terms of employment. Seller shall provide Purchaser with reasonable advance notice of any proposed written communication to or with Continuing Employees regarding the effects of the transactions contemplated by this Agreement on the Continuing Employees and reasonable opportunity to review and comment on such communications. Seller hereby consents to the hiring by Purchaser or a Subsidiary of Purchaser of the Continuing Employees and waives, with respect to the employment by Purchaser or a Subsidiary of Purchaser of the Continuing Employees, any claims or rights that Seller or any Subsidiary may have against Purchaser or any of its Subsidiaries, against any of its or their Representatives or against any Continuing Employee hired by Purchaser under any non-competition, confidentiality or employment agreement, or otherwise under any applicable Law, as a result of Purchaser’s employment of such Continuing Employee; *provided, however*, that the foregoing shall not constitute a waiver of any claim or right that Seller or any of its Subsidiaries may have against any such Continuing Employee under any such confidentiality agreement, or against Purchaser or any of its Subsidiaries or their Representatives pursuant to the confidentiality provisions of this Agreement or the Ancillary Agreements, as a result of the unauthorized disclosure (in violation of such agreement) of confidential information not related to the Business, the Purchased Assets or the Assumed Liabilities.

(b) Excluded Employees. Any Business Employee who is not offered employment by Purchaser prior to Closing or who does not accept an offer of employment by Purchaser, in each case pursuant to Section 5.7(a), and who is not an EU Transferring Employee, is hereinafter referred to as a “Non-transferring Employee.” Seller shall indemnify and hold Purchaser and its Affiliates harmless with respect to all Liabilities relating to any Non-transferring Employee, including, (i) any employment-related liability, (ii) any liability relating to, arising under or in connection with any Seller Benefit Plan, including any liability under COBRA, whether arising prior to, on or after the Closing Date, and (iii) any liability under WARN or similar applicable state, local or foreign Laws. Purchaser shall have no liability or responsibility with respect to any Non-transferring Employee. Without limiting the generality of the foregoing, Purchaser and its Affiliates shall have no liability for any severance payment that any Non-transferring Employee may be entitled to receive in the event of termination of such individual’s employment with Seller or any Seller’s Subsidiaries.

(c) Termination of Certain Employees. Prior to the Effective Time, and except in the case of EU Transferring Employees, Seller and Purchaser shall use commercially reasonable efforts (i) to obtain the voluntary consent of a Continuing Employee to resign his or her employment from Seller (or the applicable Subsidiary of Seller) and to become employed by Purchaser (or the applicable Subsidiary of Purchaser) or (ii) to obtain the voluntary consent of a Continuing Employee to transfer his or her employment to Purchaser (or the applicable Subsidiary of Purchaser) or (iii) to enter into an agreement with a Continuing Employee by which Purchaser assumes the material provisions of such Continuing Employee’s employment agreement, the determination of which shall be established by Seller and Purchaser based on applicable local Laws and standard local practice to minimize severance payments upon the

transfer of or resignation and immediate rehiring of Continuing Employees, as applicable, on the Closing Date. With respect to Business Employees located in jurisdictions where local employment Laws may be argued to provide for an automatic transfer of such Business Employees' employment to Purchaser upon consummation of the transactions contemplated by this Agreement, or to provide such Business Employees with a right to continuation of employment or to continuation of current compensation and benefits, excluding EU Transferring Employees, Seller shall use commercially reasonable efforts to procure such resignations, waivers, releases and agreements as may be required to permit the employment by Purchaser and its Subsidiaries of the Business Employees listed in Schedule 5.7(a) (and no other employees of Seller and its Subsidiaries) and their employment by Purchaser and its Subsidiaries on the terms offered by Purchaser and its Subsidiaries. Subject to applicable Laws, on and after the Closing Date, Purchaser shall have the right to dismiss any or all Continuing Employees at any time, with or without cause, and to change the terms and conditions of their employment (including compensation and employee benefits provided to them).

(d) Employee Benefits.

(i) Accrued Vacation. Purchaser shall give each Continuing Employee credit for years of service with Seller for purposes of calculating such Continuing Employee's vacation accrual rate with Purchaser. For Continuing Employees located in all jurisdictions other than India, the United States, and the United Kingdom, Purchaser shall permit each Continuing Employee to carry over to Purchaser any vacation time accrued but unused with Seller, up to a maximum of fifty percent (50%) of such Continuing Employee's annual vacation accrual rate with Purchaser, and Seller shall pay to such Continuing Employee the remainder of any accrued but unused vacation time. For Continuing Employees located in India, on the Closing Date Seller shall pay each Continuing Employee for all accrued but unused vacation time through the Closing Date. For Continuing Employees located in the United States, on the Closing Date Seller shall pay each Continuing Employee for all accrued but unused vacation time through the Closing Date, unless the Continuing Employee consents to the partial payout and carryover described in the first sentence of this Section 5.7(d)(i). For Continuing Employees located in the United Kingdom, all Continuing Employees shall carry over to Purchaser all accrued and unused vacation time in accordance with applicable Law. The Purchase Price shall be reduced by an amount equal to the value of all vacation time carried over by Continuing Employees to Purchaser, calculated on the basis of each Continuing Employee's base compensation rate as in effect immediately prior to the Effective Time (or on such other basis, if higher, as Seller actually uses in calculating the payments it makes or is required to make to Continuing Employees pursuant to the foregoing provisions of this Section 5.7(d)(i)). At least two (2) Business Days before the Closing Date, Seller shall deliver to Purchaser a certificate of Seller's chief financial officer setting forth the amount of vacation time that will have accrued through (and including) the Closing Date for each Business Employee, the dollar amount of each such employee's salary (or hourly wage rate), and the resulting value of each such employee's accrued vacation time.

(ii) Vesting of Seller Employee Benefit Plan Benefits. Effective as of the Closing Date, Seller shall cause the tax-qualified pension and 401(k) plans in which Continuing Employees were eligible to participate immediately prior to the Closing Date to fully vest such employees' accrued benefit through the Closing Date thereunder.

(iii) Bonuses. For Continuing Employees located in China and Taiwan who are eligible (pursuant to their existing employment terms) to receive a bonus equal to one (1) month or two (2) months (as applicable) of such Continuing Employee's salary (the "Month Bonus"), in lieu of Seller paying the accrued and unpaid amount of such Month Bonus as of the Closing Date (the "Accrued Bonus Amount") on the Closing Date, Purchaser shall carry over the Accrued Bonus Amount and pay the applicable Accrued Bonus Amount to the Continuing Employee in accordance with such Continuing Employee's existing employment terms. The Purchase Price shall be reduced by an amount equal to the aggregate Accrued Bonus Amount for all applicable Continuing Employees. At least two (2) Business Days before the Closing Date, Seller shall deliver to Purchaser a certificate of Seller's chief financial officer setting forth the aggregate amount of the Accrued Bonus Amount for each Continuing Employee.

(e) EU Business Employees.

(i) The provisions of Sections 5.7(a), (b) and (c), with the exception of the definition of "Continuing Employees" insofar as it is used in any other sections of this Agreement, shall not apply to EU Transferring Employees.

(ii) Seller and Purchaser acknowledge and agree that the contracts of employment between Seller, or any of its Subsidiaries, and each of the EU Transferring Employees shall have effect from the Effective Time as if originally made between Purchaser, or one of its designated Affiliates, and the applicable EU Business Employee pursuant to the operation of the EU Transfer Regulations in the applicable Member State in relation to the transactions contemplated by this Agreement.

(iii) In the event that the contract of employment between Seller, or any of its Subsidiaries, and any UK Employee does not have effect from the Effective Time as if originally made between Purchaser or one of its designated Affiliates, and the applicable UK Employee pursuant to the operation of the EU Transfer Regulations in the United Kingdom in relation to the transactions contemplated by this Agreement, the provisions of Sections 5.7(a), (b), (c) and (d) shall apply in relation to those UK Employees whose contracts of employment do not transfer, *provided* that the various time limits stated in Sections 5.7(a), (b), (c), and (d) shall not apply and each Party shall be obliged to use its commercially reasonable efforts to comply with its respective obligations without any unreasonable delay following that Party becoming aware that the contract of employment of the relevant UK Employee did not transfer pursuant to the operation of the EU Transfer Regulations in the UK at the Effective Time.

(iv) Notwithstanding paragraphs (i) and (ii) of this Section 5.7(e), with regard to the French EU Business Employee, Purchaser (or its appropriate Subsidiary) shall offer to such French EU Business Employee equivalent contractual terms and conditions of employment as those enjoyed by such French EU Business Employee immediately before such offer is made. Such offer shall be valid for at least six (6) weeks. Purchaser (or its appropriate Subsidiary) shall present the offer simultaneously to the French EU Business Employee and Seller.

(v) If the contract of employment of any person who is employed by Seller or any of its Affiliates or by any contractor, sub-contractor or agent of Seller or any of its Affiliates in the United Kingdom, but who is not a UK Employee, has effect as if originally made between Purchaser or any of its Affiliates and the applicable person pursuant to the operation of the EU Transfer Regulations in the United Kingdom in relation to the transactions contemplated by this Agreement, Purchaser (or the applicable Affiliate of Purchaser) may, within fourteen (14) calendar days of becoming aware of such effect, terminate the contract of employment of each such relevant person. If: (A) Purchaser (or an Affiliate of Purchaser) has notified Seller in advance of the dismissal, (B) Purchaser (or the applicable Affiliate of Purchaser) has used reasonable endeavors to comply with the three-step dismissal procedure set out in Part 1 of Schedule 1 of the Employment Act 2002, (C) the dismissal is not by reason of, or connected to, a form of discrimination prohibited by law in the United Kingdom, and (D) the dismissal occurs within the stated fourteen (14) calendar day period, even if the dismissal procedure referred to above has not been completed by that stage, then Seller agrees to indemnify Purchaser and its Affiliates against any and all Liabilities and Losses arising from, or connected with, any and all such terminations and against any and all reasonable sums payable to, or in respect of, the applicable person in respect of his employment up to, and including, the date upon which his employment is so terminated.

(vi) Prior to the Closing Date, Seller and Purchaser shall jointly deliver to each EU Transferring Employee a notice (in a form agreed by Seller and Purchaser) to communicate to each such EU Transferring Employee that his or her contract of employment shall have continuing effect after the Closing Date in the manner specified in Section 5.7(e)(ii). Notwithstanding the foregoing in this paragraph, with regard to the French EU Business Employee, Purchaser (or its appropriate Subsidiary) shall make an offer of employment as specified in Section 5.7(e)(iv), at least six (6) weeks prior to Closing Date.

(vii) All payments, costs, expenses and charges relating to each EU Continuing Employee ("Charges") shall be apportioned on a time-basis so that the Charges accruing in, and/or payable in relation to, the period prior to the Effective Time shall be borne and discharged by Seller and the Charges accruing in, and/or payable in relation to, the period commencing from the Effective Time shall be borne and discharged by Purchaser.

(viii) Seller shall, at least twenty (20) Business Days prior to the Closing Date, provide to Purchaser the information required to be given with respect to EU Transferring Employees pursuant to the EU Transfer Regulations and copies of all contracts of employment and other agreements relating to EU Transferring Employees. Purchaser will provide Seller as soon as reasonably practicable on request with all information it is required to provide by the EU Transfer Regulations in each applicable jurisdiction so that Seller may comply with its obligations to inform and consult with the EU Business Employees under the EU Transfer Regulations. Notwithstanding the foregoing in this paragraph, with regard to the French EU Business Employee, Seller shall provide to Purchaser a copy of the French EU Business Employee's contract of employment and other agreements relating to such employee at least seven (7) weeks prior to Closing Date.

(ix) Seller shall, and shall cause its Subsidiaries to, provide Purchaser and its Representatives with reasonable access to each of the UK Employees and their appropriate representatives (which term shall have the same meaning as it has in the EU Transfer Regulations, as implemented in the United Kingdom), except to the extent that they refuse to meet with Purchaser, during normal business hours for the purpose of conducting meetings (*provided* always that Seller is present).

(f) Intellectual Property Rights. Seller and Purchaser shall jointly provide complete and adequate notice to all Business Employees excluding EU Transferring Employees, that their current agreements with Seller or its Affiliates concerning information and inventions and confidentiality while continuing in full force and effect in accordance with their terms shall not apply to their employment relationship with Purchaser, and that those who become employed by Purchaser, excluding EU Transferring Employees, will be required, upon becoming Continuing Employees and as a condition of employment with Purchaser and its Subsidiaries, to sign a new employment agreement containing provisions concerning Intellectual Property Rights and Technology.

(g) Credit. Subject to the provisions of Section 1.3(b), Section 1.4(f) and Section 1.4(g), and subject further to the terms of individual offer letters, to the extent permitted by applicable Purchaser benefit plans, Purchaser shall give each Continuing Employee credit for prior service with Seller or its Subsidiaries for purposes of eligibility for participation in any employee benefit plan maintained by Purchaser (but not for purposes of benefits vesting or accrual under any defined benefit pension plan and not for purposes of equity incentive grants).

(i) On each of the first, second and third year anniversaries of the Closing Date, Purchaser shall deliver to Seller a complete and accurate list of (A) each Continuing Employee who is entitled to severance due to a termination of employment with Purchaser or any Affiliate of Purchaser that occurs during the twelve (12), twenty-four (24) and thirty-six (36) months, respectively, following the Closing Date ("Terminated Continuing Employee"), (B) the total severance amount paid or due to each Terminated Continuing Employee, (C) the portion of the total severance amount paid or due to each Terminated Continuing Employee for which Seller is responsible in accordance with Section 1.4(b) and this Section 5.7(g) (*provided, however*, that with regard to severance due to a termination of employment with Purchaser prior to the last day of the eighteenth (18th) month following the Closing Date, such portion of the total severance amount shall not be more than the severance that such Terminated Continuing Employee would have received if such Terminated Continuing Employee's employment was terminated immediately prior to the Closing Date; and *provided, further*, that with regard to severance due to a termination of employment with Purchaser after the eighteenth (18th) month following the Closing Date but on or prior to the last day of the thirty-sixth (36th) month following the Closing Date, such portion of the total severance amount shall not total more than eight million dollars (\$8,000,000)), (D) the underlying calculations of the amounts under clauses (B) and (C), and (E) a summary description of the reason that severance is payable ("Severance Liability List"). For purposes of this Section 5.7(g), Seller shall be responsible to Purchaser for an amount equal to the product of (i) the total severance amount paid or due to each Terminated Continuing Employee, multiplied by (ii) a fraction, the numerator of which is the number of months that such Terminated Continuing Employee was employed by Seller, and the denominator of which is the total number of months that such Terminated Continuing Employee was employed by Seller (and/or a Subsidiary of Seller) and Purchaser (and/or a Subsidiary of Purchaser). Notwithstanding anything in the foregoing, Seller shall be responsible for severance of Terminated Continuing Employees solely under the terms of (and shall not exceed the amounts payable under) Seller's severance plans and programs in

existence as of the Closing Date and under statutory severance obligations in existence as of the Closing Date. Notwithstanding anything in the foregoing to the contrary, in determining the amount of severance for which Seller shall be responsible, the amount of severance payable to Terminated Continuing Employees shall be calculated as if such severance were payable pursuant to the severance plans of Seller and its Subsidiaries in effect on the date hereof (or, if greater, on the Closing Date) and under severance statutes as in effect as of the Closing Date.

(ii) As soon as practicable, Seller shall review and confirm the accuracy of the Severance Liability List. If Seller disputes the accuracy of the Severance Liability List, Seller shall deliver a written notice ("Severance Liability List Dispute Notice") to Purchaser before 5 p.m. Pacific Time on the thirtieth (30<sup>th</sup>) day after the delivery of the Severance Liability List ("Severance Liability List Review Period").

(iii) If Seller delivers a Severance Liability List Dispute Notice to Purchaser prior to the expiration of the Severance Liability List Review Period, then Seller and Purchaser shall attempt in good faith to agree upon the accuracy of the Severance Liability List. If Seller and Purchaser are unable to reach agreement on the accuracy of the Severance Liability List within twenty (20) days after the expiration of the Severance Liability List Review Period, either Seller or Purchaser may demand arbitration of the dispute. The dispute shall be resolved by three (3) arbitrators, one selected by Seller, one selected by Purchaser, and the third selected jointly by the two arbitrators previously selected by Seller and Purchaser. The decision of a majority of the three (3) arbitrators as to the accuracy of the Severance Liability List shall be binding and conclusive upon Seller and Purchaser. Such decision shall be written and shall be supported by written findings of fact and conclusions of law regarding the dispute which shall set forth the judgment of the arbitrators.

(iv) Judgment to enforce the decision rendered by the arbitrators may be entered in any court having competent jurisdiction. Any such arbitration shall be held in a location within the Northern District of California under the commercial rules of arbitration then in effect of the American Arbitration Association. Each Party shall pay its own expenses, including attorneys' fees. The expenses and fees of each arbitrator and the administrative costs of the arbitration and the expenses shall be borne equally by Seller and Purchaser.

(h) No Third-Party Beneficiary Rights. No provision of this Section 5.7 shall create any third-party beneficiary rights in any Business Employee, or any beneficiary or dependents thereof, including the compensation, terms and conditions of employment and benefits that may be provided to any Continuing Employee or under any employee benefit plan which Purchaser may maintain.

5.8 Personal Information. Any personal information (as defined by applicable privacy Laws) about Business Employees which is disclosed to Purchaser by Seller for the purposes contemplated by this Agreement (including the employment of such individuals by the Purchaser and its Subsidiaries after the Effective Time), shall be held by Purchaser in confidence and shall not be used, disclosed or retained by Purchaser for any other purposes, and shall otherwise be handled by Purchaser in compliance in all material respects with applicable privacy Laws.

5.9 Preservation of Records. Seller and Purchaser agree that each of them shall preserve and keep the records held by it or their Affiliates relating to the Business for a period of seven (7) years from the Closing Date and shall make such records and personnel available to the other as may be reasonably required by such Party in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Seller or Purchaser or any of their Affiliates or in order to enable Seller or Purchaser to comply with their respective obligations under this Agreement and each other agreement, document or instrument contemplated hereby or thereby. Notwithstanding anything in this Section 5.9 to the contrary, neither Seller nor Purchaser shall be required to provide access to any information or materials required by Law or by agreements with third parties to be kept confidential. In the case of material protected by the attorney-client privilege or work product immunity, Seller or Purchaser (as the case may be) may, prior to and as a condition of furnishing such material, require the recipient to enter into a reasonably appropriate agreement intended to preserve such privileges and immunities.

5.10 Non-Competition; Non-Solicitation.

(a) For a period from the date hereof until the second (2<sup>nd</sup>) anniversary of the Closing Date, Seller shall not, and Seller shall cause its Affiliates not to, directly or indirectly, own, manage, operate, control or participate in the ownership, management, operation or control of any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in the Purchaser Field (a "Restricted Business") anywhere in the world. Notwithstanding the foregoing, Seller and its Subsidiaries shall be permitted to acquire a majority equity or other majority ownership interest of a Person whose principal line of business is not a Restricted Business, but which has a division or other operations constituting a Restricted Business (any such division or operations, an "Acquired Competing Interest"), *provided* that (i) the annual gross sales or revenues from such Restricted Business do not exceed twenty five million dollars (\$25,000,000) and in any event such gross sales or revenues from such Restricted Business do not exceed twenty five percent (25%) of the total annual gross sales or revenues of such Person for the last completed fiscal year of such Person, and (ii) Seller shall or shall cause its applicable Subsidiary to take all commercially reasonable steps to sell or otherwise divest the Acquired Competing Interest as soon as reasonably practicable to an unaffiliated Person; and *provided further* that if Seller and its Subsidiaries have not completed the sale or other divestiture of the Acquired Competing Interest within six (6) months after the acquisition by Seller and its Subsidiaries of the Acquired Competing Interest, then Seller shall immediately cause the operations of the Acquired Competing Interest to be ceased. The parties hereto specifically acknowledge and agree that the remedy at law for any breach of the foregoing will be inadequate and that Purchaser, in addition to any other relief available to it, shall be entitled to temporary and permanent injunctive relief without the necessity of proving actual damage or posting any bond whatsoever.

(b) For a period from the date hereof to the second (2<sup>nd</sup>) anniversary of the Closing Date, Seller shall not and shall cause its Affiliates not to (i) cause, solicit, induce or encourage any employee of Seller or any of its Subsidiaries who are or become employees of Purchaser or its Affiliates as a result of the transactions contemplated by this Agreement to leave such employment with Purchaser or its Subsidiaries or (ii) hire, employ or otherwise engage any such individual.

(c) In addition to and without in any way limiting the obligations and restrictions set forth in Section 5.10(b), Seller agrees that for a period of one (1) year from and after the Effective Time, neither Seller nor any Subsidiary of Seller will, directly or indirectly, solicit to employ any employee of Purchaser or any of its Subsidiaries who was first introduced to Seller or any of its Subsidiaries in connection with (i) the negotiation of this Agreement or (ii) the performance by Purchaser or any of its Subsidiaries of the Transition Services Agreement. The foregoing shall not prohibit or prevent Seller or any of its Subsidiaries from soliciting any employee of Purchaser or any of its Subsidiaries: (A) through general solicitations in newspaper, trade, internet or other advertisements, job fairs or similar methods, (B) through a third-party recruiter, *provided* that neither Seller nor any of its Subsidiaries provides such third-party recruiter with the name, title or position of any such employee of Purchaser or any of its Subsidiaries obtained in connection with the transactions contemplated by this Agreement or the Transition Services Agreement, (C) who first contacts Seller or any of its Subsidiaries on his or her own initiative, (D) who (x) is no longer employed by Purchaser or any of its Subsidiaries, (y) has provided notice of his or her resignation without solicitation by Seller or any of its Subsidiaries or (z) has received written notice from Purchaser or the Subsidiary of Purchaser where he or she is employed of his or her impending termination, or (E) after the date which is three (3) months after the date on which Purchaser enters into an agreement for a sale by Purchaser (whether by sale of stock or assets, or otherwise) of the division, business unit, department or other operational area in which such employee is employed. In the event of any conflict between the provisions of this Section 5.10(c) and Section 5.10(b), Section 5.10(b) shall control.

(d) Purchaser agrees that for a period of one (1) year from and after the Effective Time, neither Purchaser nor any Subsidiary of Purchaser will, directly or indirectly, solicit to employ any current employee of Seller or any of its Subsidiaries who was first introduced to Purchaser or any of its Subsidiaries in connection with (i) the negotiation of this Agreement or (ii) the performance by Seller or any of its Subsidiaries of the Transition Services Agreement. The foregoing shall not prohibit or prevent Purchaser or any of its Subsidiaries from soliciting any employee of Seller or any of its Subsidiaries: (A) through general solicitations in newspaper, trade, internet or other advertisements, job fairs or similar methods, (B) through a third-party recruiter, *provided* that neither Purchaser nor any of its Subsidiaries provides such third-party recruiter with the name, title or position of any such employee of Seller or its Subsidiaries obtained in connection with the transactions contemplated by this Agreement or the Transition Services Agreement, (C) who first contacts Purchaser or any of its Subsidiaries on his or her own initiative, (D) who (x) is no longer employed by Seller or any of its Subsidiaries, (y) has provided notice of his or her resignation without solicitation by Purchaser or any of its Subsidiaries or (z) has received written notice from Seller or the Subsidiary where he or she is employed of his or her impending termination, or (E) after the date which is three (3) months after the date on which Seller enters into an agreement for a sale by Seller (whether by sale of stock or assets or otherwise) of the division, business unit, department or other operational area in which such employee is employed. The rights and interests of Seller and its Subsidiaries pursuant to this Section 5.10(d) may not be assigned by Seller or its Subsidiaries (by operation of Law or otherwise) without the prior written consent of Purchaser (which consent may be withheld in Purchaser's sole discretion) and any attempt to assign such rights and interests without consent shall be void.

(e) The covenants and undertakings contained in this Section 5.10 relate to matters which are of a special, unique and extraordinary character and a violation of any of the terms of this Section 5.10 will cause irreparable injury to the parties, the amount of which will be impossible to estimate or determine and which cannot be adequately compensated. Therefore, each Party agrees that the other Party shall be entitled to an injunction, restraining order or other equitable relief from any court of competent jurisdiction in the event of any breach of this Section 5.10. The rights and remedies provided by this Section 5.10 are cumulative and in addition to any other rights and remedies which Purchaser may have hereunder or at law or in equity. In the event that Purchaser were to seek damages for any breach of this Section 5.10, the portion of the consideration delivered by Purchaser to Seller (or to others at the direction of Seller) hereunder which is attributed by the parties to the foregoing covenant shall not be considered a measure of or limit on such damages.

(f) Purchaser and Seller intend and agree that (i) the covenants set forth in this Section 5.10 shall be construed as a series of separate covenants, one for each country in the world where the Business (or any portion thereof) is located or conducted, including the United States of America, Canada, India, the People's Republic of China, Taiwan, Japan, the Republic of Korea, the United Kingdom, and France, and one for each state and province within such countries (including the State of California and the Commonwealths of Massachusetts and Pennsylvania and the Province of Ontario); (ii) if any court of competent jurisdiction in a final nonappealable judgment determines that a specified time period, a specified geographical area, a specified business limitation or any other relevant feature of this Section 5.10 is unreasonable, arbitrary or against public policy, then a lesser time period, geographical area, business limitation or other relevant feature which is determined to be reasonable, not arbitrary and not against public policy may be enforced against the applicable Party; and (iii) if, in any Action or Proceeding, a court shall refuse to enforce any of the separate covenants deemed included in this Section 5.10, even after giving effect to clause (ii), then such unenforceable covenant shall be deemed eliminated from these provisions for the purpose of such Action or Proceeding to the extent necessary to permit the remaining separate covenants to be enforced.

(g) The parties agree to allocate the aggregate sum of one dollar (\$1.00) of the consideration of the Purchased Assets to the agreements, covenants and undertakings contained in Section 5.10 for the purposes of the ITA and the parties shall timely prepare and file a joint election under proposed paragraph 56.4(3)(c) of the ITA (and analogous provincial or territorial tax legislation) in the form of "Election for Restrictive Covenants" attached hereto as Exhibit N, or in such successor form as may be prescribed by the Canada Revenue Agency, which shall be filed in accordance with proposed subsection 56.4(14) of the ITA.

5.11 Notification of Certain Matters. Seller shall give prompt written notice to Purchaser of (a) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which is likely to cause any representation or warranty of Seller in this Agreement to be untrue or inaccurate at or prior to the Closing in any material respect and (b) any failure of Seller in any material respect to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, and Purchaser shall give prompt written notice to Seller of (x) the occurrence or non-occurrence of any event, the occurrence or non-occurrence of which is likely to cause any representation or warranty of Purchaser in this Agreement to be untrue or inaccurate at or prior to the Closing in any material respect and (y) any failure of

Purchaser in any material respect to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; *provided, however*, that the delivery of any notice pursuant to this [Section 5.11](#) shall not limit or otherwise affect any remedies available to the Party receiving such notice.

5.12 Intellectual Property Rights.

(a) Seller shall give Purchaser prompt written notice of the receipt by Seller or any of its Subsidiaries after the date hereof of any summons, complaint, demand letter, offer of or invitation to seek a license, or other written communication (each an "IP Communication") claiming, in substance, (a) that any Current Business Product infringes the Intellectual Property Rights or Technology of any other Person, (b) that Seller or any of its Subsidiaries do not own or have the right to exploit any Technology or Intellectual Property Rights required for the Business or any Current Business Product, or (c) that any of the Intellectual Property Rights or Technology, including the Seller IP Assets, presently embodied or proposed to be embodied in any Current Business Product is available for licensing from a potential licensor providing the notice.

(b) Seller shall give Purchaser prompt written notice of the receipt by Seller or any of any of its Subsidiaries after the date hereof of any IP Communication if Seller determines (or should determine in the exercise of reasonable good faith judgment) that any such IP Communication claims, in substance, (a) that any element or functionality of any Roadmap Product as delivered to Purchaser pursuant to this Agreement would infringe the Intellectual Property Rights or Technology of the Person responsible for the IP Communication or the holder of the Intellectual Property Rights or Technology asserted in the IP Communication (the "Claimant") (b) that Seller or any of its Subsidiaries do not own or have the right to exploit any Technology or Intellectual Property Rights that Seller planned or required for any Roadmap Product, or (c) that any of the Intellectual Property Rights or Technology of the Claimant presently embodied or proposed to be embodied in any Roadmap Product is available for licensing from the Claimant.

(c) From and after the execution of this Agreement to the Closing (or the earlier termination of this Agreement pursuant to [Section 8.1](#)), Seller shall take commercially reasonable actions (x) to maintain, perfect, preserve or renew the Purchased Registered Intellectual Property Rights, including the payment of any registration, maintenance, renewal fees, annuity fees and Taxes or the filing of any documents, applications or certificates related thereto, and (y) to promptly respond and prepare to respond to all requests, related to the Purchased Registered Intellectual Property Rights, received from any Governmental or Regulatory Authority. At the Closing, Seller shall notify Purchaser of all material actions which must be taken within the one hundred eighty (180) days following the Closing Date and which are necessary to maintain, perfect, preserve or renew the Purchased Registered Intellectual Property Rights, including the payment of any registration, maintenance, renewal fees, annuity fees and Taxes or the filing of any documents, applications or certificates related thereto.

5.13 Expenses. Whether or not the Closing occurs, except as otherwise expressly provided by this Agreement, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including all legal, accounting, financial advisory,

consulting and all other fees and expenses of third parties incurred by a Party in connection with the negotiation and effectuation of the terms and conditions of this Agreement and the transactions contemplated hereby, shall be the obligation of the respective Party incurring such fees and expenses, it being understood and agreed, for the avoidance of doubt, that unless otherwise specifically provided in this Agreement or any Ancillary Agreement, the Transition Services Agreement shall govern the responsibility for all costs and expenses in connection with the transitional services to be provided pursuant to the Transition Services Agreement and related statements of work attached thereto (in each case on the terms and conditions expressly set forth in such agreement and such statements of work). Except as specifically set forth in the Transition Services Agreement, Purchaser shall be responsible for any costs and expenses incurred in connection with Purchaser's occupation, integration or acceptance of the Purchased Assets and the Licensed IP Assets, and Seller shall be responsible for any costs and expenses incurred by Seller in connection with its delivery obligations set forth in Section 1.7. Purchaser shall be responsible for the cost of any filing fees under the Canadian Competition Act.

5.14 Shared Premises. For those Business Real Properties that Seller will continue to occupy during Purchaser's lease or sublease of a portion thereof, each Party shall use commercially reasonable efforts to ensure that the business operations of such Party and its Subsidiaries therein will not interfere or limit in any material respect the operation of the other Party and its Subsidiaries in and from such location in compliance with the terms of the Transition Services Agreement and the applicable related statement of work.

5.15 Certain Agreements Required for Closing. Without limiting the generality of the Parties obligations set forth elsewhere in this Article 5, during the period from the date hereof to the Closing Date, each Party shall (and shall cause their respective Subsidiaries to) finalize, execute and deliver in good faith each of the Foreign Asset Purchase Agreements and Real Property Transfer Agreements and such other documents and instruments, provide such materials and information and take such other actions as the other Party may reasonably request to consummate the transactions contemplated by the Foreign Asset Purchase Agreements and the Real Property Transfer Agreements.

5.16 Audited 2008 Business Financials. Seller shall use its best efforts to prepare and complete the Audited 2008 Business Financials, and to cause the audit of such financial statements to be completed on or prior to the forty-fifth (45<sup>th</sup>) calendar day after the Closing Date. If the Audited 2008 Business Financials have not been completed and delivered to Purchaser, but all other closing conditions are satisfied or waived, as applicable, and the Parties effect the Closing pursuant to Section 1.6 of this Agreement, Purchaser shall deposit fifteen million dollars (\$15,000,000) of the Purchase Price (the "Withheld Amount") with the Escrow Agent to be held in escrow (on the terms set forth below and such further terms as Purchaser and Seller may mutually agree). If the Audited 2008 Business Financials are completed and delivered to Purchaser on or prior to the forty-fifth (45<sup>th</sup>) calendar day after the Closing Date, Purchaser shall cause the Escrow Agent to promptly pay the entire Withheld Amount (including interest with respect thereto) to Seller. If the Audited 2008 Business Financials are completed and delivered more than forty five (45) calendar days after the Closing, the Purchase Price, and the portion of the Withheld Amount required to be paid (or caused to be paid) by Purchaser to Seller, shall be reduced by one million dollars (\$1,000,000) (plus any applicable interest with respect thereto) for each additional day or fraction of a day beyond the end of such forty five (45) day period until the completion and delivery to Purchaser of the Audited 2008 Business Financials and Purchaser shall retain such Withheld Amount.

ARTICLE 6.  
CONDITIONS TO THE CLOSING

6.1 Conditions to Obligations of Each Party to Effect the Closing. The respective obligations of Purchaser, BIL and Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of the conditions set forth in this Section 6.1:

(a) Legal Proceedings. No Governmental or Regulatory Authority shall have commenced, or notified in writing either Purchaser, BIL or Seller or any of their respective Representatives of any intention to commence, proceedings to restrain, prohibit, rescind, materially condition or take any substantially similar action with respect to any of the material transactions contemplated by this Agreement or any of the Ancillary Agreements (including the Intellectual Property License Agreements), in a manner that would be materially adverse to the Party asserting this condition, unless such Governmental or Regulatory Authority shall have definitively withdrawn such notice and abandoned all such proceedings, as the case may be.

(b) No Injunctions or Regulatory Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other Order issued by any court or other Governmental or Regulatory Authority of competent jurisdiction or other legal or regulatory restraint or prohibition preventing or rendering unlawful the consummation of the transactions contemplated by this Agreement shall be in effect; nor shall there be any action taken, or any Law enacted, entered, enforced or deemed applicable to the transactions contemplated by this Agreement that would prohibit or render unlawful the consummation of the transactions contemplated by this Agreement or which would permit consummation of the transactions contemplated by this Agreement only if certain divestitures were made or if Purchaser, BIL or Seller were to agree to limitations on its business activities or operations.

6.2 Additional Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the conditions set forth in this Section 6.2, any of which may be waived, in writing, exclusively by Seller:

(a) Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement shall each be true and correct in all material respects as of the date of this Agreement and shall each be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date (other than representations and warranties which by their express terms are made solely as of a specified earlier date, which shall be true and correct in all material respects as of such specified earlier date).

(b) Performance. Purchaser and BIL shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by Purchaser at or before the Closing.

(c) Governmental and Regulatory Approvals. The Required Seller Approvals shall have been obtained and shall be in full force and effect with no condition that would be materially adverse to Seller.

(d) Certain Agreements. Each Ancillary Agreement (other than the IP License Agreements executed and delivered concurrently herewith) to which Purchaser or any of its Subsidiaries is a party shall have been executed by Purchaser and/or each applicable Subsidiary of Purchaser and delivered to Seller by Purchaser substantially in the form attached hereto, and (assuming the execution and delivery thereof by Seller or its Subsidiaries) each such agreement (including the IP License Agreements) shall be in full force and effect.

(e) Legal Opinions. Seller shall have received legal opinions from Wilmer Cutler Pickering Hale and Dorr LLP, U.S. legal counsel to Purchaser, and Torys LLP, Canadian legal counsel to Purchaser, as to the matters set forth in Exhibit J.2.

(f) Closing Certificates. Purchaser shall have delivered to Seller a certificate, dated as of the Closing Date and executed by an executive officer of Purchaser, certifying that the conditions set forth in this Section 6.2 are satisfied, and a secretary's certificate executed by the Secretary or an Assistant Secretary of Purchaser in form reasonably acceptable to Seller.

6.3 Additional Conditions to the Obligations of Purchaser. The obligations of Purchaser and BIL to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction at or prior to the Closing of each of the conditions set forth in this Section 6.3, any of which may be waived, in writing, exclusively by Purchaser:

(a) Representations and Warranties. The representations and warranties of Seller contained in this Agreement shall each be true and correct in all material respects as of the date of this Agreement and shall each be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date (other than representations and warranties which by their express terms are made solely as of a specified earlier date, which shall be true and correct in all material respects as of such specified earlier date).

(b) Performance. Seller shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by Seller on or before the Closing Date.

(c) Closing Certificates. Seller shall have delivered to Purchaser a certificate, dated as of the Closing Date and executed by an executive officer of Seller, certifying that the conditions set forth in this Section 6.3 are satisfied, and a secretary's certificate executed by the Secretary or an Assistant Secretary of Seller in form reasonably acceptable to Purchaser.

(d) Third-Party Consents. Seller shall have received, and shall have delivered to Purchaser, each of the Approvals listed in Schedule 6.3(d).

(e) Governmental and Regulatory Approvals. The Required Purchaser Approvals shall have been obtained and shall be in full force and effect on terms reasonably satisfactory to Purchaser.

(f) Legal Opinions. Purchaser shall have received legal opinions from Latham & Watkins, U.S. legal counsel to Seller, and McCarthy Tétrault, Canadian legal counsel to Seller, as to the matters set forth in Exhibit J.1.

(g) Certain Agreements. Each Ancillary Agreement (other than the IP License Agreements executed and delivered concurrently herewith) to which Seller or any of its Subsidiaries is a party shall have been executed by Seller and/or the applicable Subsidiary of Seller and delivered to Purchaser by Seller or the applicable Subsidiary of Seller substantially in the form attached hereto, and (assuming the execution and delivery thereof by Purchaser) each such agreement (including the IP License Agreements) shall be in full force and effect.

(h) Employees. Each of the Business Employees named in Schedule 6.3(h)(1), at least ninety percent (90%) of the Business Employees named in Schedule 6.3(h)(2) and at least ninety percent (90%) of the other Business Employees who shall have received offers of post-Closing employment by Purchaser or a Subsidiary of Purchaser pursuant to Section 5.7 shall have accepted offers of employment with Purchaser or a Subsidiary of Purchaser to commence following the Closing and shall continue to be employed by Seller or a Subsidiary of Seller as of the Closing, and none of the Business Employees named in Schedule 6.3(h)(1), not more than ten percent (10%) of the Business Employees named in Schedule 6.3(h)(2) and not more than ten percent (10%) of the other Business Employees who have received offers of post-Closing employment by Purchaser or a Subsidiary of Purchaser shall have refused offers of employment by Purchaser or a Subsidiary of Purchaser to commence following the Closing or given any notice or other indication that they are not willing or do not intend to be employed by Purchaser or a Subsidiary of Purchaser following the Closing or are not willing or do not intend to execute and deliver to Purchaser Purchaser's standard forms of Confidentiality and Invention Assignment Agreement and associated schedules and statements without amendment or modification thereto in any substantive respect.

(i) Audited 2007 Business Financials. The audit of the Audited 2007 Business Financials by Seller's independent public accounting firm shall have been completed and the opinion of such independent public accountants on the Audited Business Financials shall contain no material qualifications and shall otherwise be in customary form reasonably satisfactory to Purchaser.

(j) India Facilities. The facilities to be established, and the equipment and infrastructure to be installed, by Seller and its Subsidiaries for the Continuing Employees in India shall be complete, operational, and ready for occupancy and use by such Continuing Employees, so as to permit the uninterrupted conduct of the Business by such employees in the ordinary course following the Effective Time in the same manner as conducted prior to the Effective Time.

(k) No Business Material Adverse Effect. No Business Material Adverse Effect shall have occurred, and no event shall have occurred or arisen, and no circumstance shall exist, that would reasonably be expected to result in a Business Material Adverse Effect.

ARTICLE 7.  
SURVIVAL OF REPRESENTATIONS, WARRANTIES, COVENANTS AND  
AGREEMENTS; ESCROW PROVISIONS

7.1 Survival of Representations, Warranties, Covenants and Agreements. Notwithstanding any right of Purchaser (whether or not exercised) to investigate the Business, the Purchased Assets or the Assumed Liabilities (whether pursuant to Section 5.1 or otherwise) and notwithstanding any waiver or non-assertion by a Party of any applicable condition to Closing set forth in Article 6 or any termination right set forth in Article 8, each Party shall have the right to rely fully upon the representations, warranties, covenants and agreements of the other Party contained in this Agreement, the Ancillary Agreements and the certificates and instruments delivered in connection herewith or therewith. All of the representations and warranties of Seller and Purchaser contained in this Agreement and contained or incorporated or referred to in the certificates and instruments delivered in connection herewith or therewith shall survive the Closing and continue until 11:59 p.m. California time on the day which is eighteen (18) months after the Closing Date (the "Expiration Date"). Nothing in this Section 7.1 or any other provision of this Agreement (i) shall be construed to limit or otherwise alter the survival of any representation or warranty of any Person in any of the Ancillary Agreements, which shall survive the Closing and continue for the time periods set forth therein (or, if no time period is set forth therein, indefinitely), or (ii) shall be construed to limit or alter the survival of any covenant or agreement of Seller or Purchaser contained in this Agreement or any of the Ancillary Agreements, which shall survive the Closing and continue for the time periods set forth therein (or, if no time period is set forth therein, indefinitely), other than covenants and agreements of Seller and Purchaser which by their terms are to be wholly performed prior to the Closing, which covenants and agreements shall survive until 11:59 p.m. Pacific Time on the Expiration Date.

7.2 Indemnification; Escrow Provisions.

(a) Establishment of the Escrow Fund. At the Closing, without any act of Seller or any other Person, the Escrow Amount will be deposited with the Escrow Agent by Purchaser, such deposits to constitute the "Escrow Fund" to be governed by the terms set forth herein and the Escrow Agreement.

(b) Indemnification; Recourse to the Escrow Fund. Subject to the limitations set forth elsewhere in this Article 7, Seller shall indemnify and hold harmless Purchaser and each of its officers, directors, employees, agents and Affiliates, including each Subsidiary of Purchaser that purchases Purchased Assets pursuant to this Agreement (collectively, the "Purchaser Indemnitees"), and the Escrow Fund shall be available to compensate Purchaser and each of the other Purchaser Indemnitees, for any and all Losses (whether or not involving a Third-Party Claim) paid, incurred, sustained or accrued by Purchaser or any other Purchaser Indemnitee as a result of (i) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which indemnification shall only be available for breaches, violations or inaccuracies as of such specified earlier date), or any breach or violation of any covenant or agreement, made by (or on behalf of) Seller or any of its Subsidiaries in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection

herewith or therewith or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, (ii) any of the Excluded Assets or Retained Liabilities, (iii) any matter for which Purchaser or any other Purchaser Indemnitee is entitled to indemnification pursuant to Sections 1.8, 5.5, 5.6, or 5.7, or (iv) any matter referred to in Schedule 7.2(b)(iv); and Purchaser shall indemnify and hold harmless Seller and each of its officers, directors, employees, agents and Affiliates (collectively, the "Seller Indemnitees") for any and all Losses (whether or not involving a Third-Party Claim) paid, incurred, sustained or accrued by Seller or any other Seller Indemnitee as a result of (x) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which indemnification shall only be available for breaches, violations or inaccuracies as of such specified earlier date), or any breach or violation of any covenant or agreement, made by (or on behalf of) Purchaser in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection herewith or therewith or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, or (y) any of the Assumed Liabilities. Purchaser and Seller each acknowledge that such Losses, if any, would relate to unresolved contingencies existing at the Closing, which if resolved at the Closing would have led to a reduction in the Purchase Price.

(c) Certain Limitations.

(i) Except as otherwise provided herein, an Indemnified Party may not make any claim for indemnification for Losses in excess of the Cap resulting from the breach or violation of, or inaccuracy in, any representation or warranty contained in this Agreement (or contained, incorporated or referred to in any certificate delivered in connection therewith), and, further, an Indemnified Party may not make any claim for indemnification for any breach or violation of, or inaccuracy in, any representation or warranty unless and until the aggregate Losses paid, incurred, sustained and/or accrued (or anticipated or be paid, incurred, sustained and/or accrued) exceed two hundred fifty thousand dollars (\$250,000) (the "Threshold Amount") (at which time claims may be made and indemnifiable Losses shall be determined without regard to, and without deducting or subtracting, the Threshold Amount). For purposes of this Article 7, all materiality and Business Material Adverse Effect qualifications in the representations and warranties contained in Article 2 or contained, incorporated or referred to in the certificate related thereto delivered pursuant to Section 6.3(c) shall be disregarded for purposes of calculating the amount of such Losses, but shall not be disregarded for purposes of determining whether a breach of any representation or warranty contained in Article 2 (or contained, incorporated or referred to in the certificate delivered pursuant to Section 6.3(c)) has occurred. Neither the Cap nor the Threshold Amount shall apply to claims for indemnification (A) by an Indemnified Party for Losses resulting from fraud or willful breach by the Indemnifying Party or any Person who is or was a director, officer, Affiliate or stockholder of the Indemnifying Party in connection with this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered in connection herewith or therewith, (B) by Purchaser for Losses resulting from any of the Excluded Assets or Retained Liabilities (in the case of indemnification claims by Purchaser related thereto), (C) by Seller for Losses resulting from any of the Assumed Liabilities (in the case of indemnification claims by Seller related thereto), (D) by Purchaser for any Losses for which Purchaser or any other Purchaser Indemnitee is entitled to indemnification pursuant to Sections 1.8, 5.5, 5.6 or 5.7, (D) by Purchaser for Losses resulting from any

Excepted Matter or (F) by Purchaser for Losses resulting from any of the matters referred to in Schedule 7.2(b)(iv), any and all of which shall be recoverable by the applicable Indemnified Party without respect to the Cap or the Threshold Amount (other than Item 5 under Part II of Schedule 7.2(b)(iv), which shall be subject to the Cap but not the Threshold).

(ii) In the event of any conflict between the indemnification provisions of this Agreement, on the one hand, and the provisions of the Transition Services Agreement or the related statements of work attached thereto, on the other hand, the provisions of the Transition Services Agreement and the applicable statement of work shall control, but solely with respect to the indemnification for obligations expressly and exclusively established by the Transition Services Agreement and related statements of work attached thereto and not with respect to any other matter or obligation (as to each of which this Agreement shall govern, control and prevail).

(iii) For Losses that are not subject to the Cap and are not for Excepted Matters as defined in Section 7.2(c)(v), the maximum respective liability of each of Seller and Purchaser under this Article 7 shall be equal to the Purchase Price.

(iv) To the extent that any Loss that is the subject of a claim for indemnification under this Article 7 is compensated by insurance proceeds paid to an Indemnified Party, such Indemnified Party shall be entitled to indemnification pursuant to this Article 7 only with respect to the amount of Losses that are in excess of the cash proceeds received by such Indemnified Party pursuant to such insurance, after deducting therefrom the expenses incurred by such Indemnified Party in obtaining such proceeds and the amount of any increase in premiums payable by such Indemnified Party as a result of the claims made against such insurance in relation to such matter ("Net Insurance Proceeds"). If such Indemnified Party receives such cash insurance proceeds prior to the time such claim is paid, then the amount payable by the Indemnifying Party pursuant to such claim shall be reduced by the amount of such Net Insurance Proceeds. If such Indemnified Party receives such cash insurance proceeds after such claim is paid, then upon receipt by such Indemnified Party of any cash proceeds pursuant to such insurance with respect to such claim, such Indemnified Party shall repay any portion of such Net Insurance Proceeds which was previously paid by the Indemnifying Party to such the Indemnified Party in satisfaction of such claim.

(v) Absent fraud or intentional misrepresentation, and other than for Excepted Matters (as defined below), the indemnification provisions contained in this Article 7 are intended to provide the sole and exclusive remedy following the Closing as to all Losses any Indemnified Party may incur arising from or relating to breaches and violations of, and inaccuracies in, the representations and warranties of the Indemnifying Party in this Agreement; *provided*, that nothing in this Section 7.2(c) or elsewhere in this Agreement shall affect the parties' rights to specific performance or other equitable remedies with respect to the covenants and agreements in this Agreement, the Intellectual Property License Agreements or any of the other Ancillary Agreements or that are to be performed at or after the Closing, and nothing in this Section 7.2(c) or elsewhere in this Agreement shall be construed to limit Seller's responsibilities, obligations or liabilities in respect of the Retained Liabilities or Excluded Assets, or Purchaser's responsibilities, obligations and liabilities in respect of Assumed Liabilities, or either Party's responsibilities, obligations and liabilities in respect of its respective

covenants, agreements and obligations (whether in this Agreement, in the Intellectual Property License Agreements or in the Transition Services Agreement (except, in the case of the Transition Services Agreement, as set forth in Section 7.2(c)(ii))) to be performed at or after the Closing (each an “Excepted Matter” and collectively, the “Excepted Matters”).

(d) Escrow Period; Distribution of Escrow Fund upon Termination of Escrow Period. Subject to the following requirements, the Escrow Fund shall be in existence immediately following the Effective Time and shall terminate at 11:59 p.m. Pacific Time on the Expiration Date (the period of time from the Effective Time through and including 11:59 p.m. Pacific Time on the Expiration Date is referred to herein as the “Escrow Period”), and all property thereafter remaining in the Escrow Fund shall be distributed as set forth in the last sentence of this Section 7.2(d); *provided, however*, that the Escrow Period shall not terminate with respect to such amount as may be necessary in the good faith judgment of Purchaser, subject to the objection of Seller and the subsequent arbitration of the matter in the manner as provided in Section 7.2(h), to satisfy any unsatisfied claims under this Section 7.2 concerning facts and circumstances existing prior to the termination of the Escrow Period which claims are specified in any Officer’s Certificate delivered to the Escrow Agent prior to termination of the Escrow Period. Promptly after all such claims, if any, have been resolved, Purchaser and Seller shall cause the Escrow Agent to deliver to Seller the remaining portion of the Escrow Fund not required to satisfy such claims.

(e) Protection of Escrow Fund; Interest Income.

(i) Purchaser and Seller shall require the Escrow Agent to hold and safeguard the Escrow Fund during the Escrow Period, to treat such fund as a trust fund in accordance with the terms of this Agreement and to hold and dispose of the Escrow Fund only in accordance with the terms hereof. The Escrow Fund shall be invested only in obligations of (or guaranteed by) the U.S. Government as to principal and interest, or such other investments as Purchaser and Seller shall direct in joint written instructions to the Escrow Agent. Purchaser and Seller agree that in no event shall the Escrow Agent have any liability under the Escrow Agreement for investment losses incurred on any investment or reinvestment made in accordance with the terms of the Escrow Agreement. Without limiting the generality of the foregoing, Purchaser and Seller agree that the Escrow Agent shall have no liability for any market loss on any investment liquidated prior to maturity in order to make a payment required hereunder.

(ii) All income derived from the investment of the Escrow Fund (the “Investment Income”) shall be deemed for Tax purposes to constitute (and shall be reported as) income of Seller. Such Investment Income shall be deemed part of the Escrow Fund, subject to claims for indemnification and distributions to Seller or Purchaser, as the case may be, in each case in accordance with this Article 7; *provided, however*, that Purchaser and Seller agree that twenty percent (20%) of the amount of such Investment Income in each calendar quarter shall automatically be deducted from such income and paid as a distribution by the Escrow Agent to Seller out of the Escrow Fund on the last day of each calendar quarter, without regard to the procedures of Section 7.2(f), (g), or (h). Except for the Investment Income, unless and until distributed to Seller (and then only to the extent distributed to Seller), the Parties agree to treat the Escrow Fund as owned by Purchaser and not received by Seller and to file all Tax Returns on a basis consistent with such treatment.

(f) Claims for Indemnification: Claims Upon Escrow Fund. Claims for indemnification shall be made by delivery of a certificate signed by any officer of the Indemnified Party to the Indemnifying Party (an "Officer's Certificate"). Each Officer's Certificate: (i) shall state, in substance, that the Indemnified Party has paid, incurred, sustained and/or accrued (or, in the case of indemnification claims involving anticipated Losses, that the Indemnified Party anticipates in good faith that it will pay, incur, sustain and/or accrue) Losses, directly or indirectly, as a result of (A) any breach or violation of, or inaccuracy in, any representation or warranty (either as made on the date hereof or as if made on and as of the Closing Date, other than representations and warranties that by their express terms are made solely as of a specified earlier date, as to which the Officer's Certificate shall state that the Losses are a result of a breach, violation or inaccuracy as of such specified earlier date), or any breach or violation of any covenant or agreement, made by or on behalf of the Indemnifying Party in this Agreement or any of the Ancillary Agreements or any certificate, agreement or instrument delivered by or on behalf of the Indemnifying Party in connection herewith or therewith, or any claim by any third party alleging, constituting or involving such a breach, violation or inaccuracy, (B) any of the Excluded Assets or Retained Liabilities (in the case of indemnification claims by Purchaser related thereto) or any of the Assumed Liabilities (in the case of indemnification claims by Seller related thereto), (C) any other matter for which an Indemnified Party is entitled to indemnification pursuant to this Agreement (including, in the case of Purchaser, Sections 1.8, 5.5, 5.6 or 5.7), or (D) any matter referred to in Schedule 7.2(b)(iv); and (ii) shall specify in reasonable detail the individual items of Loss included in the amount so stated, the date (if known) when each such item of Loss was paid, incurred, sustained and/or accrued (or, in the case of anticipated Losses, the basis for such anticipated Loss), and the general nature of the representation, warranty, agreement, covenant, Excluded Asset, Retained Liability, Assumed Liability, or other matter to which such item of Loss or anticipated Loss is related.

(g) Objections to Claims. A copy of the Officer's Certificate shall be delivered to the Indemnifying Party and, in the case of indemnification claims involving a claim against the Escrow Fund, to the Escrow Agent. The Indemnifying Party shall have twenty (20) Business Days after delivery of an Officer's Certificate in which to object, in whole or in part, to the indemnification claim(s) set forth in the Officer's Certificate. Objection shall be made by a certificate in writing, signed by an officer of the Indemnifying Party, setting forth in reasonable detail the basis for objection, which shall be delivered to the Indemnified Party (and, in the case of indemnification claims involving a claim against the Escrow Fund, to the Escrow Agent) prior to 5:00 p.m. Pacific Time on the last day of such twenty (20) Business Day period. In the case of indemnification claims involving a claim against the Escrow Fund, if compliant objection in writing is made and timely delivered in accordance with the requirements of this Section 7.2(g), Purchaser and Seller agree that the Escrow Agent shall make no delivery to the Indemnified Party of any portion of the Escrow Fund pursuant to Section 7.2(d) unless the Escrow Agent shall have received written authorization from the Indemnifying Party to make such delivery. If compliant objection in writing is not made or is not timely delivered in accordance with the requirements of this Section 7.2(g), Purchaser and Seller shall require the Escrow Agent, as promptly as practicable following the expiration of such twenty (20) Business Day period, to pay to the Indemnified Party, from the Escrow Fund, an amount in cash equal to the amount of Losses claimed against the Escrow Fund in the Officer's Certificate, in accordance with Section 7.2(f); *provided*, that where the basis for a claim is that the Indemnified Party anticipates that it will pay, incur, sustain and/or accrue a Loss, no payment will be made from the Escrow Fund for such Loss unless and until such Loss is actually paid, incurred, sustained and/or accrued.

(h) Resolution of Conflicts: Arbitration.

(i) If the Indemnifying Party has objected in writing to any claim or claims made in any Officer's Certificate in accordance with the procedures of Section 7.2(g), the Indemnifying Party and the Indemnified Party shall attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims. If the Indemnifying Party and the Indemnified Party so agree, a memorandum setting forth such agreement shall be prepared and signed by both parties and, in the case of indemnification claims involving a claim against the Escrow Fund, a copy thereof shall be furnished to the Escrow Agent. Purchaser and Seller agree that the Escrow Agent shall be entitled to rely on any such memorandum and to distribute funds from the Escrow Fund in accordance with the terms thereof.

(ii) If no such agreement is reached after good-faith negotiations, the Indemnified Party (or, in the case of indemnification claims involving a claim against the Escrow Fund, either the Indemnifying Party or the Indemnified Party) may demand arbitration of the dispute. If the amount of the Loss is at issue in a pending Action or Proceeding involving a Third-Party Claim (as defined in Section 7.2(i)), arbitration shall not be commenced until such amount is determined in such Action or Proceeding (whether by verdict, judgment, finding of fact, settlement or other order, stipulation or agreement) or otherwise ascertained, or both parties agree to arbitration. Any dispute regarding a claim for indemnification pursuant to this Article 7 that is reasonably expected to require, for its determination, the application or determination of a substantive issue of patent law, shall, at the request of either Party, be resolved by special confidential arbitration pursuant to the rules set forth in Schedule 7.2(h)(ii). Otherwise, the dispute shall be resolved by three arbitrators, one selected by the Indemnified Party, one selected by the Indemnifying Party, and the third selected jointly by the two arbitrators previously selected by the Indemnifying Party and the Indemnified Party, in accordance with the following provisions and procedures:

(A) The arbitrators shall set a limited time period and establish procedures designed to reduce the cost and time for discovery of information relating to any dispute while allowing the parties an opportunity, adequate as determined in the sole judgment of the arbitrators, to discover relevant information from the opposing parties about the subject matter of the dispute.

(B) The arbitrators shall rule upon motions to compel, limit or allow discovery as they shall deem appropriate given the nature and extent of the disputed claim. The arbitrators shall also have the authority to impose sanctions, including attorneys' fees and other costs incurred by the parties, to the same extent as a court of law or equity, if the arbitrators determine that discovery was sought without substantial justification or that discovery was refused or objected to by a Party without substantial justification.

(C) The decision of a majority of the three arbitrators as to the validity and amount of any claim in such Officer's Certificate shall be binding and conclusive upon the parties to this Agreement, and (in the case of indemnification claims involving a claim

against the Escrow Fund), notwithstanding anything in Section 7.2(g), Purchaser and Seller agree that the Escrow Agent shall be entitled to act in accordance with such decision and make or withhold payments out of the Escrow Fund in accordance therewith. Such decision shall be written and shall be supported by written findings of fact and conclusions of law regarding the dispute which shall set forth the award, judgment, decree or order of the arbitrators.

(D) Judgment upon any award, judgment, decree or order rendered by the arbitrators may be entered in any court having competent jurisdiction. Any such arbitration shall be held in a location within the Northern District of California under the commercial rules of arbitration then in effect of the American Arbitration Association. For purposes of this Section 7.2(h), in any arbitration hereunder in which any claim or the amount thereof stated in the Officer's Certificate is at issue, the Indemnified Party shall be deemed to be the non-prevailing party if the arbitrators award the Indemnified Party less than one-half of the disputed amount of claimed Losses (exclusive of any amounts not in dispute); otherwise, the Indemnifying Party shall be deemed to be the non-prevailing party. The non-prevailing party to an arbitration shall pay its own expenses, the fees of each arbitrator, the administrative costs of the arbitration and the expenses, including reasonable attorneys' fees and costs, incurred by the other Party to the arbitration.

(iii) Confidentiality. In connection with indemnification and arbitration matters pursuant to this Article 7 (including pursuant to Schedule 7.2(h)(ii)), each Party and its Representatives shall hold in strict confidence, shall not use for any purpose other than as permitted under this Agreement or any Ancillary Agreement, and shall not disclose to any Person, any nonpublic information from or concerning the other Party, concerning any of the Purchased Assets or Assumed Liabilities (in the case of Seller) or Excluded Assets or Retained Liabilities (in the case of Purchaser) (including information obtained in the course of any arbitration, in discovery pursuant to this Section 7.2(h) or concerning the Escrow Fund or claims for indemnification (including information concerning the assertion, existence, nature, amount, status or outcome of any claim, objection, communication or proceeding under this Article 7). Notwithstanding the foregoing, either Party shall be entitled (i) to make such disclosures as are reasonably required in good faith for the conduct of proceedings for the resolution of disputes relating to indemnification claims, for the enforcement of arbitration awards and judgments related thereto, (ii) to disclose such information to their Representatives and other Persons who reasonably need to know such information for the purpose of enabling an Indemnified Party to assert and pursue an indemnification claim or enabling an Indemnified Party to respond or pursue an objection to an indemnification claim and who have agreed in writing to the same confidentiality obligations and disclosure restrictions applicable to the Parties hereto) and (iii) to make such disclosures as required by Law (including federal and state securities Laws) or by stock exchange rules.

(i) Third-Party Claims. In the event that an Indemnified Party is served with a complaint, counterclaim or cross-claim in litigation (a "Third-Party Claim") which the Indemnified Party expects may result in a claim for indemnification under this Article 7 or a demand against the Escrow Fund, the Indemnified Party shall notify the Indemnifying Party of such Third-Party Claim, and the Indemnifying Party shall be entitled, at its own and sole expense, to participate in any defense of such Third-Party Claim. Purchaser shall have the right in its sole and absolute discretion to control the defense of any Third-Party Claim against

Purchaser and Purchaser shall thereafter from time to time promptly provide to Seller copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim, and shall consult in good faith with Seller at reasonable periodic intervals on matters regarding the defense of such Third-Party Claim. Purchaser shall have the right to settle, adjust or compromise any such Third-Party Claim; *provided, however*, that (i) the amount of any settlement shall only be indemnifiable if made with the consent of the Indemnifying Party or, if made without the consent of the Indemnifying Party, the amount of the settlement was not unreasonably high, does not result in the Indemnifying Party incurring any obligations other than its indemnification obligations hereunder or the settlement was not agreed to in bad faith and without any reasonable basis, (ii) the amount of any settlement shall not be determinative of the amount of Losses (if any) that are subject to indemnification pursuant to this Article 7 and (iii) in no event shall Purchaser settle any claim related to the matter set forth in Item 5 of Part II of Schedule 7.2(b)(iv) without the consent of Seller. If a Third-Party Claim in a pending Action or Proceeding against an Indemnified Party would reasonably be expected to result in a claim for indemnification under this Article 7, then, at the Indemnifying Party's written request within thirty (30) days after receipt of notice of the institution or pendency of such Action or Proceeding, (A) the Indemnifying Party shall thereafter from time to time promptly provide to the Indemnified Party copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim and shall thereafter consult in good faith with the Indemnifying Party at reasonable periodic intervals on matters relating to the defense of such Third-Party Claim, and (B) the Indemnifying Party may, with legal counsel reasonably satisfactory to the Indemnified Party, assume control of the defense of such Third-Party Claim if, and only if, (w) the Third-Party Claim is asserted by a Person other than a Governmental or Regulatory Authority, is solely for actual monetary damages (and not for punitive, exemplary or similar damages, treble damages or other damages in excess of actual damages), does not seek a declaratory judgment, injunctive or other equitable relief, or specific performance, and the total monetary damages that may be awarded with respect to such Third-Party Claim do not exceed the lesser of five million dollars (\$5,000,000) or the amount then remaining in the Escrow Fund after deducting therefrom the amount of all outstanding unpaid and/or unresolved claims for indemnification, (x) the Person asserting the Third-Party Claim is not a customer, supplier or strategic partner of Purchaser or any of its Subsidiaries and is not party to a material business relationship with the Indemnifying Party that may create a material risk of a conflict between the interests of the Indemnified Party and the Indemnifying Party with respect to the defense of the Third-Party Claim, (y) the Third-Party Claim does not involve a criminal, quasi-criminal or regulatory matter, and (z) no later than twenty (20) days after notice by the Indemnified Party to the Indemnifying Party of the assertion of such Third-Party Claim, the Indemnifying Party shall have notified the Indemnified Party in writing of its election to assume such defense and shall have acknowledged unconditionally that such Third-Party Claim is subject to indemnification by the Indemnifying Party pursuant to this Article 7. If the Indemnifying Party elects to assume control of the defense of such a Third-Party Claim, (AA) the Indemnifying Party shall thereafter from time to time promptly provide to the Indemnified Party copies of all pleadings filed and all Orders issued in such Action or Proceeding relating to such Third-Party Claim, and shall consult in good faith with the Indemnified Party at reasonable periodic intervals on matters regarding the defense of such Third-Party Claim; (BB) the Indemnified Party shall have the right to participate in such Action or Proceeding at its own expense; (CC) the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, default or confess or consent to the entry of

judgment or any similar action with respect to any such Third-Party Claim or enter into or agree to any settlement of any such Third-Party Claim (other than a settlement solely for payment of money within the amounts set forth in clause (B)(w) above that contains a full release in favor of the Indemnified Party and its Subsidiaries). If thereafter the Third-Party Claim shall be amended or supplemented such that it no longer meets the criteria set forth in clauses (A) through (B) above, or if at any time after the assumption of control of defense the Indemnifying Party is failing, in the reasonable judgment of the Indemnified Party after written notice to the Indemnifying Party and reasonable opportunity for cure, to pursue the defense of such Third-Party Claim with reasonable diligence and vigor, the Indemnified Party may, upon written notice to the Indemnifying Party, re-assume the control and conduct of the defense of such Third-Party Claim. Where an Action or Proceeding also involves claims that are not subject to indemnification under this Article 7, the Indemnifying Party's rights with respect to control of defense shall not extend to claims that are not subject to indemnification. Notwithstanding anything to the contrary herein, Purchaser shall have the right (and, at Seller's request, the obligation) to conduct and control the defense of any Third-Party Claim to the extent that it is for (and is acknowledged by Purchaser to be) an Assumed Liability and Seller shall have the right (and, at Purchaser's request, the obligation) to conduct and control the defense of any Third-Party Claim to the extent that it is for (and is acknowledged by Seller to be) a Retained Liability.

ARTICLE 8.  
TERMINATION, AMENDMENT AND WAIVER

8.1 Termination. Except as provided in Section 8.2, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) by mutual agreement of Seller and Purchaser;

(b) by Purchaser or Seller, by written notice to the other Party, if: (i) the Closing has not occurred before 5 p.m. Pacific Time on February 27, 2009 (the "Final Date") (*provided, however*, that the right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to any Party whose willful failure to fulfill any obligation hereunder has been the cause of, or resulted in, the failure of the Closing to occur on or before such date, and *provided further*, that the Final Date shall be extended for up to three months (but in no event beyond May 27, 2009) at the request of either Party if, as of February 27, 2009, either of the conditions set forth in Section 6.2(c) or Section 6.3(e) are not satisfied but are reasonably capable of being satisfied within such extended period); (ii) there shall be a final nonappealable Order of a federal or state court in effect preventing consummation of the transactions contemplated by this Agreement; or (iii) there shall be any statute, rule, regulation or order enacted, promulgated or issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental or Regulatory Authority that would make consummation of the transactions contemplated by this Agreement illegal;

(c) by Purchaser, by written notice to Seller, if there shall be any action taken, or any Law enacted, promulgated or issued or deemed applicable to the transactions contemplated by this Agreement by any Governmental or Regulatory Authority, which would: (i) prohibit Purchaser's ownership or operation of all or any portion of the Business or Purchased Assets, or (ii) compel Purchaser to dispose of or hold separate all or any portion of the Purchased Assets, or limit its operation of the Business;

(d) by Purchaser, by written notice to Seller, if there has been a Business Material Adverse Effect or a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Seller and (i) Seller is not using commercially reasonable efforts to cure such breach, or such breach has not been cured within thirty (30) calendar days after notice of such breach to Seller (*provided, however*, that, no cure period shall be required for a breach which by its nature cannot be cured) and (ii) as a result of such breach any of the conditions set forth in Section 6.1 or Section 6.3, as the case may be, would not be satisfied prior to the Closing Date;

(e) by Seller, by written notice to Purchaser, if there has been a breach of any representation, warranty, covenant or agreement contained in this Agreement on the part of Purchaser and (i) Purchaser is not using commercially reasonable efforts to cure such breach, or such breach has not been cured within thirty (30) calendar days after notice of such breach to Purchaser (*provided, however*, that no cure period shall be required for a breach which by its nature cannot be cured), and (ii) as a result of such breach any of the conditions set forth in Section 6.1 or Section 6.2, as the case may be, would not be satisfied as of the Closing Date; or

(f) by Purchaser, by written notice to Seller, if any of the individuals listed in Schedule 6.3(b)(1) or more than ten percent (10%) of the individuals listed in Schedule 6.3(b)(2) or more than ten percent (10%) of the other Business Employees to whom Purchaser has offered employment following the Closing ceases to be employed by Seller and its Subsidiaries or declines to be employed by Purchaser or a Subsidiary of Purchaser following the Closing.

**8.2 Effect of Termination.** In the event of a valid termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Purchaser, BIL or Seller, or their respective officers, directors or stockholders or Affiliates; *provided, however*, that Purchaser, BIL and Seller shall each remain liable for any breaches of their respective obligations under this Agreement prior to its termination; and *provided further* that, the provisions of Sections 5.2, 5.3, 5.13 and 8.2, Article 9 (exclusive of Section 9.3) and the applicable definitions set forth in Article 10 shall remain in full force and effect and survive any termination of this Agreement.

**8.3 Amendment; Waiver.** This Agreement may be amended, and any term of this Agreement may be waived, by the parties hereto at any time but only by an instrument in writing duly and validly signed on behalf of and delivered to each of the parties hereto.

ARTICLE 9.  
MISCELLANEOUS PROVISIONS

**9.1 Notices.** All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by facsimile transmission or by nationally recognized overnight courier prepaid, to the parties at the following addresses or facsimile numbers:

If to Purchaser or BIL, to:

Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617  
Facsimile No.: (949) 926-9244  
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Wilmer Cutler Pickering Hale and Dorr LLP  
1117 California Avenue  
Palo Alto, CA 94304  
Facsimile No.: 650-858-6100  
Attn.: Rod J. Howard, Esq.

If to Seller, to:

Advanced Micro Devices, Inc.  
One AMD Place  
P.O. Box 3453  
Sunnyvale, CA 94088  
Facsimile No.: (408) 749-4000  
Attn: General Counsel

with a copy (which shall not constitute notice) to:

Latham & Watkins  
140 Scott Drive  
Menlo Park, CA 94025  
Facsimile No.: (650) 463-2600  
Attn: Tad J. Freese, Esq.

All such notices, requests and other communications will (a) if delivered personally to the address as provided in this [Section 9.1](#), be deemed given upon delivery, (b) if delivered by facsimile transmission to the facsimile number as provided for in this [Section 9.1](#), be deemed given upon facsimile or telephonic confirmation of successful completion of transmission, and (c) if delivered by overnight courier to the address as provided in this [Section 9.1](#), be deemed given on the earlier of the first Business Day following the date deposited with such overnight courier with the requisite payment and instructions to effect delivery on the next Business Day or upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this [Section 9.1](#)). Any Party from time to time may change its address, facsimile number or other information for the purpose of notices to that Party by giving written notice specifying such change to the other Parties and, during the Escrow Period, to the Escrow Agent.

9.2 [Entire Agreement](#). This Agreement and the Exhibits and Schedules hereto, including the Seller Disclosure Schedule and the Purchaser Disclosure Schedule and the Ancillary Agreements, constitute the entire agreement among the parties with respect to the

subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, except, subject to Section 5.2(c), for the confidentiality provisions of the Project Addendum and the Exclusivity Agreement, which shall continue in force and effect and shall survive any termination of this Agreement in accordance with its terms and the terms of Section 5.2(c).

9.3 Further Assurances; Post-Closing Cooperation. At any time or from time to time after the Closing, at the request of any Party, the other Parties shall execute and deliver to the requesting Party such other documents and instruments, provide such materials and information and take such other actions as the requesting Party may reasonably request to consummate the transactions contemplated by this Agreement and otherwise to cause the other Party or Parties to fulfill its or their respective obligations under this Agreement and the transactions contemplated hereby.

9.4 Waiver; Remedies. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. No waiver by any Party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by Law or otherwise afforded, shall be cumulative and not alternative.

9.5 Third-Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of Purchaser, BIL, Seller, and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other Person other than any Person entitled to indemnification under Article 7.

9.6 No Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned (by operation of Law or otherwise) by any Party without the prior written consent of the other Parties and any attempt to do so shall be void. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties and their respective successors and assigns.

9.7 Headings. The headings and table of contents used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

9.8 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any Party under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9.9 Governing Law. This Agreement and, except as otherwise expressly provided therein, the Ancillary Agreements and closing documents hereunder shall be governed by and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York; *provided*, that as to transactions contemplated by this Agreement, the Ancillary Agreements and closing documents that are required by Law to be governed by the Laws of another jurisdiction, such matters shall be governed by the Laws of such other jurisdiction.

9.10 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN ANY ACTION OR PROCEEDING ARISING HEREFROM, THE PARTIES HERETO CONSENT TO TRIAL WITHOUT A JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY ANY PARTY HERETO OR ITS SUCCESSORS AGAINST ANY OTHER PARTY HERETO OR ITS SUCCESSORS IN RESPECT OF ANY MATTER ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, REGARDLESS OF THE FORM OF ACTION OR PROCEEDING.

9.11 Construction.

(a) The Parties hereto agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any Party but rather shall be given a fair and reasonable construction without regard to the rule of *contra proferentem*.

(b) The China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement are intended to supplement this Agreement with respect to the purchase and sale of Assets and Properties in People's Republic of China, India, Japan and Republic of Korea, respectively. Accordingly, any matters that are not specifically addressed in the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement or the Korea Asset Purchase Agreement shall be governed by this Agreement, and any matters that are not addressed in this Agreement but are specifically addressed in the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement or the Korea Asset Purchase Agreement shall be governed by the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement, respectively. In the event of any conflict, inconsistency or discrepancy between this Agreement, on the one hand, and the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement, the Korea Asset Purchase Agreement or the Escrow Agreement, the provisions of this Agreement shall govern, control and prevail.

9.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.13 Specific Performance. The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. It is agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

ARTICLE 10.  
DEFINITIONS

10.1 Definitions. As used in this Agreement, the following defined terms shall have the meanings indicated below (with correlative meanings for the singular or plural forms thereof):

“Accountant” means a firm of independent certified public accountants of national standing located in the City of Los Angeles which shall be jointly appointed by Purchaser and Seller. If Purchaser and Seller cannot timely agree on the selection of the Accountant, Purchaser and Seller shall each propose one firm of independent certified public accountants of national standing located in the City of Los Angeles, and the firm to serve as Accountant shall be selected by lot.

“Accrued Bonus Amount” has the meaning ascribed to it in Section 5.7(d)(iii).

“Acquired Competing Interest” has the meaning ascribed to it in Section 5.10.

“Action or Proceeding” means any action, suit, complaint, petition, investigation, proceeding, arbitration, litigation or Governmental or Regulatory Authority investigation, audit or other proceeding, whether civil, regulatory, quasi-criminal or criminal, in law or in equity, or before any arbitrator or Governmental or Regulatory Authority.

“Affiliate” means, as applied to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, that Person, whether through ownership of voting securities or by Contract or otherwise.

“Agreement” has the meaning ascribed to it in the forepart of this Agreement.

“AMD Processor” means either of the following: (i) the x86, x86-64, and IA (Intel Architecture)-64 families of microprocessors, or (ii) any existing or new microprocessors based on the x86, x86-64, and IA-64 family architecture, or any new instruction set for a processor described in clause (i) first introduced by Seller.

“Ancillary Agreements” means the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Korea Asset Purchase Agreement, the Japan Asset Purchase Agreement, the Intellectual Property License Agreements, the Transition Services Agreement, the Bills of Sale, the Assignment and Assumption Agreement, the Patent Assignments, the Trademark Assignments, the Copyright Assignments, the other instruments of transfer contemplated by Section 1.1, the Real Property Transfer Agreements and the Escrow Agreement.

“Approval” means any approval, authorization, consent, permit, qualification or registration, or any waiver of any of the foregoing, required to be obtained from or made with, or any notice, statement or other communication required to be filed with or delivered to, any Governmental or Regulatory Authority or any other Person.

“Asset Acquisition Statement” has the meaning ascribed to it in [Section 1.9](#).

“Asset Schedules” means [Schedules 1.1\(a\),\(b\),\(c\),\(d\),\(e\),\(f\),\(g\),\(h\),\(i\),\(j\) and \(m\)](#).

“Assets and Properties” of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned, licensed or leased by such Person, including cash, cash equivalents, Investment Assets, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods and Intellectual Property Rights and Technology.

“Assigned Contracts” has the meaning ascribed to it in [Section 1.1](#).

“Assigned Insurance Proceeds” has the meaning ascribed to it in [Section 1.1](#).

“Assigned Leasehold and Subleasehold Interests” has the meaning ascribed to it in [Section 1.1](#).

“Assigned Permits and Approvals” has the meaning ascribed to it in [Section 1.1](#).

“Assigned Prepayments” has the meaning ascribed to it in [Section 1.1](#).

“Assigned Warranty Rights” has the meaning ascribed to it in [Section 1.1](#).

“Assumed Liabilities” has the meaning ascribed to it in [Section 1.3](#).

“Audited 2007 Business Financials” means the audited financial statements of the Business for the year ended December 29, 2007, in the form required by the Securities and Exchange Commission in connection with the reporting obligations for the transactions contemplated hereby.

“Audited 2008 Business Financials” means the audited financial statements of the Business related to the applicable periods for 2008, in the form required by the Securities and Exchange Commission in connection with the reporting obligations for the transactions contemplated hereby.

“Audited Business Financials” means the Audited 2007 Business Financials and the Audited 2008 Business Financials.

“Books and Records” means all files, documents, instruments, papers, books and records, accounts, personnel records for Continuing Employees, and other printed or written materials, including financial statements, internal reports, Tax Returns and related work papers and letters

from accountants, studies, correspondence, budgets, pricing guidelines, ledgers, journals, deeds, title policies, minute books, stock certificates and books, stock transfer ledgers, Contracts, Licenses, patent files, prosecution and enforcement files with respect to Intellectual Property Rights other than Patents, customer lists, computer files and programs (including data processing files and records), retrieval programs, operating data and plans and environmental studies and plans.

“Business” means the design, development, distribution, marketing, manufacture, use, import, license, offer for sale, sale, maintenance, support or other disposal of the Business Products.

“Business Books and Records” means the Books and Records evidencing or primarily related to the Purchased Assets or Assumed Liabilities or otherwise required for the operation of the Business.

“Business Day” means a day other than Saturday, Sunday or any day on which banks located in the State of California are authorized or obligated to close.

“Business Employees” has the meaning ascribed to it in [Section 2.15](#).

“Business Material Adverse Effect” means a change, effect, event, occurrence or circumstance that is materially adverse to the Business, the Purchased Assets, the Exclusively Licensed IP Assets or the Assumed Liabilities, or Seller’s ability to perform its obligations hereunder or under the Ancillary Agreements; *provided*, that none of the following shall constitute a Business Material Adverse Effect: changes, effects, events, occurrences and circumstances that are caused primarily and directly by (i) the announcement or pendency of this Agreement and the transactions contemplated hereby; (ii) temporary cyclical changes in the U.S. or Canadian economies or capital markets generally or the semiconductor industry as a whole (to the extent that such changes do not have a disproportionately adverse effect on the Business, the Purchased Assets, or the Assumed Liabilities); (iii) changes in GAAP; or (iv) changes in applicable Law. In any dispute between Purchaser and Seller concerning the existence or occurrence of a Business Material Adverse Effect, the burden of proof with respect to the relevant elements and matters in dispute shall be determined by the adjudicator of such dispute.

“Business Products” means (a) the Past Business Products, (b) the Current Business Products, (c) the Roadmap Products, and (d) all other integrated circuit chips that Seller and its Subsidiaries have sold within the five (5) years prior to the date hereof as commercialized products designed specifically for use in digital televisions. “Business Products” do not include any IP core, processor, integrated circuit or chipset that, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as a graphics processing unit for use in PCs, servers, workstations or Game Consoles, or (ii) a processor core or product that (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, (C) has a programmer’s model that is substantially compatible with the programmer’s model of any AMD Processor, or (D) is a chipset (Northbridge/Southbridge) for use with any AMD Processor.

“Business Real Properties” has the meaning ascribed to it in [Section 2.18\(a\)](#).

“Business Source Code” has the meaning ascribed to it in [Section 2.11\(m\)](#).

“Canadian Business Consultant” means one whose relationship to Seller or any of its Subsidiaries (other than as a shareholder and director) is that of independent contractor. The individual is not an employee, agent, partner or joint venturer of Seller or any of its Subsidiaries.

“Canadian Seller Benefit Plans” means any Seller Benefit Plan which any of Seller or any its Subsidiaries sponsor, administer or contribute to on behalf of any Canadian Business Employee.

“Cap” means the Escrow Amount plus any additions thereto pursuant to [Section 7.2\(e\)](#); *provided, however*, that for breaches or violations of or inaccuracies in the representations and warranties set forth in [Section 2.3](#). “Cap” means the Escrow Amount plus (i) any additions thereto pursuant to Section 7.2(e) and (ii) ten million dollars (\$10,000,000) (such ten million dollars (\$10,000,000) to be recoverable directly from Seller by Purchaser or the applicable Purchaser Indemnitee to the extent such amount is otherwise recoverable pursuant to [Article 7](#)).

“Charges” has the meaning ascribed to it in [Section 5.7\(e\)](#).

“China Asset Purchase Agreement” means the Asset Purchase Agreement of China Assets, of even date herewith, in substantially the form set forth in [Exhibit A](#).

“Claimant” has the meaning ascribed to it in [Section 5.12\(b\)](#).

“Closing” means the closing of the transactions contemplated by [Section 1.6](#).

“Closing Date” has the meaning ascribed to it in [Section 1.6](#).

“COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

“Competing Proposal or Inquiry” has the meaning ascribed to it in [Section 4.2](#).

“Continuing Employees” has the meaning ascribed to it in [Section 5.7\(a\)](#).

“Contract” means any contract (including leases, subleases, licenses, sublicenses), commitment, agreement or other business arrangement (whether oral or written).

“Current Business Products” means the products listed in [Schedule 10.1\(CBP\)](#).

“Disclosure Schedules” means the Seller Disclosure Schedule and the Purchaser Disclosure Schedule.

“Effective Time” has the meaning ascribed to it in [Section 1.1](#).

“Environment” means air, surface water, ground water, or land, including land surface or subsurface, and any receptors such as persons, wildlife, fish, biota or other natural resources.

“Environmental Clean-up Site” means any location which is listed or proposed for listing on the National Priorities List promulgated by the U.S. Environmental Protection Agency, the Comprehensive Environmental Response, Compensation and Liability Information System, or on any similar state list of sites relating to investigation or cleanup, or which is the subject of any pending or threatened Action or Proceeding related to or arising from any location at which there has been a Release or is the presence or has been a threatened or suspected Release or presence of a Hazardous Material.

“Environmental Law” means any federal, state, provincial, municipal, local or foreign environmental, health and safety or other Law relating to of Hazardous Materials, the distribution in commerce of products or articles containing Hazardous Materials or restricted substances (or the requirement to register or provide notice of the substances contained in those products or articles prior to distribution in commerce), including the Comprehensive, Environmental Response Compensation and Liability Act, the Clean Air Act, the Federal Water Pollution Control Act, the Solid Waste Disposal Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Canadian Environmental Protection Act, 1999, the Fisheries Act (Canada), the European Union Restriction on Hazardous Substances Directive, the European Waste Electronic and Electrical Equipment Directive, the European Union REACH Directive, the California Safe Drinking Water, Toxic Enforcement Act, the Environmental Protection Act (Ontario), the Safe Drinking Water Act (Ontario) and the Ontario Water Resources Act.

“Environmental Permit” means any permit, license, approval, consent, registration or authorization required under or in connection with any Environmental Law and includes any and all orders, consent orders or binding agreements issued by or entered into with a Governmental or Regulatory Authority.

“ERISA” means the Employee Retirement Income security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

“Escrow Agent” means J.P. Morgan Chase (or other institution acceptable to Purchaser and Seller).

“Escrow Agreement” means the Escrow Agreement, dated as of the Closing Date, by and among Purchaser, Seller and the Escrow Agent.

“Escrow Amount” means nineteen million two hundred eighty thousand dollars (\$19,280,000).

“Escrow Fund” has the meaning ascribed to it in [Section 7.2\(a\)](#).

“Escrow Period” has the meaning ascribed to it in [Section 7.2\(d\)](#).

“EU Business Employees” means the French EU Business Employee and the UK Employees, collectively.

“EU Continuing Employee” shall means any EU Business Employee: (a) whose contract of employment has effect from the Effective Time as if originally made between Purchaser, or one of its designated Affiliates, and the applicable EU Business Employee pursuant to the operation of the EU Transfer Regulations in the applicable Member State; or (b) who accepts an offer of employment made pursuant to [Sections 5.7\(a\), \(b\), \(c\) or \(d\)](#) or [Section 5.7\(e\)\(iv\)](#).

“EU Transferring Employee” means any UK Employee whose contract of employment has effect from the Effective Time as if originally made between Purchaser or one of its designated Affiliates and the applicable UK Employee pursuant to the operation of the EU Transfer Regulations in the UK.

“EU Transfer Regulations” means any relevant Laws of an applicable Member State of the European Union that implements into that Member State’s national Laws the Acquired Rights Directive (2001/23/EC).

“Excepted Matters” has the meaning ascribed to it in [Section 7.2\(c\)\(v\)](#).

“Excluded Assets” has the meaning ascribed to it in [Section 1.2](#).

“Excluded Contracts” has the meaning ascribed to it in [Section 1.2](#).

“Exclusively Licensed IP Assets” means those Licensed IP Assets which are, or will be, as applicable, exclusively licensed to Purchaser and its Affiliates in the relevant field pursuant to the Intellectual Property License Agreements.

“Exclusivity Agreement” has the meaning ascribed to it in [Section 5.2](#).

“Expiration Date” has the meaning ascribed to it in [Section 7.1](#).

“Final Date” has the meaning ascribed to it in [Section 8.1\(b\)](#).

“Foreign Asset Purchase Agreements” means the China Asset Purchase Agreement, the India Asset Purchase Agreement, the Japan Asset Purchase Agreement and the Korea Asset Purchase Agreement, collectively.

“French EU Business Employee” means the one (1) employee of Seller or its Subsidiaries located in France as of the date hereof.

“GAAP” means generally accepted accounting principles in the United States, as in effect from time to time.

“Game Consoles” means consumer electronic devices that attach to a television and are primarily marketed for the playing of electronic games, such as, or similar to, Microsoft’s Xbox 360, Sony’s PlayStation 3 or Nintendo’s Wii, and including portable devices that are primarily marketed for the playing of electronic games, such as Nintendo DS. “Game Console” excludes [\* \*].

“Governmental or Regulatory Authority” means any country (including the United States of America, the People’s Republic of China, Canada, India, Japan, Korea, and the Republic of China); any supranational authority or agency; any state, province, county, borough, city, parish, municipal or other political subdivision or unit of government; any national, federal, provincial,

state, county, borough, city, parish, local, municipal, regional, territorial, aboriginal or other government, governmental or public department, branch or ministry; any court, tribunal, arbitrator, authority, agency, bureau, board, commission, district, office or other instrumentality of any of the foregoing; and any quasi-governmental body or self-regulatory organization that exercises governmental, quasi-governmental or regulatory functions, including the New York Stock Exchange, the National Association of Securities Dealers and other stock exchanges and securities industry self-regulatory organizations; any official, officer or other Person exercising the authority of any of the foregoing; and any other Person exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or Taxing authority or power of any nature.

“Hazardous Material” means (a) any chemical, material, substance or waste including, containing or constituting petroleum or petroleum products, solvents (including chlorinated solvents), nuclear or radioactive materials, asbestos, radon, lead-based paint, urea formaldehyde foam insulation or polychlorinated biphenyls, (b) any chemicals, materials, substances or wastes which are now defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “extremely hazardous wastes,” “restricted hazardous wastes,” “toxic substances,” “toxic pollutants,” “contaminant” or words of similar import under any Environmental Law; or (c) any other chemical, material, substance or waste which is regulated by any Governmental or Regulatory Authority or which could constitute a nuisance.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Income Tax” means any income, alternative or add-on minimum tax, gross income, gross receipts, franchise, profits, including estimated taxes relating to any of the foregoing, or other similar tax or other like assessment or charge of similar kind whatsoever, excluding any Other Tax, together with any interest and any penalty, addition to tax or additional amount imposed by any Taxing Authority responsible for the imposition of any such tax (domestic or foreign).

“Indebtedness” of any Person means all obligations of such Person (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments, (c) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (d) under capital leases, and (e) in the nature of a guarantee of any of the obligations described in clauses (a) through (d) above of any other Person.

“Indemnified Party” means the Party seeking, or entitled to, indemnification under Article 7. Either Purchaser or Seller may be an Indemnified Party, as the context shall indicate.

“Indemnifying Party” means the Party obligated to provide indemnification or against which indemnification under Article 7 is sought. Either Purchaser or Seller may be an Indemnifying Party, as the context shall indicate.

“India Asset Purchase Agreement” means the India Asset Purchase Agreement of even date herewith, in substantially the form set forth in Exhibit B.

“Intellectual Property Cross-License Agreement” means the Intellectual Property Cross-License Agreement of even date herewith, in the form set forth in [Exhibit K.1](#).

“Intellectual Property License Agreements” mean the Intellectual Property Cross-License Agreement, the IP Core License Agreement, and the Trademark License Agreement, all of even date herewith.

“Intellectual Property Rights” means all (a) trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, (b) design and utility patents and patent rights (and equivalent rights filed or granted in any jurisdiction, including certificates of invention, as applicable), utility models and utility model rights, patent applications, and all related continuations, continuations-in-part, divisionals, reissues and reexaminations (collectively, “[Patents](#)”), (c) copyrights, industrial designs and moral rights, (d) mask work rights and rights in integrated circuit topographies, (e) brand names, trade dress, product designs, product packaging, business and product names, logos, slogans, rights of publicity, (f) trade secrets, inventions (whether patentable or not), and know-how (including all technical information, instructions, improvements, processes, formulae, industrial models, algorithms, designs, specifications, technology and methodologies except that tangible embodiments thereof are included in Technology), (g) all Web addresses, sites and domain names, (h) all data, data bases and data collections and all rights therein, (i) any confidential or proprietary right or information, whether or not subject to statutory registration and whether or not reduced to practice, (j) all applications for and registrations of (and all rights to apply for and register) any right described in subsections (a) through (e) above, and (k) other proprietary rights relating to any of the foregoing or the Technology (including remedies against infringements or misappropriations thereof and rights of protection of interest therein under the laws of all jurisdictions).

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Investment Assets” means all debentures, notes and other evidences of indebtedness, stocks, securities (including rights to purchase and securities convertible into or exchangeable for other securities), interests in joint ventures and general and limited partnerships, mortgage loans and other investment or portfolio assets.

“IP Communication” has the meaning ascribed to it in [Section 5.12\(a\)](#).

“IP Core License Agreement” means the IP Core License Agreement of even date herewith, in the form set forth in [Exhibit K.2](#).

“IT Separation Plan” means the information technology separation plan attached to the Transition Services Agreement.

“ITA” means the Income Tax Act (Canada).

“Japan Asset Purchase Agreement” means the Japan Asset Purchase Agreement of even date herewith, in substantially the form set forth in [Exhibit C](#).

“knowledge” means, with respect to any Person, actual knowledge after due inquiry of any applicable employee of such Person specified on Schedule 10.1(K) attached hereto.

“Korea Asset Purchase Agreement” means the Korea Asset Purchase Agreement of even date herewith, in substantially the form set forth in Exhibit D.

“Law” or “Laws” means any law, statute, Order, decree, consent decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law whether in the United States, any foreign country, or any domestic or foreign state, province, county, city, municipality or other political subdivision or of any Governmental or Regulatory Authority.

“Lease Documents” has the meaning ascribed to it in Section 2.18(d).

“Liability” means all Indebtedness, obligations and other liabilities of a Person, whether absolute or contingent (or based upon any contingency), known or unknown, fixed or otherwise, due or to become due, whether or not accrued or paid, and whether required or not required to be reflected in financial statements under GAAP.

“License” means any Contract that grants a Person the right (whether expressly or by implication), or allows a Person to retain the right, to use or otherwise enjoy the benefits of any Intellectual Property Rights or Technology (including any covenants not to sue with respect to any Intellectual Property Rights).

“Licensed IP Assets” means (a) the Listed Licensed IP Assets; and (b) the Intellectual Property Rights and Technology owned by or licensed to Seller or any of its Affiliates as of the date hereof or as of the Closing Date and which would be licensed or sublicensed by Seller and its Affiliates to Purchaser and its Subsidiaries pursuant to the Intellectual Property License Agreements.

“Lien” means any mortgage, pledge, assessment, security interest, lease, lien, easement, license, covenant, condition, levy, charge, option, equity, adverse claim or restriction or other encumbrance of any kind, or any conditional sale Contract, title retention Contract or other Contract to give any of the foregoing, except for any restrictions on transfer generally arising under any applicable federal or state securities Law.

“Listed Licensed IP Assets” means the Intellectual Property Rights and Technology which are listed in the Schedules to the Intellectual Property License Agreements.

“Listed Purchased Technology” has the meaning ascribed to it in Section 1.1(c).

“Loss” means any and all damages, fines, fees, Taxes, penalties, charges, assessments, deficiencies, judgments, defaults, settlements and other losses (including lost profits to the extent that such lost profits are the subject of a Third-Party Claim, lost profits in connection with the claims by Purchaser related to inventory, write-offs, write-downs and other diminution in fair market value), and all expenses (including expenses of investigation, defense, prosecution and settlement of claims, court costs, reasonable fees and expenses of attorneys, accountants and other experts) in connection with any Action or Proceeding, Third-Party Claim, or other claim or dispute (including any claim or dispute relating to any right or asserted right under this Agreement or any of the Ancillary Agreements against any party hereto or thereto or otherwise), plus any interest that may accrue on any of the foregoing.

“Mobile Devices” means battery-operated, handheld electronic personal communication devices, such as, or similar to, cellular telephones, smart phones, PDAs, or pagers, including such devices that are primarily marketed for purposes other than playing electronic games, even if such devices incorporate game-playing functionality, such as, or similar to, Apple’s iPhone or Research In Motion’s Blackberry.

“Money Laundering Laws” means applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970 or the Laws administered or promulgated by, the United States Office of Foreign Asset Controls, or similar Laws of any jurisdiction.

“Month Bonus” has the meaning ascribed to it in Section 5.7(d)(iii).

“NDA” has the meaning ascribed to it in Section 5.2(c).

“Net Insurance Proceeds” has the meaning ascribed to it in Section 7.2(c).

“Nonassignable Assets” has the meaning ascribed to it in Section 1.7(c).

“Non-Critical Software” means standard generally available commercial software having an acquisition cost of less than seven hundred fifty dollars (\$750) on an individual basis or per employee or seventy five thousand dollars (\$75,000) in the aggregate, but excluding any software that comprises, is incorporated in, or is required for the development of, any Business Product.

“Non-transferring Employee” has the meaning ascribed to it in Section 5.7(b).

“Officer’s Certificate” has the meaning ascribed to it in Section 7.2(e).

“Open Source Software” means any open source or free software (including any software licensed pursuant to a GNU public license, Mozilla Public License (MPL), BSD Licenses, Artistic License, Netscape Public License, Sun Community Source License (SCSL), Sun Industry Standards License (SISL), Common Public License or Apache License) or other Software that requires, as a condition of use, modification or distribution, that (a) such Software or other Software incorporated into, derived from or distributed with such Software (i) be disclosed or distributed in source code form, (ii) be licensed for the purpose of making derivative works, (iii) be redistributable at no charge, or (iv) be licensed without imposing restrictions on sale or aggregation with third-party Software or hardware, or (b) licenses or covenants not to sue be granted under any Patents.

“Operating Plan” has the meaning ascribed to it in Section 2.22.

“Order” means any writ, judgment, decree, injunction or similar requirement or binding obligation or order of any Governmental or Regulatory Authority (in each such case whether preliminary or final).

“Other Purchased Intellectual Property Rights” has the meaning ascribed to it in Section 1.1(b).

“Other Purchased Technology” has the meaning ascribed to it in Section 1.1(c).

“Other Tax” means any sales, use, ad valorem, business license, withholding, payroll, employment, excise, stamp, transfer, recording, occupation, premium, property, value added, custom duty, severance, windfall profit or license tax, governmental fee or other similar assessment or charge, together with any interest and any penalty, addition to tax or additional amount imposed by any Taxing Authority responsible for the imposition of any such tax (domestic or foreign).

“Past Business Products” means the prior commercialized versions of the Current Business Products and the products listed on Schedule 10.1(PBP).

“Patents” has the meaning ascribed to such term in the definition of Intellectual Property Rights in this Section 10.1.

“PC” means an x86 desktop, x86 notebook or x86 ultra-mobile personal computer.

“PCTV Devices” means (a) computer cards and products that both (i) tune, demodulate, process (including encoding, decoding and enhancing audio and video data), record and/or display digital and analog broadcast television signals, and provide related services such as electronic program guides, and (ii) are included in a PC, or require a PC for operation, and (b) Software operating on such computer cards and integrated circuits to the extent necessary to provide the functionality described in clause (a)(i) hereof.

“Permit” means any license, permit, franchise, authorization, approval or registration.

“Permitted Exceptions” means (i) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate reserve is established therefor; (ii) mechanics’, carriers’, workers’, repairers’ and similar Liens arising or incurred in the ordinary course of business that are not material to the Business or the Purchased Assets or Assumed Liabilities and that are not resulting from a breach, default or violation by Seller or any of its Subsidiaries of any Contract or instrument for charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings provided an appropriate reserve is established therefor; (iii) zoning, entitlement and other land use and environmental regulations or other requirements by any Governmental or Regulatory Authority provided that such regulations or other requirements have not been violated; and (iv) such other imperfections in title, charges, easements, restrictions and encumbrances which do not materially detract from the value of or materially interfere with the present use of any Assets and Properties of Seller subject thereto or affected thereby.

“Person” means any natural person, corporation, general partnership, limited partnership, limited liability company or partnership, proprietorship, other business organization, trust, union, association or Governmental or Regulatory Authority.

“Project Addendum” has the meaning ascribed to it in [Section 5.2\(c\)](#).

“PTO” means the United States Patent and Trademark Office.

“Purchase Price” has the meaning ascribed to it in [Section 1.5](#).

“Purchased Assets” has the meaning ascribed to it in [Section 1.1](#).

“Purchased Furniture and Equipment” has the meaning ascribed to it in [Section 1.1](#).

“Purchased Intellectual Property Rights” means the Purchased Registered Intellectual Property Rights and the Other Purchased Intellectual Property Rights.

“Purchased Inventory” has the meaning ascribed to it in [Section 1.1](#).

“Purchased IP Assets” means the Purchased Intellectual Property Rights and the Purchased Technology.

“Purchased Registered Intellectual Property Rights” has the meaning ascribed to it in [Section 1.1\(b\)](#).

“Purchased Software” has the meaning ascribed to it in [Section 1.7\(a\)](#).

“Purchased Technology” means the Listed Purchased Technology and the Other Purchased Technology.

“Purchaser” has the meaning ascribed to it in the forepart of this Agreement.

“Purchaser Closing Deliverables” means (i) the Assignment and Assumption Agreement, and the certificates and instruments required to be executed and delivered by Purchaser at the Closing pursuant to [Section 1.1](#) or to satisfy the conditions to Purchaser’s obligations set forth in [Article 6](#), in each case duly and validly executed by or on behalf of Purchaser; (ii) the legal opinions required by [Section 6.2\(e\)](#); (iv) the Ancillary Agreements required to be delivered by Purchaser to Seller at the Closing (if any) pursuant to [Section 6.2\(d\)](#) and not theretofore executed and delivered by Purchaser; and (v) such other instruments of title and transfer and such other documents as Seller may reasonably request.

“Purchaser Disclosure Schedule” has the meaning ascribed to it in the forepart of [Article 3](#).

“Purchaser Field” means the design, development, distribution, marketing, manufacture, use, import, license and sale of any of the following: Current Business Products, Past Business Products, Roadmap Products (or products reasonably contemplated by Seller’s DTV Division roadmap as of the date hereof), products developed or commercialized specifically for the [\* \*] by Seller or any of its Subsidiaries (other than [\* \*] products that incorporate [\* \*] functionality but that are primarily developed and commercialized by Seller and its Subsidiaries for use other than as single-function [\* \*] products), or products that compete with any of the foregoing products; *provided, however*, that [\* \*] are not included in the Purchaser Field.

“Purchaser Indemnitees” has the meaning ascribed to it in Section 7.2(b).

“Purchaser Material Adverse Effect” means a change, effect, event, occurrence or circumstance that is materially adverse to the ability of Purchaser to consummate the transactions contemplated by, and to perform its obligations under, this Agreement.

“Real Property Transfer Agreements” means the lease, sublease, real property license and similar occupancy agreements, and forms of assignment agreements, in substantially the form attached as Exhibit M (with such amendments, reasonably acceptable to Purchaser and Seller, as may be required to obtain applicable landlord consents thereto).

“Registered Intellectual Property Rights” means all United States, international, foreign and other non-U.S.: (a) Patents (including, for the avoidance of doubt, patent applications); (b) registered trademarks and service marks, applications to register trademarks and service marks, intent-to-use applications, other registrations or applications to trademarks or servicemarks, or trademarks or service marks in which common law rights are owned or otherwise controlled; (c) registered copyrights and industrial designs, applications for copyright and industrial design registration; (d) mask work and integrated circuit topography registrations and applications to register mask works and integrated circuit topographies; and (e) other Intellectual Property Rights that are the subject of an application, certificate, filing, registration or other document issued by, filed with, or recorded by, any Governmental or Regulatory Authority.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Material into the Environment.

“Representatives” means officers, directors, employees, Affiliates, attorneys, investment bankers, financial advisers, agents and other representatives.

“Required Purchaser Approvals” means (i) an advance ruling certificate or no-action letter from the Commissioner of Competition under and in compliance with the Competition Act (Canada) with respect to the transactions contemplated by this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) the approval of the Ministry of Industry under the Investment Canada Act for transactions contemplated by this Agreement and (iii) all other Governmental or Regulatory Authority Approvals required to be obtained by Purchaser for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including all required Approvals, if any, under the anti-monopoly Laws of the People’s Republic of China).

“Required Seller Approvals” means (i) an advance ruling certificate or no-action letter from the Commissioner of Competition under and in compliance with the Competition Act (Canada) with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, (ii) the approval of the Ministry of Industry under the Investment Canada Act for transactions contemplated by this Agreement and (iii) all other Governmental or Regulatory Authority Approvals required to be obtained by Seller for the consummation of the transactions contemplated by this Agreement and the Ancillary Agreements (including all required Approvals, if any, under the anti-monopoly Laws of the People’s Republic of China).

“Restricted Business” has the meaning ascribed to it in [Section 5.10](#).

“Retained Liabilities” has the meaning ascribed to it in [Section 1.4](#).

“Revised Statements” has the meaning ascribed to it in [Section 1.9](#).

“Roadmap Products” means the products listed in [Schedule 10.1\(RBP\)](#).

“Seller” has the meaning ascribed to it in the forepart of this Agreement; *provided, however*, that for purposes of [Article 2](#), except where the context otherwise clearly and unambiguously requires, each reference to Seller in [Article 2](#) (and in the definitions and rules of construction in this [Article 10](#) applicable to the defined terms used in [Article 2](#)) is intended, and shall be deemed and construed to refer, both individually and collectively, conjunctively and disjunctively, (i) to Seller and each Subsidiary of Seller, separately and individually, that is engaged in the Business or holds any of the Purchased Assets, and (ii) to Seller and its Subsidiaries collectively.

“Seller Benefit Plan” means (a) each of the “employee benefit plans” (as such term is defined in Section 3(3) of ERISA), of which any of Seller or any of its Subsidiaries, or any member of the same controlled group of businesses as Seller or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA (an “[ERISA Affiliate](#)”) is or ever was a sponsor or participating employer or as to which Seller or any of its Subsidiaries or any of their ERISA Affiliates makes contributions or is required to make contributions, and (b) any similar employment, severance or other arrangement or policy of any of Seller or any of its Subsidiaries or any of their ERISA Affiliates (whether written or oral) providing for health, life, vision or dental insurance coverage (including self-insured arrangements), workers’ compensation, disability benefits, supplemental unemployment benefits, vacation benefits or retirement benefits, fringe benefits, or for profit sharing, deferred compensation, bonuses, stock options, stock appreciation or other forms of incentive compensation or post-retirement insurance, compensation or benefits, in each case as applicable to any Business Employee.

“Seller Closing Deliverables” means (i) the Bill of Sale, the Assignment and Assumption Agreement, the Patent Assignment, the Trademark Assignment, the Copyright Assignment, and the certificates and instruments required to be executed and delivered by Seller at the Closing pursuant to [Section 1.1](#) or to satisfy the conditions to Purchaser’s obligations set forth in [Article 6](#), in each case duly and validly executed by or on behalf of Seller; (ii) the consents required by [Section 6.3\(d\)](#), (iii) the legal opinions required by [Section 6.3\(f\)](#); (iv) the Ancillary Agreements required to be delivered by Seller to Purchaser at the Closing (if any) pursuant to [Section 6.3\(g\)](#) and not theretofore executed and delivered by Seller; and (v) such other instruments of title and transfer and such other documents as Purchaser may reasonably request.

“Seller Disclosure Schedule” has the meaning ascribed to it in the forepart of [Article 2](#).

“Seller Indemnitees” has the meaning ascribed to it in [Section 7.2\(b\)](#).

“Seller IP Assets” means any and all Intellectual Property Rights and Technology that (a) are owned by Seller or any of its Subsidiaries (including all Purchased IP Assets); (b) are licensed to Seller or any of its Subsidiaries; (c) were developed or created by or for Seller or any of Subsidiaries; or (d) are used, useful, held for use or intended to be used in, or is necessary for or otherwise related to the conduct of the Business as presently or heretofore conducted or as presently proposed to be conducted, including Intellectual Property Rights and Technology created by any of the founders, employees, independent contractors or consultants of Seller or any of its Subsidiaries for or on behalf of or in contemplation of any such entity, whether before or after the incorporation of such entity.

“Seller Registered Intellectual Property Rights” means all Registered Intellectual Property Rights owned by, filed in the name of, assigned to or applied for by, Seller or any of its Subsidiaries.

“Severance Liability List” has the meaning ascribed to it in [Section 5.7\(g\)](#).

“Severance Liability List Dispute Notice” has the meaning ascribed to it in [Section 5.7\(g\)](#).

“Severance Liability List Review Period” has the meaning ascribed to it in [Section 5.7\(g\)](#).

“Site” means any of the real properties where the Business is or has been conducted that is currently or previously was owned, leased, occupied, used or operated by Seller or any of its Subsidiaries or any of its or their respective predecessors or any entities previously owned by any of them, including all soil, subsoil, surface waters and groundwater.

“Software” means any computer software, firmware or RTL in any language, including any compiled language, interpreted language or hardware description language.

“Source Code” means any human readable source code of Software or any portion or aspect of Software, or any material proprietary information or algorithm contained in or relating to any Software source code.

“Standard” means standard applicable to the Business that is promulgated by a standards development organization, consortium, trade association, special interest group or like entity, for the purpose of or as a result of widespread adoption. Standards shall include broadly-recognized and broadly-accepted technical specifications applicable to the Business promulgated by organizations like the ITU, ISO, IEC, 3GPP, MPEG, W3C and IETF (various standard development organizations); Infiniband Trade Association; UPnP Forum; USB Implementers Forum, Inc; SALT Forum; Open Mobile Alliance Ltd. (or OMA); and each of the following: (a) Dolby Digital AC-3 audio coding standards and technology; (b) Macrovision’s Analog Protection System (“APS”); (c) MPEG-2, MPEG-3 and MPEG-4; (d) Advanced Television Systems Committee (“ATSC”) standards and technology, DVB-T and DVB-H standards and technology; HDCP standard and related technologies; and (e) High Definition Multimedia Interface standard and related technologies.

“Subsidiary”, with respect to any Person, means any other Person, whether or not existing on the date hereof, in which the specified Person directly or indirectly through subsidiaries or otherwise, beneficially owns at least fifty percent (50%) of either the equity interest or voting power of or in such other Person or otherwise controls such other Person.

“Tax” or “Taxes” means Income Taxes and/or Other Taxes, as the context requires.

“Tax Laws” means the Internal Revenue Code, ITA, federal, state, county, local or foreign Laws relating to Taxes and any regulations or official administrative pronouncements released thereunder.

“Tax Return” means any return, report, declaration, designation, election, information return, schedule, certificate, statement, undertaking, or other document filed or required to be filed with a Taxing Authority in connection with the determination, assessment, collection, audit or administration of Taxes, or, where none is required to be filed with a Taxing Authority, the statement or other document issued by, a Taxing Authority in connection with any Tax, in each case including any related or supporting schedules, itemizations, and other information with respect to any of the foregoing.

“Taxing Authority” means any governmental agency, board, bureau, body, department or authority of any United States federal, state or local jurisdiction or any foreign jurisdiction, having or purporting to exercise jurisdiction with respect to any Tax.

“Technology” means all tangible embodiments of the Intellectual Property Rights, whether in electronic, written or other media, including invention disclosures, data, directories, Software, Source Code, object code, firmware, technical documentation, specifications, requirements, designs, design, manufacturing, engineering and technical drawings, processes and quality control data, schemes, schematics, diagrams, bills of material, netlists, build instructions, test reports, mask works, integrated circuit topographies, design files, data sheets, reference designs, test vectors, data sheets, algorithms, application programming interfaces, user interfaces, routines, formulae, test vectors, net lists, photomasks, databases, lab notebooks, manuscripts, records, processes, prototypes, samples, studies, know-how, product trees, media, diskettes, logs and access control mechanisms relating thereto, content of web pages, graphical user interfaces, simulations, customer and vendor lists, manuals, marketing materials and literature and other works of authorship.

“Terminated Continuing Employee” has the meaning ascribed to it in [Section 5.7\(g\)](#).

“Third-Party Claim” has the meaning ascribed to it in [Section 7.2\(j\)](#).

“Threshold Amount” has the meaning ascribed to it in [Section 7.2\(c\)](#).

“Trademark License Agreement” means the Trademark License Agreement of even date herewith, in the form set forth in [Exhibit K.3](#).

“Transition Services Agreement” means the agreement relating to transition services in substantially the form annexed as [Exhibit L](#).

“UK Employees” means six (6) employees of Seller or its Subsidiaries located in the United Kingdom as of the date hereof and specifically noted in the confidential letter provided to Purchaser pursuant to Section 2.15(a).

“Unaudited Business Financials” means the unaudited statement of operations based on the DTV reporting unit of Seller’s consumer electronics segment (incorporating certain additionally allocated costs as set forth therein) for the following periods: (i) the former ATI Technologies ULC fiscal years ended August 31, 2005 and 2006, (iii) Seller’s fiscal year ended December 29, 2007, and (iv) Seller’s fiscal quarter ended March 29, 2008.

“WARN” means Worker Adjustment and Retraining Notification Act, as amended.

10.2 Construction.

(a) Unless the context of this Agreement otherwise requires, (i) words of either gender or the neuter include the other gender and the neuter, (ii) words using the singular number also include the plural number and words using the plural number also include the singular number, (iii) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Agreement as a whole and not to any particular Article, Section or other subdivision, (iv) the terms “Article” or “Section” or other subdivision refer to the specified Article, Section or other subdivision of the body of this Agreement, (v) the phrases “ordinary course of business” and “ordinary course of business consistent with past practice” refer to the business and practice of Seller consistent with past practice since October 25, 2006, (vi) the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation,”; (vii) when a reference is made in this Agreement to Exhibits, such reference shall be to an Exhibit to this Agreement unless otherwise indicated, (viii) when a statement herein with respect to a particular matter is qualified by the phrase “in all material respects,” materiality shall be determined solely by reference to, and solely within the context of, the specified matter and not with respect to the entirety of this Agreement or the entirety of the transactions contemplated hereby, (ix) for any document or other item to have been “made available” heretofore or prior to the execution or date of this Agreement such document or other item must be deposited at least three (3) calendar days prior to the date hereof (or if deposited more recently, provided such notice of such deposit and a copy of thereof was give to Purchaser) into the data room heretofore established by Seller with written notice of such deposit and a copy of such deposit was made to Purchaser and (x) all references to “dollars” or “\$” shall mean United States dollars. All accounting terms used herein and not expressly defined herein shall have the meanings given to them under U.S. GAAP, unless otherwise expressly stated. When used herein, the terms “Party” or “Parties” refer to Purchaser and BIL, on the one hand, and Seller, on the other hand, and the terms “third party,” “third-party” or “third parties” refers to Persons other than Purchaser, BIL and Seller. Without limiting the respects in which a matter may otherwise be deemed to be material, a matter shall be deemed to be “material” if it has a fair market value or notional value, or involves total nominal obligations, Liabilities or Losses, or total nominal receipts or payments, in excess of two hundred fifty thousand dollars (\$250,000).

(b) The drafting and negotiation of the representations, warranties, covenants and conditions to the obligations of Seller, Purchaser and BIL herein reflect compromises, and certain provisions may overlap with other provisions or may address the same or similar subject

matters in different ways or for different purposes. It is the intention of the parties that, to the extent possible, unless provisions are mutually exclusive and effect cannot be given to both or all such provisions, (i) the representations, warranties, covenants and closing conditions in this Agreement shall be construed to be cumulative; (ii) each representation, warranty, covenant and closing condition in this Agreement shall be given full separate and independent effect; and (iii) no limitation in or exception to any representation, warranty, covenant or closing condition shall be construed to limit or apply to any other representation, warranty, covenant or closing condition unless such limitation or exception is expressly made applicable to such other representation, warranty, covenant or closing condition.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives as of the date first written above.

**ADVANCED MICRO DEVICES, INC.**

By: /s/ Harry A. Wolin

Name: Harry A. Wolin

Title: Sr. Vice President, General Counsel & Secretary

---

**BROADCOM CORPORATION**

By: /s/ Scott A. McGregor

Name: Scott A. McGregor

Title: President and Chief Executive Officer

**BROADCOM INTERNATIONAL LIMITED**

By: /s/ Scott A. McGregor

Name: Scott A. McGregor

Title: President and Chief Executive Officer

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

EXECUTION VERSION  
AMD AND BROADCOM CONFIDENTIAL

### INTELLECTUAL PROPERTY CROSS-LICENSE AGREEMENT

This **INTELLECTUAL PROPERTY CROSS-LICENSE AGREEMENT** (this "**Agreement**") effective as of the Effective Date, is by and between **ADVANCED MICRO DEVICES, INC.**, a corporation organized under the laws of Delaware and having its corporate head office located at One AMD Place, Sunnyvale, California 94088 ("**AMD**") and **BROADCOM CORPORATION**, a corporation organized under the laws of California and having its principal place of business at 5300 California Ave., Irvine, California 92617 ("**Broadcom**").

WHEREAS, Broadcom, AMD and Broadcom International Limited, a Cayman Islands entity, have entered into that certain Asset Purchase Agreement dated August 25, 2008 ("**APA**"), pursuant to which Broadcom and Broadcom International Limited purchased and assumed, and AMD sold, transferred and assigned to Broadcom and Broadcom International Limited, certain assets and liabilities of the Business;

WHEREAS, AMD desires to license to Broadcom certain intellectual property rights and technology retained by AMD and currently used by the Business to enable Broadcom to conduct the Business and exploit the Purchased Assets after the Effective Date on the terms set forth herein;

WHEREAS, Broadcom desires to license such intellectual property rights and technology from AMD to conduct the Business and exploit the Purchased Assets on the terms set forth herein;

WHEREAS, Broadcom desires to license back to AMD the intellectual property rights and technology acquired by Broadcom under the APA to enable AMD to continue, subject to AMD's non-competition obligations under the APA, to conduct certain businesses retained by AMD after the Effective Date on the terms set forth herein; and

WHEREAS, AMD desires to license such intellectual property rights and technology from Broadcom to conduct certain businesses on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual promises of the parties, and of good and valuable consideration, it is agreed by and between the parties as follows:

#### 1. DEFINITIONS

For the purpose of this Agreement the following capitalized terms are defined in this Section 1 and shall have the meaning specified herein. Other terms that are capitalized but not specifically defined in this Section 1 or in the body of the Agreement shall have the meaning set forth in the APA.

1.1 "**AMD Exclusive Field**" means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any IP core, processor, integrated circuit or chipset, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as **[\*\*]**for use in **[\*\*]**; or (ii) (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the

instruction set of any AMD Processor, or (C) has a programmer's model that is substantially compatible with the programmer's model of any AMD Processor. Notwithstanding the foregoing, the "AMD Exclusive Field" does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (1) Current Business Products, Past Products or Roadmap Products, (2) the other products described in the first sentence of the "Broadcom Exclusive Field" definition, (3) products [\*\*], or (4) products [\*\*].

1.2 "**AMD Technology**" has the meaning ascribed to it in the IP Core License Agreement.

1.3 "**Broadcom Exclusive Field**" means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following, and the Software operating thereon or in connection therewith: (a) Current Business Products; (b) Past Products; (c) Roadmap Products; (d) products that are included in digital television devices; (e) products that are included in [\*\*] devices; (f) products that are included in [\*\*] devices such as [\*\*] devices; or (g) products [\*\*] devices, [\*\*] devices, and other [\*\*] (other than [\*\*]). Notwithstanding the foregoing, the "Broadcom Exclusive Field" does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (A) all products made, sold, or marketed by AMD or its Subsidiaries as of the Effective Date, other than the Current Business Products, Past Products or Roadmap Products, (B) future products designed by AMD or its Subsidiaries (other than Current Business Products, Past Products and Roadmap Products) primarily for use in [\*\*] (and not designed primarily for the products listed in (a) through (g) above), or for use as [\*\*], (C) products for use in [\*\*], or (D) products for use as [\*\*].

1.4 "**Confidential Information**" means any and all technical and non-technical information a party provides to another party hereunder that is marked or otherwise identified at the time of disclosure as confidential or proprietary or is material that should be readily recognized as confidential by the recipient, which information may include trade secrets, know-how, firmware, designs, schematics, techniques, software code, technical documentation, specifications, Books and Records, plans or any other information relating to any research project, work in process, future development, scientific, engineering, manufacturing, marketing or business plan or financial, business or personnel matter relating to a party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in written, oral, graphic or electronic form. Notwithstanding the foregoing, after the Effective Date, all Transferred Technology shall be the Confidential Information of Broadcom, Broadcom shall be deemed to be the disclosing party of such Confidential Information and AMD shall be deemed to be the recipient of such Confidential Information. All Retained Technology shall be the Confidential Information of AMD.

1.5 "**Derivative**" means a modified version of a Functional Block or of an integrated circuit comprised of a Current Business Product, Past Product or Roadmap Product.

1.6 "**Effective Date**" shall be the same date as the Closing Date.

1.7 "**Excluded Technology**" means the Technology listed on [Exhibit C](#).

1.8 **"First Effective Filing Date"** means the earliest effective filing date in the particular country for any Patent or any application for any Patent. By way of example, it is understood that the First Effective Filing Date for a United States Patent is the earlier of (a) the actual filing date of the United States Patent application which issued into such Patent, (b) the priority date under 35 U.S.C. § 119 for such Patent, or (c) the priority date under 35 U.S.C. § 120 for such Patent.

1.9 **"Functional Block"** means an IP core or similar functional block or other component or element within, or Software in or for, a Current Business Product or Past Product or developed as of the Effective Date for incorporation in a Roadmap Product.

1.10 **"Game Consoles"** means consumer electronic devices that attach to a television and are primarily marketed for the playing of electronic games, such as, or similar to, Microsoft's Xbox 360, Sony's PlayStation 3 or Nintendo's Wii, and including portable devices that are primarily marketed for the playing of electronic games, such as Nintendo DS. "Game Console" excludes [\*\*].

1.11 **"Improvements"** means any improvements, enhancements, discoveries, developments, inventions, modifications or derivative works, whether or not patentable.

1.12 **"IP Core License Agreement"** means the certain IP Core License Agreement between the parties of even date herewith.

1.13 **"Licensable"** means that, as of the Effective Date, AMD or any of its Affiliates has the right to grant to Broadcom a license or other rights within the scope of the rights granted to Broadcom under this Agreement, subject to the scope of permissible sublicense rights granted to AMD, without such grant (a) resulting in any breach or other violation of any obligation of AMD or any of its Affiliates to any Third Party, or (b) resulting in any payment obligations of AMD to any Third Party.

1.14 **"Mobile Devices"** means battery-operated, handheld electronic personal communication devices, such as, or similar to, cellular telephones, smart phones, PDAs, or pagers, including such devices that are primarily marketed for purposes other than playing electronic games, even if such devices incorporate game-playing functionality, such as, or similar to, Apple's iPhone or Research In Motion's Blackberry.

1.15 **"PCs"** means x86 desktop, notebook or ultra-mobile personal computers.

1.16 **"PCTV Devices"** means (a) computer cards and products that both (i) tune, demodulate, process (including encoding, decoding and enhancing audio and video data), record and/or display digital and analog broadcast television signals, and provide related services such as electronic program guides, and (ii) are included in a PC, or require a PC for operation, and (b) Software operating on such computer cards and integrated circuits to the extent necessary to provide the functionality described in clause (a)(i).

1.17 **"Retained Intellectual Property Rights"** means the Intellectual Property Rights (other than trademarks and Patents) owned or Licensable by AMD or any of its Affiliates, that

are not included in the Transferred Intellectual Property Rights, and that (a) are used in, necessary for or primarily related to the Business or (b) cover any of the Retained Technology. “Retained Intellectual Property Rights” do not include any of AMD’s Intellectual Property Rights in or to its semiconductor manufacturing Technology.

1.18 “**Retained Patents**” means the claims of Patents owned or Licensable by AMD or any of its Affiliates (other than the Transferred Patents) that (a) without a license, would be infringed (or, with respect to patent applications, would be infringed if such patent application were to issue as a patent) by the design, development, use, manufacture, import, offer for sale, sale, maintenance, support or other disposal of any Current Business Product, Past Product or Roadmap Product or any Functional Block, including those Patents listed on [Exhibit A](#), or (b) cover any of the Retained Technology; provided that, such Patents have a First Effective Filing Date on or before the Effective Date (including, for clarity, all continuations, continuations-in-part, divisionals, substitutions, reissues, reexaminations, and foreign counterparts that claim priority to any such Patents, regardless of when filed or issued).

1.19 “**Retained Technology**” means all Technology owned or Licensable by AMD or any of its Affiliates (other than the Transferred Technology) that is used in, necessary for or primarily related to the Business or the Past Products, any Current Business Product, Roadmap Product or any Functional Block. “Retained Technology” includes the Technology specifically listed on [Exhibit B](#). For the avoidance of doubt, “Retained Technology” does not include, except as specifically listed on [Exhibit B](#), (w) any of AMD’s proprietary semiconductor manufacturing Technology; (x) any of the AMD Technology licensed under the IP Core License Agreement; (y) except as licensed under the IP Core License Agreement, any IP core, processor or product that operates as a [\*\*] for use in [\*\*]; or (z) any processor core or product that (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, (C) has a programmer’s model that is substantially compatible with the programmer’s model of any AMD Processor, or (D) is a chipset (Northbridge/Southbridge) for use with any AMD Processor.

1.20 “**Third Party**” means any person or entity other than AMD or Broadcom or any Affiliate of AMD or Broadcom.

1.21 “**Transferred Intellectual Property Rights**” means the Intellectual Property Rights (other than trademarks and Patents) transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries pursuant to the APA.

1.22 “**Transferred Patents**” means those Patents transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries pursuant to the APA.

1.23 “**Transferred Technology**” means the Technology transferred by AMD or its Subsidiaries to Broadcom or its Subsidiaries in accordance with the APA.

## 2. LICENSES

### 2.1 Licenses to Broadcom.

(a) AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license under the Retained Patents, without right of sublicense, to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of:

(i) any Current Business Product, Past Product, Roadmap Product, Functional Block or Derivative, or

(ii) any combination of the items described in clause (i) with each other or with new or additional technology, but only to the extent of the items described in clause (i) and not to any new or additional functionality added to such items (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Core License Agreement; provided, however, that use or development of such Technology is done in accordance with and remains subject to the restrictions set forth in the IP Core License Agreement) or to the remainder of any device or product in which such items may be incorporated.

For the avoidance of doubt, the restriction on sublicensing set forth above shall not be interpreted to limit the sublicense rights granted under Section 2.1(b) below; *i.e.*, if a permitted sublicensee's exercise of its permitted sublicensed rights with respect to the Retained Technology would necessarily infringe a Retained Patent(s), then Broadcom is permitted to grant a sublicense under such Retained Patents solely to the extent necessary to enable such sublicensee of such Retained Technology to exercise its permitted sublicense rights in accordance with Section 2.1(b).

(b) AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries (i) under the Retained Intellectual Property Rights, and (ii) to the Retained Technology, a perpetual, irrevocable, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, with right of sublicense (but without further right of sublicense by such sublicensee except to end users of products, solely as necessary for such end users to use such products), to use, reproduce, modify, make derivative works of, distribute and otherwise exploit the Retained Technology, to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of products and to provide services. Such license shall be (A) exclusive within the Broadcom Exclusive Field (even as to AMD and its Affiliates), effective as of the Effective Date and for three (3) years thereafter, and non-exclusive within the Broadcom Exclusive Field effective after the third (3rd) anniversary of the Effective Date, (B) non-exclusive within the AMD Exclusive Field, effective only after the third (3rd) anniversary of the Effective Date, and (C) non-exclusive in all fields, other than the Broadcom Exclusive Field and the AMD Exclusive Field, effective as of the Effective Date.

(c) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed and/or made on Broadcom's or

its Subsidiaries' behalf and not to design and/or make products of their own design or products made based upon the designs of Third Parties.

(d) Broadcom shall have the exclusive right, but not the obligation, to enforce and protect the Retained Intellectual Property Rights and Retained Technology against infringement or misappropriation in the Broadcom Exclusive Field arising during the three (3) year period after the Effective Date and may bring and pursue an action to so enforce and protect such rights during or after such three (3) year period. AMD, or its Affiliate, shall join as a party to any action brought by Broadcom pursuant to such right, at Broadcom's request and at Broadcom's expense (including for all reasonable attorneys' fees and costs of AMD or AMD's Affiliates), in the event that an adverse party asserts, the court rules or other laws then applicable provide, or Broadcom determines in good faith, that a court lacks jurisdiction based on such AMD's or such Affiliate's absence as a party in such action. If Broadcom lacks standing to bring such an action in any jurisdiction, Broadcom shall have the right to direct AMD or its Affiliate to initiate legal action to enforce the Retained Intellectual Property Rights and Retained Technology, in accordance with Broadcom's reasonable instructions and AMD or such Affiliate, as applicable, shall initiate and pursue such action in accordance with Broadcom's instructions and at Broadcom's expense (including for all reasonable attorneys' fees and costs of AMD or AMD's Affiliates). Broadcom shall retain or receive all recoveries obtained by either party or their Affiliates from any action or settlement of any claim or action, brought pursuant to this Section 2.1(d). Broadcom shall indemnify and hold AMD and AMD's Affiliates harmless from and against any liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, incurred by AMD and its Affiliates, and to promptly reimburse AMD and its Affiliates for any such liabilities, losses, damages, costs and expenses, which are incurred by AMD and its Affiliates, resulting from any actions undertaken by AMD and its Affiliates requested by Broadcom pursuant to this Section 2.1(d); provided, however, that Broadcom's indemnification obligation hereunder (i) shall be subject to, and shall not supersede in any way, AMD's obligation to indemnify Broadcom pursuant to the APA and Broadcom shall have no obligation to indemnify AMD hereunder for any liability, loss, damage, cost or expense which is subject to AMD's obligation to indemnify Broadcom pursuant to the APA; and (ii) is conditioned upon: (A) AMD providing Broadcom with prompt written notice of any such liabilities, losses, damages, costs and expenses, or any Third Party claim which could give rise to such liabilities, losses, damages, costs and expenses; (B) Broadcom having sole control and authority with respect to the defense and settlement of any such claim; and (C) AMD reasonably cooperating with Broadcom in the defense of any such claim.

(e) Broadcom shall not use or hire others to use or analyze any Retained Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the Retained Technology are covered by any patents or patent applications owned by Broadcom and then use that analysis to assert patent infringement claims against AMD.

## **2.2 License to AMD.**

(a) Subject to the non-competition terms in Section 5.10(a) of the APA, Broadcom and its Affiliates grant to AMD and AMD's Subsidiaries under the Transferred Patents, a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-

transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, without right of sublicense, to use, make, have made, import, support, maintain, offer to sell, sell, and otherwise dispose of products (other than Current Business Products, Past Products and the Roadmap Products). For the avoidance of doubt, the restriction on sublicensing set forth above shall not be interpreted to limit the sublicense rights granted under Section 2.2(b) below; *i.e.*, if a permitted sublicensee's exercise of its permitted sublicensed rights with respect to the Transferred Technology would necessarily infringe a Transferred Patent(s), then AMD is permitted to grant a sublicense under such Transferred Patents solely to the extent necessary to enable such sublicensee of such Transferred Technology to exercise its permitted sublicense rights in accordance with Section 2.2(b).

(b) Subject to the non-competition terms in Section 5.10(a) of the APA, Broadcom and its Affiliates grant to AMD and AMD's Subsidiaries (i) under the Transferred Intellectual Property Rights (other than any Transferred Intellectual Property Rights covering the Excluded Technology), and (ii) to the Transferred Technology (other than the Excluded Technology), a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 9.3 (Assignment)) license, with right of sublicense (in accordance with Section 2.2(e)), to use, reproduce, modify, make derivative works of, and distribute the Transferred Technology (other than the Excluded Technology), to design, develop, use, make, have made, import, export, offer to sell, sell, support, maintain and otherwise dispose of products and to provide services, in each case other than in the Broadcom Exclusive Field.

(c) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed or made on AMD's or its Subsidiaries' behalf and not to design or make products of their own design or products made based upon the designs of Third Parties.

(d) AMD shall not use or hire others to use or analyze any Transferred Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the Transferred Technology are covered by any patents or patent applications owned by AMD and then use that analysis to assert patent infringement claims against Broadcom.

(e) AMD and its Subsidiaries may only sublicense any of the rights granted under the Transferred Intellectual Property Rights and to the Transferred Technology to the following (without any further right of sublicense):

- (i) any independent contractor or other Third Party service provider, solely as necessary to enable such Third Party to provide services to or on behalf of AMD or its Sublicensee, as applicable;
- (ii) AMD's and its Subsidiaries' OEMs and other customers solely as necessary to (A) facilitate collaborative development with AMD or such AMD Subsidiary, as applicable, of products that incorporate AMD products or components that AMD or its Subsidiaries are commercializing or intending to commercialize, as well as the

manufacture, sale and support of any such resulting products; (B) fulfill technology escrow rights to the extent required to secure business with customers and consistent with escrow requirements applied to the Intellectual Property Rights and Technology of AMD or its Subsidiary in the same products or technology, if applicable; (C) fulfill second source rights to customers with respect to a single Third Party for each such customer or product (in non-Source Code form and only for products which are created by AMD or such Subsidiary using the Transferred Technology as permitted under this Agreement), solely to the extent required to secure business with such customer and consistent with the second source requirements applied to the other products of AMD or such Subsidiary, if applicable, sold to such customer; or

(iii) end users of products, solely as necessary for such end users to use such products.

2.3 **No Other Licenses and Rights.** Except as expressly provided in this Section 2, no other license or right is granted to the parties under this Agreement, whether expressly or by implication, estoppel, statute or otherwise.

### 3. OWNERSHIP

3.1 **By AMD.** As between the parties, AMD will retain all right, title and interest, including all Intellectual Property Rights, in and to the Retained Technology, in and to any Improvements to the Retained Technology made by or for AMD or its Affiliates, and in and to any Improvements to the Transferred Technology made by or for AMD or its Subsidiaries in the exercise of the licenses granted to AMD and its Subsidiaries hereunder, subject only to (a) the ownership of Broadcom and its Affiliates in the underlying Transferred Technology, Transferred Patents and Transferred Intellectual Property Rights, (b) the licenses granted hereunder and (c) the non-competition terms agreed to by AMD pursuant to the APA. Unless otherwise agreed by the parties in writing, AMD shall have no obligation to disclose or license to Broadcom any Improvements to the Transferred Technology or to the Retained Technology, or to any Intellectual Property Rights in, or to any Improvements to, the Transferred Technology or the Retained Technology, made by or for AMD or its Affiliates.

3.2 **By Broadcom.** As between the parties, Broadcom will retain all right, title and interest, including all Intellectual Property Rights, in and to the Transferred Technology, in and to any Improvements to the Transferred Technology made by or for Broadcom or its Affiliates, and in and to any Improvements to any of the Retained Technology hereunder made by or for Broadcom or its Subsidiaries in the exercise of the licenses granted to Broadcom and its Subsidiaries hereunder, subject only to (a) the ownership of AMD and its Affiliates in the underlying Retained Technology, Retained Patents and Retained Intellectual Property Rights and (b) the licenses granted hereunder. Unless otherwise agreed by the parties in writing, Broadcom has no obligation to disclose or license to AMD any Improvements to the Transferred Technology or to the Retained Technology, or to any Intellectual Property Rights in, or to any

Improvements to, the Transferred Technology or the Retained Technology, made by or for Broadcom or its Affiliates.

#### 4. DISCLAIMER

4.1 *Disclaimer of Warranties.* EXCEPT AS EXPRESSLY SET FORTH IN THE APA, (a) THE PARTIES ACKNOWLEDGE AND AGREE THAT ALL TECHNOLOGY PROVIDED HEREUNDER, AND ALL INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER, ARE PROVIDED "AS IS," WITHOUT ANY WARRANTY OF ANY KIND; AND (b) WITHOUT LIMITING THE FOREGOING, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING THE TECHNOLOGY OR INTELLECTUAL PROPERTY RIGHTS LICENSED UNDER THIS AGREEMENT, AND EACH HEREBY EXPRESSLY DISCLAIMS ALL WARRANTIES OF ANY KIND, WHETHER EXPRESS, IMPLIED OR STATUTORY, REGARDING THE INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSED HEREUNDER, INCLUDING ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE, ENFORCEABILITY OR NON-INFRINGEMENT.

#### 5. TERM; TERMINATION

5.1 *Term.* The term of this Agreement is perpetual, with the licenses surviving as long as the applicable Intellectual Property Rights exist.

5.2 *Termination.* This Agreement may only be terminated by express mutual written agreement of the parties in the form of an amendment to this Agreement.

#### 6. ADDITIONAL OBLIGATIONS

##### 6.1 *Additional Obligations with Regard to Patents.*

(a) Broadcom agrees, on behalf of itself and its Affiliates, to make reasonably available to AMD and its Affiliates, or their counsel, on reasonable advance written notice during normal business hours, inventors and other persons previously employed by AMD or its Affiliates, who are Continuing Employees and are employed by Broadcom or its Affiliates at the time of the request, for interviews or testimony to assist in good faith in further prosecution, maintenance, or litigation of all Retained Patents and Retained Intellectual Property Rights, including the signing of documents related thereto. Any reasonable attorneys' fees and costs associated with such assistance shall be borne by AMD, expressly excluding the value of the time of such personnel for maintenance or prosecution, but, with respect to litigation, including the value of the time of such personnel, as well as reasonable attorneys' fees associated with such personnel's participation in litigation on behalf of AMD, as agreed upon in advance in writing by AMD and Broadcom in good faith.

(b) AMD agrees, on behalf of itself and its Affiliates, to make reasonably available to Broadcom and its Affiliates, or their counsel, on reasonable advance written notice during normal business hours, inventors and other persons employed by AMD or its Affiliates at the time of the request, for interviews or testimony to assist in good faith in further prosecution,

maintenance, or litigation of all Transferred Patents and Transferred Intellectual Property Rights, including the signing of documents related thereto. Any reasonable attorneys' fees and costs associated with such assistance shall be borne by Broadcom, expressly excluding the value of the time of such personnel for maintenance or prosecution, but, with respect to litigation, including the value of the time of such personnel, as well as reasonable attorneys' fees associated with such personnel's participation in litigation on behalf of Broadcom, as agreed upon in advance in writing by AMD and Broadcom in good faith.

**6.2 No Other Obligation.** Except as expressly set forth in Section 2.1(d), neither party shall have any obligation hereunder to institute or maintain any action or suit against third parties for infringement or misappropriation of any Intellectual Property Right in or to any Technology licensed to the other party hereunder, or to defend any action or suit brought by a Third Party that challenges or concerns the validity of any of such rights or that claims that any Technology licensed to the other party hereunder infringes or constitutes a misappropriation of any Intellectual Property Right of any Third Party.

**6.3 No Obligation to Obtain or Maintain Rights in Technology.** Except as otherwise set forth herein, in the APA or any agreement or document referenced in the APA, no party shall be obligated under this Agreement to provide the other parties with any technical assistance or to furnish the other parties with, or obtain, any documents, materials or other information or Technology.

**6.4 No Obligation to Obtain Or Maintain Patents.** No party is obligated to (i) file any patent application, or to secure any patent or patent rights or (ii) to maintain any patent in force.

## 7. CONFIDENTIALITY

**7.1 Restrictions on Use of Confidential Information.** All Confidential Information shall not be distributed, disclosed, or disseminated in any way or form by the receiving party to anyone except its own, and its Affiliates' and permitted sublicensees', employees, contractors, customers and business partners who have a reasonable need to know such Confidential Information and who have been advised of the confidential nature and required to observe the terms and conditions hereof or of terms substantially similar to these confidentiality provisions; nor shall Confidential Information be used by the receiving party for its own purpose, except for the purposes of exercising its rights or fulfilling its obligations under this Agreement or any permitted sublicense. The recipient shall treat all of the disclosing party's Confidential Information with the same degree of care as the recipient accords to recipient's own Confidential Information, but not less than reasonable care. The recipient shall immediately give notice to the disclosing party of any unauthorized use or disclosure of disclosing party's Confidential Information. The recipient shall assist the disclosing party in remedying any such unauthorized use or disclosure of the disclosing party's Confidential Information. AMD agrees that during the three (3) year period in which Broadcom is granted an exclusive license under Section 2.1(b) above, AMD and its Affiliates will not publicly disclose the Retained Technology in a manner that would result in a loss of trade secret status for the material trade secret aspects of the [\*\*] as of the Effective Date for Broadcom's use of the [\*\*] in accordance with the license rights Broadcom receives to such Retained Technology under Section 2.1(b). Notwithstanding the

foregoing, AMD or its Affiliates may publish a non-confidential programming guide that details registers and microcode APIs applicable to the [\*\*] so that developers may develop drivers and other applicable software to configure their devices and access those of AMD's or its Affiliates' products, the design, development, use, manufacture, having manufactured, importation, export, offering to sell, sale, support, maintenance or other disposal of which do not violate any exclusive license granted to Broadcom hereunder.

**7.2 Exceptions.** The obligation not to disclose information under Section 7.1 hereof shall not apply to information that, as of the Effective Date or thereafter, (a) was in the public domain or otherwise publicly known at or subsequent to the time such Confidential Information was communicated to recipient by the disclosing party through no fault of the recipient; (b) other than with respect to Transferred Technology, was rightfully in the recipient's possession free of any obligation of confidence at or subsequent to the time such Confidential Information was communicated to the recipient by the disclosing party; (c) was developed by employees or agents of the recipient independently of and without reference to any of the disclosing party's Confidential Information; or (d) was communicated by the disclosing party to a Third Party free of any obligation of confidence.

**7.3 Confidentiality of Agreement and Permitted Disclosures.** Except as expressly provided herein, each party agrees that the terms and conditions of this Agreement shall be treated as confidential and that neither party will disclose the terms or conditions of this Agreement to any third party without the prior written consent of the other party, provided, however, that each party may disclose the terms and conditions of this Agreement and the other party's Confidential Information to the extent necessary: (a) as required by any court or other governmental body; (b) as otherwise required by law (including the rules and regulations of any stock exchange) or expressly permitted under this Agreement; (c) in confidence to such party's legal counsel, accountants, and other professional advisors; (d) in confidence, to banks, investors and other financing sources and their advisors; (e) in connection with the enforcement of this Agreement or exercise of rights under this Agreement; or (f) in confidence, in connection with an actual or prospective merger or acquisition or similar transaction. With respect to disclosure required by a court, governmental order or otherwise required by law, the party required to so disclose shall (i) to the extent not prohibited, provide prior notification of such impending disclosure to the other party, (ii) use all reasonable efforts to preserve the confidentiality of the terms of this Agreement in complying with such required disclosure, including obtaining a protective order to the extent reasonably possible, and (iii) not be relieved of its obligation of confidentiality and non-use of such disclosed information for any other purpose. Further, all other individuals and/or entities receiving Confidential Information pursuant to subsections (c) through (f) must have signed a written non-disclosure agreement protecting the Confidential Information in accordance with terms in this Agreement, or with respect to attorneys and other professional advisors, be bound by ethical obligations to protect the Confidential Information.

**7.4 Duration.** The obligations of the parties set forth in this Section 7 with respect to the protection of Confidential Information shall remain in effect for five (5) years after (a) the Effective Date, with respect to Confidential Information of one party that is known to or in the possession of the other party as of the Effective Date, or (b) the date of disclosure, with respect to Confidential Information that is disclosed by the one party to the other party after the Effective Date, provided, however, that the obligations of the parties set forth in this Section 7 with respect

to the protection of Confidential Information that is Source Code or that otherwise constitutes or is treated as of the Effective Date by the disclosing party as a trade secret shall remain in effect perpetually, subject only to the exceptions in Section 7.2.

#### 8. LIMITATION OF LIABILITY

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT FOR BREACHES OF CONFIDENTIALITY OBLIGATIONS, OR BREACHES OF LICENSE OR FIELD RESTRICTIONS, IN NO EVENT SHALL A PARTY BE LIABLE UNDER THIS AGREEMENT TO THE OTHER PARTY OR TO ANY PARTY CLAIMING THROUGH OR UNDER ANOTHER PARTY, FOR ANY LOST PROFITS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

#### 9. MISCELLANEOUS PROVISIONS

9.1 **Governing Law; Venue.** This Agreement and any disputes hereunder shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of California. Any dispute, claim or controversy arising out of this Agreement shall be submitted to the exclusive jurisdiction and venue in the federal and state courts located in and serving Santa Clara County, California. Notwithstanding the foregoing, in the event that any dispute, claim or controversy arising out of this Agreement also involves a dispute, claim or controversy arising out of the APA, the governing law and dispute resolution provisions of the APA shall govern all such disputes, claims and controversies.

9.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by telecopy with answer back, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), by registered or certified mail (postage prepaid, return receipt requested) or by e-mail with receipt confirmed by return e-mail to the respective parties as follows:

if to AMD:

Advanced Micro Devices, Inc.  
7171 Southwest Parkway  
Austin, Texas 78735  
Attention: General Counsel  
Fax: (512) 602-4999

if to Broadcom:

Broadcom Corporation  
5300 California Ave.  
Irvine, California 92617  
Attention: General Counsel  
Fax: (949) 926-9244

or to such other address as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by e-mail, telecopy or by air courier shall be deemed effective on the first Business Day following the day on which such notice or communication was sent. Any notice or communication sent by registered or certified mail shall be deemed effective on the third Business Day following the day on which such notice or communication was mailed.

**9.3 Assignment.** In addition to the sublicense rights enumerated in Section 2.1 and Section 2.2, in the event of a sale of any portion of the business of either party that utilizes the license granted hereby, either party may grant sublicenses to the purchaser of such portion of the business (including as to AMD, AMD's handheld business unit) to be used by such purchaser solely in connection with the business sold to the purchaser and not for any other business. No party may, directly or indirectly, in whole or in part, whether voluntarily or involuntarily or by operation of law or otherwise, assign or transfer this Agreement and the rights granted to it hereunder without the other party's prior written consent, which consent may be granted or refused at the other party's sole discretion. Notwithstanding the foregoing, either party may assign this Agreement and the rights granted to it hereunder, subject to its obligations, to a successor in interest, without the consent of the other party, upon any merger, acquisition, reorganization, change of control, or sale of all or substantially all of the assets or business of such party or the sale of all or substantially all of the assets or the business related to the Intellectual Property Rights and Technology licensed to such party under this Agreement, to be used by the successor solely in connection with the business sold to the successor and not for any other business. Any assignment in violation of this Section shall be null and void from the beginning, and shall be deemed a material breach of this Agreement. AMD shall not assign, transfer or otherwise divest any right, title or interest in or to Retained Technology, Retained Intellectual Property Rights or Retained Patents unless (a) such assignment, transfer or other divestiture is subject to all of the rights granted to Broadcom under this Agreement, and (b) the Person(s) to whom such right, title or interest is transferred is informed in writing, on or before the effectiveness of such assignment, transfer or divestiture, of the rights granted to Broadcom under this Agreement.

**9.4 Relationship Between Parties.** Broadcom and AMD shall at all times and for all purposes be deemed to be independent contractors and neither party, its Affiliates, nor either party's or its Affiliates' employees, representatives, subcontractors or agents, shall have the right or power to bind the other party. This Agreement shall not itself create or be deemed to create a joint venture, partnership or similar association between Broadcom and AMD or either party's or its Affiliates' employees, representatives, subcontractors or agents.

9.5 **Third Party Beneficiaries.** The terms and provisions of this Agreement are intended solely for the benefit of Broadcom and its Subsidiaries, on the one hand, and AMD and its Subsidiaries, on the other hand. It is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity, and this Agreement does not (shall not be construed to) confer any right or cause of action in, upon or on behalf of any other person or entity, and no person or entity (including any of employee or former employee of any of the parties) other than Broadcom or its Subsidiaries and AMD or its Subsidiaries shall be entitled to rely on any provision of this Agreement in any action proceeding, hearing or other forum.

9.6 **Severability.** In the event that any clause, sub-clause or other provision contained in this Agreement shall be determined by any competent authority to be invalid, unlawful or unenforceable to any extent, such clause, sub-clause or other provision shall to that extent be severed from the remaining clauses and provisions, or the remaining part of the clause in question, which shall continue to be valid and enforceable to the fullest extent permitted by law.

9.7 **No Waiver; Remedies Cumulative.** Failure or neglect by a party to enforce at any time any of the provisions hereof shall not be construed nor shall be deemed to be a waiver of such party's rights hereunder nor in any way affect the validity of the whole or any part of this Agreement nor prejudice such party's rights to take subsequent action. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.

9.8 **Amendment.** Any term of this Agreement may be amended, modified, rescinded, canceled or waived, in whole or in part, only by a written instrument signed by each of the parties' authorized representatives or their respective permitted successors and assigns. Any amendment or waiver effected in accordance with this Section shall be binding upon the parties and their respective successors and assigns.

9.9 **Counterparts.** This Agreement may be executed in two or more counterparts, all of which, taken together, shall be considered to be one and the same instrument.

9.10 **Headings; Construction.** The headings to the clauses, sub-clauses and parts of this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and any similar expressions refer to this Agreement and not to any particular Section or other portion hereof. The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement. As used in this Agreement, the words "include" and "including," and variations thereof, will be deemed to be followed by the words "without limitation" and "discretion" means sole discretion.

9.11 **Entire Agreement.** With the exception of the APA and the Ancillary Agreements, this Agreement (including its Exhibits, each of which are incorporated herein by this reference) supersedes any arrangements, understandings, promises or agreements made or existing between the parties hereto prior to or simultaneously with this Agreement with respect to the subject matter hereof and thereof and constitutes the entire understanding between the

parties hereto with respect to the subject matter hereof, except for the Project Addendum and Exclusivity Agreement, which shall continue as set forth in Section 5.2 of the APA.

9.12 **Statement of Intent With Respect to Bankruptcy.** Each party's rights under this Agreement are perpetual, irrevocable, and nonexecutory, notwithstanding any other provision of this Agreement or any other contract, and to the maximum extent permitted by applicable law. In the event of the commencement of a bankruptcy proceeding by or against a party, the license grant to the other party in Article 2 shall continue in full force and effect. Under no circumstances shall the other party's exercise of the rights granted to it in Article 2 ever be construed as an infringement of the licensor party's rights in the Retained Patents, the Retained Intellectual Property Rights, the Retained Technology, the Transferred Patents, the Transferred Intellectual Property Rights or the Transferred Technology, as applicable. In the event that a bankruptcy court or other court of competent jurisdiction ever determines by final judgment that this Agreement is executory, despite every intention and effort by the parties to negotiate and document nonexecutory rights for the other party, and without implying any acceptance of the rejected concept that it is legally impossible to create such a nonexecutory license for Intellectual Property Rights or Technology, all rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code and the APA is an agreement "supplemental to" this license. Furthermore, in such an event, the parties agree that each party, as a licensee of rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code and other applicable law, including any right by such party to specific performance of this Agreement, since each party acknowledges and agrees that the Retained Patents, Retained Intellectual Property Rights, Retained Technology, Transferred Patents, Transferred Intellectual Property Rights and Transferred Technology are unique and that rejection of the license will cause the other party irreparable harm for which its legal remedies are inadequate; provided, however, nothing herein shall be deemed to constitute a present exercise of such rights and elections.

9.13 **Export.** In recognition of U.S. and non-U.S. export control laws and regulations, each party agrees that it will not export, or transfer for the purpose of re-export, any product, technical data received hereunder or any product produced by use of such technical data, including processes and services, (each, an "**Exported Product**"), in violation of any U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto. Further, neither party will export an Exported Product to any prohibited or embargoed country or to any denied, blocked, or designated person or entity as mentioned in any such U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto.

*[Balance of page intentionally left blank.]*

IN WITNESS WHEREOF, the parties have signed this Intellectual Property Cross-License Agreement effective as of the Effective Date.

**ADVANCED MICRO DEVICES, INC.**

By: /s/ Harry A. Wolin  
Name: Harry A. Wolin  
Title: Sr. Vice President, General  
Counsel & Secretary

**SIGNATURE PAGE TO IP CROSS LICENSE**

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**BROADCOM CORPORATION**

By: /s/ Scott A. McGregor

Name: Scott A. McGregor

Title: President and Chief Executive Officer

**SIGNATURE PAGE TO IP CROSS LICENSE**

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**EXHIBIT A**  
**LIST OF MATERIAL RETAINED PATENTS**

<u>Title</u>	<u>Country</u>	<u>Application No.</u>	<u>Filing Date</u>	<u>Publication / Patent No.</u>	<u>Publication / Issue Date</u>
[**]	[**]	[**]	[**]	[**]	[**]

Confidential Materials omitted and filed separately with the Securities and Exchange Commission.

A total of 6 pages have been omitted pursuant to a request for confidential treatment.

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**EXHIBIT B**  
**LIST OF MATERIAL RETAINED TECHNOLOGY**

Confidential Materials omitted and filed separately with the Securities and Exchange Commission.

A total of 4 pages have been omitted pursuant to a request for confidential treatment.

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B-1

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**EXHIBIT C  
EXCLUDED TECHNOLOGY**

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C-1

Confidential Materials omitted and filed separately with the Securities and Exchange Commission. Asterisks denote omissions.

EXECUTION VERSION  
AMD AND BROADCOM CONFIDENTIAL

#### IP CORE LICENSE AGREEMENT

**THIS IP CORE LICENSE AGREEMENT** (this “**Agreement**”), effective as of the Effective Date, is by and between **ADVANCED MICRO DEVICES, INC.**, a corporation organized under the laws of Delaware and having its corporate head office located at One AMD Place, Sunnyvale, CA 94088 (“**AMD**”) and **BROADCOM CORPORATION**, a corporation organized under the laws of California and having its principal place of business at 5300 California Ave., Irvine, CA 92617 (“**Broadcom**”).

#### WITNESSETH:

**WHEREAS**, Broadcom, AMD and Broadcom International Limited, a Cayman Islands entity, have entered into that certain Asset Purchase Agreement dated August 25, 2008 (“**APA**”), pursuant to which Broadcom purchased and assumed, and AMD sold, transferred and assigned to Broadcom and Broadcom International Limited, certain assets and liabilities of the Business;

**WHEREAS**, AMD, among other things, designs, develops and markets certain advanced graphics, video and multimedia processors and licenses graphics core designs, and related software, that are retained by AMD and that are not otherwise licensed to Broadcom under the terms of the IP Cross License;

**WHEREAS**, Broadcom desires to license such AMD graphics cores and software technology for use within the Broadcom Field, and AMD is willing to license such technology to Broadcom, on the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, in consideration of the mutual promises of the parties, and of good and valuable consideration, it is agreed by and between the parties as follows:

#### 1. DEFINITIONS.

1.1 **Definitions.** For the purpose of this Agreement the following capitalized terms are defined in this Section 1.1 and shall have the meaning specified herein. Other terms that are capitalized but not specifically defined in this Section 1.1 or in the body of the Agreement shall have the meaning set forth in the APA or the IP Cross License.

(a) “**AMD Intellectual Property Rights**” means the Intellectual Property Rights (other than trademarks) owned or Licensable by AMD or any of its Affiliates, that are not included in the Purchased Intellectual Property Rights, and that cover any of the AMD Technology. “AMD Intellectual Property Rights” do not include any of AMD’s Intellectual Property Rights in or to its semiconductor manufacturing Technology.

(b) “**AMD Exclusive Field**” means the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any IP core, processor, integrated circuit or chipset, and Software operating thereon or in connection therewith, to the extent that any such IP core, processor, integrated circuit, chipset or Software (i) operates as [\*\*] for use in [\*\*]; (ii) (A) is able to execute the object code of any AMD Processor, (B) substantially utilizes the instruction set of any AMD Processor, or (C) has a programmer’s model that is substantially compatible with the programmer’s model of any AMD Processor. Notwithstanding the foregoing, the “AMD Exclusive

Field” does not include the design, development, distribution, marketing, manufacture, use, import, license and/or sale of any of the following: (1) Current Business Products, Past Products or Roadmap Products, (2) the other products described in the “Broadcom Exclusive Field” definition in the IP Cross License, or (3) products for use as [\*\*].

(c) “**AMD Technology**” means the Technology expressly identified on Exhibit A, including the Licensed Cores, the GPG Software and the Licensed Software.

(d) “**Broadcom Owned Improvements**” means the Improvements made by or for Broadcom or its Subsidiaries to the AMD Technology.

(e) “**Broadcom Field**” means all fields other than the AMD Exclusive Field, except that with regard to products for use as [\*\*], the “Broadcom Exclusive Field” shall include only such [\*\*] that are derived through the process of embedding the applicable Licensed Core into Broadcom Products (as defined in Section 3.3 below) designed and marketed for purposes other than for inclusion in [\*\*], but that may thereafter be sold for use in [\*\*] by altering the input/output functionality of such Broadcom Product without other further changes to customize such Broadcom Products for use in [\*\*].

(f) “**Confidential Information**” means any and all technical and non-technical information a party provides to another party hereunder that is marked or otherwise identified at the time of disclosure as confidential or proprietary or is material that should be readily recognized as confidential by the recipient, including trade secrets, know-how, firmware, designs, schematics, techniques, software code, technical documentation, specifications, plans or any other information relating to any research project, work in process, future development, scientific, engineering, manufacturing, marketing or business plan or financial or personnel matter relating to a party, its present or future products, sales, suppliers, customers, employees, investors or business, whether in written, oral, graphic or electronic form. All Broadcom Owned Improvements shall be the Confidential Information of Broadcom. All AMD Technology and Improvements to AMD Technology (other than Broadcom Owned Improvements) shall be the Confidential Information of AMD.

(g) “**Derivative**” means a modified version of a Licensed Core.

(h) “**Effective Date**” shall be the same date as the Closing Date.

(i) “**First Effective Filing Date**” means the earliest effective filing date in the particular country for any Patent or any application for any Patent. By way of example, it is understood that the First Effective Filing Date for a United States Patent is the earlier of (a) the actual filing date of the United States Patent application which issued into such Patent, (b) the priority date under 35 U.S.C. § 119 for such Patent, or (c) the priority date under 35 U.S.C. § 120 for such Patent.

(j) “**GPG Software**” means the AMD Technology described as a “[\*\*]” in Exhibit A.

(k) **“Improvements”** means any improvements, enhancements, discoveries, developments, inventions, modifications or derivative works, whether or not patentable.

(l) **“IP Cross License”** means the certain Intellectual Property Cross License Agreement between the parties of even date herewith.

(m) **“Licensable”** means that, as of the Effective Date, AMD or any of its Affiliates has the right to grant to Broadcom a license or other rights within the scope of the rights granted to Broadcom under this Agreement, subject to the scope of permissible sublicense rights granted to AMD, without such grant (a) resulting in any breach or other violation of any obligation of AMD or any of its Affiliates to any Third Party (who is not an AMD Affiliate), or (b) resulting in any payment obligations of AMD to any Third Party (who is not an AMD Affiliate).

(n) **“Licensed Core”** means each AMD graphics processor core specified in Exhibit A, including (i) all RTL with respect thereto and all Licensed Software and GPG Software described in Exhibit A referencing such Licensed Cores, (ii) the Improvements to the [\*\*] to complete integration for the [\*\*] product (each according to AMD’s current classifications) thereto that AMD provides to Broadcom under the [\*\*] support statement of work to the Transition Services Agreement, and (iii) the deliverables with respect to the [\*\*] core (formerly known as the [\*\*] core) that AMD provides to Broadcom pursuant to a letter agreement among the parties with respect to such deliverables, dated on or about the signing date of the APA.

(o) **“Licensed Software”** means the driver code, sample code, tools, software development kits and related documentation described in Exhibit A, but not including the GPG Software.

(p) **“Open Source Software”** has the meaning ascribed to it in the APA; provided, however, that Open Source Software shall, for purposes of this Agreement, exclude the AMD Technology, Purchased Technology and Retained Technology.

(q) **“Third Party”** means any person or entity other than AMD or Broadcom or any Subsidiary of AMD or Broadcom.

(r) **“Third Party IP”** means a claim of a patent owned by a Third Party who is not an AMD Affiliate and not Licensable by AMD or any of its Affiliates, to the extent that infringement of such claim cannot be avoided in remaining compliant with any standards issued by any public or private standards body, including optional implementations thereof, including all standards issued, promulgated or maintained by the Khronos Group (including Open VG 1.0, Open GL-ES 2.0 & Open GL-ES 1.1) and Adobe Flash.

(s) **“Transition Services Agreement”** means the certain Transition Services Agreement between the parties of even date herewith.

## 2. DELIVERY, RESPONSIBILITIES

2.1 **Delivery of AMD Technology.** AMD shall deliver the AMD Technology pursuant to the delivery terms set forth in the APA or the Transition Services Agreement, as applicable.

2.2 **Integration.** Except as otherwise agreed upon by the parties in writing in a statement of work to the Transition Services Agreement, Broadcom shall be solely responsible for porting and integrating the Licensed Core into a Broadcom Product and for the manufacture and testing of the Broadcom Products.

2.3 **Support and Maintenance.** AMD will provide certain support and maintenance services to Broadcom for the AMD Technology pursuant to a written statement of work to the Transition Services Agreement, which will also sets forth the fees and terms for such services.

## 3. LICENSE

3.1 **Licenses to Broadcom.** Subject to the terms and conditions of this Agreement, AMD and its Affiliates hereby grant to Broadcom and its Subsidiaries, under the AMD Intellectual Property Rights and in and to the AMD Technology, a perpetual, irrevocable, non-exclusive, worldwide, fully-paid, royalty-free, non-transferable (except for certain assignments as provided in Section 10.3 (Assignment)), right and license solely in the Broadcom Field and without right of sublicense except as set forth in Section 3.2:

(a) to design, develop, use, make, have made, import, export, support, and maintain:

i. any Licensed Core or Derivative solely for inclusion in Broadcom Products; but only to the extent of such items and not to any new or additional functionality in such Licensed Core or Derivative (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Cross License) or to the remainder of any device or product in which such items may be incorporated; or

ii. any combination of the items described in clause (i) with each other or with new or additional technology, but only to the extent of the items described in clause (i) and not to any new or additional functionality added to such item (other than Technology which Broadcom is permitted to use or develop pursuant to the IP Cross License) or to the remainder of any device or product in which such items may be incorporated;

(b) to import, offer to sell, and sell Broadcom Products to the extent that such Broadcom Products contain the elements permitted pursuant to subsection (a) above; and

(c) under the AMD Intellectual Property Rights other than Patents, to modify and make (or have made) derivative works of the Licensed Software and GPG Software solely for use in connection with or as incorporated in Broadcom Products;

(d) to reproduce and distribute (through multiple tiers of distribution) the Licensed Software and the GPG Software, and any Improvements of the foregoing, but solely for use in connection with or as incorporated in Broadcom Products, and, with respect to the GPG Software, solely in machine-executable object code form; with the foregoing not to be interpreted as limiting the licenses granted by AMD or its Affiliates hereunder under any Patents in the AMD Intellectual Property Rights to distribute the Licensed Software, the GPG Software, or any Improvements to either of the foregoing, as permitted under this Section 3.1, nor to limit Broadcom or its Subsidiaries' right to import, offer to sell, or sell Broadcom Products; and

(e) The "have made" rights refer only to third party manufacturers or other service providers solely for purposes of having products designed or made on Broadcom's or its Subsidiaries' behalf and not to design or make products of their own design or products made based upon the designs of Third Parties.

(f) Notwithstanding any other provision in this Agreement, in no event may Broadcom or any of its Subsidiaries or sublicensees (A) combine or incorporate any AMD Technology or any Improvement to AMD Technology with any Open Source Software, or (B) intermingle or bundle any AMD Technology or Improvements to AMD Technology with Open Source Software, or (C) link Open Source Software or any libraries or routines that constitute Open Source Software or contains elements that previously used or were linked to Open Source Software or any libraries or routines that constitute Open Source Software, with AMD Technology or Improvements to AMD Technology; in each instance in a manner that would require the disclosure or distribution of the Source Code of the AMD Technology or Improvements to the AMD Technology. Further, Broadcom shall not combine or integrate the Licensed Software with any Open Source Software in such a way to subject the Licensed Software or GPG Software to Open Source Software terms in a manner that would require the disclosure or distribution of the Source Code of the AMD Technology or Improvements to the AMD Technology, without the written authorization of AMD.

(g) Broadcom shall not use or hire others to use or analyze any AMD Technology that is not otherwise publicly available for the purposes of determining if any features, functions or processes provided by the AMD Technology are covered by any patents or patent applications owned by Broadcom and then use that analysis to assert patent infringement claims against AMD.

### 3.2 Use of Third Parties.

(a) Subject to the terms and conditions of this Agreement, Broadcom and, its Subsidiaries may utilize third-party contractors ("**Contractors**") in connection with its exercise of license rights under Section 3.1; provided that the use of AMD Technology by such Contractors is solely to support Broadcom or its Subsidiaries or

sublicensees in connection with Broadcom's or its Subsidiaries' rights under this Agreement and in strict compliance with the terms of this Agreement.

(b) If any third party that received deliverables or AMD Confidential Information from Broadcom pursuant to this Agreement breaches the obligations imposed on Broadcom under this Agreement with respect to such deliverables or AMD Confidential Information, Broadcom agrees to take all reasonable actions to cure such breach. If Broadcom is unable to cure such breach within ten (10) Business Days after Broadcom receives written notice of such breach from AMD, then Broadcom shall terminate the third party's right to use and possess such AMD Confidential Information and shall take all commercially reasonable actions to ensure the third party returns all AMD Confidential Information obtained from Broadcom pursuant to this Agreement in its possession.

(c) Nothing herein shall prevent Broadcom or its Subsidiaries from giving their customers access to APIs with respect to the AMD Technology or Broadcom Owned Improvements to facilitate interoperability between such customers' products and the AMD Technology or Broadcom Owned Improvements. Notwithstanding the foregoing, Broadcom's rights described in this Section 3.2(c) shall not extend to RTL or to any source code for the GPG Software.

**3.3 License Restrictions.** In addition to any other terms and conditions of this Agreement to which the licenses granted under Section 3.1 are subject, Broadcom and its Subsidiaries shall not exercise the right to make or have made products that incorporate any AMD Technology or Derivatives ("**Broadcom Products**") in a manner that circumvents the restrictions on sublicensing. Without limiting the foregoing, a Broadcom Product must incorporate hardware products or components (other than AMD Technology or Broadcom Owned Improvements) that Broadcom or its Subsidiaries have designed and are commercializing or intending to commercialize.

**3.4 Covenant not to Sue to AMD for Broadcom Owned Improvements.** Broadcom hereby covenants that Broadcom and its Subsidiaries shall not assert against AMD and its Subsidiaries, or AMD's or AMD's Subsidiaries' direct and indirect contractors or AMD's or AMD's Subsidiaries' customers for Improvements to AMD Technology made, or made on behalf of AMD by AMD subcontractors, and provided by AMD or AMD's Subsidiaries, any claim that the use, copying, sale, creation of derivative works, modification, license, making, having made or other exploitation of any Improvements made to AMD Technology by AMD or its Subsidiaries, infringes any claim of any Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover Broadcom Owned Improvements.

**3.5 Reservation of Rights.** All rights in a party's Intellectual Property Rights not expressly granted or licensed hereunder are reserved to the licensing party and there are no other licenses or rights, express, statutory, by estoppel, implied or otherwise granted hereunder.

3.6 **Third Party IP.** Broadcom acknowledges and agrees that the AMD Technology may implement certain standards covered by Third Party IP. No license is granted by AMD hereunder to practice the patents of Third Party IP and Broadcom shall be solely responsible for obtaining any necessary rights or licenses from such Third Parties.

#### 4. PAYMENTS

4.1 **Fees.** There are no fees due for the licenses or services set forth in this Agreement. For any support or maintenance services, or for any development services, requested by Broadcom to be performed by AMD related to the subject matter of this Agreement, the parties will agree subject to a separate written agreement regarding any fees or payments due from Broadcom for such services.

#### 5. OWNERSHIP

5.1 **By AMD.** As between the parties, AMD will retain all right, title and interest, including all Intellectual Property Rights, in and to the AMD Technology (subject only to the licenses granted hereunder), and in and to any Improvements to the AMD Technology made by or for AMD or its Affiliates. Unless otherwise agreed by the parties in writing, AMD shall have no obligation to disclose or license to Broadcom any Improvements to the AMD Technology, or to any Intellectual Property Rights in or to any Improvements to the AMD Technology, made by or for AMD or its Affiliates.

5.2 **By Broadcom.** As between the parties, Broadcom will retain all right, title and interest, including all Intellectual Property Rights, in and to any Improvements to the AMD Technology made by or for Broadcom or its Subsidiaries (other than Improvements to the AMD Technology made by AMD pursuant to the Transition Services Agreement) in the exercise of the licenses granted to Broadcom and its Subsidiaries hereunder, subject only to the ownership of AMD and its Affiliates in the underlying AMD Technology, and AMD Intellectual Property Rights. Unless otherwise agreed by the parties in writing, Broadcom has no obligation to disclose or license to AMD any Improvements to the AMD Technology, or to any Intellectual Property Rights in or to any Improvements to the AMD Technology, made by or for Broadcom or its Subsidiaries, but Broadcom acknowledges the covenant not to sue specified in Section 3.4.

5.3 **Rights in Data.** Broadcom acknowledges that all Licensed Software and related documentation licensed by AMD to Broadcom pursuant to this Agreement are "Commercial Computer Software" or "Commercial Computer Software Documentation" as defined in FAR 12.212 for civilian agencies and DFARS 227.7202 for military agencies, and that in the event Broadcom sells products incorporating the AMD Technology or Derivatives or Improvements to the AMD Technology to the U.S. Government, such items shall be provided under terms at least as restrictive as the terms of this Agreement.

5.4 **No Obligation to Obtain or Maintain Rights in Technology.** Except as otherwise set forth herein, in the APA or any agreement or document referenced in the APA, no party shall be obligated under this Agreement to provide the other parties with any technical assistance or to furnish the other parties with, or obtain, any documents, materials or other information or Technology.

5.5 **No Obligation to Obtain Or Maintain Patents.** No party is obligated to (i) file any patent application, or to secure any patent or patent rights or (ii) to maintain any patent in force.

## 6. CONFIDENTIAL INFORMATION

6.1 **Confidentiality.** The confidentiality provisions set forth in the IP Cross License shall govern and apply to the Confidential Information. The terms and conditions of this Agreement shall be protected under Section 7.3 of the IP Cross License to the same extent as the terms and conditions of the IP Cross License.

## 7. REPRESENTATIONS AND WARRANTIES

7.1 **WARRANTY DISCLAIMER.** WITHOUT LIMITING ANY EXPRESS REPRESENTATIONS OR WARRANTIES AS TO LICENSED IP ASSETS UNDER THE APA, (A) BROADCOM ACKNOWLEDGES AND AGREES THAT ALL AMD TECHNOLOGY AND IMPROVEMENTS TO AMD TECHNOLOGY SUPPLIED BY AMD UNDER THIS AGREEMENT ARE PROVIDED BY AMD "AS IS" AND WITHOUT WARRANTY OF ANY KIND; AND (B) AMD HEREBY DISCLAIMS ALL WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE AMD TECHNOLOGY AND IMPROVEMENTS, INCLUDING ANY WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE. AMD MAKES NO REPRESENTATIONS OR WARRANTIES THAT THE AMD TECHNOLOGY IS ERROR FREE.

## 8. LIMITATION OF LIABILITY

8.1 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT FOR BREACHES OF CONFIDENTIALITY OBLIGATIONS OR BREACHES OF LICENSE RESTRICTIONS, IN NO EVENT SHALL A PARTY BE LIABLE UNDER THIS AGREEMENT TO THE OTHER PARTY OR TO ANY PARTY CLAIMING THROUGH OR UNDER ANOTHER PARTY, FOR ANY LOST PROFITS, OR FOR ANY INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES, WHETHER IN AN ACTION IN CONTRACT, TORT (INCLUDING STRICT LIABILITY), BASED ON A WARRANTY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

8.2 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND WITHOUT LIMITING ANY OTHER PROVISION IN THIS AGREEMENT, IN

NO EVENT SHALL AMD OR ITS AFFILIATES BE LIABLE FOR ANY DAMAGES RELATING TO OR RESULTING FROM THE USE OF AMD TECHNOLOGY IN PRODUCTS USED FOR AVIATION, MEDICAL, NUCLEAR OR HAZARDOUS PURPOSES OR FOR ANY DAMAGES OWED TO THIRD PARTIES RELATING TO TECHNOLOGY NOT PROVIDED BY AMD. LIABILITY FOR DAMAGES SHALL BE LIMITED AND EXCLUDED AS SET FORTH HEREIN, EVEN IF ANY EXCLUSIVE REMEDY PROVIDED FOR IN THIS AGREEMENT FAILS OF ITS ESSENTIAL PURPOSE.

8.3 AMD SHALL NOT BE RESPONSIBLE FOR ANY RECOVERABLE OR NON-RECOVERABLE COSTS INCURRED, DIRECTLY OR INDIRECTLY, BY BROADCOM OR ITS SUBSIDIARIES IN THE DESIGN MIGRATION, PROCESSING, OR MANUFACTURE OF MASKS AND PROTOTYPES, OR THE CHARACTERIZATION OR MANUFACTURE OF PRODUCTION QUALITY SILICON IN ANY QUANTITY, AS A RESULT OF BROADCOM'S OR ITS SUBSIDIARIES' EXERCISE OF THE LICENSES UNDER THIS AGREEMENT.

## 9. TERM

9.1 **Term.** The term of this Agreement shall begin on the Effective Date and unless earlier terminated as provided below, shall continue in perpetuity.

9.2 **Termination.** This Agreement may only be terminated by express mutual written agreement of the parties in the form of an amendment to this Agreement.

9.3 **AMD Bankruptcy.** Each party's rights under this Agreement are perpetual, irrevocable, and nonexecutory, notwithstanding any other provision of this Agreement or any other contract, and to the maximum extent permitted by applicable law. In the event of the commencement of a bankruptcy proceeding by or against a party, the license grant or covenant not to sue, as applicable, to the other party in Section 3 shall continue in full force and effect. Under no circumstances shall the other party's exercise of the rights granted to it in Section 3, or reliance on the covenant not to sue granted to it in Section 3.4, ever be construed as an infringement of the licensor party's rights in the AMD Intellectual Property Rights, the AMD Technology, the Broadcom Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements, as applicable. In the event that a bankruptcy court or other court of competent jurisdiction ever determines by final judgment that this Agreement is executory, despite every intention and effort by the parties to negotiate and document nonexecutory rights for the other party, and without implying any acceptance of the rejected concept that it is legally impossible to create such a nonexecutory license for Intellectual Property Rights or Technology, all rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code and the APA is an agreement "supplemental to" this license. Furthermore, in such an event, the parties agree that each party, as a licensee or beneficiary (as applicable) of rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the

U.S. Bankruptcy Code and other applicable law, including any right by such party to specific performance of this Agreement, since each party acknowledges and agrees that the AMD Intellectual Property Rights, the AMD Technology, the Broadcom-Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements are unique and that rejection of the license or covenant not to sue will cause the other party irreparable harm for which its legal remedies are inadequate; provided, however, nothing herein shall be deemed to constitute a present exercise of such rights and elections. Notwithstanding anything to the contrary herein or under Section 365(n) of the U.S. Bankruptcy Code, the parties agree and acknowledge that AMD and its Subsidiaries are not entitled to obtain embodiments of, and Broadcom and its Subsidiaries have no obligation to disclose, Broadcom Owned Improvements or the Intellectual Property Rights owned by Broadcom or its Subsidiaries that cover the Broadcom Owned Improvements.

#### 10. GENERAL TERMS AND CONDITIONS

10.1 **Governing Law; Venue.** This Agreement and any disputes hereunder shall be governed by and construed in accordance with the domestic laws of the State of California, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of California or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of California. Any dispute, claim or controversy arising out of this Agreement shall be submitted to the exclusive jurisdiction and venue in the federal and state courts located in and serving Santa Clara County, California. Notwithstanding the foregoing, in the event that any dispute, claim or controversy arising out of this Agreement also involves a dispute, claim or controversy arising out of the APA, the governing law and dispute resolution provisions of the APA shall govern all such disputes, claims and controversies.

10.2 **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by telecopy with answer back, by express or overnight mail delivered by a nationally recognized air courier (delivery charges prepaid), by registered or certified mail (postage prepaid, return receipt requested) or by e-mail with receipt confirmed by return e-mail to the respective parties as follows:

if to AMD:

Advanced Micro Devices, Inc.  
7171 Southwest Parkway  
Austin, Texas 78735  
Attention: General Counsel  
Fax: (512) 602-4999

if to Broadcom:

Broadcom Corporation  
5300 California Ave.  
Irvine, California 92617  
Attention: General Counsel  
Fax: (949) 926-9244

or to such other address as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above. Any notice or communication delivered in person shall be deemed effective on delivery. Any notice or communication sent by e-mail, telecopy or by air courier shall be deemed effective on the first Business Day following the day on which such notice or communication was sent. Any notice or communication sent by registered or certified mail shall be deemed effective on the third Business Day following the day on which such notice or communication was mailed.

**10.3 Assignment.** In addition to the sublicense rights enumerated in Section 3, in the event of a sale of any portion of the business of either party that utilizes the license granted hereby, either party may grant sublicenses, or extend the covenant not to sue, to the purchaser of such portion of the business (including as to AMD, AMD's handheld business unit) to be used by such purchaser solely in connection with the business sold to the purchaser and not for any other business. No party may, directly or indirectly, in whole or in part, whether voluntarily or involuntarily or by operation of law or otherwise, assign or transfer this Agreement and the rights granted to it hereunder without the other party's prior written consent, which consent may be granted or refused at the other party's sole discretion. Notwithstanding the foregoing, either party may assign this Agreement and the rights and covenants granted to it hereunder, subject to its obligations, to a successor in interest without the consent of the other party upon any merger, acquisition, reorganization, change of control, or sale of all or substantially all of the assets or business of such party or the sale of all or substantially all of the assets or the business related to the Intellectual Property Rights and Technology licensed to such party under this Agreement, to be used by the successor solely in connection with the business sold to the successor and not for any other business. Any assignment in violation of this Section shall be null and void from the beginning, and shall be deemed a material breach of this Agreement. AMD shall not assign, transfer or otherwise divest any right, title or interest in or to AMD Technology or any of the AMD Intellectual Property Rights unless (a) such assignment, transfer or other divestiture is subject to all of the rights granted to Broadcom under this Agreement, and (b) the Person(s) to whom such right, title or interest is transferred is informed in writing, on or before the effectiveness of such assignment, transfer or divestiture, of the rights granted to Broadcom under this Agreement.

**10.4 Relationship Between Parties.** Broadcom and AMD shall at all times and for all purposes be deemed to be independent contractors and neither party, its Affiliates, nor either party's or its Affiliates' employees, representatives, subcontractors or agents, shall have the right or power to bind the other party. This Agreement shall not

itself create or be deemed to create a joint venture, partnership or similar association between Broadcom and AMD or either party's or its Affiliates' employees, representatives, subcontractors or agents.

**10.5 Third Party Beneficiaries.** The terms and provisions of this Agreement are intended solely for the benefit of Broadcom and its Subsidiaries, on the one hand, and AMD and its Subsidiaries, on the other hand. It is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity, and this Agreement does not (shall not be construed to) confer any right or cause of action in, upon or on behalf of any other person or entity, and no person or entity (including any of employee or former employee of any of the parties) other than Broadcom or its Subsidiaries and AMD or its Subsidiaries shall be entitled to rely on any provision of this Agreement in any action proceeding, hearing or other forum.

**10.6 Severability.** In the event that any clause, sub-clause or other provision contained in this Agreement shall be determined by any competent authority to be invalid, unlawful or unenforceable to any extent, such clause, sub-clause or other provision shall to that extent be severed from the remaining clauses and provisions, or the remaining part of the clause in question, which shall continue to be valid and enforceable to the fullest extent permitted by law.

**10.7 No Waiver; Remedies Cumulative.** Failure or neglect by a party to enforce at any time any of the provisions hereof shall not be construed nor shall be deemed to be a waiver of such party's rights hereunder nor in any way affect the validity of the whole or any part of this Agreement nor prejudice such party's rights to take subsequent action. All rights and remedies conferred under this Agreement or by any other instrument or law shall be cumulative and may be exercised singularly or concurrently.

**10.8 Amendment.** Any term of this Agreement may be amended, modified, rescinded, canceled or waived, in whole or in part, only by a written instrument signed by each of the parties' authorized representatives or their respective permitted successors and assigns. Any amendment or waiver effected in accordance with this Section shall be binding upon the parties and their respective successors and assigns.

**10.9 Counterparts.** This Agreement may be executed in two or more counterparts, all of which, taken together, shall be considered to be one and the same instrument.

**10.10 Headings; Construction.** The headings to the clauses, sub-clauses and parts of this Agreement are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and any similar expressions refer to this Agreement and not to any particular Section or other portion hereof. The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement. As used in this Agreement, the words "include" and "including," and

variations thereof, will be deemed to be followed by the words “without limitation” and “discretion” means sole discretion.

10.11 **Entire Agreement.** With the exception of the APA and the Ancillary Agreements, this Agreement (including its Exhibits, each of which are incorporated herein by this reference) supersedes any arrangements, understandings, promises or agreements made or existing between the parties hereto prior to or simultaneously with this Agreement with respect to the subject matter hereof and thereof and constitutes the entire understanding between the parties hereto with respect to the subject matter hereof, except for the Project Addendum and Exclusivity Agreement, which shall continue as set forth in Section 5.2 of the APA.

10.12 **Export.** In recognition of U.S. and non-U.S. export control laws and regulations, each party agrees that it will not export, or transfer for the purpose of re-export, any product, technical data received hereunder or any product produced by use of such technical data, including processes and services (each, an “**Exported Product**”), in violation of any U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto. Further, neither party will export an Exported Product to any prohibited or embargoed country or to any denied, blocked, or designated person or entity as mentioned in any such U.S. or non-US regulation, treaty, executive order, law, statute, amendment or supplement thereto.

*[Balance of page intentionally left blank.]*

IN WITNESS WHEREOF, each party has caused this Agreement to be executed by its duly authorized representative:

**ADVANCED MICRO DEVICES, INC.**

By: /s/ Harry A. Wolin

Name: Harry A. Wolin

Title: Sr. Vice President, General Counsel & Secretary

**SIGNATURE PAGE TO IP CORE LICENSE AGREEMENT**

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**BROADCOM CORPORATION**

By: /s/ Scott A. McGregor

Name: Scott A. McGregor

Title: President and Chief Executive Officer

**SIGNATURE PAGE TO IP CORE LICENSE AGREEMENT**

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**EXHIBIT A**  
**AMD Technology**

Confidential Materials omitted and filed separately with the Securities and Exchange Commission.

A total of 18 pages have been omitted pursuant to a request for confidential treatment.

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

**RECITALS**

- A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).
- B. Participant is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's issuance of shares of Common Stock to the Participant under the Stock Issuance Program.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

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

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

**AWARD SUMMARY**

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

Award Date: \_\_\_\_\_, 200\_\_

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

Vesting Schedule: The Shares shall vest upon the Participant's continuation in Service through the end of the three (3)-year period measured from the Award Date (the "Required Service Period"). However, the Shares may vest in whole or in part on an accelerated basis in accordance with the provisions of Sections 3 and 6 of this Agreement. The Required Service Period may also be extended in connection with certain leaves of absence or changes in Employee status, as set forth in Section 4 of this Agreement.



Issuance Schedule: Subject to the delayed issuance provisions of Section 9 of this Agreement (to the extent applicable), the Shares to which the Participant becomes entitled upon continuation in Service through the completion of the Required Service Period shall be issued upon the completion of such period or as soon thereafter as administratively practicable, but in no event later than the **later** of (i) the close of the calendar year in which the Required Service Period is completed or (ii) the fifteenth day of the third calendar month following the completion date of such period. Any Shares which vest on an accelerated basis pursuant to Section 3 or 6 of this Agreement shall be issued in accordance with the applicable provisions of such section. The Corporation shall in all instances collect the applicable Withholding Taxes with respect to the issued Shares pursuant to the procedures set forth in Section 8 of this Agreement.

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

3. **Cessation of Service.**

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

(b) The Participant is also a participant in the Corporation's special officer severance program pursuant to the terms of the letter agreement and appendix between the Corporation and the Participant dated August 12, 2008 (the "Severance Agreement"). The Severance Agreement sets forth certain terms and conditions under which the Participant's equity or equity-based awards from the Corporation, including this Award, may vest in whole or in part on an accelerated basis in connection with the Participant's cessation of Employee status under various specified circumstances. The Severance Agreement also sets forth the date or dates on which the shares of Common Stock subject to the awards that vest on such an accelerated basis, including the Shares subject to this Award, are to be issued, subject to certain required delays as set forth in the Severance Agreement. The terms and provisions of the Severance Agreement, as they apply to this Award, are hereby incorporated by reference into this Agreement and shall have the same force and effect as if expressly set forth in this Agreement.

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

- If (i) Participant's Employee status is terminated by the Corporation without Cause other than in connection with a Reduction in Force prior to the completion of the Required Service Period and (ii) Participant delivers his or her required Release to the Corporation within twenty one (21) days after the date of such termination (or within forty-five (45) days after such termination date, to the extent such longer period is required under applicable law) and that Release becomes effective in accordance with applicable law, then Participant shall vest in fifty percent (50%) of the number of Restricted Stock Units subject to this Award (and the underlying Shares) in which the Participant would have otherwise been vested at that time had the Restricted Stock Units vested in successive equal quarterly installments over the three (3)-year period measured from the Award Date; **provided, however**, the number of vested Restricted Stock Units so calculated shall be reduced, pursuant to the provisions of Section 4 of this Agreement, to the extent Participant is not entitled to Service-vesting credit for any authorized leave of absence during the period commencing with the Award Date and ending with such termination date.
- If (i) Participant's Employee status is terminated by the Corporation without Cause in connection with a Reduction in Force prior to the completion of the Required Service Period and (ii) Participant delivers his or her Release to the Corporation within twenty one (21) days after the date of such termination (or within forty-five (45) days after such termination date, to the extent such longer period is required under applicable law) and that Release becomes effective in accordance with applicable law, then Participant shall vest in the number of Restricted Stock Units subject to this Award (and the underlying Shares) in which the Participant would have otherwise been vested at that time had the Restricted Stock Units vested in successive equal quarterly installments over the three (3)-year period measured from the Award Date; **provided, however**, the number of vested Restricted Stock Units so calculated

shall be reduced, pursuant to the provisions of Section 4 of this Agreement, to the extent Participant is not entitled to Service-vesting credit for any authorized leave of absence during the period commencing with the Award Date and ending with such termination date.

(d) In no event, however, shall the number of Restricted Stock Units that vest on an accelerated basis in accordance with Section 3(c) exceed the number of unvested Restricted Stock Units subject to this Award immediately prior to the date of Participant's termination of Employee status. The Shares underlying the Restricted Stock Units that vest on an accelerated basis in accordance with Section 3(c) shall be issued on the third (3rd) business day, within the sixty (60)-day period measured from the date of the Participant's Separation from Service due to such termination of Employee status, following the date on which the Participant's delivered Release is effective following the expiration of all applicable statutorily-required review and revocation periods, but in no event later than the last day of that sixty (60)-day period on which the Release is so effective.

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

**4. Leaves of Absence/Change of Employee Status.** Participant shall not be deemed to have ceased Service while on a leave of absence authorized by the Corporation, except to the extent otherwise provided in the Appendix to this Agreement with respect to the date on which Participant is deemed to have a Separation from Service. However, the date on which the Required Service Period would otherwise be completed pursuant to the provisions of Section 1 and the number of Restricted Stock Units that might otherwise vest on an accelerated basis under Section 3(c) may each be affected by such leave of absence. Accordingly, the Required Service Period under Section 1 may be extended should Participant be absent from active Service by reason of such leave, and the number of Restricted Stock Units that vest on an accelerated basis under Section 3(c) may be reduced to the extent the Participant is not eligible for Service-vesting credit during the period of that leave. In addition, a change in Participant's Employee status from full-time or part-time may also result in similar adjustments to the Required Service Period under Section 1 and the vesting provisions of Section 3(c), to the extent such change in status results in a slower rate of vesting accrual. The actual effect that a leave of absence or change in Employee status may have upon the Required Service Period and the vesting of Restricted Stock Units subject to this Award will be determined by the Corporation's policies governing those subjects that are in effect at the time.

**5. Shareholder Rights.**

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

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

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

**6. Change of Control.**

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

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

(c) Any Restricted Stock Units that are assumed or otherwise continued in effect in connection with a Change in Control or replaced with a cash retention program under Section 6(a) shall be subject to accelerated vesting in accordance with the applicable terms and conditions of the Severance Agreement incorporated herein should the Participant's Employee status with the Corporation terminate under certain specified circumstances within twenty-four (24) months after the effective date of that Change in Control.

(d) If the Restricted Stock Units subject to this Award at the time of the Change in Control are not assumed or otherwise continued in effect or replaced with a cash retention program in accordance with Section 6(a), then those units will vest immediately prior to the closing of the Change in Control. The Shares subject to those vested units shall be converted into the right to receive the same consideration per share of Common Stock payable to

the other shareholders of the Corporation in consummation of that Change in Control, and such consideration per Share shall be distributed to Participant upon the tenth (10th) business day following the *earliest* to occur of (i) the completion of the Required Service Period, (ii) the date of Participant's Separation from Service or (iii) the first date following the Change in Control on which the distribution can be made without contravention of any applicable provisions of Code Section 409A. Such distribution shall be subject to the Corporation's collection of the applicable Withholding Taxes pursuant to the provisions of Section 8.

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

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

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

(a) Except as otherwise provided in Section 6(d), on each applicable date Shares are to be issued pursuant to Section 1, 3 or 6 of this Agreement, the Corporation shall issue to or on behalf of Participant a certificate (which may be in electronic form) for the vested shares of Common Stock to be issued on that date.

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

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

(ii) if and to the extent expressly authorized by the Plan Administrator at the time, through a share withholding procedure, pursuant to which the Corporation will automatically withhold, immediately upon the issuance of the Shares, a portion of those Shares with a Fair Market Value (measured as of the issuance date) equal to the amount of such Withholding Taxes (the "Share Withholding Method"); **provided, however,** that the amount of any

Shares so withheld shall not exceed the amount necessary to satisfy the Corporation's required tax withholding obligations using the minimum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to supplemental taxable income. Participant will be notified (either in writing or through electronic transmission) of the time or times when the Share Withholding Method will actually be available with respect to one or more vested Shares that become issuable under this Agreement (such notification will also set forth the procedures authorized and established by the Plan Administrator for such purpose);

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

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

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

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

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

9. **Code Section 409A Limitations.** Notwithstanding any provision in this Agreement to the contrary, the following special provision shall govern the issuance of any Shares that become issuable (or any other amounts that become distributable) in connection with the termination of Participant's Employee status, should the Issuance Schedule set forth in Section 1, together with the vesting acceleration provisions of Sections 3 and 6 of this Agreement and the applicable vesting acceleration provisions of the Severance Agreement, be deemed to create a deferred compensation arrangement subject to Section 409A of the Code:

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

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

10. **Deferred Release Date.** Should the applicable issuance date for one or more Shares occur during any period Participant is under investigation by the Corporation for any act or transaction that might constitute grounds for termination for Cause, then those issued Shares and/or the net proceeds from any sale or sales of those Shares during such period (the gross sale proceeds less withholding taxes due the Corporation and broker commissions) will be held by the Corporation in escrow until such time as the investigation is satisfactorily completed. If it is determined that Participant has not engaged in any action or transaction that might

constitute grounds for a termination for Cause, then the escrowed Shares and/or funds will be released to Participant, subject to the Corporation's collection of all applicable Withholding Taxes not otherwise previously collected, as soon as administratively practicable following the completion of the investigation, but in no event later than the close of the calendar year in which such determination is made. If it is determined that the Participant has engaged in any act or transaction that constitutes grounds for termination for Cause, then Participant shall cease to have any further right, title or interest in the escrowed Shares and/or funds, and those Shares and funds shall be returned to the Corporation.

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

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

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

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

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

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

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

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

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

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

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

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

**BROADCOM CORPORATION**

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

**PARTICIPANT**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**APPENDIX A**

**DEFINITIONS**

The following definitions shall be in effect under the Agreement:

- A. **Agreement** shall mean this Restricted Stock Unit Issuance Agreement.
- B. **Award** shall mean the award of Restricted Stock Units made to the Participant pursuant to the terms of this Agreement.
- C. **Award Date** shall mean the date the Restricted Stock Units are awarded to Participant pursuant to the Agreement and shall be the date indicated in Section 1 of the Agreement.
- D. **Board** shall mean the Corporation's Board of Directors.

E. **Cause** shall, solely for purposes of Section 3(c) and Section 10 of this Agreement, mean the Participant's commission of any one or more of the following acts: (i) willful damage to the property, business, business relationships, reputation or goodwill of the Corporation or any Parent or Subsidiary; (ii) commission of a felony or a misdemeanor involving moral turpitude; (iii) theft, dishonesty, fraud or embezzlement; (iv) willful violation of any rules or regulations of any governmental or regulatory body that is or is reasonably expected to be injurious to the Corporation or any Parent or Subsidiary; (v) the use of alcohol, narcotics or other controlled substances to the extent that Participant is prevented from efficiently performing services for the Corporation or any Parent or Subsidiary; (vi) willful injury to any other employee of the Corporation or any Parent or Subsidiary; (vii) willful injury to any person in the course of performance of services for the Corporation or any Parent or Subsidiary; (viii) disclosure to a competitor or other unauthorized persons of confidential or proprietary information or secrets of the Corporation or any Parent or Subsidiary or any other material breach of the provisions of the Confidentiality and Invention Assignment Agreement between the Participant and the Corporation; (ix) solicitation of business on behalf of a competitor or a potential competitor of the Corporation or any Parent or Subsidiary; (x) harassment of any other employee of the Corporation or any Parent or Subsidiary or the commission of any act that otherwise creates an offensive work environment for other employees of the Corporation or any Parent or Subsidiary; (xi) material breach of any of the terms of or policies in the Corporation's Code of Ethics and Corporate Conduct; or (xii) failure for any reason within five (5) days after receipt by Participant of written notice thereof from the Corporation, to correct, cease or otherwise alter any insubordination, failure to comply with instructions, neglect of the material duties to be performed by Participant or other act or omission to act that in the opinion of the Corporation does or may adversely affect the business or operations of the Corporation or any Parent or Subsidiary.

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

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

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

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

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

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

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

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

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

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

(i) If the Common Stock is at the time traded on the Nasdaq Global Select Market, 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.

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

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

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

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

P. **Plan** shall mean the Corporation's 1998 Stock Incentive Plan, as amended and restated from time to time.

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

R. **Reduction in Force** shall mean the Corporation's unilateral layoff of Employees effected in connection with a restructuring, reorganization, down-sizing or elimination of one or more business units, departments, facilities or locations of the Corporation or any Parent or Subsidiary.

S. **Release** shall mean the general waiver and release (in form satisfactory to the Corporation) of all claims against the Corporation, its affiliates and successors relating to or arising from the Participant's period of Service with the Corporation (or any Parent or Subsidiary) and/or the termination of that Service relationship.

T. **Separation from Service** means the cessation of Employee status and shall be deemed to occur at such time as the level of the bona fide services Participant is to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services Participant rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which Participant may have rendered such service). Solely for purposes of determining when a Separation from Service occurs, Participant will be deemed to continue in "Employee" status for so long as he or she remains in the employ of one or more members of the Employer Group, 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. "Employer Group" means the Corporation and any other corporation or business controlled by, controlling or under common control with, the Corporation, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase "at least 50 percent" shall be used instead of "at least 80 percent" each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations. Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A of the

Code. A Separation from Service will not be deemed to have occurred while Participant is on military leave, sick leave, or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which the Participant's right to reemployment with one or more members of the Employer Group is provided either by statute or contract; **provided, however**, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes Participant to be unable to perform his or her duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and Participant's right to reemployment is not provided either by statute or contract, then Participant will be deemed to have a Separation from Service on the first day immediately following the expiration of such six (6)-month or twenty-nine (29)-month period.

U. **Service** shall mean the Participant's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. For purposes of this Agreement, Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) 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 Participant performs such services ceases to remain a Parent or Subsidiary of the Corporation, even though Participant may subsequently continue to perform services for that entity. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period the Participant is on a leave of absence.

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

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

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

August 12, 2008

Mr. Scott McGregor  
President and Chief Executive Officer  
Broadcom Corporation  
5300 California Avenue  
Irvine, CA 92617

Dear Scott:

On October 25, 2004, you entered into an employment agreement with Broadcom Corporation ("**Broadcom**") in the form of a detailed offer letter (the "**Employment Agreement**"). The Employment Agreement was subsequently amended on December 16, 2005 to revise the provisions of the agreement relating to the stock-based awards that were to be made to you on the first anniversary of your start date. Appendix II to your Employment Agreement sets forth the various severance benefits to which you may become entitled should your employment with Broadcom terminate under certain defined circumstances (the "**Severance Program**").

The purpose of this new letter agreement (the "**New Agreement**") is to revise the provisions of Appendix II governing the Severance Program to (i) bring those terms and provisions into compliance with the applicable requirements of the final Treasury Regulations under Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (ii) effect certain substantive changes authorized by the Compensation Committee of the Broadcom Board of Directors (the "**Compensation Committee**") to become effective upon your execution of this New Agreement.

Accordingly, Appendix II as currently in effect under your Employment Agreement is hereby superseded by new Appendix II set forth below and shall cease to have any force or effect upon your execution of this New Agreement. All the other terms and provisions of your Employment Agreement, as modified by the December 16, 2005 amendment, shall remain in full force and effect and shall not in any way be revised, modified or amended by any provision of this New Agreement.

**REVISED APPENDIX II — SEVERANCE BENEFIT PROGRAM**

This revised Appendix II sets forth the terms and conditions of the revised Severance Program that is to be effect under your Employment Agreement as modified by this New Agreement and is to be construed in conjunction with, and is made a part of, that Employment Agreement effective upon your execution of this New Agreement. Capitalized terms not defined in this revised Appendix II shall have the meanings defined elsewhere in the Employment Agreement.

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1. Severance Benefits upon Certain Terminations. Should your employment with Broadcom be terminated by you in a Notice of Termination specifying Good Reason, or should such employment be terminated by Broadcom in a Notice of Termination specifying no reason or a reason other than (i) Cause or (ii) your Disability, and in either instance your employment is not otherwise terminated automatically as a result of your death, then Broadcom shall make the payments and provide the benefits described below, provided that with respect to certain of those benefits, there is compliance with each of the following requirements (the "**Severance Benefit Requirements**");

- (i) you deliver the general release required under Section 2 of this Appendix II (the "**Required Release**") within the applicable time period following your Date of Termination,
- (ii) the Required Release becomes effective in accordance with applicable law following the expiration of any applicable revocation period,
- (iii) you comply with each of the restrictive covenants set forth in Section 4 of this Appendix II, and
- (iv) you are and continue to remain in material compliance with your obligations to Broadcom under your Confidentiality and Invention Assignment Agreement.

The payments and benefits to which you will become entitled if all the Severance Benefits Requirements are satisfied are as follows:

(a) Cash Severance. Broadcom will pay you cash severance ("**Cash Severance**") in an amount equal to three (3) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 9(b) of this Appendix II due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs. Such Cash Severance shall be payable over a thirty-six (36)-month period in successive equal bi-weekly or semi-monthly installments in accordance with the payment schedule in effect for your base salary on your Date of Termination. Subject to the deferral provisions of Section 3 below, the Cash Severance payments will begin on the first regular pay day, within the sixty (60)-day period measured from the date of your Separation from Service, on which your Required Release is effective following the expiration of all applicable revocation periods, but in no event shall such initial payment be made later than the last business day of such sixty (60)-day period on which the Required Release is so effective. The installment payments shall cease once you have received the full amount of your Cash Severance. The installment payments shall be treated as a series of separate payments for purposes of Section 409A. However, the amount of Cash Severance to which you may be entitled pursuant to the foregoing provisions of this Subsection 1(a) shall be subject to reduction in accordance with Section 4 in the event you breach your restrictive covenants under Section 4.

(b) Options and Other Equity Awards. Notwithstanding any less favorable terms of any stock option or other equity award agreement or plan, any options to purchase shares of Broadcom's common stock or any restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, that are outstanding on your Date of Termination but not otherwise fully vested shall be subject to accelerated vesting in accordance with the following provisions:

(i) On the date your timely executed and delivered Required Release becomes effective following the expiration of any applicable revocation period (the "**Release Condition**"), you will receive twenty-four (24) months of service vesting credit under each of your outstanding stock options, restricted stock units and other equity awards.

(ii) The portion of each of your outstanding stock options, restricted stock units and other equity awards that remains unvested after your satisfaction of the Release Condition will vest in a series of twenty-four (24) successive equal monthly installments over the twenty-four (24)-month period measured from your Date of Termination (the "Additional Monthly Vesting"), provided that during each successive month within that twenty-four (24)-month period (x) you must comply with all of your obligations under your Confidentiality and Invention Assignment Agreement with Broadcom that survive the termination of your employment with Broadcom and (y) you must comply with the restrictive covenants set forth in Section 4. In the event that you violate the Confidentiality and Invention Assignment Agreement or engage in any of the activities precluded by the restrictive covenants set forth in Section 4, you shall not be entitled to any Additional Monthly Vesting for and after the month in which such violation or activity (as the case may be) occurs.

In addition, the period for exercising each option that accelerates in accordance with subparagraph (i) or (ii) above shall be extended from the limited post-termination period otherwise provided in the applicable stock option agreement until the *earlier* of (A) the end of the twenty-four (24)-month period measured from your Date of Termination or (if later) the end of the one-month period measured from each installment vesting date of that option in accordance herewith or (B) the applicable expiration date of the maximum ten (10)-year or shorter option term. Upon your satisfaction of the Release Condition, the limited post-termination exercise period for any other options granted to you by Broadcom and outstanding on your Date of Termination shall also be extended in the same manner and to the same extent as your accelerated options

The shares of Broadcom Class A common stock underlying any restricted stock unit award that vests on an accelerated or Additional Monthly Vesting basis in accordance with this Subsection 1(b) shall be issued as follows: The shares subject to that award that vest upon the satisfaction of the Release Condition shall be issued within the sixty (60) day period measured from the date of your Separation from Service, but in no event later than the next regularly-scheduled share issuance date for that restricted stock

unit award (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service on which your Required Release is effective, unless subject to further deferral pursuant to the provisions of Section 3 below the (“**Initial Issuance Date**”), and each remaining share subject to such restricted stock unit award shall be issued on the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the prescribed vesting date for that share in accordance with this Subsection 1(b), but in no event earlier than the Initial Issuance Date.

(c) Lump Sum Benefit Payments. Provided you satisfy the Release Condition, the following special payments shall be made to you to allow you to obtain health care, life insurance and disability insurance coverage following your Date of Termination:

(i) Provided you and your spouse and eligible dependents elect to continue medical care coverage under Broadcom’s group health care plans pursuant to the applicable COBRA provisions, Broadcom will make a lump sum cash payment (the “**Lump Sum Health Care Payment**”) to you in an amount equal to thirty-six (36) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain COBRA coverage for yourself, your spouse and eligible dependents under Broadcom’s employee group health plan at the level in effect for each of you on such Date of Termination exceeds (ii) the monthly amount payable at such time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain group health care coverage at the same level. Broadcom shall pay the Lump Sum Health Care Payment to you on the *earlier* of (A) the first business day of the first calendar month, within the sixty (60)-day period measured from the date of your Separation from Service, that is coincident with or next following the date on which your Required Release is effective following the expiration of all applicable revocation periods or (B) the last business day of such sixty (60)-day period on which such Required Release is so effective. Notwithstanding the foregoing, the Lump Sum Health Care Payment shall be subject to the deferred payment provisions of Section 3 below, to the extent such payment exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

(ii) You shall also be entitled to an additional lump sum cash payment (the “**Lump Sum Insurance Benefit Payment**”) from Broadcom in an amount equal to twelve (12) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain post-employment continued coverage under Broadcom’s employee group term life insurance and disability insurance plans at the level in effect for you on such Date of Termination exceeds (ii) the monthly amount payable at that time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain similar coverage. Broadcom shall pay the Lump Sum Insurance Benefit Payment to you concurrently with the payment of the Lump Sum Health Care Benefit, *provided, however*, that the Lump Sum Insurance Benefit Payment shall be subject to the deferred payment provisions of Section 3 below, to the extent such payment, when added to the Lump Sum Health Care Payment, exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

Should your Date of Termination occur prior to January 1, 2009, then in lieu of the lump sum payments provided under this Subsection 1(c), you will receive the monthly payments provided under the corresponding benefit continuation provisions of the original Appendix II to your Employment Agreement, provided you satisfy the Release Condition.

(d) Additional Payments. Broadcom shall, to the extent applicable, pay you the following amounts, provided you satisfy the Release Condition:

(i) any cash bonus that was not vested on your Date of Termination because a requirement of continued employment had not yet been satisfied by you, but with respect to which the applicable performance goal or goals had been fully attained as of your Date of Termination (for the avoidance of doubt, a bonus shall be payable under this clause (i) only to the extent that any performance criteria with respect to such bonus had been satisfied during the applicable performance period), and

(ii) provided you were employed for the entire plan year immediately preceding your Date of Termination and discretionary bonuses are payable for that plan year to similarly-situated Broadcom executives whose employment has not terminated, (ii) any discretionary bonus the Compensation Committee may decide to award you for that plan year on the basis of your individual performance and contributions during that plan year.

Any bonus payments to which you become entitled under clause (i) of this Subsection 1(d) shall be paid to you at the same time you are paid your first Cash Severance installment under Subsection 1(a), after taking into account any required deferral under Section 3, and any bonus payment to which you may become entitled under clause (ii) of this Subsection 1(d) shall also be paid to you at the same time or (if later) the tenth business day following the date the Compensation Committee awards you such discretionary bonus.

The amounts set forth Subsections 1(e) and (f) below shall be referred to collectively as the "**Accrued Obligations**" and shall not be subject to your delivery of the Required Release or your compliance with the restrictive covenants set forth in Section 4.

(e) Accrued Salary, Vacation Pay, Expenses, Earned Bonuses and Deferred Compensation. Broadcom shall, upon your Date of Termination, pay you a lump sum amount equal to the sum of (i) any earned but unpaid base salary through the Date of Termination at the rate in effect during such period, (ii) your accrued vacation pay, (iii) any unreimbursed business expenses incurred by you and (iv) any cash bonus that had been fully earned and vested (i.e., for which the applicable performance period and any service requirements for vesting had been fully completed) on or before the Date of Termination, but which had not been paid as of the Date of Termination (for the avoidance of doubt, any such bonus shall be payable only to the extent the applicable

performance criteria had been satisfied during the applicable performance period). However, any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Section 3 below.

(f) Other Benefits. To the extent not theretofore paid or provided, Broadcom shall timely pay or provide to you any other amounts or benefits required to be paid or provided, or that you are eligible to receive, under any plan, program, policy, practice, contract or agreement of Broadcom and its affiliated companies, including (without limitation) any benefits payable to you under a plan, policy, practice, contract, agreement, etc., referred to in Section 15 of this Appendix II (all such other amounts and benefits being hereinafter referred to as "**Other Benefits**"), in accordance with the terms of such plan, program, policy, practice, contract or agreement. However, the payment of such Other Benefits shall be subject to any applicable deferral period under Section 3 below to the extent those benefits constitute items of deferred compensation subject to Section 409A.

Notwithstanding the foregoing provisions of this Subsection 1(f), in no event shall you be allowed to participate in the Broadcom Corporation 1998 Employee Stock Purchase Plan, as amended and restated, or the 401(k) Employee Savings Plan following your Date of Termination or to receive any substitute benefits hereunder in replacement of those particular benefits, but you shall be entitled to the full value of any benefits accrued under such plans prior to your Date of Termination.

2 Required Release. You will not become eligible to receive any of the payments and benefits provided under Subsections 1(a), (b), (c) and (d) and Section 5 of this revised Appendix II unless you execute and deliver to Broadcom, within twenty one (21) days after your Date of Termination (or within forty-five (45) days after such Date of Termination, to the extent such longer period is required under applicable law), a general release in a form acceptable to Broadcom (the "**Required Release**") that (i) releases Broadcom and its subsidiaries, officers, directors, employees, and agents from all claims you may have relating to your employment with Broadcom and the termination of that employment, other than claims relating to any benefits to which you become entitled under the Severance Program, and (ii) becomes effective in accordance with applicable law upon the expiration of any applicable revocation period.

3. Delay in Payment for Certain Specified Employees. The following special provisions shall govern the commencement date of certain payments and benefits to which you may become entitled under the Severance Program:

(a). Notwithstanding any provision in this New Agreement to the contrary other than Subsection 3(b) below, no payment or benefit under the Severance Program that constitutes an item of deferred compensation under Section 409A and becomes payable in connection with your termination of employment will be made to you prior to the **earlier** of (i) the first day of the seventh (7th) month following the date of

your Separation from Service or (ii) the date of your death, if you are deemed to be a Specified Employee at the time of such Separation from Service and such delayed commencement is otherwise required to avoid a prohibited distribution under Section 409A(a)(2) of the Code. Any cash amounts to be so deferred shall immediately upon your Separation from Service be deposited by Broadcom into a grantor trust that satisfies the requirements of Revenue Procedure 92-64 and that will accordingly serve as the funding source for Broadcom to satisfy its obligations to you with respect to the heldback amounts upon the expiration of the required deferral period, *provided, however*, that the funds deposited into such trust shall at all times remain subject to the claims of Broadcom's creditors and shall be maintained and located at all times in the United States. Upon the expiration of the applicable deferral period, all payments and benefits deferred pursuant to this Subsection 3(a) (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or provided to you in a lump sum, either from the grantor trust or by Broadcom directly, on the first day of the seventh (7th) month after the date of your Separation from Service or, if earlier, the first day of the month immediately following the date Broadcom receives proof of your death. Any remaining payments due under the Severance Program will be paid in accordance with the normal payment dates specified herein.

(b). The portion of your Lump Sum Health Care Payment that is not in excess of the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs shall not be subject to the Subsection 3(a) deferred payment requirement. If the Lump Sum Health Care Benefit does not exceed such dollar amount, then the deferred payment provisions of Subsection 3(a) shall not be applicable to the Lump Sum Insurance Benefit Payment to the extent the dollar amount of that payment, when added to the Lump Sum Health Care Payment, does not exceed the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs.

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

4. Restrictive Covenants. You hereby acknowledge that your right and entitlement to the severance benefits specified in Subsections 1(a) and, (b) and Section 5 of this revised Appendix II are subject to your compliance with each of the following covenants during the three (3)-year period measured from your Date of Termination, and those enumerated severance benefits will immediately cease or be subject to reduction in accordance herewith should you breach any of the following covenants:

(a) You shall not directly or indirectly encourage or solicit any employee, consultant or independent contractor to leave the employ or service of Broadcom (or any affiliated company) for any reason or interfere in any other manner with any employment or service relationships at the time existing between Broadcom (or any affiliated company) and its employees, consultants and independent contractors.

(b) You shall not directly or indirectly solicit or otherwise induce any vendor, supplier, licensor, licensee or other business affiliate of Broadcom (or any affiliated company) to terminate its existing business relationship with Broadcom (or affiliated company) or interfere in any other manner with any existing business relationship between Broadcom (or any affiliated company) and any such vendor, supplier, licensor, licensee or other business affiliate.

(c) You shall not, whether on your own or as an employee, consultant, partner, principal, agent, representative, equity holder or in any other capacity, directly or indirectly render, anywhere in the United States, services of any kind or provide any advice or assistance to any business, enterprise or other entity that is engaged in any line of business that competes with one or more of the lines of business that were conducted by Broadcom during the Term of your employment or that are first conducted after your Date of Termination but which you were aware were under serious consideration by Broadcom prior to your Date of Termination, except that you make a passive investment representing an interest of less than one percent (1%) of an outstanding class of publicly-traded securities of any corporation or other enterprise.

(d) You shall not, directly or indirectly, make any adverse, derogatory or disparaging statements, whether orally or in writing, to any person or entity regarding (i) Broadcom, any members of the Board of Directors or any officers, members of management or shareholders of Broadcom or (ii) any practices, procedures or business operations of Broadcom (or any affiliated company).

Should you breach any of the restrictive covenants set forth in this Section 4, then you shall immediately cease to be entitled to any Gross-Up Payment under Section 5 below or any Cash Severance Payments pursuant to Subsection 1(a) in excess of the **greater** of (i) one (1) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 9(b) of this Appendix II due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs (which minimum amount represents partial consideration for your satisfaction of the Release Consideration) or (ii) the actual Cash Severance Payments you have received through the date of such breach. In addition, all Additional Monthly Vesting of any stock options, restricted stock units, other equity awards or unvested share issuances outstanding at the time of such breach shall cease as of the month in which such breach occurs, and no further Additional Monthly Vesting shall occur thereafter. Broadcom shall also be entitled to recover at law any monetary damages for any additional economic loss caused by your breach and may, to the maximum extent allowable under applicable law, seek equitable relief in the form of an injunction precluding you from continuing such breach.

5. Tax Gross-Up Payment.

A. In the event that (i) any payments or benefits to which you become entitled in accordance with the provisions of the New Agreement and this revised Appendix II or any other agreement with Broadcom constitute a parachute payment under Section 280G of the Code (collectively, the “**Parachute Payment**”) subject to the excise tax imposed under Section 4999 of the Code or any interest or penalties related to such excise tax (with such excise tax and related interest and penalties to be collectively referred to as the “**Excise Tax**”) and (ii) it is determined by an independent registered public accounting firm selected by Broadcom from among the largest four accounting firms in the United States (the “**Accounting Firm**”) that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment exceeds one hundred twenty percent (120%) of your Permissible Parachute Amount, then you will be entitled to receive from Broadcom an additional payment (the “**Gross-Up Payment**”) in a dollar amount such that after your payment of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, you retain a net amount equal to the Excise Tax imposed upon your aggregate Parachute Payment. Notwithstanding the foregoing, you shall not be entitled to any Gross-Up Payment unless there is compliance with each of the Severance Benefit Requirements set forth above.

For purposes of determining your eligibility for such Gross-Up Payment, the following definitions will be in effect:

“**Present Value**” means the value, determined as of the date of the Change in Control, of each payment or benefit in the nature of compensation to which you become entitled in connection with the Change in Control or your subsequent termination of employment with Broadcom that constitutes a Parachute Payment. The Present Value of each such payment or benefit shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

“**Permissible Parachute Amount**” means a dollar amount equal to the 2.99 times the average of your W-2 wages from Broadcom for the five (5) calendar years (or such fewer number of calendar years) completed immediately prior to the calendar year in which the Change in Control is effected.

Should the aggregate Present Value (measured as of the Change in Control) of your aggregate Parachute Payment not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount, then no Gross-Up Payment will be made to you, and your payments and benefits under this New Agreement shall instead be subject to reduction in accordance with the benefit limitation provisions of Section 6.

B. All determinations as to whether any of the payments or benefits to which you become entitled in accordance with the provisions of the New Agreement and this revised Appendix II or any other agreement with Broadcom constitute a Parachute Payment, whether a Gross-Up Payment is required with respect to any Parachute Payment, the amount of such Gross-

Up Payment, and any other amounts relevant to the calculation of such Gross-Up Payment, will be made by the Accounting Firm. Such Accounting Firm will make the applicable determinations (the “**Gross-Up Determination**”), together with detailed supporting calculations regarding the amount of the Excise Tax, any required Gross-Up Payment and any other relevant matter, within thirty (30) days after the date of your Separation from Service. In making the Gross-Up Determination, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Section 4, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder. The Gross-Up Determination made by the Accounting Firm will be binding upon both you and Broadcom. The Gross-Up Payment (if any) determined on the basis of the Gross-Up Determination shall be paid to you or on your behalf within ten (10) business days after the completion of such Determination or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities.

C. In the event that your actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of any Gross-Up Payment or Payments initially made to you pursuant to the provisions of Subsection 5.B, then within thirty (30) days following that Final Determination, you shall notify Broadcom of such determination, and the Accounting Firm shall, within thirty (30) days thereafter, make a new Excise Tax calculation based upon that Final Determination and provide both you and Broadcom with the supporting calculations for any supplemental Gross-Up Payment attributable to that excess Excise Tax liability. Broadcom shall make the supplemental Gross-Up payment to you within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that your actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of any Gross-Up Payment initially made to you pursuant to the provisions of Subsection 5.B, then you shall refund to Broadcom, promptly upon receipt (but in no event later than ten (10) business days after such receipt), any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this Subsection 5.C, a “**Final Determination**” means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both you and Broadcom or (ii) sustained by a court of competent jurisdiction in a decision with which both you and Broadcom concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed.

D. Should the Accounting Firm determine that any Gross-Up Payment made to you was in fact more than the amount actually required to be paid to you in accordance with the provisions of Subsection 5.B, then you will, at the direction and expense of Broadcom, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, Broadcom, and otherwise reasonably cooperate with Broadcom to correct such overpayment. Furthermore, should Broadcom decide to contest any assessment by the Internal Revenue Service of an Excise Tax on one or more payments or benefits provided you under the New Agreement or this revised Appendix II or otherwise, you will comply with all reasonable actions requested by Broadcom in connection with such proceedings, but shall not be required to incur any out-of-pocket costs in so doing.

E. Notwithstanding anything to the contrary in the foregoing, any Gross-Up Payments due you under this Section 5 shall be subject to the hold-back provisions of Section 3. In addition, no Gross-Up Payment shall be made later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities or such other specified time or schedule that may be permitted under Section 409A of the Code. To the extent you become entitled to any reimbursement of expenses incurred at the direction of Broadcom in connection with any tax audit or litigation addressing the existence or amount of the Excise Tax, such reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the Excise Tax that is the subject of such audit or litigation is paid by you or (ii) the end of the sixty (60)-day period measured from such payment date. If no Excise Tax liability is found to be due as a result of such audit or litigation, the reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation or (ii) the end of the sixty (60)-day period measured from the date the audit is completed or the date the litigation is so settled or resolved.

6. Benefit Limitation. The provisions of this Section 6 shall be applicable in the event (i) any payments or benefits to which you become entitled in accordance with the provisions of the New Agreement and this revised Appendix II or any other agreement with Broadcom would otherwise constitute a Parachute Payment that is subject to the Excise Tax and (ii) it is determined by the Accounting Firm that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment does not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount or you are not otherwise entitled to the Gross-Up Payment by reason of your failure to comply with your restrictive covenants under Section 4 or any other of your Severance Benefit Requirements.

In such event, those payments and benefits will be subject to reduction to the extent necessary to assure that you receive only the *greater* of (i) your Permissible Parachute Amount or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any excise tax imposed under Section 4999 of the Code on the payments and benefits provided to you under the New Agreement and this revised Appendix II (or on any other benefits to which you may be entitled in connection with a change in control or ownership of Broadcom or the subsequent termination of your employment with Broadcom). To the extent any such reduction is required, the dollar amount of your Cash Severance under Subsection 1(a) of this revised Appendix II will be reduced first, with such reduction to be effected pro-rata as to each payment, then the dollar amount of your Lump Sum Health Care and Insurance Benefit Payments shall each be reduced pro-rata, next the number of options or other equity awards that are to vest on an accelerated basis pursuant to Subsection 1(b) of this revised Appendix II shall be reduced (based on the value of the parachute payment resulting from such acceleration) in the same chronological order in which awarded, and finally your remaining benefits will be reduced in a manner that will not result in any impermissible deferral or acceleration of benefits under Section 409A.

Notwithstanding the foregoing, in determining whether the benefit limitation of this Section 6 is exceeded, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Section 4 of this revised Appendix II, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder.

7. Other Terminations. Notwithstanding the provisions of Section 1 of this revised Appendix II, if your employment is terminated by reason of your death or by Broadcom for Cause or by reason of your Disability, or you terminate your employment without Good Reason, you shall not be entitled to participate in the Severance Program, and your participation in the Severance Program shall terminate without further obligations to you or your legal representatives under the Severance Program, *provided, however*, that Broadcom shall timely pay the Accrued Obligations and shall timely pay or provide the Other Benefits to you, your legal representative or your designated beneficiaries, as the case may be. However, in the event your employment is terminated by reason of your death or Disability, then (i) Broadcom shall also timely pay the bonuses described in Subsection 1(d) above, if any, to you or your legal representative, subject to any required holdback under Section 3 and, (ii) notwithstanding any less favorable terms in any stock option or other equity award agreement or plan or this Severance Program or the Employment Agreement, any unvested portion of any stock options, restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, shall immediately vest in full on your Date of Termination and remain exercisable by you or your legal representative for 12 months after the Date of Termination. The shares of Broadcom Class A common stock subject to any restricted stock unit award that vests on an accelerated basis in accordance with the foregoing shall be issued within the sixty (60) day period measured from the date of your Separation from Service due to your death or Disability, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award date (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service, unless subject to further deferral pursuant to the provisions of Section 3 above.

8. Cause. Broadcom may terminate your employment with or without Cause as defined in this Section 8. For purposes of the Employment Agreement and the Severance Program, “Cause” shall mean the reasonable and good faith determination by a majority of Broadcom’s Board of Directors (the “**Board**”) that any of the following events or contingencies exists or has occurred:

- (a) You materially breached a fiduciary duty to Broadcom, materially breached a material term of the Confidentiality and Invention Assignment Agreement between you and Broadcom, or materially breached any material term or policy set forth or described in Broadcom’s Code of Ethics and Corporate Conduct;
- (b) You are convicted of a felony that involves fraud, dishonesty, theft, embezzlement and/or an act of violence or moral turpitude, or plead guilty or no contest (or a similar plea) to any such felony;
- (c) You engage in any act, or there is any omission on your part, that constitutes fraud, material negligence or material misconduct in connection with your employment by Broadcom, including (but not limited to) a material violation of applicable material state or federal securities laws. Notwithstanding the foregoing, an isolated or occasional failure to file or late filing of a report required under Section 16 of

the Exchange Act shall not be deemed a material violation for purposes of this Subsection 8(c). Furthermore, with respect to filing reports or certifications you are required to provide under the Exchange Act, with respect to a transaction's compliance with the requirements of Rule 144 under the Securities Act of 1933, as amended or with respect to the implementation of your 10b5-1 Plan, you shall not have committed a material violation for purposes of this Subsection 8(c) if the violation occurred because you relied in good faith on a certification or certifications provided by Broadcom or an authorized employee or agent of Broadcom, unless you knew or should have known after reasonable diligence that such certification was inaccurate, or upon the processes or actions of the securities brokerage firm handling your transactions in Broadcom equities provided that you have used a nationally recognized securities brokerage firm with substantial prior experience in and established regular procedures for handling option and equity transactions by executive officers of public companies in the United States; or

(d) You willfully and knowingly participate in the preparation or release of false or materially misleading financial statements relating to Broadcom's operations and financial condition or you willfully and knowingly submit any false or erroneous certification required of you under the Sarbanes-Oxley Act of 2002 or any securities exchange on which shares of Broadcom's Class A common stock are at the time listed for trading.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Cause under the Employment Agreement and this revised Appendix II.

No termination that is based exclusively upon your commission or alleged commission of act(s) or omission(s) that are asserted to constitute material negligence shall constitute Cause hereunder unless you have been afforded notice of the alleged acts or omissions and have failed to cure such acts or omissions within thirty (30) days after receipt of such notice.

If, following the receipt of a Notice of Termination stating that your termination is for Cause, you believe that Cause does not exist, you may, by written notice delivered to the Board within three business (3) days after receipt of such Notice of Termination, request that your Date of Termination be delayed to permit you to appeal the Board's determination that Cause for such termination existed. If you so request, you will be placed on administrative leave for a period determined by the Board (not to exceed 30 days), during which you will be afforded an opportunity to request that the Board reconsider its decision concerning your termination. If the Board or an appropriate committee thereof has not previously provided you with an opportunity to be heard in person concerning the reasons for termination stated in the Notice of Termination, the Board will endeavor in good faith to provide you with such an opportunity during such period of administrative leave. It is understood and agreed that any change in your employment status that occurs in connection with or as a result of such an administrative leave shall not constitute Good Reason. The Board may, as a result of such a request for reconsideration, reinstate your employment, revise the original Notice of Termination, or affirm the original Notice of Termination. If the Board affirms the original Notice of Termination or the period of administrative leave ends before the Board takes action, the Date of Termination shall be the date specified in the original Notice of Termination. If the Board reinstates your employment or revises the original Notice of Termination, then the original Notice of Termination shall be void and neither its delivery nor its contents shall be deemed to constitute Good Reason.

9. Good Reason. You may terminate your employment with or without Good Reason as defined in this Section 9. For purposes of the Employment Agreement and the Severance Program, “**Good Reason**” shall mean:

(a) except as you may otherwise agree in writing and except as a result of an administrative leave and the related procedure described in the definition of Cause above, a change in your position (including status, offices, titles and reporting requirements) with Broadcom that materially reduces your authority, duties or responsibilities as in effect on the day you commenced employment, or any other action by Broadcom that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action that is remedied by Broadcom reasonably promptly after Broadcom receives your notice thereof; however, for purposes of this Subsection 9(a), it will be deemed to be a material reduction or diminution in your position or duties if (i) you are not at all times Broadcom’s Chief Executive Officer and a member of the Board of Directors of Broadcom (or any successor entity), or in lieu thereof if Broadcom (or its successor) has any parent entities, then you are not at all times the Chief Executive Officer and a member of the board of directors of the highest such parent entity, (ii) Broadcom (acting through the Board) or any individual who has the right to vote securities representing more than 10% of the voting power of all of Broadcom’s common shares publicly and materially disparages you through any oral or written communications to any third party (*provided, however, that in no event shall non-public communications by or between you and Broadcom or any member of the Board, such as performance reviews, be considered to constitute such public and material disparagement*), or (iii) Broadcom hires, appoints or promotes any person to an executive officer position at Broadcom without your prior consent (which you shall not unreasonably withhold);

(b) any reduction in your base salary, as the same may be increased from time-to-time, *provided, however*, that a reduction or series of reductions in your base salary (not exceeding 15% in the aggregate) that is part of a broad-based reduction in base salaries for management employees and pursuant to which your base salary is not reduced by a greater percentage than the reductions applicable to other management employees shall not constitute Good Reason

(c) any action by Broadcom (including the elimination of benefit plans without providing substitutes therefor or the reduction of your benefit thereunder) that would materially diminish the aggregate value of your bonuses and other cash incentive awards and fringe benefits, including executive benefits and perquisites, from the levels in effect on the date of the New Agreement, by more than fifteen percent (15%) in the aggregate, *provided, however*, that (i) a reduction in your bonuses, cash awards or benefits that is part of a broad-based reduction in corresponding bonuses, awards or benefits for management employees and pursuant to which your bonuses, awards or benefits are not reduced by a greater percentage than the reductions applicable to other management employees and (ii) a reduction in your bonuses and other cash incentive awards occurring as a result of your failure or Broadcom’s failure to satisfy performance criteria applicable to such bonuses or awards shall not constitute Good Reason;

(d) Broadcom's requiring you to be based at any office or business location that increases the distance from your home to such office or location by more than fifty (50) miles from the distance in effect as of the date that such requirement is imposed;

(e) any purported termination by Broadcom of your employment other than pursuant to a Notice of Termination (for avoidance of doubt, the delivery or contents of a Notice of Termination that is revised or voided under the procedure provided in the definition of Cause above shall not constitute Good Reason); or

(f) any failure by Broadcom (or any successor) to comply with and satisfy Section 17 of this revised Appendix II after receipt of written notice from you of such failure and a reasonable cure period of not less than thirty (30) days.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Good Reason under your Employment Agreement and this revised Appendix II.

Notwithstanding the above, an isolated or inadvertent action or inaction by Broadcom that causes Broadcom to fail to comply with Subsections 9(b) or 9(c) and that is cured within ten (10) days of your notifying Broadcom of such action or inaction shall not constitute Good Reason. Furthermore, no act, occurrence or condition set forth in this Section 9 shall constitute Good Reason if you consent in writing to such act, occurrence or condition, whether such consent is delivered before or after the act, occurrence or condition comes to pass.

10. **Death.** Your employment shall terminate automatically upon your death.

11. **Disability.** If your Disability occurs while you are employed by Broadcom and no reasonable accommodation is available to permit you to continue to perform the essential duties and responsibilities of your position, Broadcom may give you written notice of its intention to terminate your employment. In such event, your employment with Broadcom shall terminate effective on the 30th day after you receive such notice (the "**Disability Effective Date**"), *provided* you shall not have returned to performing your duties within thirty (30) days after such receipt. For purposes of the Employment Agreement and the Severance Program, "**Disability**" shall mean your absence from and inability to perform your duties with Broadcom on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness that is both (i) determined to be total and permanent by two (2) physicians selected by Broadcom or its insurers and acceptable to you or your legal representative, and (ii) entitles you to the payment of long-term disability benefits from Broadcom's long-term disability plan commencing immediately upon the Disability Effective Date.

12. **Notice of Termination.** For purposes of the Severance Program, a "**Notice of Termination**" means a written notice that (i) indicates the specific termination provision relied upon for the termination of your employment, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated, and (iii) if the Date of Termination (as defined

below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty (30) days after the giving of such notice). The basis for termination set forth in any Notice of Termination shall constitute the exclusive set of facts and circumstances upon which the party may rely to attempt to demonstrate that Cause or Good Reason (as the case may be) for such termination existed.

13. **Date of Termination.** “**Date of Termination**” means (i) except as set forth in the definition of Cause, if your employment is terminated by Broadcom or by you for any reason other than death or Disability, the date of receipt of the Notice of Termination or a later date (within the limit set forth in the definition of Notice of Termination) specified therein, as the case may be, and (ii) if your employment is terminated by reason of death or Disability, the Date of Termination shall be the date of your death or the Disability Effective Date, as the case may be.

14. **Definitions.** For purposes of the Severance Program in effect under this revised Appendix II, the following definitions shall be in effect:

“**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

“**Separation from Service**” means the cessation of your Employee status and shall be deemed to occur at such time as the level of the bona fide services you are to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services you rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which you may have rendered such service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while you are on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which you are provided with a right to reemployment with Broadcom by either statute or contract, *provided, however*, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes you to be unable to perform your duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and you are not provided with a right to reemployment by either statute or contract, then you will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

For purposes of determining whether a Separation from Service has occurred, you will be deemed to continue in “**Employee**” status for so long as you remain in the employ of one or more members of the Employer Group, 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.

“**Employer Group**” means Broadcom and any other corporation or business controlled by, controlling or under common control with, Broadcom, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in

applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.4.14(c)-2 of the Treasury Regulations.

“**Specified Employee**” means a “key employee” (within the meaning of that term under Code Section 416(i)). Accordingly, you will be deemed to be a Specified Employee if you are, as of the last day of any calendar year:

(i) an officer of Broadcom whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate greater than the compensation limit in Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty (50) officers of Broadcom shall be determined to be Specified Employees as of the relevant determination date;

(ii) a five percent (5%) owner of Broadcom or any other member of the Employer Group; or

(iii) a one percent (1%) owner of Broadcom or any other member of the Employer Group whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate more than \$150,000.

The Specified Employees shall be determined as of the last day of each calendar year. If you are determined to be a Specified Employee on any such date, you will be considered a Specified Employee for purposes of the Severance Program during the period beginning on the April 1 of the following year and ending on the March 31 of the next year thereafter.

For purposes of determining an officer’s compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. §1.415(c)—2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)—2(d), 2(e) and 2(g).

15. **Non-exclusivity of Rights.** Nothing in the Severance Program shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by Broadcom or any of its affiliated companies and for which you may qualify, nor, subject to Subsection 1(b), shall anything herein limit or otherwise affect such rights as you may have under any contract or agreement with Broadcom or any of its affiliated companies. Amounts that are vested benefits or which you are otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with Broadcom or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this revised Appendix II.

16. Full Settlement. Except as specifically set forth in this revised Appendix II or the accompanying Employment Agreement, Broadcom's obligation to make the payments provided for in the Severance Program and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Broadcom may have against you or others, except only for any advances made to you or for taxes that Broadcom is required to withhold by law. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Severance Program, and such amounts shall not be reduced whether or not you obtain other employment.

17. Successors.

(a) Any benefits payable under the Severance Program are personal to you and shall not be assignable by you otherwise than by will or the laws of descent and distribution. The benefits under the Severance Program shall inure to the benefit of and be enforceable by your legal representatives.

(b) Any rights and obligations under the Severance Program shall inure to the benefit of and be binding upon Broadcom and its successors and assigns.

(c) Broadcom will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Broadcom to expressly assume and agree in writing to perform its obligations under the Employment Agreement and the Severance Program in the same manner and to the same extent that Broadcom would be required to perform those obligations if no such succession had taken place. As used in the Severance Program, "**Broadcom**" shall include any successor to all or substantially all of its business and/or assets, as aforesaid, which assumes and agrees to perform the obligations created by the Severance Program by operation of law or otherwise.

18. Severability. If any provision of this revised Appendix II as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction or determined by an arbitrator to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court or determined by the arbitrator, the application of any other provision of this revised Appendix II, or the enforceability or invalidity of this revised Appendix II as a whole. Should any provision of this revised Appendix II become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of this revised Appendix II shall continue in full force and effect.

19. Withholding Taxes. Broadcom shall withhold from any amounts payable under the Severance Program all Federal, state, local or foreign taxes required to be withheld pursuant to any applicable law or regulation.

To acknowledge your participation in the Severance Program pursuant to the New Agreement revising the terms and provisions of attached Appendix II to your Employment Agreement and your understanding of those terms and provisions, please sign, date and return the enclosed copy of this New Agreement.

Broadcom Corporation

By: /s/ Eric K. Brandt  
Eric K. Brandt  
Title: Senior Vice President &  
Chief Financial Officer

**ACCEPTANCE**

I hereby accept all of the terms and conditions of the New Agreement, including the revised Appendix II thereto, and agree to be bound by all those terms and conditions.

/s/ Scott A. McGregor  
Scott A. McGregor

Dated: August 12, 2008

August 12, 2008

Eric K. Brandt  
Senior Vice President and Chief Financial Officer  
Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617

Dear Mr. Brandt:

Broadcom Corporation considers it essential to its best interests and those of its shareholders that you be encouraged to remain with the company and continue to devote your full attention to Broadcom's business, notwithstanding the possibility that your employment with Broadcom might end in connection with or following a Change of Control event defined in Paragraph 1 of the Appendix ("**Change in Control**"). Accordingly, the Compensation Committee of the Broadcom Board of Directors (the "**Compensation Committee**") has decided to make you eligible for the benefits of the special change in control severance benefit program (the "**Program**"). The original terms of the Program have been set forth in your employment agreement with Broadcom Corporation ("**Broadcom**") in the form of a detailed offer letter dated March 11, 2007 (the "**Original Letter Agreement**"). The purpose of this new letter agreement (the "**New Agreement**") is to supersede Appendix II of your Original Letter Agreement by revising certain terms and provisions of the Program to (i) bring those terms and provisions into compliance with the applicable requirements of the final Treasury Regulations under Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended (the "**Code**") and (ii) effect certain substantive changes authorized by the Compensation Committee in connection with the renewal of your participation in the Program.

Accordingly, Appendix II as currently in effect under your Original Letter Agreement is hereby superseded by new Appendix II set forth below and shall cease to have any force or effect upon your execution of this New Agreement. In addition, the second paragraph of the Termination section of the Original Letter Agreement is hereby deleted in its entirety. All the other terms and provisions of your Original Letter Agreement shall remain in full force and effect and shall not in any way be revised, modified or amended by any provision of this New Agreement.

**REVISED APPENDIX II — CHANGE IN CONTROL SEVERANCE BENEFIT PROGRAM**

This revised Appendix II sets forth the terms and conditions of the revised severance program to be in effect under your Original Letter Agreement as modified by this New Agreement (the "**Program**") and is to be construed in conjunction with, and is made a part of, that Original Letter Agreement effective upon your execution of this New Agreement. Capitalized terms not defined in this New Agreement are defined in the revised Appendix attached hereto, which is hereby incorporated as though set forth in full herein. The initial term of your participation in the Program began on March 11, 2007 and will continue under this New Agreement until August 19, 2008 (such initial term together with any renewals thereof, the

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“Term”). The Compensation Committee has renewed your participation in the Program through August 19, 2009 pursuant to the terms of this New Agreement. On August 19 of each succeeding calendar year, the Term shall, without any action by Broadcom or the Compensation Committee, automatically be extended for one (1) additional year unless, before any such automatic renewal date, the Compensation Committee, by a majority vote, expressly determines that the automatic extension for such year shall not apply.

Employment with Broadcom is at-will, and Broadcom may unilaterally terminate your employment with or without “Cause” or in the event of your “Disability.” You may terminate your employment with or without “Good Reason,” and your employment will automatically terminate upon your death. Any termination of your employment by Broadcom or you during the Term (or, if it extends beyond the Term, during the first twenty-four (24) months following a Change in Control that occurs during the Term) shall be communicated by a “Notice of Termination.”

If a Change in Control is effected during the Term and within twenty-four (24) months after the effective date of that Change in Control:

- (i) Broadcom unilaterally terminates your employment other than for Cause or Disability, or
- (ii) you terminate your employment for Good Reason,

Broadcom shall make the payments and provide the benefits described below, provided you were employed on a full-time basis by Broadcom immediately prior to such termination and, with respect to certain of those benefits, there is compliance with each of the following requirements (the “Severance Benefit Requirements”):

- (i) you deliver the general release required under Section 12 of the attached Appendix (the “Required Release”) within the applicable time period following your Date of Termination,
- (ii) the Required Release becomes effective in accordance with applicable law following the expiration of any applicable revocation period,
- (iii) you comply with each of the restrictive covenants set forth in Subsection (9), and
- (iv) you are and continue to remain in material compliance with your obligations to Broadcom under your Confidentiality and Invention Assignment Agreement.

The payments and benefits to which you will become entitled if all the Severance Benefits Requirements are satisfied are as follows:

- (1) Cash Severance. Broadcom will pay you cash severance (“Cash Severance”) in an amount equal to two (2) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 3(ii) of the attached Appendix due to an excessive

reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs. Such Cash Severance shall be payable over a twenty-four (24)-month period in successive equal bi-weekly or semi-monthly installments in accordance with the payment schedule in effect for your Base Salary on your Date of Termination. Subject to the deferral provisions of Subsection (8) below, the Cash Severance payments will begin on the first regular pay day, within the sixty (60) day period measured from the date of your Separation from Service, on which your Required Release is effective following the expiration of all applicable revocation periods, but in no event shall such initial payment be made later than the last business day of such sixty (60)-day period on which the Required Release is so effective. The installment payments shall cease once you have received the full amount of your Cash Severance. The installment payments shall be treated as series of separate payments for purposes of Section 409A. However, the amount of Cash Severance to which you may be entitled pursuant to the foregoing provisions of this Subsection (1) shall be subject to reduction in accordance with Subsection (9) in the event you breach your restrictive covenants under Subsection (9).

(2) Options and Other Equity Awards. Notwithstanding any less favorable terms of any stock option or other equity award agreement or plan, any options to purchase shares of Broadcom's common stock or any restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, that are outstanding on your Date of Termination and not otherwise fully vested shall be subject to accelerated vesting in accordance with the following provisions:

(i) On the date your timely executed and delivered Required Release becomes effective following the expiration of any applicable revocation period (the "**Release Condition**"), you will receive twenty-four (24) months of service vesting credit under each of your outstanding stock options, restricted stock units and other equity awards.

(ii) The portion of each of your outstanding stock options, restricted stock units and other equity awards that remains unvested after your satisfaction of the Release Condition will vest in a series of twenty-four (24) successive equal monthly installments over the twenty-four (24)-month period measured from your Date of Termination (the "Additional Monthly Vesting"), provided that during each successive month within that twenty-four (24)-month period (x) you must comply with all of your obligations under your Confidentiality and Invention Assignment Agreement with Broadcom that survive the termination of your employment with Broadcom and (y) you must comply with the restrictive covenants set forth in Subsection (9). In the event that you violate the Confidentiality and Invention Assignment Agreement or engage in any of the activities precluded by the restrictive covenants set forth in Subsection (9), you shall not be entitled to any Additional Monthly Vesting for and after the month in which such violation or activity (as the case may be) occurs.

In addition, the period for exercising each option that accelerates in accordance with subparagraph (i) or (ii) above shall be extended from the limited post-termination period otherwise provided in the applicable stock option agreement until the **earlier** of (A) the end of the twenty-four (24)-month period measured from your Date of Termination or (if later) the end of the one-month period measured from each installment vesting date of that option in accordance herewith or (B) the applicable expiration date of the maximum ten (10)-year or shorter option term. Upon your satisfaction of the Release Condition, the limited post-termination exercise period for any other options granted to you by Broadcom and outstanding on your Date of Termination shall also be extended in the same manner and to the same extent as your accelerated options

The shares of Broadcom Class A common stock underlying any restricted stock unit award that vests on an accelerated or Additional Monthly Vesting basis in accordance with this Subsection (2) shall be issued as follows: The shares subject to that award that vest upon the satisfaction of the Release Condition shall be issued within the sixty (60) day period measured from the date of your Separation from Service, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service on which your Required Release is effective, unless subject to further deferral pursuant to the provisions of Subsection (8) below the ("**Initial Issuance Date**"), and each remaining share subject to such restricted stock unit award shall be issued on the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the prescribed vesting date for that share in accordance with this Subsection (2), but in no event earlier than the Initial Issuance Date.

(3) Lump Sum Benefit Payments. Provided you satisfy the Release Condition, the following special payments shall be made to you to allow you to obtain health care, life insurance and disability insurance coverage following your Date of Termination:

A. Provided you and your spouse and eligible dependents elect to continue medical care coverage under Broadcom's group health care plans pursuant to the applicable COBRA provisions, Broadcom will make a lump sum cash payment (the "**Lump Sum Health Care Payment**") to you in an amount equal to thirty-six (36) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain COBRA coverage for yourself, your spouse and eligible dependents under Broadcom's employee group health plan at the level in effect for each of you on such Date of Termination exceeds (ii) the monthly amount payable at such time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain group health care coverage at the same level. Broadcom shall pay the Lump Sum Health Care Payment to you on the **earlier** of (A) the first business day of the first calendar month, within the sixty (60) day period measured from the date of your Separation from Service, that is coincident with or next following the date on which your Required Release is effective following the expiration of all applicable revocation periods or (B) the last business day of such sixty (60) day period on which such Required Release is so effective. Notwithstanding the foregoing, the Lump Sum Health Care Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

B. You shall also be entitled to an additional lump sum cash payment (the "**Lump Sum Insurance Benefit Payment**") from Broadcom in an amount equal to twelve (12) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain post-employment continued coverage under Broadcom's employee group term life insurance and disability insurance plans at the level in effect for you on such Date of Termination exceeds (ii) the monthly amount payable at that time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain similar coverage. Broadcom shall pay the Lump Sum Insurance Benefit Payment to you concurrently with the payment of the Lump Sum Health Care Benefit, provided, however, that the Lump Sum Insurance Benefit Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment, when added to the Lump Sum Health Care Payment, exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

Should your Date of Termination occur prior to January 1, 2009, then in lieu of the lump sum payments provided under this Subsection (3), you will receive the monthly payments provided under the corresponding benefit continuation provisions of your Original Letter Agreement, provided you satisfy the Release Condition.

(4) Additional Payments Broadcom shall, to the extent applicable, pay you the following amounts, provided you satisfy the Release Condition:

(i) any cash bonus that was not vested on your Date of Termination because a requirement of continued employment had not yet been satisfied by you, but with respect to which the applicable performance goal or goals had been fully attained as of your Date of Termination (for the avoidance of doubt, a bonus shall be payable under this clause (i) only to the extent that any performance criteria with respect to such bonus had been satisfied during the applicable performance period), and

(ii) provided you were employed for the entire plan year immediately preceding your Date of Termination and discretionary bonuses are payable for that plan year to similarly-situated Broadcom executives whose employment has not terminated, any discretionary bonus the Compensation Committee may decide to award you for that plan year on the basis of your individual performance and contributions during that plan year.

Any bonus payments to which you become entitled under clause (i) of this Subsection (4) shall be paid to you at the same time you are paid your first Cash Severance installment under Subsection (1), after taking into account any required deferral under Subsection (8), and any bonus payment to which you may become entitled under clause (ii) of this Subsection (4) shall also be paid to you at the same time or (if later) the tenth business day following the date the Compensation Committee awards you such discretionary bonus.

The amounts set forth Subsections (5) and (6) below shall be referred to collectively as the “**Accrued Obligations**” and shall not be subject to your delivery of the Required Release or your compliance with the restrictive covenants set forth in Subsection (9).

(5) Accrued Salary, Expenses and Bonus. On your Date of Termination, Broadcom shall pay you (i) any earned but unpaid base salary through that date based on the rate in effect at the time the Notice of Termination is given, (ii) any unreimbursed business expenses incurred by you, and (iii) any cash bonus that had been fully earned and vested (i.e., for which the applicable performance period and any service requirements for vesting had been fully completed) on or before the Date of Termination, but which had not been paid as of the Date of Termination (for the avoidance of doubt, any such bonus shall be payable only to the extent the applicable performance criteria had been satisfied during the applicable performance period). However, any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs or arrangements subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below

(6) Vacation and Deferred Compensation. Broadcom shall, upon your Date of Termination, pay you an amount equal to your accrued but unpaid vacation pay (based on your then-current rate of base salary). Any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below. Any other vested amounts owed to you under any other compensation plans or programs will be paid to you in accordance with the terms and provisions of each such applicable plan or program.

(7) Other Benefits. To the extent not theretofore paid or provided, Broadcom shall timely pay or provide to you any other amounts or benefits required to be paid or provided or that you are eligible to receive under any plan, program, policy, practice, contract, agreement, etc. of Broadcom and its affiliated companies, including (without limitation) any benefits payable to you under a plan, policy, practice, contract or agreement referred to in Section 11 of the Appendix (all such other amounts and benefits being hereinafter referred to as “**Other Benefits**”), in accordance with the terms of such plan, program, policy, practice, contract or agreement. However, the payment of such Other Benefits shall be subject to any applicable deferral period under Subsection (8) below to the extent such benefits constitute items of deferred compensation subject to Section 409A.

Notwithstanding the foregoing provisions of this Subsection (7), in no event shall you be allowed to participate in the Broadcom Corporation 1998 Employee Stock Purchase Plan, as amended and restated, or the 401(k) Employee Savings Plan following your Date of Termination or to receive any substitute benefits hereunder in replacement of those particular benefits, but you shall be entitled to the full value of any benefits accrued under such plans prior to your Date of Termination.

(8) Delay in Payment for Certain Specified Employees. The following special provisions shall govern the commencement date of certain payments and benefits to which you may become entitled under the Program:

A. Notwithstanding any provision in this New Agreement to the contrary other than Subsection (8)B below, no payment or benefit under the Program that constitutes an item of deferred compensation under Section 409A and becomes payable in connection with your termination of employment will be made to you prior to the *earlier* of (i) the first day of the seventh (7th) month following the date of your Separation from Service or (ii) the date of your death, if you are deemed to be a Specified Employee at the time of such Separation from Service and such delayed commencement is otherwise required to avoid a prohibited distribution under Section 409A(a)(2) of the Code. Any cash amounts to be so deferred shall immediately upon your Separation from Service be deposited by Broadcom into a grantor trust that satisfies the requirements of Revenue Procedure 92-64 and that will accordingly serve as the funding source for Broadcom to satisfy its obligations to you with respect to the heldback amounts upon the expiration of the required deferral period, *provided, however*, that the funds deposited into such trust shall at all times remain subject to the claims of Broadcom's creditors and shall be maintained and located at all times in the United States. Upon the expiration of the applicable deferral period, all payments and benefits deferred pursuant to this Subsection (8)A (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or provided to you in a lump sum, either from the grantor trust or by Broadcom directly, on the first day of the seventh (7th) month after the date of your Separation from Service or, if earlier, the first day of the month immediately following the date Broadcom receives proof of your death. Any remaining payments due under the Program will be paid in accordance with the normal payment dates specified herein.

B. The portion of your Lump Sum Health Care Payment that is not in excess of the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs shall not be subject to the Subsection (8)A deferred payment requirement. If the Lump Sum Health Care Benefit does not exceed such dollar amount, then the deferred payment provisions of Subsection (8)A shall not be applicable to the Lump Sum Insurance Benefit Payment to the extent the dollar amount of that payment, when added to the Lump Sum Health Care Payment, does not exceed the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs.

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

(9) Restrictive Covenants. You hereby acknowledge that your right and entitlement to the severance benefits specified in Subsections (1), (2)(ii) and (10) of this New Agreement are, in addition to your satisfaction of the Release Condition, also subject to your compliance with each of the following covenants during the two (2) year period measured from your Date of Termination, and those enumerated severance benefits will immediately cease or be subject to reduction in accordance herewith should you breach any of the following covenants:

A. You shall not directly or indirectly encourage or solicit any employee, consultant or independent contractor to leave the employ or service of Broadcom (or any affiliated company) for any reason or interfere in any other manner with any employment or service relationships at the time existing between Broadcom (or any affiliated company) and its employees, consultants and independent contractors.

B. You shall not directly or indirectly solicit or otherwise induce any vendor, supplier, licensor, licensee or other business affiliate of Broadcom (or any affiliated company) to terminate its existing business relationship with Broadcom (or affiliated company) or interfere in any other manner with any existing business relationship between Broadcom (or any affiliated company) and any such vendor, supplier, licensor, licensee or other business affiliate.

C. You shall not, whether on your own or as an employee, consultant, partner, principal, agent, representative, equity holder or in any other capacity, directly or indirectly render, anywhere in the United States, services of any kind or provide any advice or assistance to any business, enterprise or other entity that is engaged in any line of business that competes with one or more of the lines of business that were conducted by Broadcom during the Term of your employment or that are first conducted after your Date of Termination but which you were aware were under serious consideration by Broadcom prior to your Date of Termination, except that you make a passive investment representing an interest of less than one percent (1%) of an outstanding class of publicly-traded securities of any corporation or other enterprise.

D. You shall not, directly or indirectly, make any adverse, derogatory or disparaging statements, whether orally or in writing, to any person or entity regarding (i) Broadcom, any members of the Board of Directors or any officers, members of management or shareholders of Broadcom or (ii) any practices, procedures or business operations of Broadcom (or any affiliated company).

Should you breach any of the restrictive covenants set forth in this Subsection (9), then you shall immediately cease to be entitled to any Gross-Up Payment under Subsection 10 below or any Cash Severance Payments pursuant to Subsection (1) in excess of the *greater* of (i) one (1) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason

pursuant to Subsection 3(ii) of the attached Appendix due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs (which minimum amount represents partial consideration for your satisfaction of the Release Consideration) or (ii) the actual Cash Severance Payments you have received through the date of such breach. In addition, all Additional Monthly Vesting of any stock options, restricted stock units, other equity awards or unvested share issuances outstanding at the time of such breach shall cease as of the month in which such breach occurs, and no further Additional Monthly Vesting shall occur thereafter. Broadcom shall also be entitled to recover at law any monetary damages for any additional economic loss caused by your breach and may, to the maximum extent allowable under applicable law, seek equitable relief in the form of an injunction precluding you from continuing such breach.

(10) Tax Gross-Up Payment.

A. In the event that (i) any payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom constitute a parachute payment under Section 280G of the Code (collectively, the "Parachute Payment") subject to the excise tax imposed under Section 4999 of the Code or any interest or penalties related to such excise tax (with such excise tax and related interest and penalties to be collectively referred to as the "Excise Tax") and (ii) it is determined by an independent registered public accounting firm selected by Broadcom from among the largest four accounting firms in the United States (the "Accounting Firm") that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment exceeds one hundred twenty percent (120%) of your Permissible Parachute Amount, then you will be entitled to receive from Broadcom an additional payment (the "Gross-Up Payment") in a dollar amount such that after your payment of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, you retain a net amount equal to the Excise Tax imposed upon your aggregate Parachute Payment. Notwithstanding the foregoing, you shall not be entitled to any Gross-Up Payment unless there is compliance with each of the Severance Benefit Requirements set forth above.

For purposes of determining your eligibility for such Gross-Up Payment, the following definitions will be in effect:

"Present Value" means the value, determined as of the date of the Change in Control, of each payment or benefit in the nature of compensation to which you become entitled in connection with the Change in Control or your subsequent termination of employment with Broadcom that constitutes a Parachute Payment. The Present Value of each such payment or benefit shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

“Permissible Parachute Amount” means a dollar amount equal to the 2.99 times the average of your W-2 wages from Broadcom for the five (5) calendar years (or such fewer number of calendar years) completed immediately prior to the calendar year in which the Change in Control is effected.

Should the aggregate Present Value (measured as of the Change in Control) of your aggregate Parachute Payment not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount, then no Gross-Up Payment will be made to you, and your payments and benefits under this New Agreement shall instead be subject to reduction in accordance with the benefit limitation provisions of Subsection (11).

B. All determinations as to whether any of the payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom constitute a Parachute Payment, whether a Gross-Up Payment is required with respect to any Parachute Payment, the amount of such Gross-Up Payment, and any other amounts relevant to the calculation of such Gross-Up Payment, will be made by the Accounting Firm. Such Accounting Firm will make the applicable determinations (the “Gross-Up Determination”), together with detailed supporting calculations regarding the amount of the Excise Tax, any required Gross-Up Payment and any other relevant matter, within thirty (30) days after the date of your Separation from Service. In making the Gross-Up Determination, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection 9, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder. The Gross-Up Determination made by the Accounting Firm will be binding upon both you and Broadcom. The Gross-Up Payment (if any) determined on the basis of the Gross-Up Determination shall be paid to you or on your behalf within ten (10) business days after the completion of such Determination or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities.

C. In the event that your actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of any Gross-Up Payment or Payments initially made to you pursuant to the provisions of Subsection (10)B, then within thirty (30) days following that Final Determination, you shall notify Broadcom of such determination, and the Accounting Firm shall, within thirty (30) days thereafter, make a new Excise Tax calculation based upon that Final Determination and provide both you and Broadcom with the supporting calculations for any supplemental Gross-Up Payment attributable to that excess Excise Tax liability. Broadcom shall make the supplemental Gross-Up payment to you within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that your actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of any Gross-Up Payment initially made to you pursuant to the provisions of Subsection (10)B, then you shall refund to Broadcom, promptly upon receipt (but in no event later than ten (10) business days after such receipt), any federal or state tax refund attributable to the Excise Tax

overpayment. For purposes of this Subsection (10)C, a “Final Determination” means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both you and Broadcom or (ii) sustained by a court of competent jurisdiction in a decision with which both you and Broadcom concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed.

D. Should the Accounting Firm determine that any Gross-Up Payment made to you was in fact more than the amount actually required to be paid to you in accordance with the provisions of Subsection (10)B, then you will, at the direction and expense of Broadcom, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, Broadcom, and otherwise reasonably cooperate with Broadcom to correct such overpayment. Furthermore, should Broadcom decide to contest any assessment by the Internal Revenue Service of an Excise Tax on one or more payments or benefits provided you under this New Agreement or otherwise, you will comply with all reasonable actions requested by Broadcom in connection with such proceedings, but shall not be required to incur any out-of-pocket costs in so doing.

E. Notwithstanding anything to the contrary in the foregoing, any Gross-Up Payments due you under this Subsection (10) shall be subject to the hold-back provisions of Subsection (8). In addition, no Gross-Up Payment shall be made later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities or such other specified time or schedule that may be permitted under Section 409A of the Code. To the extent you become entitled to any reimbursement of expenses incurred at the direction of Broadcom in connection with any tax audit or litigation addressing the existence or amount of the Excise Tax, such reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the Excise Tax that is the subject of such audit or litigation is paid by you or (ii) the end of the sixty (60)-day period measured from such payment date. If no Excise Tax liability is found to be due as a result of such audit or litigation, the reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation or (ii) the end of the sixty (60)-day period measured from the date the audit is completed or the date the litigation is so settled or resolved.

(11) Benefit Limitation. The provisions of this Subsection 11 shall be applicable in the event (i) any payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom would otherwise constitute a Parachute Payment that is subject to the Excise Tax and (ii) it is determined by the Accounting Firm that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment does not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount or you are not otherwise entitled to the Gross-Up Payment by reason of your failure to comply with your restrictive covenants under Subsection (9) or any other of your Severance Benefit Requirements.

In such event, those payments and benefits will be subject to reduction to the extent necessary to assure that you receive only the greater of (i) your Permissible Parachute Amount or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any excise tax imposed under Section 4999 of the Code on the payments and benefits provided to you under this New Agreement (or on any other benefits to which you may be entitled in connection with a change in control or ownership of Broadcom or the subsequent termination of your employment with Broadcom). To the extent any such reduction is required, the dollar amount of your Cash Severance under Subsection (1) of this New Agreement will be reduced first, with such reduction to be effected pro-rata as to each payment, then the dollar amount of your Lump Sum Health Care and Insurance Benefit Payments shall each be reduced pro-rata, next the number of options or other equity awards that are to vest on an accelerated basis pursuant to Subsection (2) of this New Agreement shall be reduced (based on the value of the parachute payment resulting from such acceleration) in the same chronological order in which awarded, and finally your remaining benefits will be reduced in a manner that not result in any impermissible deferral or acceleration of benefits under Section 409A.

Notwithstanding the foregoing, in determining whether the benefit limitation of this Subsection (11) is exceeded, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection (9) of this New Agreement, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder.

(12) **Other Terminations.** If your employment is terminated during the Term for Cause or by reason of your death or Disability, or you terminate your employment during the Term without Good Reason, your participation in the Program shall terminate without any further obligations of Broadcom to you or your legal representatives under the Program, other than for timely payment of the Accrued Obligations owed you and the payment or provision of any Other Benefits to which you are entitled. However, in the event your employment is terminated during the Term by reason of your death or Disability, then (i) Broadcom shall also timely pay any bonuses to which you are entitled in accordance with Subsection (4) above to you or your legal representative, subject to any required holdback under Subsection (8) and, (ii) notwithstanding any less favorable terms in any stock option or other equity award agreement or plan or this Program, any unvested portion of any stock options, restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, shall immediately vest in full on your Date of Termination and remain exercisable by you or your legal representative for 12 months after the Date of Termination. The shares of Broadcom Class A common stock subject to any restricted stock unit award that vests on an accelerated basis in accordance with the foregoing shall be issued within the sixty (60) day period measured from the date of your Separation from Service due to your death or Disability, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award date (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service, unless subject to further deferral pursuant to the provisions of Subsection (8) above.

(13) The provisions of this New Agreement apply only (i) in the event of a Change of Control followed by a subsequent termination of your employment by Broadcom without Cause or by you for Good Reason or (ii) in the event of your death or Disability. In all other events where your employment is terminated, Broadcom's normal severance policies will apply.

(14). **Change of Control.** For purposes of the Program, a “**Change of Control**” shall mean a change in ownership or control of Broadcom effected through any of the following transactions:

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

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

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

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

(15). **Cause.** Broadcom may terminate your employment with or without Cause. For purposes of the Program, “**Cause**” shall mean the reasonable and good faith determination by a majority of the Board that any of the following events or contingencies exists or has occurred:

(i) You materially breached a fiduciary duty to Broadcom, materially breached a material term of the Confidentiality and Invention Assignment Agreement between you and Broadcom or materially breached any material provision or policy set forth in Broadcom’s Code of Ethics and Corporate Conduct;

(ii) You are convicted of a felony or misdemeanor that involves fraud, dishonesty, theft, embezzlement, and/or an act of violence or moral turpitude, or plead guilty or no contest (or a similar plea) to any such felony or misdemeanor;

(iii) You engage in any act, or there is any omission on your part, that constitutes fraud, material negligence or material misconduct in connection with your employment by Broadcom, including (but not limited to) a material violation of applicable material state or federal securities laws. Notwithstanding the foregoing, an isolated or occasional failure to file or late filing of a report required under 1934 Act shall not be deemed a material violation for purposes of this Subsection 2(iii). Furthermore, with respect to filing reports or certifications you are required to provide under the 1934 Act, with respect to a transaction's compliance with the requirements of Rule 144 under the Securities Act of 1933, as amended or with respect to the implementation of your 10b5-1 Plan, you shall not have committed a material violation for purposes of this Subsection 2(iii) if the violation occurred because you relied in good faith on a certification or certifications provided by Broadcom or an authorized employee or agent of Broadcom, unless you knew or should have known after reasonable diligence that such certification was inaccurate, or upon the processes or actions of the securities brokerage firm handling your transactions in Broadcom equities provided that you have used a nationally recognized securities brokerage firm with substantial prior experience in and established regular procedures for handling option and equity transactions by executive officers of public companies in the United States; or;

(iv) You willfully and knowingly participate in the preparation or release of false or materially misleading financial statements relating to Broadcom's operations and financial condition or you willfully and knowingly submit any false or erroneous certification required of you under the Sarbanes-Oxley Act of 2002 or any securities exchange on which shares of Broadcom's Class A common stock are at the time listed for trading.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Cause under the Program and this revised Appendix II.

No termination that is based exclusively upon your commission or alleged commission of act(s) or omission(s) that are asserted to constitute material negligence shall constitute Cause hereunder unless you have been afforded notice of the alleged acts or omissions and have failed to cure such acts or omissions within thirty (30) days after receipt of such notice.

If, following the receipt of a Notice of Termination stating that your termination is for Cause, you believe that Cause does not exist, you may, by written notice delivered to the Board within three business (3) days after receipt of such Notice of Termination, request that your Date of Termination be delayed to permit you to appeal the Board's determination that Cause for such termination existed. If you so request, you will be placed on administrative leave for a period determined by the Board (not to exceed 30 days), during which you will be afforded an opportunity to request that the Board reconsider its decision concerning your termination. If the Board or an appropriate committee thereof has not previously provided you with an opportunity to be heard in person concerning the reasons for termination stated in the Notice of Termination, the Board will endeavor in good faith to provide you with such an opportunity during such period of administrative leave. It is understood and agreed that any change in your employment status that occurs in connection with or as a result of such an administrative leave shall not constitute Good Reason. The Board may, as a result of such a request for reconsideration, reinstate your employment, revise the original Notice of Termination, or affirm the original Notice of Termination. If the Board affirms the original Notice of Termination or the period of administrative leave ends before the Board takes action, the Date of Termination shall be the date specified in the original Notice of Termination. If the Board reinstates your employment or revises the original Notice of Termination, then the original Notice of Termination shall be void and neither its delivery nor its contents shall be deemed to constitute Good Reason.

(16). Good Reason. You may terminate your employment for Good Reason at any time within the twenty-four (24)-month period measured from the effective date of a Change in Control that occurs during the Term. For purposes of the Program, "Good Reason" shall mean:

(i) except as you may otherwise agree in writing, a change in your position (including status, offices, titles and reporting requirements) with Broadcom that materially reduces your authority, duties or responsibilities as in effect on the date of the New Agreement, or any other action by Broadcom that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and that is remedied by Broadcom reasonably promptly after Broadcom receives your notice thereof;

(ii) a more than fifteen percent (15%) reduction by Broadcom in your base salary as in effect on the date of the New Agreement or as the same may be increased from time-to-time during the Term;

(iii) any action by Broadcom (including the elimination of benefit plans without providing substitutes therefor or the reduction of your benefit thereunder) that would materially diminish the aggregate value of your bonuses and other cash incentive awards from the levels in effect on the date of the New Agreement by more than fifteen percent (15%) in the aggregate; *provided, however*, that (i) a reduction in your bonuses or cash incentive awards that is part of a broad-based reduction in corresponding bonuses or awards for management employees and pursuant to which your bonuses or awards are not reduced by a greater percentage than the reductions applicable to other management employees and (ii)

a reduction in your bonuses and other cash incentive awards occurring as a result of your failure or Broadcom's failure to satisfy performance criteria applicable to such bonuses or awards shall not constitute Good Reason;

(iv) Broadcom's requiring you to be based at any office or other business location that increases the distance from your home to such office or location by more than fifty (50) miles from the distance in effect on the date of the New Agreement;

(v) any purported termination by Broadcom of your employment other than pursuant to a Notice of Termination (for avoidance of doubt, the delivery or contents of a Notice of Termination that is revised or voided under the procedure provided in the definition of Cause above shall not constitute Good Reason);

(vi) any failure by Broadcom to comply with and satisfy Section 26 of this Appendix after receipt of written notice from you of such failure and a reasonable cure period of not less than thirty (30) days; or

(vii) following the Change in Control, you cease to serve as the Chief Financial Officer of the highest parent entity in the chain of corporations or other entities that includes Broadcom (or its successor) or you otherwise cease to serve as the Chief Financial Officer of an entity with stock publicly traded on an established United States stock exchange.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Good Reason under the Program and this revised Appendix II.

Notwithstanding the above, an isolated or inadvertent action or inaction by Broadcom that causes Broadcom to fail to comply with Subsections 3(ii) or 3(iii) and that is cured within ten (10) days of your notifying Broadcom of such action or inaction shall not constitute Good Reason. Furthermore, no act, occurrence or condition set forth in this Section 3 shall constitute Good Reason if you consent in writing to such act, occurrence or condition, whether such consent is delivered before or after the act, occurrence or condition comes to pass.

(17). **Code.** The term "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(18). **Death.** Your employment shall terminate automatically upon your death.

(19). **Disability.** If your Disability occurs during the Term and no reasonable accommodation is available to permit you to continue to perform the essential duties and responsibilities of your position, Broadcom may give you written notice of its intention to terminate your employment. In such event, your employment with Broadcom shall terminate effective on the 30th day after you receive such notice (the "Disability Effective Date"), unless you resume the performance of your duties within thirty (30) days after receipt of such notice. For purposes of the Program, "Disability" shall mean your absence from and inability to perform your duties with Broadcom on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness that is (i) determined to

be total and permanent by two (2) physicians selected by Broadcom or its insurers and reasonably acceptable to you or your legal representative and (ii) entitles you to the payment of long-term disability benefits from Broadcom's long-term disability plan commencing immediately on the Disability Effective Date.

(20). Notice of Termination. For purposes of the Program, a "**Notice of Termination**" means a written notice that (i) indicates the specific termination provision relied upon for the termination of your employment, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (with such date to be not more than thirty (30) days after the giving of such notice). The basis for termination set forth in any Notice of Termination shall constitute the exclusive set of facts and circumstances upon which the party may rely to attempt to demonstrate that Cause or Good Reason (as the case may be) for such termination existed.

(21). Date of Termination. "**Date of Termination**" means (i) if your employment is terminated by Broadcom or by you for any reason other than death or Disability, the date of receipt of the Notice of Termination or any later date specified therein (subject to the limitations set forth above in the definition of Notice of Termination), as the case may be, and (ii) if your employment is terminated by reason of death or Disability, the Date of Termination shall be the date of your death or the Disability Effective Date, as the case may be.

(22). Separation from Service. For purposes of the Program, "**Separation from Service**" means the cessation of your Employee status and shall be deemed to occur at such time as the level of the bona fide services you are to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services you rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which you may have rendered such service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while you are on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which you are provided with a right to reemployment with Broadcom by either statute or contract, *provided, however*, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes you to be unable to perform your duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and you are not provided with a right to reemployment by either statute or contract, then you will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

For purposes of determining whether a Separation from Service has occurred, you will be deemed to continue in "**Employee**" status for so long as you remain in the employ of one or more members of the Employer Group, 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.

**“Employer Group”** means Broadcom and any other corporation or business controlled by, controlling or under common control with, Broadcom, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.4.14(c)-2 of the Treasury Regulations.

(23). **Specified Employee.** For purposes of the Program, **“Specified Employee”** means a “key employee” (within the meaning of that term under Code Section 416(i)). Accordingly, you will be deemed to be a Specified Employee if you are, as of the last day of any calendar year:

(i) an officer of Broadcom whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate greater than the compensation limit in Section 416(i)(1)(A) of the Code, provided that no more than fifty (50) officers of Broadcom shall be determined to be Specified Employees as of the relevant determination date;

(ii) a five percent (5%) owner of Broadcom or any other member of the Employer Group; or

(iii) a one percent (1%) owner of Broadcom or any other member of the Employer Group whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate more than \$150,000.

The Specified Employees shall be determined as of the last day of each calendar year. If you are determined to be a Specified Employee on any such date, you will be considered a Specified Employee for purposes of the Program during the period beginning on the April 1 of the following year and ending on the March 31 of the next year thereafter.

For purposes of determining an officer’s compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. § 1.415(c)—2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)—2(d), 2(e) and 2(g).

(24). **Non-exclusivity of Rights.** Nothing in the Program shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by Broadcom or any other member of the Employer Group during your period of employment with Broadcom

and for which you may qualify, nor, subject to Subsection (2) of this revised Appendix II, shall anything herein limit or otherwise affect such rights as you may have under any contract or agreement with Broadcom or any other member of the Employer Group. Amounts that are vested benefits or that you are otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with Broadcom or any other member of the Employer Group on or subsequent to your Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this revised Appendix II.

(25). Full Settlement.

(a) Except as specifically set forth in this revised Appendix II, Broadcom's obligation to make the payments provided for in the Program and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that Broadcom may have against you or others, except only for any advances made to you or for taxes that Broadcom is required to withhold by law. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Program, and such amounts shall not be reduced whether or not you obtain other employment.

(b) You will not become eligible to receive any of the payments and benefits provided under Subsections 1(a), (b), (c) and (d) and Subsection 10 of the Program unless you execute and deliver to Broadcom, within twenty one (21) days after your Date of Termination (or within forty-five (45) days after such Date of Termination, to the extent such longer period is required under applicable law), a general release in a form acceptable to Broadcom (the "**Required Release**") that (i) releases Broadcom and its subsidiaries, officers, directors, employees, and agents from all claims you may have relating to your employment with Broadcom and the termination of that employment, other than claims relating to any benefits to which you become entitled under the Program, and (ii) becomes effective in accordance with applicable law upon the expiration of any applicable revocation period.

(26). Successors.

(a) The Program is personal to you and shall not be assignable by you otherwise than by will or the laws of descent and distribution. The Program shall inure to the benefit of and be enforceable by your legal representatives.

(b) The Program shall inure to the benefit of and be binding upon Broadcom and its successors and assigns.

(c) Broadcom will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Broadcom to assume expressly and agree to perform its obligations under the Program in the same manner and to the same extent that Broadcom would be required to perform those obligations if no such succession had taken place. As used in the Program, "**Broadcom**" shall include any successor to its business and/or assets as aforesaid that assumes and agrees to perform the obligations created by the Program by operation of law or otherwise.

(27). Mandatory Arbitration. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN YOU AND BROADCOM ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THE NEW AGREEMENT (OR THE ORIGINAL LETTER AGREEMENT) OR THE BENEFITS PROVIDED UNDER THIS REVISED APPENDIX II AS SET FORTH HEREIN OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THE NEW AGREEMENT (OR THE ORIGINAL LETTER AGREEMENT) OR THIS REVISED APPENDIX II SHALL BE SETTLED EXCLUSIVELY BY BINDING ARBITRATION TO BE HELD IN THE COUNTY IN WHICH YOU ARE (OR HAVE MOST RECENTLY BEEN) EMPLOYED BY BROADCOM (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, INCLUDING, BUT NOT LIMITED TO, EXPENSES AND REASONABLE ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY BROADCOM. 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.

(28). Governing Law. The laws of California shall govern the validity and interpretation of the Program, without resort to that State's rules governing conflicts of laws.

(29). Captions. The captions of this Appendix II are not part of the provisions of the Program and shall have no force or effect.

(30). Amendment. The Program may not be amended or modified with respect to you other than by a written agreement executed by you and Broadcom or your and its respective successors and legal representatives.

(31). Notices. All notices and other communications under the New Agreement shall be in writing and shall be given by hand delivery to the other party, by overnight courier or by registered or certified mail, return receipt requested, postage prepaid, addressed (if to you) at the address you last provided in writing to Broadcom, and if to Broadcom, as follows:

Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617  
Attention: Chief Executive Officer

Notice and communications shall be effective when actually received by the addressee. Neither your failure to give any notice required by the Program, nor defects or errors in any notice given by you, shall relieve Broadcom of any corresponding obligation under the Program unless, and only to the extent that, Broadcom is actually and materially prejudiced thereby.

(32). Severability. If any provision of the New Agreement or this revised Appendix II as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction or determined by an arbitrator to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court or determined by the arbitrator, the application of any other provision of the New Agreement or this revised Appendix II, or the enforceability or invalidity of the New Agreement or revised Appendix II as a whole. Should any provision of the New Agreement or the revised Appendix II become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of the New Agreement or the revised Appendix II, as the case may be, shall continue in full force and effect.

(33). Withholding Taxes. Broadcom shall withhold from any amounts payable under the Program all Federal, state, local or foreign taxes required to be withheld pursuant to any applicable law or regulation.

(34). No Waiver. Your failure or Broadcom's failure to insist upon strict compliance with any provision hereof or any other provision of the Program or the failure to assert any right you or Broadcom may have hereunder, including, without limitation, your right to terminate employment for Good Reason, shall not be deemed to be a waiver of the application of such provision or right with respect to any subsequent event or the waiver of any other provision or right of the Program.

Except as otherwise expressly provided herein, this New Agreement supersedes and replaces the severance benefits provided in original Appendix II of your Original Letter Agreement, and Appendix II of your Original Letter Agreement shall no longer have any force or effect.

To acknowledge your participation in the Program pursuant to the New Agreement revising the terms and provisions of attached Appendix II to your Original Letter Agreement and your understanding of those terms and provisions, please sign, date and return the enclosed copy of this New Agreement.

Broadcom Corporation

By: /s/ Scott A. McGregor  
Scott A. McGregor  
President & Chief Executive Officer

**ACCEPTANCE**

I hereby accept all of the terms and conditions of the New Agreement, including the revised Appendix II thereto, and agree to be bound by all those terms and conditions.

/s/ Eric K. Brandt  
Eric K. Brandt  
Dated: August 12, 2008

August 12, 2008

[Name and Title]  
Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617

Dear \_\_\_\_\_:

Broadcom Corporation considers it essential to its best interests and those of its shareholders that you be encouraged to remain with the company and continue to devote your full attention to Broadcom's business, notwithstanding the possibility that your employment with Broadcom might end in connection with or following a Change of Control defined in Paragraph 1 of the Appendix ("**Change in Control**"). Accordingly, the Compensation Committee of the Broadcom Board of Directors (the "**Compensation Committee**") has decided to make you eligible for the benefits of the special change in control severance benefit program (the "**Program**"). The original terms of the Program have been set forth in a letter agreement that you and Broadcom previously executed (the "**Original Letter Agreement**"). The purpose of this new letter agreement (the "**New Agreement**") is to supersede your Original Letter Agreement by revising certain terms and provisions of the Program to (i) bring those terms and provisions into compliance with the applicable requirements of the final Treasury Regulations under Section 409A ("**Section 409A**") of the Internal Revenue Code of 1986, as amended (the "**Code**") and (ii) effect certain substantive changes authorized by the Compensation Committee in connection with the renewal of your participation in the Program.

Capitalized terms not defined in this New Agreement are defined in the revised Appendix attached hereto, which is hereby incorporated as though set forth in full herein. The revised Appendix supersedes the Appendix attached to your Original Letter Agreement.

The initial term of your participation in the Program began on August 20, 2004 and will continue under this New Agreement until August 19, 2008 (such initial term together with any renewals thereof, the "**Term**"). The Compensation Committee has renewed your participation in the Program for an additional year through August 19, 2009 pursuant to the terms of this New Agreement. On August 19 of each succeeding calendar year, the Term shall, without any action by Broadcom or the Compensation Committee, automatically be extended for one (1) additional year unless, before any such automatic renewal date, the Compensation Committee, by a majority vote, expressly determines that the automatic extension for such year shall not apply.

Employment with Broadcom is at-will, and Broadcom may unilaterally terminate your employment with or without "**Cause**" or in the event of your "**Disability**." You may terminate your employment with or without "**Good Reason**," and your employment will automatically terminate upon your death. Any termination of your employment by Broadcom or you during the Term (or, if it extends beyond the Term, during the first twenty-four (24) months following a Change in Control that occurs during the Term) shall be communicated by a "**Notice of Termination**."

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If a Change in Control is effected during the Term and within twenty-four (24) months after the effective date of that Change in Control:

- (i) Broadcom unilaterally terminates your employment other than for Cause or Disability, or
- (ii) you terminate your employment for Good Reason,

Broadcom shall make the payments and provide the benefits described below, provided you were employed on a full-time basis by Broadcom immediately prior to such termination and, with respect to certain of those benefits, there is compliance with each of the following requirements (the "**Severance Benefit Requirements**"):

- (i) you deliver the general release required under Section 12 of the attached Appendix (the "**Required Release**") within the applicable time period following your Date of Termination,
- (ii) the Required Release becomes effective in accordance with applicable law following the expiration of any applicable revocation period,
- (iii) you comply with each of the restrictive covenants set forth in Subsection (9), and
- (iv) you are and continue to remain in material compliance with your obligations to Broadcom under your Confidentiality and Invention Assignment Agreement.

The payments and benefits to which you will become entitled if all the Severance Benefits Requirements are satisfied are as follows:

(1) **Cash Severance.** Broadcom will pay you cash severance ("**Cash Severance**") in an amount equal to two (2) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 3(ii) of the attached Appendix due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs. Such Cash Severance shall be payable over a twenty-four (24)-month period in successive equal bi-weekly or semi-monthly installments in accordance with the payment schedule in effect for your Base Salary on your Date of Termination. Subject to the deferral provisions of Subsection (8) below, the Cash Severance payments will begin on the first regular pay day, within the sixty (60)-day period measured from the date of your Separation from Service, on which your Required Release is effective following the expiration of all applicable revocation periods, but in no event shall such initial payment be made later than the last business day of such sixty (60)-day period on which the Required Release is so effective. The installment payments shall cease once you have received the full amount of your Cash Severance. The installment payments shall be treated as series of separate payments for purposes of Section 409A. However, the amount of Cash

Severance to which you may be entitled pursuant to the foregoing provisions of this Subsection (1) shall be subject to reduction in accordance with Subsection (9) in the event you breach your restrictive covenants under Subsection (9)

(2) Options and Other Equity Awards. Notwithstanding any less favorable terms of any stock option or other equity award agreement or plan, any options to purchase shares of Broadcom's common stock or any restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, that are outstanding on your Date of Termination but not otherwise fully vested shall be subject to accelerated vesting in accordance with the following provisions:

(i) On the date your timely executed and delivered Required Release becomes effective following the expiration of any applicable revocation period (the "**Release Condition**"), you will receive twenty-four (24) months of service vesting credit under each of your outstanding stock options, restricted stock units and other equity awards.

(ii) The portion of each of your outstanding stock options, restricted stock units and other equity awards that remains unvested after your satisfaction of the Release Condition will vest in a series of twenty-four (24) successive equal monthly installments over the twenty-four (24)-month period measured from your Date of Termination (the "**Additional Monthly Vesting**"), provided that during each successive month within that twenty-four (24)-month period (x) you must comply with all of your obligations under your Confidentiality and Invention Assignment Agreement with Broadcom that survive the termination of your employment with Broadcom and (y) you must comply with the restrictive covenants set forth in Subsection (9). In the event that you violate the Confidentiality and Invention Assignment Agreement or engage in any of the activities precluded by the restrictive covenants set forth in Subsection (9), you shall not be entitled to any Additional Monthly Vesting for and after the month in which such violation or activity (as the case may be) occurs.

In addition, the period for exercising each option that accelerates in accordance with subparagraph (i) or (ii) above shall be extended from the limited post-termination period otherwise provided in the applicable stock option agreement until the *earlier* of (A) the end of the twenty-four (24)-month period measured from your Date of Termination or (if later) the end of the one-month period measured from each installment vesting date of that option in accordance herewith or (B) the applicable expiration date of the maximum ten (10)-year or shorter option term.

Upon your satisfaction of the Release Condition, the limited post-termination exercise period for any other options granted to you by Broadcom and outstanding on your Date of Termination shall also be extended in the same manner and to the same extent as your accelerated options.

You previously acknowledged and agreed in your Original Letter Agreement, which you again hereby confirm, that, to the extent any of your options outstanding at the time of the Original Letter Agreement were incentive stock options under the federal tax laws, those options were immediately converted into non-statutory options, if they had an

exercise price per share below the closing selling price per share of Broadcom's Class A common stock (as reported on the Nasdaq Global Select Market) on the date of the Original Letter Agreement. In addition, any incentive stock options that you held on the date of the Original Letter Agreement with an exercise price equal to or in excess of the closing selling price per share of Broadcom's Class A common stock on that date were deemed to have been regranted on such date and may have lost in whole or in part their status as incentive stock options under the federal tax laws. The same consequences will result under this New Agreement to the extent you currently hold any incentive stock options under the federal income tax laws (other than the Special ISO Grant) that do not already have such an extended twenty-four (24)-month exercise period measured from your Date of Termination.

The shares of Broadcom Class A common stock underlying any restricted stock unit award that vests on an accelerated or Additional Monthly Vesting basis in accordance with this Subsection (2) shall be issued as follows: The shares subject to that award that vest upon the satisfaction of the Release Condition shall be issued within the sixty (60) day period measured from the date of your Separation from Service, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service on which your Required Release is effective, unless subject to further deferral pursuant to the provisions of Subsection (8) below the ("**Initial Issuance Date**"), and each remaining share subject to such restricted stock unit award shall be issued on the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the prescribed vesting date for that share in accordance with this Subsection (2), but in no event earlier than the Initial Issuance Date.

(3) Lump Sum Benefit Payments. Provided you satisfy the Release Condition, the following special payments shall be made to you to allow you to obtain health care, life insurance and disability insurance coverage following your Date of Termination:

A. Provided you and your spouse and eligible dependents elect to continue medical care coverage under Broadcom's group health care plans pursuant to the applicable COBRA provisions, Broadcom will make a lump sum cash payment (the "**Lump Sum Health Care Payment**") to you in an amount equal to thirty-six (36) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain COBRA coverage for yourself, your spouse and eligible dependents under Broadcom's employee group health plan at the level in effect for each of you on such Date of Termination exceeds (ii) the monthly amount payable at such time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain group health care coverage at the same level. Broadcom shall pay the Lump Sum Health Care Payment to you on the **earlier** of (A) the first business day of the first calendar month, within the sixty (60)-day period measured from the date of your Separation from Service, that is coincident with or next following the date on which your Required Release is effective following the expiration of all applicable revocation periods or (B) the last business day of such sixty (60) — day period on which such Required

Release is so effective. Notwithstanding the foregoing, the Lump Sum Health Care Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

B. You shall also be entitled to an additional lump sum cash payment (the "**Lump Sum Insurance Benefit Payment**") from Broadcom in an amount equal to twelve (12) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain post-employment continued coverage under Broadcom's employee group term life insurance and disability insurance plans at the level in effect for you on such Date of Termination exceeds (ii) the monthly amount payable at that time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain similar coverage. Broadcom shall pay the Lump Sum Insurance Benefit Payment to you concurrently with the payment of the Lump Sum Health Care Benefit, provided, however, that the Lump Sum Insurance Benefit Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment, when added to the Lump Sum Health Care Payment, exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

Should your Date of Termination occur prior to January 1, 2009, then in lieu of the lump sum payments provided under this Subsection (3), you will receive the monthly payments provided under the subsection (5) of the Original Letter Agreement, provided you satisfy the Release Condition.

(4) Additional Payments Broadcom shall, to the extent applicable, pay you the following amounts, provided you satisfy the Release Condition:

(i) any cash bonus that was not vested on your Date of Termination because a requirement of continued employment had not yet been satisfied by you, but with respect to which the applicable performance goal or goals had been fully attained as of your Date of Termination (for the avoidance of doubt, a bonus shall be payable under this clause only to the extent that any performance criteria with respect to such bonus had been satisfied during the applicable performance period), and

(ii) provided you were employed for the entire plan year immediately preceding your Date of Termination and discretionary bonuses are payable for that plan year to similarly-situated Broadcom executives whose employment has not terminated, any discretionary bonus the Compensation Committee may decide to award you for that plan year on the basis of your individual performance and contributions during that plan year.

Any bonus payments to which you become entitled under clause (i) of this Subsection (4) shall be paid to you at the same time you are paid your first Cash Severance installment under Subsection (1), after taking into account any required deferral under Subsection (8), and any bonus payment to which you may become entitled under clause (ii) of this Subsection (4) shall also be paid to you at the same time or (if later) the tenth business day following the date the Compensation Committee awards you such discretionary bonus.

The amounts set forth Subsections (5) and (6) below shall be referred to collectively as the “**Accrued Obligations**” and shall not be subject to your delivery of the Required Release or your compliance with the restrictive covenants set forth in Subsection (9).

(5) Accrued Salary, Expenses and Bonus. On your Date of Termination, Broadcom shall pay you (i) any earned but unpaid base salary through that date based on the rate in effect at the time the Notice of Termination is given, (ii) any unreimbursed business expenses incurred by you, and (iii) any cash bonus that had been fully earned and vested (i.e., for which the applicable performance period and any service requirements for vesting had been fully completed) on or before the Date of Termination, but which had not been paid as of the Date of Termination (for the avoidance of doubt, any such bonus shall be payable only to the extent the applicable performance criteria had been satisfied during the applicable performance period). However, any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs or arrangements subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below

(6) Vacation and Deferred Compensation. Broadcom shall, upon your Date of Termination, pay you an amount equal to your accrued but unpaid vacation pay (based on your then-current rate of base salary). Any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below. Any other vested amounts owed to you under any other compensation plans or programs will be paid to you in accordance with the terms and provisions of each such applicable plan or program.

(7) Other Benefits. To the extent not theretofore paid or provided, Broadcom shall timely pay or provide to you any other amounts or benefits required to be paid or provided or that you are eligible to receive under any plan, program, policy, practice, contract, agreement, etc. of Broadcom and its affiliated companies, including (without limitation) any benefits payable to you under a plan, policy, practice, contract or agreement referred to in Section 11 of the Appendix (all such other amounts and benefits being hereinafter referred to as “**Other Benefits**”), in accordance with the terms of such plan, program, policy, practice, contract or agreement. However, the payment of such Other Benefits shall be subject to any applicable deferral period under Subsection (8) below to the extent such benefits constitute items of deferred compensation subject to Section 409A.

Notwithstanding the foregoing provisions of this Subsection (7), in no event shall you be allowed to participate in the Broadcom Corporation 1998 Employee Stock Purchase Plan, as amended and restated, or the 401(k) Employee Savings Plan following your Date of Termination or to receive any substitute benefits hereunder in replacement of those particular benefits, but you shall be entitled to the full value of any benefits accrued under such plans prior to your Date of Termination.

(8) Delay in Payment for Certain Specified Employees. The following special provisions shall govern the commencement date of certain payments and benefits to which you may become entitled under the Program:

A. Notwithstanding any provision in this New Agreement to the contrary other than Subsection (8)B below, no payment or benefit under the Program that constitutes an item of deferred compensation under Section 409A and becomes payable in connection with your termination of employment will be made to you prior to the *earlier* of (i) the first day of the seventh (7th) month following the date of your Separation from Service or (ii) the date of your death, if you are deemed to be a Specified Employee at the time of such Separation from Service and such delayed commencement is otherwise required to avoid a prohibited distribution under Section 409A(a)(2) of the Code. Any cash amounts to be so deferred shall immediately upon your Separation from Service be deposited by Broadcom into a grantor trust that satisfies the requirements of Revenue Procedure 92-64 and that will accordingly serve as the funding source for Broadcom to satisfy its obligations to you with respect to the heldback amounts upon the expiration of the required deferral period, *provided, however*, that the funds deposited into such trust shall at all times remain subject to the claims of Broadcom's creditors and shall be maintained and located at all times in the United States. Upon the expiration of the applicable deferral period, all payments and benefits deferred pursuant to this Subsection (8)A (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or provided to you in a lump sum, either from the grantor trust or by Broadcom directly, on the first day of the seventh (7th) month after the date of your Separation from Service or, if earlier, the first day of the month immediately following the date Broadcom receives proof of your death. Any remaining payments due under the Program will be paid in accordance with the normal payment dates specified herein.

B. The portion of your Lump Sum Health Care Payment that is not in excess of the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs shall not be subject to the Subsection (8)A deferred payment requirement. If the Lump Sum Health Care Benefit does not exceed such dollar amount, then the deferred payment provisions of Subsection (8)A shall not be applicable to the Lump Sum Insurance Benefit Payment to the extent the dollar amount of that payment, when added to the Lump Sum Health Care Payment, does not exceed the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs.

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

(9) Restrictive Covenants. You hereby acknowledge that your right and entitlement to the severance benefits specified in Subsections (1), (2)(ii) and (10) of this New Agreement are, in addition to your satisfaction of the Release Condition, also subject to your compliance with each of the following covenants during the two (2) year period measured from your Date of Termination, and those enumerated severance benefits will immediately cease or be reduced in accordance herewith should you breach any of the following covenants:

A. You shall not directly or indirectly encourage or solicit any employee, consultant or independent contractor to leave the employ or service of Broadcom (or any affiliated company) for any reason or interfere in any other manner with any employment or service relationships at the time existing between Broadcom (or any affiliated company) and its employees, consultants and independent contractors.

B. You shall not directly or indirectly solicit or otherwise induce any vendor, supplier, licensor, licensee or other business affiliate of Broadcom (or any affiliated company) to terminate its existing business relationship with Broadcom (or affiliated company) or interfere in any other manner with any existing business relationship between Broadcom (or any affiliated company) and any such vendor, supplier, licensor, licensee or other business affiliate.

C. You shall not, whether on your own or as an employee, consultant, partner, principal, agent, representative, equity holder or in any other capacity, directly or indirectly render, anywhere in the United States, services of any kind or provide any advice or assistance to any business, enterprise or other entity that is engaged in any line of business that competes with one or more of the lines of business that were conducted by Broadcom during the Term of your employment or that are first conducted after your Date of Termination but which you were aware were under serious consideration by Broadcom prior to your Date of Termination, except that you make a passive investment representing an interest of less than one percent (1%) of an outstanding class of publicly-traded securities of any corporation or other enterprise.

D. You shall not, directly or indirectly, make any adverse, derogatory or disparaging statements, whether orally or in writing, to any person or entity regarding (i) Broadcom, any members of the Board of Directors or any officers, members of management or shareholders of Broadcom or (ii) any practices, procedures or business operations of Broadcom (or any affiliated company).

Should you breach any of the restrictive covenants set forth in this Subsection (9), then you shall immediately cease to be entitled to any Gross-Up Payment under Subsection 10 below or any Cash Severance Payments pursuant to Subsection (1) in excess of the *greater* of (i) one (1) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 3(ii) of the attached Appendix due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs (which minimum amount represents partial consideration for your satisfaction of the Release Consideration) or (ii) the actual Cash Severance Payments you have received through the date of such breach. In addition, all Additional Monthly Vesting of any stock options, restricted stock units, other equity awards or unvested share issuances outstanding at the time of such breach shall cease as of the month in which such breach occurs, and no further Additional Monthly Vesting shall occur thereafter. Broadcom shall also be entitled to recover at law any monetary damages for any additional economic loss caused by your breach and may, to the maximum extent allowable under applicable law, seek equitable relief in the form of an injunction precluding you from continuing such breach.

(10) Tax Gross-Up Payment.

A. In the event that (i) any payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom constitute a parachute payment under Section 280G of the Code (collectively, the "**Parachute Payment**") subject to the excise tax imposed under Section 4999 of the Code or any interest or penalties related to such excise tax (with such excise tax and related interest and penalties to be collectively referred to as the "**Excise Tax**") and (ii) it is determined by an independent registered public accounting firm selected by Broadcom from among the largest four accounting firms in the United States (the "**Accounting Firm**") that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment exceeds one hundred twenty percent (120%) of your Permissible Parachute Amount, then you will be entitled to receive from Broadcom an additional payment (the "**Gross-Up Payment**") in a dollar amount such that after your payment of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, you retain a net amount equal to the Excise Tax imposed upon your aggregate Parachute Payment. Notwithstanding the foregoing, you shall not be entitled to any Gross-Up Payment unless there is compliance with each of the Severance Benefit Requirements set forth above.

For purposes of determining your eligibility for such Gross-Up Payment, the following definitions will be in effect:

"**Present Value**" means the value, determined as of the date of the Change in Control, of each payment or benefit in the nature of compensation to which you become entitled in connection with the Change in Control or your subsequent termination of employment with Broadcom that constitutes a Parachute Payment. The Present Value of each such payment or

benefit shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

**“Permissible Parachute Amount”** means a dollar amount equal to the 2.99 times the average of your W-2 wages from Broadcom for the five (5) calendar years (or such fewer number of calendar years) completed immediately prior to the calendar year in which the Change in Control is effected.

Should the aggregate Present Value (measured as of the Change in Control) of your aggregate Parachute Payment not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount, then no Gross-Up Payment will be made to you, and your payments and benefits under this New Agreement shall instead be subject to reduction in accordance with the benefit limitation provisions of Subsection (11).

B. All determinations as to whether any of the payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom constitute a Parachute Payment, whether a Gross-Up Payment is required with respect to any Parachute Payment, the amount of such Gross-Up Payment, and any other amounts relevant to the calculation of such Gross-Up Payment, will be made by the Accounting Firm. Such Accounting Firm will make the applicable determinations (the **“Gross-Up Determination”**), together with detailed supporting calculations regarding the amount of the Excise Tax, any required Gross-Up Payment and any other relevant matter, within thirty (30) days after the date of your Separation from Service. In making the Gross-Up Determination, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection 9, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder. The Gross-Up Determination made by the Accounting Firm will be binding upon both you and Broadcom. The Gross-Up Payment (if any) determined on the basis of the Gross-Up Determination shall be paid to you or on your behalf within ten (10) business days after the completion of such Determination or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities.

C. In the event that your actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of any Gross-Up Payment or Payments initially made to you pursuant to the provisions of Subsection (10)B, then within thirty (30) days following that Final Determination, you shall notify Broadcom of such determination, and the Accounting Firm shall, within thirty (30) days thereafter, make a new Excise Tax calculation based upon that Final Determination and provide both you and Broadcom with the supporting calculations for any supplemental Gross-Up Payment attributable to that excess Excise Tax liability. Broadcom shall make the supplemental Gross-Up payment to you within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that your actual Excise Tax liability is determined by a

Final Determination to be less than the Excise Tax liability taken into account for purposes of any Gross-Up Payment initially made to you pursuant to the provisions of Subsection (10)B, then you shall refund to Broadcom, promptly upon receipt (but in no event later than ten (10) business days after such receipt), any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this Subsection (10)C, a "**Final Determination**" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both you and Broadcom or (ii) sustained by a court of competent jurisdiction in a decision with which both you and Broadcom concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed.

D. Should the Accounting Firm determine that any Gross-Up Payment made to you was in fact more than the amount actually required to be paid to you in accordance with the provisions of Subsection (10)B, then you will, at the direction and expense of Broadcom, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, Broadcom, and otherwise reasonably cooperate with Broadcom to correct such overpayment. Furthermore, should Broadcom decide to contest any assessment by the Internal Revenue Service of an Excise Tax on one or more payments or benefits provided you under this New Agreement or otherwise, you will comply with all reasonable actions requested by Broadcom in connection with such proceedings, but shall not be required to incur any out-of-pocket costs in so doing.

E. Notwithstanding anything to the contrary in the foregoing, any Gross-Up Payments due you under this Subsection (10) shall be subject to the hold-back provisions of Subsection (8). In addition, no Gross-Up Payment shall be made later than the end of the calendar year following the calendar year in which the related taxes are remitted to the appropriate tax authorities or such other specified time or schedule that may be permitted under Section 409A of the Code. To the extent you become entitled to any reimbursement of expenses incurred at the direction of Broadcom in connection with any tax audit or litigation addressing the existence or amount of the Excise Tax, such reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the Excise Tax that is the subject of such audit or litigation is paid by you or (ii) the end of the sixty (60)-day period measured from such payment date. If no Excise Tax liability is found to be due as a result of such audit or litigation, the reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation or (ii) the end of the sixty (60)-day period measured from the date the audit is completed or the date the litigation is so settled or resolved.

(11) **Benefit Limitation.** The provisions of this Subsection 11 shall be applicable in the event (i) any payments or benefits to which you become entitled in accordance with the provisions of this New Agreement or any other agreement with Broadcom would otherwise constitute a Parachute Payment that is subject to the Excise Tax and (ii) it is determined by the Accounting Firm that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment does not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount or you are not otherwise entitled to the Gross-Up Payment by reason of your failure to comply with your restrictive covenants under Subsection (9) or any other of your Severance Benefit Requirements.

In such event, those payments and benefits will be subject to reduction to the extent necessary to assure that you receive only the **greater** of (i) your Permissible Parachute Amount or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any excise tax imposed under Section 4999 of the Code on the payments and benefits provided to you under this New Agreement (or on any other benefits to which you may be entitled in connection with a change in control or ownership of Broadcom or the subsequent termination of your employment with Broadcom). To the extent any such reduction is required, the dollar amount of your Cash Severance under Subsection (1) of this New Agreement will be reduced first, with such reduction to be effected pro-rata as to each payment, then the dollar amount of your Lump Sum Health Care and Insurance Benefit Payments shall each be reduced pro-rata, next the number of options or other equity awards that are to vest on an accelerated basis pursuant to Subsection (2) of this New Agreement shall be reduced (based on the value of the parachute payment resulting from such acceleration) in the same chronological order in which awarded, and finally your remaining benefits will be reduced in a manner that not result in any impermissible deferral or acceleration of benefits under Section 409A.

Notwithstanding the foregoing, in determining whether the benefit limitation of this Subsection (11) is exceeded, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection (9) of this New Agreement, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder.

(12) **Other Terminations.** If your employment is terminated during the Term for Cause or by reason of your death or Disability, or you terminate your employment during the Term without Good Reason, your participation in the Program shall terminate without any further obligations of Broadcom to you or your legal representatives under the Program, other than for timely payment of the Accrued Obligations owed you and the payment or provision of any Other Benefits to which you are entitled. However, in the event your employment is terminated during the Term by reason of your death or Disability, then (i) Broadcom shall also timely pay any bonuses to which you are entitled in accordance with Subsection (4) above to you or your legal representative, subject to any required holdback under Subsection (8) and, (ii) notwithstanding any less favorable terms in any stock option or other equity award agreement or plan or this Program, any unvested portion of any stock options, restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this New Agreement, shall immediately vest in full on your Date of Termination and remain exercisable by you or your legal representative for 12 months after the Date of Termination. The shares of Broadcom Class A common stock subject to any restricted stock unit award that vests on an accelerated basis in accordance with the foregoing shall be issued within the sixty (60) day period measured from the date of your Separation from Service due to your death or Disability, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award date (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service, unless subject to further deferral pursuant to the provisions of Subsection (8) above.

(13) The provisions of this New Agreement apply only (i) in the event of a Change of Control followed by a subsequent termination of your employment by Broadcom without Cause or by you for Good Reason or (ii) in the event of your death or Disability. In all other events where your employment is terminated, Broadcom's normal severance policies will apply.

Except as otherwise expressly provided herein, this New Agreement supersedes and replaces your Original Letter Agreement, and your Original Letter Agreement shall no longer have any force or effect.

To acknowledge your participation in the Program pursuant to the terms and provisions of this New Agreement and the attached Appendix and your understanding of its terms and conditions, please sign, date and return the enclosed copy of this New Agreement.

Broadcom Corporation

By: \_\_\_\_\_  
Scott A. McGregor  
President and Chief Executive Officer

**ACCEPTANCE**

I hereby accept all of the terms and conditions of the New Agreement, including the revised Appendix thereto, and agree to be bound by all those terms and conditions.

\_\_\_\_\_  
[Name of Executive]

Dated: August \_\_, 2008

**APPENDIX**  
**to**  
**CHANGE IN CONTROL SEVERANCE PROGRAM**

This appendix sets forth terms and conditions of the special change in control severance benefit program (“**Program**”) of Broadcom Corporation (together with any successor thereto, “**Broadcom**”) applicable to certain key executives. This Appendix is to be construed in conjunction with, and is made a part of, the New Agreement evidencing your continued participation in the Program. Eligibility for the Program is limited to executives who execute the New Agreement evidencing their eligibility. Defined terms apply both to the New Agreement and this Appendix.

1. **Change of Control.** For purposes of the Program, a “**Change of Control**” shall mean a change in ownership or control of Broadcom effected through any of the following transactions:

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

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

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

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

2. Cause. Broadcom may terminate your employment with or without Cause. As used herein, “Cause” shall mean the reasonable and good faith determination by a majority of the Board that any of the following events or contingencies exists or has occurred:

(i) You materially breached a fiduciary duty to Broadcom, materially breached a material term of the Confidentiality and Invention Assignment Agreement between you and Broadcom or materially breached any material provision or policy set forth in Broadcom’s Code of Ethics and Corporate Conduct;

(ii) You are convicted of a felony or misdemeanor that involves fraud, dishonesty, theft, embezzlement, and/or an act of violence or moral turpitude, or plead guilty or no contest (or a similar plea) to any such felony or misdemeanor;

(iii) You engage in any act, or there is any omission on your part, that constitutes fraud, material negligence or material misconduct in connection with your employment by Broadcom, including (but not limited to) a material violation of applicable material state or federal securities laws. Notwithstanding the foregoing, an isolated or occasional failure to file or late filing of a report required under 1934 Act shall not be deemed a material violation for purposes of this Subsection 2(iii). Furthermore, with respect to filing reports or certifications you are required to provide under the 1934 Act, with respect to a transaction’s compliance with the requirements of Rule 144 under the Securities Act of 1933, as amended or with respect to the implementation of your 10b5-1 Plan, you shall not have committed a material violation for purposes of this Subsection 2(iii) if the violation occurred because you relied in good faith on a certification or certifications provided by Broadcom or an authorized employee or agent of Broadcom, unless you knew or should have known after reasonable diligence that such certification was inaccurate, or upon the processes or actions of the securities brokerage firm handling your transactions in Broadcom equities provided that you have used a nationally recognized securities brokerage firm with substantial prior experience in and established regular procedures for handling option and equity transactions by executive officers of public companies in the United States; or;

(iv) You willfully and knowingly participate in the preparation or release of false or materially misleading financial statements relating to Broadcom’s operations and financial condition or you willfully and knowingly submit any false or erroneous certification required of you under the Sarbanes-Oxley Act of 2002 or any securities exchange on which shares of Broadcom’s Class A common stock are at the time listed for trading.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Cause under the Program and this revised Appendix.

No termination that is based exclusively upon your commission or alleged commission of act(s) or omission(s) that are asserted to constitute material negligence shall constitute Cause hereunder unless you have been afforded notice of the alleged acts or omissions and have failed to cure such acts or omissions within thirty (30) days after receipt of such notice.

If, following the receipt of a Notice of Termination stating that your termination is for Cause, you believe that Cause does not exist, you may, by written notice delivered to the Board within three business (3) days after receipt of such Notice of Termination, request that your Date of Termination be delayed to permit you to appeal the Board's determination that Cause for such termination existed. If you so request, you will be placed on administrative leave for a period determined by the Board (not to exceed 30 days), during which you will be afforded an opportunity to request that the Board reconsider its decision concerning your termination. If the Board or an appropriate committee thereof has not previously provided you with an opportunity to be heard in person concerning the reasons for termination stated in the Notice of Termination, the Board will endeavor in good faith to provide you with such an opportunity during such period of administrative leave. It is understood and agreed that any change in your employment status that occurs in connection with or as a result of such an administrative leave shall not constitute Good Reason. The Board may, as a result of such a request for reconsideration, reinstate your employment, revise the original Notice of Termination, or affirm the original Notice of Termination. If the Board affirms the original Notice of Termination or the period of administrative leave ends before the Board takes action, the Date of Termination shall be the date specified in the original Notice of Termination. If the Board reinstates your employment or revises the original Notice of Termination, then the original Notice of Termination shall be void and neither its delivery nor its contents shall be deemed to constitute Good Reason.

3. Good Reason. You may terminate your employment for Good Reason at any time within the twenty-four (24)-month period measured from the effective date of a Change in Control that occurs during the Term. For purposes of the Program, "Good Reason" shall mean:

- (i) except as you may otherwise agree in writing, a change in your position (including status, offices, titles and reporting requirements) with Broadcom that materially reduces your authority, duties or responsibilities as in effect on the date of the New Agreement, or any other action by Broadcom that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and that is remedied by Broadcom reasonably promptly after Broadcom receives your notice thereof;
- (ii) a more than fifteen percent (15%) reduction by Broadcom in your base salary as in effect on the date of the New Agreement or as the same may be increased from time-to-time during the Term;
- (iii) any action by Broadcom (including the elimination of benefit plans without providing substitutes therefor or the reduction of your benefit thereunder) that would materially diminish the aggregate value of your bonuses and other cash

incentive awards from the levels in effect on the date of the New Agreement by more than fifteen percent (15%) in the aggregate; *provided, however*, that (i) a reduction in your bonuses or cash incentive awards that is part of a broad-based reduction in corresponding bonuses or awards for management employees and pursuant to which your bonuses or awards are not reduced by a greater percentage than the reductions applicable to other management employees and (ii) a reduction in your bonuses and other cash incentive awards occurring as a result of your failure or Broadcom's failure to satisfy performance criteria applicable to such bonuses or awards shall not constitute Good Reason;

(iv) Broadcom's requiring you to be based at any office or other business location that increases the distance from your home to such office or location by more than fifty (50) miles from the distance in effect on the date of the New Agreement;

(v) any purported termination by Broadcom of your employment other than pursuant to a Notice of Termination (for avoidance of doubt, the delivery or contents of a Notice of Termination that is revised or voided under the procedure provided in the definition of Cause above shall not constitute Good Reason); or

(vi) any failure by Broadcom to comply with and satisfy Section 13 of this Appendix after receipt of written notice from you of such failure and a reasonable cure period of not less than thirty (30) days.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Good Reason under the Program and this revised Appendix.

Notwithstanding the above, an isolated or inadvertent action or inaction by Broadcom that causes Broadcom to fail to comply with Subsections 3(ii) or 3(iii) and that is cured within ten (10) days of your notifying Broadcom of such action or inaction shall not constitute Good Reason. Furthermore, no act, occurrence or condition set forth in this Section 3 shall constitute Good Reason if you consent in writing to such act, occurrence or condition, whether such consent is delivered before or after the act, occurrence or condition comes to pass.

4. **Code.** The term "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

5. **Death.** Your employment shall terminate automatically upon your death.

6. **Disability.** If your Disability occurs during the Term and no reasonable accommodation is available to permit you to continue to perform the essential duties and responsibilities of your position, Broadcom may give you written notice of its intention to terminate your employment. In such event, your employment with Broadcom shall terminate effective on the 30th day after you receive such notice (the "**Disability Effective Date**"), unless you resume the performance of your duties within thirty (30) days after receipt of such notice. For purposes of the Program, "**Disability**" shall mean your absence from and inability to perform your duties with Broadcom on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness that is (i) determined to

be total and permanent by two (2) physicians selected by Broadcom or its insurers and reasonably acceptable to you or your legal representative and (ii) entitles you to the payment of long-term disability benefits from Broadcom's long-term disability plan commencing immediately on the Disability Effective Date.

7. **Notice of Termination.** For purposes of the Program, a "**Notice of Termination**" means a written notice that (i) indicates the specific termination provision relied upon for the termination of your employment, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (with such date to be not more than thirty (30) days after the giving of such notice). The basis for termination set forth in any Notice of Termination shall constitute the exclusive set of facts and circumstances upon which the party may rely to attempt to demonstrate that Cause or Good Reason (as the case may be) for such termination existed.

8. **Date of Termination.** "**Date of Termination**" means (i) if your employment is terminated by Broadcom or by you for any reason other than death or Disability, the date of receipt of the Notice of Termination or any later date specified therein (subject to the limitations set forth above in the definition of Notice of Termination), as the case may be, and (ii) if your employment is terminated by reason of death or Disability, the Date of Termination shall be the date of your death or the Disability Effective Date, as the case may be.

9. **Separation from Service.** For purposes of the Program, "**Separation from Service**" means the cessation of your Employee status and shall be deemed to occur at such time as the level of the bona fide services you are to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services you rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which you may have rendered such service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while you are on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which you are provided with a right to reemployment with Broadcom by either statute or contract, *provided, however*, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes you to be unable to perform your duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and you are not provided with a right to reemployment by either statute or contract, then you will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

For purposes of determining whether a Separation from Service has occurred, you will be deemed to continue in "**Employee**" status for so long as you remain in the employ of one or more members of the Employer Group, 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.

“**Employer Group**” means Broadcom and any other corporation or business controlled by, controlling or under common control with, Broadcom, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations.

10. Specified Employee. For purposes of the Program, “**Specified Employee**” means a “key employee” (within the meaning of that term under Code Section 416(i)). Accordingly, you will be deemed to be a Specified Employee if you are, as of the last day of any calendar year:

(i) an officer of Broadcom whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate greater than the compensation limit in Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty (50) officers of Broadcom shall be determined to be Specified Employees as of the relevant determination date;

(ii) a five percent (5%) owner of Broadcom or any other member of the Employer Group; or

(iii) a one percent (1%) owner of Broadcom or any other member of the Employer Group whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate more than \$150,000.

The Specified Employees shall be determined as of the last day of each calendar year. If you are determined to be a Specified Employee on any such date, you will be considered a Specified Employee for purposes of the Program during the period beginning on the April 1 of the following year and ending on the March 31 of the next year thereafter.

For purposes of determining an officer’s compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. §1.415(c)—2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)—2(d), 2(e) and 2(g).

11. Non-exclusivity of Rights. Nothing in the Program shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by Broadcom or any other member of the Employer Group during your period of employment with

Broadcom and for which you may qualify, nor, subject to Subsection (2) of the accompanying New Agreement, shall anything herein limit or otherwise affect such rights as you may have under any contract or agreement with Broadcom or any other member of the Employer Group. Amounts that are vested benefits or that you are otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with Broadcom or any other member of the Employer Group on or subsequent to your Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by the Program.

12. Full Settlement.

(a) Except as specifically set forth in this Appendix or the accompanying New Agreement, Broadcom's obligation to make the payments provided for in the Program and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that Broadcom may have against you or others, except only for any advances made to you or for taxes that Broadcom is required to withhold by law. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Program, and such amounts shall not be reduced whether or not you obtain other employment.

(b) You will not become eligible to receive any of the payments and benefits provided under Subsections 1(a), (b), (c) and (d) and Subsection 10 of the Program unless you execute and deliver to Broadcom, within twenty one (21) days after your Date of Termination (or within forty-five (45) days after such Date of Termination, to the extent such longer period is required under applicable law), a general release in a form acceptable to Broadcom (the "**Required Release**") that (i) releases Broadcom and its subsidiaries, officers, directors, employees, and agents from all claims you may have relating to your employment with Broadcom and the termination of that employment, other than claims relating to any benefits to which you become entitled under the Program, and (ii) becomes effective in accordance with applicable law upon the expiration of any applicable revocation period.

13. Successors.

(a) The Program is personal to you and shall not be assignable by you otherwise than by will or the laws of descent and distribution. The Program shall inure to the benefit of and be enforceable by your legal representatives.

(b) The Program shall inure to the benefit of and be binding upon Broadcom and its successors and assigns.

(c) Broadcom will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Broadcom to assume expressly and agree to perform its obligations under the Program in the same manner and to the same extent that Broadcom would be required to perform those obligations if no such succession had taken place. As used in the Program, "**Broadcom**" shall include any successor to its business and/or assets as aforesaid that assumes and agrees to perform the obligations created by the Program by operation of law or otherwise.

14. Mandatory Arbitration. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN YOU AND BROADCOM ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THE NEW AGREEMENT (OR THE ORIGINAL LETTER AGREEMENT) OR THE BENEFITS PROVIDED UNDER THE PROGRAM AS SET FORTH HEREIN OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THE NEW AGREEMENT (OR THE ORIGINAL LETTER 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 BROADCOM (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, INCLUDING, BUT NOT LIMITED TO, EXPENSES AND REASONABLE ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY BROADCOM. 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.

15. Governing Law. The laws of California shall govern the validity and interpretation of the Program, without resort to that State's rules governing conflicts of laws.

16. Captions. The captions of this Appendix are not part of the provisions of the Program and shall have no force or effect.

17. Amendment. The Program may not be amended or modified with respect to you other than by a written agreement executed by you and Broadcom or your and its respective successors and legal representatives.

18. Notices. All notices and other communications under the New Agreement shall be in writing and shall be given by hand delivery to the other party, by overnight courier or by registered or certified mail, return receipt requested, postage prepaid, addressed (if to you) at the address you last provided in writing to Broadcom, and if to Broadcom, as follows:

Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617  
Attention: Chief Executive Officer

Notice and communications shall be effective when actually received by the addressee. Neither your failure to give any notice required by the Program, nor defects or errors in any notice given by you, shall relieve Broadcom of any corresponding obligation under the Program unless, and only to the extent that, Broadcom is actually and materially prejudiced thereby.

19. Severability. If any provision of the New Agreement or this revised Appendix as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction or determined by an arbitrator to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court or determined by the arbitrator, the application of any other provision of the New Agreement or this revised Appendix, or the enforceability or invalidity of the New Agreement or revised Appendix as a whole. Should any provision of the New Agreement or the revised Appendix become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of the New Agreement or the revised Appendix, as the case may be, shall continue in full force and effect.

20. Withholding Taxes. Broadcom shall withhold from any amounts payable under the Program all Federal, state, local or foreign taxes required to be withheld pursuant to any applicable law or regulation.

21. No Waiver. Your failure or Broadcom's failure to insist upon strict compliance with any provision hereof or any other provision of the Program or the failure to assert any right you or Broadcom may have hereunder, including, without limitation, your right to terminate employment for Good Reason, shall not be deemed to be a waiver of the application of such provision or right with respect to any subsequent event or the waiver of any other provision or right of the Program.

August 12, 2008

Robert L. Tirva  
Vice President and Corporate Controller  
Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617

Dear Bob:

Broadcom Corporation considers it essential to its best interests and those of its shareholders that you be encouraged to remain with the company and continue to devote your full attention to Broadcom's business, notwithstanding the possibility that your employment with Broadcom might end in connection with or following a Change of Control event defined in Paragraph 1 of the Appendix ("**Change in Control**") to this Letter Agreement (the "**Letter Agreement**"). Accordingly, the Compensation Committee of the Broadcom Board of Directors (the "**Compensation Committee**") has selected you as a participant in the special change in control severance benefit program (the "**Program**").

Capitalized terms not defined in this Letter Agreement are defined in the revised Appendix attached hereto, which is hereby incorporated as though set forth in full herein.

The initial term of your participation in the Program will commence on August 20, 2008 and will continue through August 19, 2009 (such initial term together with any renewals thereof, the "**Term**"). On August 19 of each succeeding calendar year, the Term shall, without any action by Broadcom or the Compensation Committee, automatically be extended for one (1) additional year unless, before any such automatic renewal date, the Compensation Committee, by a majority vote, expressly determines that the automatic extension for such year shall not apply.

Employment with Broadcom is at-will, and Broadcom may unilaterally terminate your employment with or without "**Cause**" or in the event of your "**Disability**." You may terminate your employment with or without "**Good Reason**," and your employment will automatically terminate upon your death. Any termination of your employment by Broadcom or you during the Term (or, if it extends beyond the Term, during the first twenty-four (24) months following a Change in Control that occurs during the Term) shall be communicated by a "**Notice of Termination**."

If a Change in Control is effected during the Term and within twenty-four (24) months after the effective date of that Change in Control:

- (i) Broadcom unilaterally terminates your employment other than for Cause or Disability, or
  - (ii) you terminate your employment for Good Reason,
-

Broadcom shall make the payments and provide the benefits described below, provided you were employed on a full-time basis by Broadcom immediately prior to such termination and, with respect to certain of those benefits, there is compliance with each of the following requirements (the “**Severance Benefit Requirements**”):

- (i) you deliver the general release required under Section 12 of the attached Appendix (the “**Required Release**”) within the applicable time period following your Date of Termination,
- (ii) the Required Release becomes effective in accordance with applicable law following the expiration of any applicable revocation period,
- (iii) you comply with each of the restrictive covenants set forth in Subsection (9), and
- (iv) you are and continue to remain in material compliance with your obligations to Broadcom under your Confidentiality and Invention Assignment Agreement.

The payments and benefits to which you will become entitled if all the Severance Benefits Requirements are satisfied are as follows:

(1) **Cash Severance.** Broadcom will pay you cash severance (“**Cash Severance**”) in an amount equal to one (1) times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 3(ii) of the attached Appendix due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs. Such Cash Severance shall be payable over a twelve (12)-month period in successive equal bi-weekly or semi-monthly installments in accordance with the payment schedule in effect for your Base Salary on your Date of Termination. Subject to the deferral provisions of Subsection (8) below, the Cash Severance payments will begin on the first regular pay day, within the sixty (60)-day period measured from the date of your Separation from Service, on which your Required Release is effective following the expiration of all applicable revocation periods, but in no event shall such initial payment be made later than the last business day of such sixty (60)-day period on which the Required Release is so effective. The installment payments shall cease once you have received the full amount of your Cash Severance. The installment payments shall be treated as series of separate payments for purposes of the final Treasury Regulations under Section 409A (“**Section 409A**”) of the Internal Revenue Code of 1986, as amended (the “**Code**”). However, the amount of Cash Severance to which you may be entitled pursuant to the foregoing provisions of this Subsection (1) shall be subject to reduction in accordance with Subsection (9) in the event you breach your restrictive covenants under Subsection (9).

(2) Options and Other Equity Awards. Notwithstanding any less favorable terms of any stock option or other equity award agreement or plan, any options to purchase shares of Broadcom's common stock or any restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this Letter Agreement, that are outstanding on your Date of Termination but not otherwise fully vested shall be subject to accelerated vesting in accordance with the following provisions:

(i) On the date your timely executed and delivered Required Release becomes effective following the expiration of any applicable revocation period (the "**Release Condition**"), you will receive twenty-four (24) months of service vesting credit under each of your outstanding stock options, restricted stock units and other equity awards.

(ii) The portion of each of your outstanding stock options, restricted stock units and other equity awards that remains unvested after your satisfaction of the Release Condition will vest in a series of twelve (12) successive equal monthly installments over the twelve (12)-month period measured from your Date of Termination (the "**Additional Monthly Vesting**"), provided that during each successive month within that twelve (12)-month period (x) you must comply with all of your obligations under your Confidentiality and Invention Assignment Agreement with Broadcom that survive the termination of your employment with Broadcom and (y) you must comply with the restrictive covenants set forth in Subsection (9). In the event that you violate the Confidentiality and Invention Assignment Agreement or engage in any of the activities precluded by the restrictive covenants set forth in Subsection (9), you shall not be entitled to any Additional Monthly Vesting for and after the month in which such violation or activity (as the case may be) occurs.

In addition, the period for exercising each option that accelerates in accordance with subparagraph (i) or (ii) above shall be extended from the limited post-termination period otherwise provided in the applicable stock option agreement until the *earlier* of (A) the end of the twenty-four (24)-month period measured from your Date of Termination or (if later) the end of the one-month period measured from each installment vesting date of that option in accordance herewith or (B) the applicable expiration date of the maximum ten (10)-year or shorter option term.

Upon your satisfaction of the Release Condition, the limited post-termination exercise period for any other options granted to you by Broadcom and outstanding on your Date of Termination shall also be extended in the same manner and to the same extent as your accelerated options.

The shares of Broadcom Class A common stock underlying any restricted stock unit award that vests on an accelerated or Additional Monthly Vesting basis in accordance with this Subsection (2) shall be issued as follows: The shares subject to that award that vest upon the satisfaction of the Release Condition shall be issued within the sixty (60) day period measured from the date of your Separation from Service, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service on which your Required Release is

effective, unless subject to further deferral pursuant to the provisions of Subsection (8) below the (“**Initial Issuance Date**”), and each remaining share subject to such restricted stock unit award shall be issued on the next regularly-scheduled share issuance date for that restricted stock unit award (currently, the 5th day of February, May, August and November each year) following the prescribed vesting date for that share in accordance with this Subsection (2), but in no event earlier than the Initial Issuance Date.

(3) **Lump Sum Benefit Payments.** Provided you satisfy the Release Condition, the following special payments shall be made to you to allow you to obtain health care, life insurance and disability insurance coverage following your Date of Termination:

A. Provided you and your spouse and eligible dependents elect to continue medical care coverage under Broadcom’s group health care plans pursuant to the applicable COBRA provisions, Broadcom will make a lump sum cash payment (the “**Lump Sum Health Care Payment**”) to you in an amount equal to thirty-six (36) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain COBRA coverage for yourself, your spouse and eligible dependents under Broadcom’s employee group health plan at the level in effect for each of you on such Date of Termination exceeds (ii) the monthly amount payable at such time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain group health care coverage at the same level. Broadcom shall pay the Lump Sum Health Care Payment to you on the **earlier** of (A) the first business day of the first calendar month, within the sixty (60)-day period measured from the date of your Separation from Service, that is coincident with or next following the date on which your Required Release is effective following the expiration of all applicable revocation periods or (B) the last business day of such sixty (60) — day period on which such Required Release is so effective. Notwithstanding the foregoing, the Lump Sum Health Care Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

B. You shall also be entitled to an additional lump sum cash payment (the “**Lump Sum Insurance Benefit Payment**”) from Broadcom in an amount equal to twelve (12) times the amount by which (i) the monthly cost payable by you, as measured as of your Date of Termination, to obtain post-employment continued coverage under Broadcom’s employee group term life insurance and disability insurance plans at the level in effect for you on such Date of Termination exceeds (ii) the monthly amount payable at that time by a similarly-situated executive whose employment with Broadcom has not terminated to obtain similar coverage. Broadcom shall pay the Lump Sum Insurance Benefit Payment to you concurrently with the payment of the Lump Sum Health Care Benefit, provided, however, that the Lump Sum Insurance Benefit Payment shall be subject to the deferred payment provisions of Subsection (8) below, to the extent such payment, when added to the Lump Sum Health Care Payment, exceeds the applicable dollar amount under section 402(g)(1) of the Code for the year in which your Separation from Service occurs.

(4) Additional Payments Broadcom shall, to the extent applicable, pay you the following amounts, provided you satisfy the Release Condition:

(i) any cash bonus that was not vested on your Date of Termination because a requirement of continued employment had not yet been satisfied by you, but with respect to which the applicable performance goal or goals had been fully attained as of your Date of Termination (for the avoidance of doubt, a bonus shall be payable under this clause only to the extent that any performance criteria with respect to such bonus had been satisfied during the applicable performance period), and

(ii) provided you were employed for the entire plan year immediately preceding your Date of Termination and discretionary bonuses are payable for that plan year to similarly-situated Broadcom executives whose employment has not terminated, any discretionary bonus the Compensation Committee may decide to award you for that plan year on the basis of your individual performance and contributions during that plan year.

Any bonus payments to which you become entitled under clause (i) of this Subsection (4) shall be paid to you at the same time you are paid your first Cash Severance installment under Subsection (1), after taking into account any required deferral under Subsection (8), and any bonus payment to which you may become entitled under clause (ii) of this Subsection (4) shall also be paid to you at the same time or (if later) the tenth business day following the date the Compensation Committee awards you such discretionary bonus.

The amounts set forth Subsections (5) and (6) below shall be referred to collectively as the “**Accrued Obligations**” and shall not be subject to your delivery of the Required Release or your compliance with the restrictive covenants set forth in Subsection (9).

(5) Accrued Salary, Expenses and Bonus. On your Date of Termination, Broadcom shall pay you (i) any earned but unpaid base salary through that date based on the rate in effect at the time the Notice of Termination is given, (ii) any unreimbursed business expenses incurred by you, and (iii) any cash bonus that had been fully earned and vested (i.e., for which the applicable performance period and any service requirements for vesting had been fully completed) on or before the Date of Termination, but which had not been paid as of the Date of Termination (for the avoidance of doubt, any such bonus shall be payable only to the extent the applicable performance criteria had been satisfied during the applicable performance period). However, any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs or arrangements subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below

(6) Vacation and Deferred Compensation. Broadcom shall, upon your Date of Termination, pay you an amount equal to your accrued but unpaid vacation pay (based on your then-current rate of base salary). Any vested amounts deferred by you under one or more Broadcom non-qualified deferred compensation programs subject to Section 409A that remain unpaid on your Date of Termination shall be paid at such time and in such manner as set forth in each applicable plan or agreement governing the payment of those deferred amounts, subject, however, to the deferred payment provisions of Subsection (8) below. Any other vested amounts owed to you under any other compensation plans or programs will be paid to you in accordance with the terms and provisions of each such applicable plan or program.

(7) Other Benefits. To the extent not theretofore paid or provided, Broadcom shall timely pay or provide to you any other amounts or benefits required to be paid or provided or that you are eligible to receive under any plan, program, policy, practice, contract, agreement, etc. of Broadcom and its affiliated companies, including (without limitation) any benefits payable to you under a plan, policy, practice, contract or agreement referred to in Section 11 of the Appendix (all such other amounts and benefits being hereinafter referred to as "**Other Benefits**"), in accordance with the terms of such plan, program, policy, practice, contract or agreement. However, the payment of such Other Benefits shall be subject to any applicable deferral period under Subsection (8) below to the extent such benefits constitute items of deferred compensation subject to Section 409A.

Notwithstanding the foregoing provisions of this Subsection (7), in no event shall you be allowed to participate in the Broadcom Corporation 1998 Employee Stock Purchase Plan, as amended and restated, or the 401(k) Employee Savings Plan following your Date of Termination or to receive any substitute benefits hereunder in replacement of those particular benefits, but you shall be entitled to the full value of any benefits accrued under such plans prior to your Date of Termination.

(8) Delay in Payment for Certain Specified Employees. The following special provisions shall govern the commencement date of certain payments and benefits to which you may become entitled under the Program:

A. Notwithstanding any provision in this Letter Agreement to the contrary other than Subsection (8)B below, no payment or benefit under the Program that constitutes an item of deferred compensation under Section 409A and becomes payable in connection with your termination of employment will be made to you prior to the *earlier* of (i) the first day of the seventh (7th) month following the date of your Separation from Service or (ii) the date of your death, if you are deemed to be a Specified Employee at the time of such Separation from Service and such delayed commencement is otherwise required to avoid a prohibited distribution under Section 409A(a)(2) of the Code. Any cash amounts to be so deferred shall immediately upon your Separation from Service be deposited by Broadcom into a grantor trust that satisfies the requirements of Revenue Procedure 92-64 and that will accordingly serve as the funding source for Broadcom to satisfy its obligations to you with respect to the heldback amounts upon the expiration of the required deferral period, *provided, however*, that the funds deposited into such trust shall at all times remain subject to the claims of Broadcom's creditors and shall be maintained and located at all times in the United States. Upon the expiration of

the applicable deferral period, all payments and benefits deferred pursuant to this Subsection (8)A (whether they would have otherwise been payable in a single sum or in installments in the absence of such deferral) shall be paid or provided to you in a lump sum, either from the grantor trust or by Broadcom directly, on the first day of the seventh (7th) month after the date of your Separation from Service or, if earlier, the first day of the month immediately following the date Broadcom receives proof of your death. Any remaining payments due under the Program will be paid in accordance with the normal payment dates specified herein.

B. The portion of your Lump Sum Health Care Payment that is not in excess of the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs shall not be subject to the Subsection (8)A deferred payment requirement. If the Lump Sum Health Care Benefit does not exceed such dollar amount, then the deferred payment provisions of Subsection (8)A shall not be applicable to the Lump Sum Insurance Benefit Payment to the extent the dollar amount of that payment, when added to the Lump Sum Health Care Payment, does not exceed the applicable dollar amount in effect under Section 402(g)(1)(B) of the Code for the calendar year in which your Separation from Service occurs.

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

(9) **Restrictive Covenants.** You hereby acknowledge that your right and entitlement to the severance benefits specified in Subsections (1), (2)(ii) and (10) of this Letter Agreement are, in addition to your satisfaction of the Release Condition, also subject to your compliance with each of the following covenants during the one (1)-year period measured from your Date of Termination, and those enumerated severance benefits will immediately cease or be reduced in accordance herewith should you breach any of the following covenants:

A. You shall not directly or indirectly encourage or solicit any employee, consultant or independent contractor to leave the employ or service of Broadcom (or any affiliated company) for any reason or interfere in any other manner with any employment or service relationships at the time existing between Broadcom (or any affiliated company) and its employees, consultants and independent contractors.

B. You shall not directly or indirectly solicit or otherwise induce any vendor, supplier, licensor, licensee or other business affiliate of Broadcom (or any affiliated company) to terminate its existing business relationship with Broadcom (or affiliated company) or interfere in any other manner with any existing business relationship between Broadcom (or any affiliated company) and any such vendor, supplier, licensor, licensee or other business affiliate.

C. You shall not, whether on your own or as an employee, consultant, partner, principal, agent, representative, equity holder or in any other capacity, directly or indirectly render, anywhere in the United States, services of any kind or provide any advice or assistance to any business, enterprise or other entity that is engaged in any line of business that competes with one or more of the lines of business that were conducted by Broadcom during the Term of your employment or that are first conducted after your Date of Termination but which you were aware were under serious consideration by Broadcom prior to your Date of Termination, except that you make a passive investment representing an interest of less than one percent (1%) of an outstanding class of publicly-traded securities of any corporation or other enterprise.

D. You shall not, directly or indirectly, make any adverse, derogatory or disparaging statements, whether orally or in writing, to any person or entity regarding (i) Broadcom, any members of the Board of Directors or any officers, members of management or shareholders of Broadcom or (ii) any practices, procedures or business operations of Broadcom (or any affiliated company).

Should you breach any of the restrictive covenants set forth in this Subsection (9), then you shall immediately cease to be entitled to any Gross-Up Payment under Subsection 10 below or any Cash Severance Payments pursuant to Subsection (1) in excess of the **greater** of (i) 0.5 times the sum of (A) your annual rate of base salary (using your then current rate or, if you terminate your employment for Good Reason pursuant to Subsection 3(ii) of the attached Appendix due to an excessive reduction in your base salary, then your rate of base salary immediately before such reduction) and (B) the average of your actual annual bonuses for the three calendar years (or such fewer number of calendar years of employment with Broadcom) immediately preceding the calendar year in which such termination of employment occurs (which minimum amount represents partial consideration for your satisfaction of the Release Consideration) or (ii) the actual Cash Severance Payments you have received through the date of such breach. In addition, all Additional Monthly Vesting of any stock options, restricted stock units, other equity awards or unvested share issuances outstanding at the time of such breach shall cease as of the month in which such breach occurs, and no further Additional Monthly Vesting shall occur thereafter. Broadcom shall also be entitled to recover at law any monetary damages for any additional economic loss caused by your breach and may, to the maximum extent allowable under applicable law, seek equitable relief in the form of an injunction precluding you from continuing such breach.

(10) Tax Gross-Up Payment.

A. In the event that (i) any payments or benefits to which you become entitled in accordance with the provisions of this Letter Agreement or any other agreement with Broadcom constitute a parachute payment under Section 280G of the Code (collectively, the "**Parachute Payment**") subject to the excise tax imposed under Section 4999 of the Code or any

interest or penalties related to such excise tax (with such excise tax and related interest and penalties to be collectively referred to as the “**Excise Tax**”) and (ii) it is determined by an independent registered public accounting firm selected by Broadcom from among the largest four accounting firms in the United States (the “**Accounting Firm**”) that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment exceeds one hundred twenty percent (120%) of your Permissible Parachute Amount, then you will be entitled to receive from Broadcom an additional payment (the “**Gross-Up Payment**”) in a dollar amount such that after your payment of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, you retain a net amount equal to the Excise Tax imposed upon your aggregate Parachute Payment. Notwithstanding the foregoing, you shall not be entitled to any Gross-Up Payment unless there is compliance with each of the Severance Benefit Requirements set forth above.

For purposes of determining your eligibility for such Gross-Up Payment, the following definitions will be in effect:

“**Present Value**” means the value, determined as of the date of the Change in Control, of each payment or benefit in the nature of compensation to which you become entitled in connection with the Change in Control or your subsequent termination of employment with Broadcom that constitutes a Parachute Payment. The Present Value of each such payment or benefit shall be determined in accordance with the provisions of Code Section 280G(d)(4), utilizing a discount rate equal to one hundred twenty percent (120%) of the applicable Federal rate in effect at the time of such determination, compounded semi-annually to the effective date of the Change in Control.

“**Permissible Parachute Amount**” means a dollar amount equal to the 2.99 times the average of your W-2 wages from Broadcom for the five (5) calendar years (or such fewer number of calendar years) completed immediately prior to the calendar year in which the Change in Control is effected.

Should the aggregate Present Value (measured as of the Change in Control) of your aggregate Parachute Payment not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount, then no Gross-Up Payment will be made to you, and your payments and benefits under this Letter Agreement shall instead be subject to reduction in accordance with the benefit limitation provisions of Subsection (11).

B. All determinations as to whether any of the payments or benefits to which you become entitled in accordance with the provisions of this Letter Agreement or any other agreement with Broadcom constitute a Parachute Payment, whether a Gross-Up Payment is required with respect to any Parachute Payment, the amount of such Gross-Up Payment, and any other amounts relevant to the calculation of such Gross-Up Payment, will be made by the Accounting Firm. Such Accounting Firm will make the applicable determinations (the “**Gross-Up Determination**”), together with detailed supporting calculations regarding the amount of the Excise Tax, any required Gross-Up Payment and any other relevant matter, within thirty (30) days after the date of your Separation from Service. In making the Gross-Up Determination, the

Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection 9, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder. The Gross-Up Determination made by the Accounting Firm will be binding upon both you and Broadcom. The Gross-Up Payment (if any) determined on the basis of the Gross-Up Determination shall be paid to you or on your behalf within ten (10) business days after the completion of such Determination or (if later) at the time the related Excise Tax is remitted to the appropriate tax authorities.

C. In the event that your actual Excise Tax liability is determined by a Final Determination to be greater than the Excise Tax liability taken into account for purposes of any Gross-Up Payment or Payments initially made to you pursuant to the provisions of Subsection (10)B, then within thirty (30) days following that Final Determination, you shall notify Broadcom of such determination, and the Accounting Firm shall, within thirty (30) days thereafter, make a new Excise Tax calculation based upon that Final Determination and provide both you and Broadcom with the supporting calculations for any supplemental Gross-Up Payment attributable to that excess Excise Tax liability. Broadcom shall make the supplemental Gross-Up payment to you within ten (10) business days following the completion of the applicable calculations or (if later) at the time such excess tax liability is remitted to the appropriate tax authorities. In the event that your actual Excise Tax liability is determined by a Final Determination to be less than the Excise Tax liability taken into account for purposes of any Gross-Up Payment initially made to you pursuant to the provisions of Subsection (10)B, then you shall refund to Broadcom, promptly upon receipt (but in no event later than ten (10) business days after such receipt), any federal or state tax refund attributable to the Excise Tax overpayment. For purposes of this Subsection (10)C, a "**Final Determination**" means an audit adjustment by the Internal Revenue Service that is either (i) agreed to by both you and Broadcom or (ii) sustained by a court of competent jurisdiction in a decision with which both you and Broadcom concur or with respect to which the period within which an appeal may be filed has lapsed without a notice of appeal being filed.

D. Should the Accounting Firm determine that any Gross-Up Payment made to you was in fact more than the amount actually required to be paid to you in accordance with the provisions of Subsection (10)B, then you will, at the direction and expense of Broadcom, take such steps as are reasonably necessary (including the filing of returns and claims for refund), follow reasonable instructions from, and procedures established by, Broadcom, and otherwise reasonably cooperate with Broadcom to correct such overpayment. Furthermore, should Broadcom decide to contest any assessment by the Internal Revenue Service of an Excise Tax on one or more payments or benefits provided you under this Letter Agreement or otherwise, you will comply with all reasonable actions requested by Broadcom in connection with such proceedings, but shall not be required to incur any out-of-pocket costs in so doing.

E. Notwithstanding anything to the contrary in the foregoing, any Gross-Up Payments due you under this Subsection (10) shall be subject to the hold-back provisions of Subsection (8). In addition, no Gross-Up Payment shall be made later than the end of the calendar year following the calendar year in which the related taxes are remitted to the

appropriate tax authorities or such other specified time or schedule that may be permitted under Section 409A of the Code. To the extent you become entitled to any reimbursement of expenses incurred at the direction of Broadcom in connection with any tax audit or litigation addressing the existence or amount of the Excise Tax, such reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the Excise Tax that is the subject of such audit or litigation is paid by you or (ii) the end of the sixty (60)-day period measured from such payment date. If no Excise Tax liability is found to be due as a result of such audit or litigation, the reimbursement shall be paid to you no later than the later of (i) the close of the calendar year in which the audit is completed or there is a final and non-appealable settlement or other resolution of the litigation or (ii) the end of the sixty (60)-day period measured from the date the audit is completed or the date the litigation is so settled or resolved.

(11) **Benefit Limitation.** The provisions of this Subsection 11 shall be applicable in the event (i) any payments or benefits to which you become entitled in accordance with the provisions of this Letter Agreement or any other agreement with Broadcom would otherwise constitute a Parachute Payment that is subject to the Excise Tax and (ii) it is determined by the Accounting Firm that the Present Value (measured as of effective date of the Change in Control) of your aggregate Parachute Payment does not exceed one hundred twenty percent (120%) of your Permissible Parachute Amount or you are not otherwise entitled to the Gross-Up Payment by reason of your failure to comply with your restrictive covenants under Subsection (9) or any other of your Severance Benefit Requirements.

In such event, those payments and benefits will be subject to reduction to the extent necessary to assure that you receive only the *greater* of (i) your Permissible Parachute Amount or (ii) the amount which yields you the greatest after-tax amount of benefits after taking into account any excise tax imposed under Section 4999 of the Code on the payments and benefits provided to you under this Letter Agreement (or on any other benefits to which you may be entitled in connection with a change in control or ownership of Broadcom or the subsequent termination of your employment with Broadcom). To the extent any such reduction is required, the dollar amount of your Cash Severance under Subsection (1) of this Letter Agreement will be reduced first, with such reduction to be effected pro-rata as to each payment, then the dollar amount of your Lump Sum Health Care and Insurance Benefit Payments shall each be reduced pro-rata, next the number of options or other equity awards that are to vest on an accelerated basis pursuant to Subsection (2) of this Letter Agreement shall be reduced (based on the value of the parachute payment resulting from such acceleration) in the same chronological order in which awarded, and finally your remaining benefits will be reduced in a manner that not result in any impermissible deferral or acceleration of benefits under Section 409A.

Notwithstanding the foregoing, in determining whether the benefit limitation of this Subsection (11) is exceeded, the Accounting Firm shall make a reasonable determination of the value of the restrictive covenants to which you will be subject under Subsection (9) of this Letter Agreement, and the amount of your potential Parachute Payment shall accordingly be reduced by the value of those restrictive covenants to the extent consistent with Code Section 280G and the Treasury Regulations thereunder.

(12) Other Terminations. If your employment is terminated during the Term for Cause or by reason of your death or Disability, or you terminate your employment during the Term without Good Reason, your participation in the Program shall terminate without any further obligations of Broadcom to you or your legal representatives under the Program, other than for timely payment of the Accrued Obligations owed you and the payment or provision of any Other Benefits to which you are entitled. However, in the event your employment is terminated during the Term by reason of your death or Disability, then (i) Broadcom shall also timely pay any bonuses to which you are entitled in accordance with Subsection (4) above to you or your legal representative, subject to any required holdback under Subsection (8) and, (ii) notwithstanding any less favorable terms in any stock option or other equity award agreement or plan or this Program, any unvested portion of any stock options, restricted stock units or other equity awards granted to you by Broadcom, whether before or after the date of this Letter Agreement, shall immediately vest in full on your Date of Termination and remain exercisable by you or your legal representative for 12 months after the Date of Termination. The shares of Broadcom Class A common stock subject to any restricted stock unit award that vests on an accelerated basis in accordance with the foregoing shall be issued within the sixty (60) day period measured from the date of your Separation from Service due to your death or Disability, but in no event later than the next regularly-scheduled share issuance date for that restricted stock unit award date (currently, the 5th day of February, May, August and November each year) following the date of your Separation from Service, unless subject to further deferral pursuant to the provisions of Subsection (8) above.

(13) The provisions of this Letter Agreement apply only (i) in the event of a Change of Control followed by a subsequent termination of your employment by Broadcom without Cause or by you for Good Reason or (ii) in the event of your death or Disability. In all other events where your employment is terminated, Broadcom's normal severance policies will apply.

To acknowledge your participation in the Program pursuant to the terms and provisions of this Letter Agreement and the attached Appendix and your understanding of its terms and conditions, please sign, date and return the enclosed copy of this Letter Agreement.

Broadcom Corporation

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

**ACCEPTANCE**

I hereby accept all of the terms and conditions of the Letter Agreement, including the revised Appendix thereto, and agree to be bound by all those terms and conditions.

/s/ Robert L. Tirva  
Robert L. Tirva

Dated: August 18, 2008

**APPENDIX**  
**to**  
**CHANGE IN CONTROL SEVERANCE PROGRAM**

This appendix sets forth terms and conditions of the special change in control severance benefit program (“**Program**”) of Broadcom Corporation (together with any successor thereto, “**Broadcom**”) applicable to certain key executives. This Appendix is to be construed in conjunction with, and is made a part of, the Letter Agreement evidencing your continued participation in the Program. Eligibility for the Program is limited to executives who execute the Letter Agreement evidencing their eligibility. Defined terms apply both to the Letter Agreement and this Appendix.

1. **Change of Control.** For purposes of the Program, a “**Change of Control**” shall mean a change in ownership or control of Broadcom effected through any of the following transactions:

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

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

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

(iv) a change in the composition of the Board over a period of twenty-four (24) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be comprised of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

2. Cause. Broadcom may terminate your employment with or without Cause. As used herein, “Cause” shall mean the reasonable and good faith determination by a majority of the Board that any of the following events or contingencies exists or has occurred:

(i) You materially breached a fiduciary duty to Broadcom, materially breached a material term of the Confidentiality and Invention Assignment Agreement between you and Broadcom or materially breached any material provision or policy set forth in Broadcom’s Code of Ethics and Corporate Conduct;

(ii) You are convicted of a felony or misdemeanor that involves fraud, dishonesty, theft, embezzlement, and/or an act of violence or moral turpitude, or plead guilty or no contest (or a similar plea) to any such felony or misdemeanor;

(iii) You engage in any act, or there is any omission on your part, that constitutes fraud, material negligence or material misconduct in connection with your employment by Broadcom, including (but not limited to) a material violation of applicable material state or federal securities laws. Notwithstanding the foregoing, an isolated or occasional failure to file or late filing of a report required under 1934 Act shall not be deemed a material violation for purposes of this Subsection 2(iii). Furthermore, with respect to filing reports or certifications you are required to provide under the 1934 Act, with respect to a transaction’s compliance with the requirements of Rule 144 under the Securities Act of 1933, as amended or with respect to the implementation of your 10b5-1 Plan, you shall not have committed a material violation for purposes of this Subsection 2(iii) if the violation occurred because you relied in good faith on a certification or certifications provided by Broadcom or an authorized employee or agent of Broadcom, unless you knew or should have known after reasonable diligence that such certification was inaccurate, or upon the processes or actions of the securities brokerage firm handling your transactions in Broadcom equities provided that you have used a nationally recognized securities brokerage firm with substantial prior experience in and established regular procedures for handling option and equity transactions by executive officers of public companies in the United States; or;

(iv) You willfully and knowingly participate in the preparation or release of false or materially misleading financial statements relating to Broadcom’s operations and financial condition or you willfully and knowingly submit any false or erroneous certification required of you under the Sarbanes-Oxley Act of 2002 or any securities exchange on which shares of Broadcom’s Class A common stock are at the time listed for trading.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Cause under the Program and this revised Appendix.

No termination that is based exclusively upon your commission or alleged commission of act(s) or omission(s) that are asserted to constitute material negligence shall constitute Cause hereunder unless you have been afforded notice of the alleged acts or omissions and have failed to cure such acts or omissions within thirty (30) days after receipt of such notice.

If, following the receipt of a Notice of Termination stating that your termination is for Cause, you believe that Cause does not exist, you may, by written notice delivered to the Board within three business (3) days after receipt of such Notice of Termination, request that your Date of Termination be delayed to permit you to appeal the Board's determination that Cause for such termination existed. If you so request, you will be placed on administrative leave for a period determined by the Board (not to exceed 30 days), during which you will be afforded an opportunity to request that the Board reconsider its decision concerning your termination. If the Board or an appropriate committee thereof has not previously provided you with an opportunity to be heard in person concerning the reasons for termination stated in the Notice of Termination, the Board will endeavor in good faith to provide you with such an opportunity during such period of administrative leave. It is understood and agreed that any change in your employment status that occurs in connection with or as a result of such an administrative leave shall not constitute Good Reason. The Board may, as a result of such a request for reconsideration, reinstate your employment, revise the original Notice of Termination, or affirm the original Notice of Termination. If the Board affirms the original Notice of Termination or the period of administrative leave ends before the Board takes action, the Date of Termination shall be the date specified in the original Notice of Termination. If the Board reinstates your employment or revises the original Notice of Termination, then the original Notice of Termination shall be void and neither its delivery nor its contents shall be deemed to constitute Good Reason.

3. Good Reason. You may terminate your employment for Good Reason at any time within the twenty-four (24)-month period measured from the effective date of a Change in Control that occurs during the Term. For purposes of the Program, "Good Reason" shall mean:

- (i) except as you may otherwise agree in writing, a change in your position (including status, offices, titles and reporting requirements) with Broadcom that materially reduces your authority, duties or responsibilities as in effect on the date of the Letter Agreement, or any other action by Broadcom that results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and that is remedied by Broadcom reasonably promptly after Broadcom receives your notice thereof;
- (ii) a more than fifteen percent (15%) reduction by Broadcom in your base salary as in effect on the date of the Letter Agreement or as the same may be increased from time-to-time during the Term;
- (iii) any action by Broadcom (including the elimination of benefit plans without providing substitutes therefor or the reduction of your benefit thereunder) that would materially diminish the aggregate value of your bonuses and other cash

incentive awards from the levels in effect on the date of the Letter Agreement by more than fifteen percent (15%) in the aggregate; *provided, however*, that (i) a reduction in your bonuses or cash incentive awards that is part of a broad-based reduction in corresponding bonuses or awards for management employees and pursuant to which your bonuses or awards are not reduced by a greater percentage than the reductions applicable to other management employees and (ii) a reduction in your bonuses and other cash incentive awards occurring as a result of your failure or Broadcom's failure to satisfy performance criteria applicable to such bonuses or awards shall not constitute Good Reason;

(iv) Broadcom's requiring you to be based at any office or other business location that increases the distance from your home to such office or location by more than fifty (50) miles from the distance in effect on the date of the Letter Agreement;

(v) any purported termination by Broadcom of your employment other than pursuant to a Notice of Termination (for avoidance of doubt, the delivery or contents of a Notice of Termination that is revised or voided under the procedure provided in the definition of Cause above shall not constitute Good Reason); or

(vi) any failure by Broadcom to comply with and satisfy Section 13 of this Appendix after receipt of written notice from you of such failure and a reasonable cure period of not less than thirty (30) days.

The foregoing shall constitute an exclusive list of the events or contingencies that may constitute Good Reason under the Program and this revised Appendix.

Notwithstanding the above, an isolated or inadvertent action or inaction by Broadcom that causes Broadcom to fail to comply with Subsections 3(ii) or 3(iii) and that is cured within ten (10) days of your notifying Broadcom of such action or inaction shall not constitute Good Reason. Furthermore, no act, occurrence or condition set forth in this Section 3 shall constitute Good Reason if you consent in writing to such act, occurrence or condition, whether such consent is delivered before or after the act, occurrence or condition comes to pass.

4. **Code.** The term "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

5. **Death.** Your employment shall terminate automatically upon your death.

6. **Disability.** If your Disability occurs during the Term and no reasonable accommodation is available to permit you to continue to perform the essential duties and responsibilities of your position, Broadcom may give you written notice of its intention to terminate your employment. In such event, your employment with Broadcom shall terminate effective on the 30th day after you receive such notice (the "**Disability Effective Date**"), unless you resume the performance of your duties within thirty (30) days after receipt of such notice. For purposes of the Program, "**Disability**" shall mean your absence from and inability to perform your duties with Broadcom on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness that is (i) determined to

be total and permanent by two (2) physicians selected by Broadcom or its insurers and reasonably acceptable to you or your legal representative and (ii) entitles you to the payment of long-term disability benefits from Broadcom's long-term disability plan commencing immediately on the Disability Effective Date.

7. **Notice of Termination.** For purposes of the Program, a "**Notice of Termination**" means a written notice that (i) indicates the specific termination provision relied upon for the termination of your employment, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (with such date to be not more than thirty (30) days after the giving of such notice). The basis for termination set forth in any Notice of Termination shall constitute the exclusive set of facts and circumstances upon which the party may rely to attempt to demonstrate that Cause or Good Reason (as the case may be) for such termination existed.

8. **Date of Termination.** "**Date of Termination**" means (i) if your employment is terminated by Broadcom or by you for any reason other than death or Disability, the date of receipt of the Notice of Termination or any later date specified therein (subject to the limitations set forth above in the definition of Notice of Termination), as the case may be, and (ii) if your employment is terminated by reason of death or Disability, the Date of Termination shall be the date of your death or the Disability Effective Date, as the case may be.

9. **Separation from Service.** For purposes of the Program, "**Separation from Service**" means the cessation of your Employee status and shall be deemed to occur at such time as the level of the bona fide services you are to perform in Employee status (or as a consultant or other independent contractor) permanently decreases to a level that is not more than twenty percent (20%) of the average level of services you rendered in Employee status during the immediately preceding thirty-six (36) months (or such shorter period for which you may have rendered such service). Any such determination as to Separation from Service, however, shall be made in accordance with the applicable standards of the Treasury Regulations issued under Section 409A. In addition to the foregoing, a Separation from Service will not be deemed to have occurred while you are on a sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months or any longer period for which you are provided with a right to reemployment with Broadcom by either statute or contract, *provided, however*, that in the event of a leave of absence due to any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than six (6) months and that causes you to be unable to perform your duties as an Employee, no Separation from Service shall be deemed to occur during the first twenty-nine (29) months of such leave. If the period of leave exceeds six (6) months (or twenty-nine (29) months in the event of disability as indicated above) and you are not provided with a right to reemployment by either statute or contract, then you will be deemed to have Separated from Service on the first day immediately following the expiration of the applicable six (6)-month or twenty-nine (29)-month period.

For purposes of determining whether a Separation from Service has occurred, you will be deemed to continue in “**Employee**” status for so long as you remain in the employ of one or more members of the Employer Group, 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.

“**Employer Group**” means Broadcom and any other corporation or business controlled by, controlling or under common control with, Broadcom, as determined in accordance with Sections 414(b) and (c) of the Code and the Treasury Regulations thereunder, except that in applying Sections 1563(1), (2) and (3) for purposes of determining the controlled group of corporations under Section 414(b), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in such sections, and in applying Section 1.414(c)-2 of the Treasury Regulations for purposes of determining trades or businesses that are under common control for purposes of Section 414(c), the phrase “at least 50 percent” shall be used instead of “at least 80 percent” each place the latter phrase appears in Section 1.414(c)-2 of the Treasury Regulations.

10. Specified Employee. For purposes of the Program, “**Specified Employee**” means a “key employee” (within the meaning of that term under Code Section 416(i)). Accordingly, you will be deemed to be a Specified Employee if you are, as of the last day of any calendar year:

(i) an officer of Broadcom whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate greater than the compensation limit in Section 416(i)(1)(A)(i) of the Code, provided that no more than fifty (50) officers of Broadcom shall be determined to be Specified Employees as of the relevant determination date;

(ii) a five percent (5%) owner of Broadcom or any other member of the Employer Group; or

(iii) a one percent (1%) owner of Broadcom or any other member of the Employer Group whose annual compensation from Broadcom and any other members of the Employer Group is in the aggregate more than \$150,000.

The Specified Employees shall be determined as of the last day of each calendar year. If you are determined to be a Specified Employee on any such date, you will be considered a Specified Employee for purposes of the Program during the period beginning on the April 1 of the following year and ending on the March 31 of the next year thereafter.

For purposes of determining an officer’s compensation when identifying Specified Employees, compensation is defined in accordance with Treas. Reg. §1.415(c)—2(a), without applying any safe harbor, special timing or other special rules described in Treas. Reg. §§ 1.415(c)—2(d), 2(e) and 2(g).

11. Non-exclusivity of Rights. Nothing in the Program shall prevent or limit your continuing or future participation in any plan, program, policy or practice provided by Broadcom or any other member of the Employer Group during your period of employment with

Broadcom and for which you may qualify, nor, subject to Subsection (2) of the accompanying Letter Agreement, shall anything herein limit or otherwise affect such rights as you may have under any contract or agreement with Broadcom or any other member of the Employer Group. Amounts that are vested benefits or that you are otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with Broadcom or any other member of the Employer Group on or subsequent to your Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by the Program.

12. Full Settlement.

(a) Except as specifically set forth in this Appendix or the accompanying Letter Agreement, Broadcom's obligation to make the payments provided for in the Program and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that Broadcom may have against you or others, except only for any advances made to you or for taxes that Broadcom is required to withhold by law. In no event shall you be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to you under any of the provisions of the Program, and such amounts shall not be reduced whether or not you obtain other employment.

(b) You will not become eligible to receive any of the payments and benefits provided under Subsections 1(a), (b), (c) and (d) and Subsection 10 of the Program unless you execute and deliver to Broadcom, within twenty one (21) days after your Date of Termination (or within forty-five (45) days after such Date of Termination, to the extent such longer period is required under applicable law), a general release in a form acceptable to Broadcom (the "**Required Release**") that (i) releases Broadcom and its subsidiaries, officers, directors, employees, and agents from all claims you may have relating to your employment with Broadcom and the termination of that employment, other than claims relating to any benefits to which you become entitled under the Program, and (ii) becomes effective in accordance with applicable law upon the expiration of any applicable revocation period.

13. Successors.

(a) The Program is personal to you and shall not be assignable by you otherwise than by will or the laws of descent and distribution. The Program shall inure to the benefit of and be enforceable by your legal representatives.

(b) The Program shall inure to the benefit of and be binding upon Broadcom and its successors and assigns.

(c) Broadcom will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Broadcom to assume expressly and agree to perform its obligations under the Program in the same manner and to the same extent that Broadcom would be required to perform those obligations if no such succession had taken place. As used in the Program, "**Broadcom**" shall include any successor to its business and/or assets as aforesaid that assumes and agrees to perform the obligations created by the Program by operation of law or otherwise.

14. Mandatory Arbitration. ANY AND ALL DISPUTES OR CONTROVERSIES BETWEEN YOU AND BROADCOM ARISING OUT OF, RELATING TO OR OTHERWISE CONNECTED WITH THE NEW AGREEMENT (OR THE ORIGINAL LETTER AGREEMENT) OR THE BENEFITS PROVIDED UNDER THE PROGRAM AS SET FORTH HEREIN OR THE VALIDITY, CONSTRUCTION, PERFORMANCE OR TERMINATION OF THE NEW AGREEMENT (OR THE ORIGINAL LETTER 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 BROADCOM (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, INCLUDING, BUT NOT LIMITED TO, EXPENSES AND REASONABLE ATTORNEY'S FEES. HOWEVER, THE ARBITRATOR'S COMPENSATION AND OTHER FEES AND COSTS UNIQUE TO ARBITRATION SHALL IN ALL EVENTS BE PAID BY BROADCOM. 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.

15. Governing Law. The laws of California shall govern the validity and interpretation of the Program, without resort to that State's rules governing conflicts of laws.

16. Captions. The captions of this Appendix are not part of the provisions of the Program and shall have no force or effect.

17. Amendment. The Program may not be amended or modified with respect to you other than by a written agreement executed by you and Broadcom or your and its respective successors and legal representatives.

18. Notices. All notices and other communications under the Letter Agreement shall be in writing and shall be given by hand delivery to the other party, by overnight courier or by registered or certified mail, return receipt requested, postage prepaid, addressed (if to you) at the address you last provided in writing to Broadcom, and if to Broadcom, as follows:

Broadcom Corporation  
5300 California Avenue  
Irvine, California 92617  
Attention: Chief Executive Officer

Notice and communications shall be effective when actually received by the addressee. Neither your failure to give any notice required by the Program, nor defects or errors in any notice given by you, shall relieve Broadcom of any corresponding obligation under the Program unless, and only to the extent that, Broadcom is actually and materially prejudiced thereby.

19. Severability. If any provision of the Letter Agreement or this revised Appendix as applied to any party or to any circumstance should be adjudged by a court of competent jurisdiction or determined by an arbitrator to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court or determined by the arbitrator, the application of any other provision of the Letter Agreement or this revised Appendix, or the enforceability or invalidity of the Letter Agreement or revised Appendix as a whole. Should any provision of the Letter Agreement or the revised Appendix become or be deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken, and the remainder of the Letter Agreement or the revised Appendix, as the case may be, shall continue in full force and effect.

20. Withholding Taxes. Broadcom shall withhold from any amounts payable under the Program all Federal, state, local or foreign taxes required to be withheld pursuant to any applicable law or regulation.

21. No Waiver. Your failure or Broadcom's failure to insist upon strict compliance with any provision hereof or any other provision of the Program or the failure to assert any right you or Broadcom may have hereunder, including, without limitation, your right to terminate employment for Good Reason, shall not be deemed to be a waiver of the application of such provision or right with respect to any subsequent event or the waiver of any other provision or right of the Program.

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

I, Scott A. McGregor, certify that:

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

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/s/ SCOTT A. MCGREGOR  
Scott A. McGregor  
*President and Chief Executive Officer*  
(Principal Executive Officer)

Date: October 22, 2008

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

I, Eric K. Brandt, certify that:

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

/s/ ERIC K. BRANDT  
Eric K. Brandt  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

Date: October 22, 2008

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

**Certification of Chief Executive Officer**

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

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2008 (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: October 22, 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended September 30, 2008 (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: October 22, 2008