
**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 March 31, 2014

or

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

For the transition period from _____ to _____

Commission file number: 000-23993



Broadcom Corporation

(Exact Name of Registrant as Specified in Its Charter)

California

(State or Other Jurisdiction of
Incorporation or Organization)

33-0480482

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

5300 California Avenue
Irvine, California 92617-3038
(Address of Principal Executive Offices) (Zip Code)
(949) 926-5000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer

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

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

As of March 31, 2014 the registrant had 535 million shares of Class A common stock, \$0.0001 par value, and 50 million shares of Class B common stock, \$0.0001 par value, outstanding.

BROADCOM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2014	December 31, 2013
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,254	\$ 1,657
Short-term marketable securities	679	775
Accounts receivable, net	734	795
Inventory	529	525
Prepaid expenses and other current assets	157	163
Total current assets	4,353	3,915
Property and equipment, net	617	593
Long-term marketable securities	2,008	1,939
Goodwill	3,756	3,793
Purchased intangible assets, net	1,061	1,144
Other assets	112	111
Total assets	\$ 11,907	\$ 11,495
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 580	\$ 585
Wages and related benefits	201	243
Deferred revenue and income	41	21
Accrued liabilities	770	647
Total current liabilities	1,592	1,496
Long-term debt	1,395	1,394
Other long-term liabilities	311	234
Commitments and contingencies		
Shareholders' equity:		
Common stock	—	—
Additional paid-in capital	12,548	12,475
Accumulated deficit	(3,942)	(4,107)
Accumulated other comprehensive income	3	3
Total shareholders' equity	8,609	8,371
Total liabilities and shareholders' equity	\$ 11,907	\$ 11,495

See accompanying notes.

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2014	2013
(In millions, except per share data)		
Net revenue:		
Product revenue	\$ 1,984	\$ 1,962
Income from Qualcomm Agreement	—	43
Total net revenue	1,984	2,005
Costs and expenses:		
Cost of product revenue	1,004	988
Research and development	636	615
Selling, general and administrative	185	179
Amortization of purchased intangible assets	9	15
Impairments of long-lived assets	25	10
Restructuring costs, net	5	—
Settlement costs	2	—
Other gains, net	(52)	—
Total operating costs and expenses	1,814	1,807
Income from operations	170	198
Interest expense, net	(5)	(8)
Other income, net	3	3
Income before income taxes	168	193
Provision for income taxes	3	2
Net income	\$ 165	\$ 191
Net income per share (basic)	\$ 0.28	\$ 0.34
Net income per share (diluted)	\$ 0.28	\$ 0.33
Weighted average shares (basic)	584	570
Weighted average shares (diluted)	590	585
Dividends per share	\$ 0.12	\$ 0.11

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 March 31,	
	2014	2013
(In millions)		
Cost of product revenue	\$ 6	\$ 7
Research and development	84	99
Selling, general and administrative	30	34

See accompanying notes.

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

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions)	
Net income	\$ 165	\$ 191
Other comprehensive income, net of tax:		
Foreign currency translation adjustments, net of \$0 tax in 2014 and 2013	(1)	2
Unrealized gains on marketable securities, net of \$0 tax in 2014 and 2013	1	1
Other comprehensive income	—	3
Comprehensive income	<u>\$ 165</u>	<u>\$ 194</u>

See accompanying notes.

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions)	
Operating activities		
Net income	\$ 165	\$ 191
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52	39
Stock-based compensation expense	120	140
Acquisition-related items:		
Amortization of purchased intangible assets	59	58
Impairments of long-lived assets	25	10
Gain on sale of assets and other	(49)	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	61	(11)
Inventory	(5)	4
Prepaid expenses and other assets	4	(34)
Accounts payable	(8)	109
Deferred revenue	115	(2)
Other accrued and long-term liabilities	67	(116)
Net cash provided by operating activities	606	388
Investing activities		
Net purchases of property and equipment	(78)	(41)
Proceeds from sale of certain assets and other	90	—
Purchases of marketable securities	(477)	(619)
Proceeds from sales and maturities of marketable securities	503	539
Net cash provided by (used in) investing activities	38	(121)
Financing activities		
Repurchases of Class A common stock	—	(107)
Dividends paid	(70)	(63)
Proceeds from issuance of common stock	54	68
Minimum tax withholding paid on behalf of employees for restricted stock units	(31)	(40)
Net cash used in financing activities	(47)	(142)
Increase in cash and cash equivalents	597	125
Cash and cash equivalents at beginning of period	1,657	1,617
Cash and cash equivalents at end of period	\$ 2,254	\$ 1,742

See accompanying notes.

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

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

Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and with the instructions to Securities and Exchange Commission, or SEC, Form 10-Q and Article 10 of SEC Regulation S-X. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2013, included in our 2013 Annual Report on Form 10-K filed with the SEC on January 30, 2014, referred to as our 2013 Annual Report.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our results of operations and financial position for the interim periods. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for future quarters or the full year. Additionally, certain amounts previously reported as licensing revenue have been reclassified to product revenue to conform to the current period presentation. Such reclassifications had an impact of \$8 million in the three months ended March 31, 2013, but did not affect total net revenue, net income, shareholders’ equity or cash flows.

For a complete summary of our significant accounting policies, please refer to Note 1, “Summary of Significant Accounting Policies,” in Part IV, Item 15 of our 2013 Annual Report. There have been no material changes to our significant accounting policies during the three months ended March 31, 2014.

Use of Estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of total net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty obligations, inventory valuation, stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs or reversals, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

2. Supplemental Financial Information

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

Inventory

	March 31, 2014	December 31, 2013
(In millions)		
Work in process	\$ 247	\$ 202
Finished goods	282	323
	<u>\$ 529</u>	<u>\$ 525</u>

Accrued Liabilities

	March 31, 2014	December 31, 2013
(In millions)		
Accrued rebates	\$ 516	\$ 409
Accrued royalties	14	15
Accrued settlement charges	71	66
Accrued legal costs	17	15
Accrued taxes	24	20
Warranty reserve	19	19
Restructuring liabilities	11	17
Other	98	86
	<u>\$ 770</u>	<u>\$ 647</u>

Other Long-Term Liabilities

	March 31, 2014	December 31, 2013
(In millions)		
Deferred rent	\$ 43	\$ 46
Accrued taxes	71	72
Deferred tax liabilities	29	35
Accrued settlement charges	21	25
Deferred revenue	128	33
Other long-term liabilities	19	23
	<u>\$ 311</u>	<u>\$ 234</u>

The following tables summarize the activity related to accrued rebates and restructuring charges:

Accrued Rebate Activity

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Beginning balance	\$ 409	\$ 383
Charged as a reduction of revenue	187	161
Reversal of unclaimed rebates	(6)	(6)
Payments	(74)	(219)
Ending balance	<u>\$ 516</u>	<u>\$ 319</u>

Restructuring Costs

	Three Months Ended March 31, 2014	
	(In millions)	
Beginning balance	\$ 17	
Charged to expense		5
Cash payments		(11)
Ending balance	<u>\$</u>	<u>11</u>

Income from the Qualcomm Agreement

For a discussion of income from our April 2009 agreement with Qualcomm Incorporated, or the Qualcomm Agreement, please refer to Note 1, "Summary of Significant Accounting Policies," in Part IV, Item 15 of our 2013 Annual Report. The income from the Qualcomm Agreement terminated in April 2013.

Other Gains, Net

In March 2014 we sold certain Ethernet controller-related assets and provided non-exclusive licenses to intellectual property, including a non-exclusive patent license, to QLogic Corporation for a total of \$209 million, referred to as the QLogic Transaction. The transaction was accounted for as a multiple element arrangement, which primarily included (i) the sale of certain assets (constituting a business for accounting purposes), (ii) the licensing of certain intellectual property and (iii) a long-term supply agreement. In connection with the transaction, we recorded a gain on the sale of assets of \$48 million (net of a goodwill adjustment of \$37 million) and deferred revenue of \$120 million. The revenue related to the license agreement (\$76 million) and the supply agreement (\$44 million), will be amortized over approximately seven years. The operating gain was recorded in "Other gains, net" included in our unaudited condensed consolidated statements of income for the three months ended March 31, 2014.

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

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

Computation of Net Income Per Share

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

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

	Three Months Ended March 31,	
	2014	2013
(In millions, except per share data)		
Numerator: Net income	\$ 165	\$ 191
Denominator for net income per share (basic)	584	570
Effect of dilutive securities:		
Stock awards	6	15
Denominator for net income per share (diluted)	590	585
Net income per share (basic)	\$ 0.28	\$ 0.34
Net income per share (diluted)	\$ 0.28	\$ 0.33

Net income per share (diluted) does not include the effect of anti-dilutive potential common shares resulting from outstanding equity awards. There were 35 million and 21 million anti-dilutive potential common shares in the three months ended March 31, 2014 and 2013, respectively.

Supplemental Cash Flow Information

In the three months ended March 31, 2014, we paid \$29 million for capital equipment that was accrued as of December 31, 2013 and had billings of \$30 million for capital equipment that were accrued but not yet paid as of March 31, 2014.

3. Fair Value Measurements

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

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

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

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

The fair value of the majority of our cash equivalents and marketable securities was determined based on "Level 1" inputs. The fair value of certain marketable securities and our long-term debt were determined based on "Level 2" inputs. The valuation techniques used to measure the fair value of our "Level 2" instruments were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. We do not have any

marketable securities in the “Level 3” category. We believe that the recorded values of all our other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

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

March 31, 2014								
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	
(In millions)								
Cash	\$ 537	\$ —	\$ —	\$ 537	\$ 537	\$ —	\$ —	
Level 1:								
Bank and time deposits	1,063	—	—	1,063	1,063	—	—	
Money market funds	463	—	—	463	463	—	—	
U.S. treasury and agency obligations	1,086	1	—	1,087	5	169	913	
Subtotal	2,612	1	—	2,613	1,531	169	913	
Level 2:								
Commercial paper	188	—	—	188	166	22	—	
Corporate bonds	1,566	3	—	1,569	20	485	1,064	
Asset-backed securities and other	34	—	—	34	—	3	31	
Subtotal	1,788	3	—	1,791	186	510	1,095	
Level 3:								
None	—	—	—	—	—	—	—	
Total	\$ 4,937	\$ 4	\$ —	\$ 4,941	\$ 2,254	\$ 679	\$ 2,008	
December 31, 2013								
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities	
(In millions)								
Cash	\$ 307	\$ —	\$ —	\$ 307	\$ 307	\$ —	\$ —	
Level 1:								
Bank and time deposits	474	—	—	474	474	—	—	
Money market funds	277	—	—	277	277	—	—	
U.S. treasury and agency obligations	1,005	1	—	1,006	—	205	801	
Subtotal	1,756	1	—	1,757	751	205	801	
Level 2:								
Commercial paper	690	—	—	690	599	91	—	
Corporate bonds	1,591	3	(1)	1,593	—	477	1,116	
Asset-backed securities and other	24	—	—	24	—	2	22	
Subtotal	2,305	3	(1)	2,307	599	570	1,138	
Level 3:								
None	—	—	—	—	—	—	—	
Total	\$ 4,368	\$ 4	\$ (1)	\$ 4,371	\$ 1,657	\$ 775	\$ 1,939	

There were no transfers between Level 1, Level 2 or Level 3 securities in the three months ended March 31, 2014. All of our long-term marketable securities had maturities of between one and three years in duration at March 31, 2014. Our cash,

cash equivalents and marketable securities at March 31, 2014 consisted of \$2.21 billion held domestically, with the remaining balance of \$2.73 billion held by our foreign subsidiaries.

At March 31, 2014 we had 92 investments with a fair value of \$675 million that were in an unrealized loss position for less than twelve months. Our gross unrealized losses of less than \$1 million for these investments at March 31, 2014 were due to changes in market rates. We have determined that the gross unrealized losses on these investments at March 31, 2014 are temporary in nature. We evaluate securities for other-than-temporary impairment on a quarterly basis. Impairment is evaluated considering numerous factors, and their relative significance varies depending on the situation. Factors considered include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the issuer, and our intent and ability to hold the investment in order to allow for an anticipated recovery in fair value.

Instruments Not Recorded at Fair Value on a Recurring Basis. We measure the fair value of our long-term debt carried at amortized cost quarterly for disclosure purposes. The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. Based on the market prices, the fair value of our long-term debt was \$1.38 billion and \$1.37 billion as of March 31, 2014 and December 31, 2013, respectively. The recorded values of all our accounts receivable and accounts payable approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

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

4. Income Taxes

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

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions, except percentages)	
Provision for income taxes	\$ 3	\$ 2
Effective tax rates	1.8%	1.0%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate, and domestic tax losses recorded without tax benefits. In determining our annualized effective tax rates, the tax effects of a \$48 million gain on sale of assets for the three months ended March 31, 2014, and the impairments of purchased intangible assets of \$25 million and \$10 million for the three months ended March 31, 2014 and 2013, respectively, were treated as discrete items. As a result, we recorded discrete tax benefits for the impairments of purchased intangible assets of \$5 million and \$2 million for the three months ended March 31, 2014 and 2013, respectively. We also recorded discrete tax benefits of \$4 million and \$2 million for the three months ended March 31, 2014 and 2013, respectively, resulting primarily from the expiration of statutes of limitations for the assessment of taxes in various foreign jurisdictions.

As a result of our cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$18 million and \$24 million at March 31, 2014 and December 31, 2013, respectively.

Our income tax returns for the 2007, 2008 and 2009 tax years are currently under examination by the Internal Revenue Service. We do not believe the audit will have a material impact on our financial position, operating results, or cash flows. However, our deferred tax assets could be reduced, with a corresponding reduction in the valuation allowance related to such deferred tax assets.

5. Debt and Credit Facility

Senior Notes

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

	March 31, 2014
	(In millions)
2.375% fixed-rate notes, due 2015	\$ 400
2.700% fixed-rate notes, due 2018	500
2.500% fixed-rate notes, due 2022	500
	<hr/> \$ 1,400
Unaccreted discount	(5)
	<hr/> <hr/> \$ 1,395

The outstanding Notes contain a number of customary representations, warranties and restrictive covenants, including, but not limited to, restrictions on our ability to grant liens on assets; enter into sale and lease-back transactions; or merge, consolidate or sell assets. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued but unpaid interest on the Notes.

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

Credit Facility

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million. We amended this credit facility in October 2011 primarily to extend the maturity date by two years to November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. The amendment to the credit facility also decreased the interest rate margins applicable to loans made under the credit facility and the commitment fee paid on the amount of the unused commitments. We have not drawn on our credit facility to date.

The credit facility contains customary representations, warranties and covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00.

6. Shareholders' Equity

Quarterly Dividend

In January 2014 our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased the quarterly cash dividend by 9% to \$0.12 per share (\$0.48 per share on an annual basis) payable to holders of our common stock. In the three months ended March 31, 2014 and 2013 we paid \$70 million and \$63 million, respectively, in dividends to holders of our Class A and Class B common stock.

Share Repurchase Programs

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

repurchase programs in the future. We did not repurchase any shares in the three months ended March 31, 2014.

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

7. Employee Benefit Plans

Combined Incentive Plan Activity

Restricted stock unit activity is set forth below:

	Restricted Stock Units Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value per Share
	(In millions, except per share data)	
Balance at December 31, 2013	24	\$ 34.91
Restricted stock units granted	13	29.93
Restricted stock units cancelled	(1)	34.67
Restricted stock units vested	(3)	36.04
Balance at March 31, 2014	33	\$ 32.85

Stock option activity is set forth below:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price per Share
	(In millions, except per share data)	
Balance at December 31, 2013	39	\$ 30.39
Options cancelled	(1)	36.55
Options exercised	(2)	23.57
Balance at March 31, 2014	36	\$ 30.70

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

	2014	2015	2016	2017	2018	Total
	(In millions)					
Unearned stock-based compensation	\$ 356	\$ 341	\$ 219	\$ 110	\$ 15	\$ 1,041

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

8. Commitments and Contingencies

Litigation

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

From time to time we may conclude it is in the best interests of our shareholders, employees, and customers to settle one or more litigation matters, and any such settlement could include substantial payments; however, other than as noted below, we have not reached this conclusion with respect to any particular matter at this time. There are a variety of factors that influence our decisions to settle and the amount we may choose to pay, including the strength of our case, developments in the litigation, the behavior of other interested parties, the demand on management time and the possible distraction of our employees associated with the case and/or the possibility that we may be subject to an injunction or other equitable remedy. It is difficult to predict whether a settlement is possible, the amount of an appropriate settlement or when is the opportune time to settle a matter in light of the numerous factors that go into the settlement decision.

Intellectual Property Proceedings

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

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

We and our subsidiaries are also involved in other intellectual property proceedings, claims and litigation. We will disclose the nature of any such matter if we believe it to be material. Particularly in the early stages of such proceedings, an assessment of materiality may be complicated by limited information, including, without limitation, limited information about the patents-in-suit and Broadcom products against which the patents are being asserted. Accordingly, our assessment of materiality may change in the future based upon availability of discovery and further developments in the proceedings at issue. Some of these intellectual property proceedings may involve, for example, “non-practicing entities” asserting claims addressing certain of our products. The resolution of intellectual property litigation can include, among other things, payment of damages, royalties, or other amounts, which could adversely impact our product gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees may perform for us. In addition, from time to time we are approached by holders of intellectual property, including non-practicing entities, to engage in discussions about our obtaining licenses to their intellectual property. We will disclose the nature of any such discussion if we determine that (i) it is probable an intellectual property holder will assert a claim of infringement, (ii) there is a reasonable possibility the outcome (assuming assertion) will be unfavorable, and (iii) the resulting liability would be material to our financial condition or results of operations.

Other Proceedings

In September 2013 the State Administration for Industry and Commerce, a Chinese regulatory agency, commenced an informal review of our compliance with China’s antitrust laws. We fully cooperated with this review and made our last submission of information to the SAIC in October 2013.

General

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

The pending proceedings described above involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to prosecute and defend. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. From time to time we may enter into confidential discussions regarding the potential settlement of pending intellectual property or other litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. In the course of such settlement discussions, if we conclude that a settlement loss is probable and the settlement amount is estimable we may record settlement costs, notwithstanding not having reached a final settlement agreement. The settlement of any pending litigation or other proceedings could require us to incur substantial settlement payments and costs. Furthermore, the settlement of any intellectual property proceeding may require us to grant a license to certain of our intellectual property rights to the other party under a cross-license agreement. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected.

9. Goodwill and Other Purchased Intangible Assets

Goodwill

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

	Reportable Segments				Foreign Currency	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking			
	(In millions)					
Goodwill	\$ 770	\$ 1,053	\$ 3,778	\$ 21	\$ 5,622	
Accumulated impairment losses	—	(543)	(1,286)	—	(1,829)	
Goodwill at December 31, 2013	\$ 770	\$ 510	\$ 2,492	\$ 21	\$ 3,793	
Adjustment due to sale of certain assets (Note 2)	—	—	(37)	—	(37)	
Goodwill at March 31, 2014	\$ 770	\$ 510	\$ 2,455	\$ 21	\$ 3,756	

Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	March 31, 2014			December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Developed technology	\$ 1,543	\$ (586)	\$ 957	\$ 1,492	\$ (539)	\$ 953
In-process research and development	51	—	51	130	—	130
Customer relationships	232	(184)	48	232	(176)	56
Other	34	(29)	5	34	(29)	5
	\$ 1,860	\$ (799)	\$ 1,061	\$ 1,888	\$ (744)	\$ 1,144

In the three months ended March 31, 2014 we reclassified \$78 million of in-process research and development, or IPR&D costs, to developed technology primarily related to knowledge-based processors from our acquisition of NetLogic Microsystems, Inc., or NetLogic.

Impairment of Long-Lived Assets

In the three months ended March 31, 2014 we recorded impairment charges primarily for completed technology of \$25 million, of which \$19 million was related to our acquisition of SC Square Ltd., or SC Square, and \$5 million related to the

purchase of LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction, each included in our Mobile and Wireless reportable segment. In the three months ended March 31, 2013 we recorded impairment charges primarily for IPR&D costs of \$10 million, related to our acquisition of Provigent, Inc. included in our Infrastructure and Networking reportable segment. The primary factors contributing to the 2014 impairment charges were (i) for SC Square, the discontinuation of certain security solutions and (ii) for the Renesas Transaction, a reduction in revenue expectations related to an acquired legacy LTE modem product and an associated decrease to the respective estimated cash flows.

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

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

	Three Months Ended March 31,	
	2014	2013
	(In millions)	
Cost of product revenue	\$ 50	\$ 43
Other operating expenses	9	15
	<u>\$ 59</u>	<u>\$ 58</u>

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

	Purchased Intangible Asset Amortization by Year						
	2014	2015	2016	2017	2018	Thereafter	Total
	(In millions)						
Cost of product revenue	\$ 142	\$ 175	\$ 154	\$ 133	\$ 113	\$ 291	\$ 1,008
Other operating expenses	26	14	5	3	2	3	53
	<u>\$ 168</u>	<u>\$ 189</u>	<u>\$ 159</u>	<u>\$ 136</u>	<u>\$ 115</u>	<u>\$ 294</u>	<u>\$ 1,061</u>

10. Reportable Segments, Significant Customer and Geographical Information

Reportable Segments

Broadcom has three reportable segments consistent with our target markets. Our three reportable segments are: Broadband Communications (Home), Mobile and Wireless (Hand), and Infrastructure and Networking (Infrastructure). Our Chief Executive Officer, who is our chief operating decision maker, or CODM, regularly reviews financial information at the reportable segment level.

Our net revenue is generated principally from sales of integrated circuit products. While we derive some revenue from other sources, that revenue is not material as it represents less than 1% of our total net revenue. Such revenue is classified under product revenue for reporting purposes. We group our net revenue consistent with our three target markets which comprise our reportable segments, as discussed above.

With respect to the sales of integrated circuit products, we have approximately 550 products that are grouped into approximately 70 product lines. We have concluded that these products constitute a group of similar products within each reportable segment in each of the following respects:

- the integrated circuits marketed by each of our reportable segments are sold to one type of customer: manufacturers of wired and wireless communications equipment, which incorporate our integrated circuits into their electronic products;

- the integrated circuits sold by each of our reportable segments use the same standard CMOS manufacturing processes; and
- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

We also report an “All Other” category, which included income from the Qualcomm Agreement in prior periods, since it was principally the result of corporate efforts, and also includes operating expenses that we do not allocate to our reportable segments as these expenses are not included in the segment operating performance measures evaluated by our CODM. Operating costs and expenses that are not allocated include stock-based compensation, amortization of purchased intangible assets, amortization of acquired inventory valuation step-up, impairment of goodwill and other long-lived assets, net settlement costs (gains), net restructuring costs, charitable contributions, non-recurring legal fees, change in contingent earnout liability, gain (loss) on sale of assets, employer payroll tax on certain stock option exercises, and other miscellaneous expenses related to corporate allocations that were either over or under the original projections at the beginning of the year. We include stock-based compensation and acquisition-related items in the “All Other” category as decisions regarding equity compensation are made at the corporate level and our CODM reviews reportable segment performance exclusive of these charges. Our CODM does not review information regarding total assets, interest income or income taxes on a segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

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

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking		
	(In millions)				
Three Months Ended March 31, 2014					
Net revenue	\$ 559	\$ 846	\$ 579	\$ —	\$ 1,984
Operating income (loss)	136	(32)	204	(138)	170
Three Months Ended March 31, 2013					
Net revenue	\$ 537	\$ 995	\$ 430	\$ 43	\$ 2,005
Operating income (loss)	124	123	98	(147)	198

Included In All Other Category:

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions)	
Net revenue	\$ —	\$ 43
Stock-based compensation	\$ 120	\$ 140
Amortization of purchased intangible assets	59	58
Amortization of acquired inventory valuation step-up	—	1
Impairments of long-lived assets	25	10
Settlement costs (gains)	2	—
Restructuring costs, net	5	—
Other gains, net	(52)	—
Employer payroll tax on certain stock option exercises	1	2
Miscellaneous corporate allocation variances	(22)	(21)
Total other operating costs and expenses	\$ 138	\$ 190
Total operating loss for the “All Other” category	\$ (138)	\$ (147)

Significant Customer and Geographical Information

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

	Three Months Ended	
	March 31,	
	2014	2013
Two largest customers	30.2%	36.8%
Five largest customers as a group	45.5	51.7

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

	Three Months Ended	
	March 31,	
	2014	2013
China (exclusive of Hong Kong)	22.6%	21.6%
Hong Kong	27.4	24.7
Singapore, Taiwan, Thailand and Japan	34.9	40.0
United States	4.3	3.5
Europe	2.1	1.7
Other	8.7	8.5
	100.0%	100.0%

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

Cautionary Statement

The information contained in this Quarterly Report on Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended December 31, 2013, referred to as our 2013 Annual Report, and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The information in this Form 10-Q is also not a complete description of our business or the risks associated with an investment in our common stock. You should read the following discussion and analysis in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related Notes thereto contained in Part I, Item 1 of this Report and the various other disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our 2013 Annual Report and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.

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

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to, statements concerning projected total net revenue, costs and expenses and product and total gross margin; our accounting estimates, assumptions and judgments; the demand for our products; our dependence on a few key customers and/or design wins for a substantial portion of our revenue; our commitment to research and development efforts; the accuracy of our estimates and forecasts; estimates related to the amount and/or timing of the expensing of unearned stock-based compensation expense and stock-based compensation as a percentage of revenue; manufacturing, assembly and test capacity; the effect that economic conditions, seasonality and volume fluctuations in the demand for our customers' consumer-oriented products will have on our quarterly operating results; our ability to adjust operations in response to changes in demand for existing products and services or the demand for new products requested by our customers; the competitive nature of and anticipated growth in our markets; our ability to consummate acquisitions and integrate their operations successfully; our ability to migrate to smaller process geometries; our success in pending intellectual property litigation matters; our potential needs for additional capital; inventory and accounts receivable levels; our ability to permanently reinvest our foreign earnings; the effect of potential changes in U.S. or foreign tax laws and regulations or the interpretation thereof; the level of accrued rebates; and our intention to continue to pay dividends. These forward-looking statements are based on our current expectations, estimates and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under the section entitled "Risk Factors" in Part II, Item 1A of this Report. These forward-looking statements speak only as of the date of this Report. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

Additional Information

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

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

The information that we post on these social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in Broadcom to review the information that we post on these social media

channels. These channels may be updated from time to time on our website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

Overview

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

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

Our diverse product portfolio includes:

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

A detailed discussion of our business may be found in our 2013 Annual Report under Part I, Item 1, “Business.”

Operating Results for the Three Months Ended March 31, 2014

In the three months ended March 31, 2014 our net income was \$165 million, as compared to net income of \$168 million in the three months ended December 31, 2013. The decrease in profitability was primarily the result of a 3.9% sequential decline in net revenue, partially offset by a gain on sale of assets (as discussed further below). In the three months ended March 31, 2013 our net income was \$191 million. The decrease in profitability for that period was primarily the result of the expiration of the Qualcomm Agreement (an agreement entered into in April 2009 with Qualcomm Incorporated) and an increase in our investment in cellular baseband technologies, partially offset by the gain on a sale of assets.

Reportable Segments

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

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking		
	(In millions)				
Three Months Ended March 31, 2014					
Net revenue	\$ 559	\$ 846	\$ 579	\$ —	\$ 1,984
Operating income (loss)	136	(32)	204	(138)	170
Three Months Ended December 31, 2013					
Net revenue	\$ 548	\$ 940	\$ 576	\$ —	\$ 2,064
Operating income (loss)	129	32	201	(176)	186
Three Months Ended March 31, 2013					
Net revenue	\$ 537	\$ 995	\$ 430	\$ 43	\$ 2,005
Operating income (loss)	124	123	98	(147)	198

The increase in operating income for three months ended March 31, 2014 as compared to three months ended March 31, 2013 for our Broadband Communications and Infrastructure and Networking reportable segments was driven primarily by maintaining operating expenses relatively flat, while increasing revenue by 4.1% and 34.7%, respectively. The operating loss for our Mobile and Wireless reportable segment in the three months ended March 31, 2014, as compared to prior periods presented above, resulted primarily from a broad-based decline in revenue along with a significant year-over-year increase in research and development expense in cellular baseband technologies, principally related to our LTE product roadmap. Due to the lengthy product development and sales cycle for LTE products, our ongoing investment in LTE-related technologies negatively impacted our operating results and may continue to do so until we realize significant revenue.

For additional information about our reportable segments and the "All Other" category (including revenue and expense items reported under the "All Other" category), see further discussion in Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements as well as "Net Revenue by Reportable Segments" discussion below.

Other highlights during the three months ended March 31, 2014 include the following:

- Our cash and cash equivalents and marketable securities were \$4.94 billion at March 31, 2014, compared with \$4.37 billion at December 31, 2013.
- We generated cash flow from operations of \$606 million during the three months ended March 31, 2014, as compared to \$388 million in the three months ended March 31, 2013.
- In January 2014 our Board of Directors adopted an amendment to our existing dividend policy pursuant to which we increased our quarterly cash dividend by 9% to \$0.12 per share (\$0.48 per share on an annual basis) payable to holders of our common stock.
- In March 2014 we sold certain Ethernet controller-related assets and provided non-exclusive licenses to intellectual property, including a non-exclusive patent license, to QLogic Corporation for a total of \$209 million, referred to as the QLogic Transaction. In connection with the transaction, we recorded a gain on the sale of assets of \$48 million (net of a goodwill adjustment of \$37 million) and deferred revenue of \$120 million.
- In March 2014 we recorded impairment charges primarily for completed technology of \$25 million related primarily to our acquisition of SC Square Ltd., or SC Square, and our purchase of LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction.

Our product revenue consists principally of sales of semiconductor devices and, to a lesser extent, licensing of our intellectual property, software licenses and royalties, development, support and maintenance agreements, data services and cancellation fees. The majority of our product sales occur through the efforts of our direct sales force. The remaining balance of our product sales occurs through distributors.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles, or GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses in the reporting period. We regularly evaluate our estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty reserves, inventory reserves, stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs, litigation and other loss contingencies. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. To the extent there are material differences between our estimates and the actual results, our future results of operations will be affected. For a description of our critical accounting policies and estimates, please refer to the "Critical Accounting Policies and Estimates" section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2013 Annual Report. There have been no material changes in any of our critical accounting policies and estimates during the three months ended March 31, 2014.

Results of Operations

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

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Net revenue:			
Product revenue	100.0 %	100.0 %	97.9 %
Income from Qualcomm Agreement	—	—	2.1
Total net revenue	100.0	100.0	100.0
Costs and expenses:			
Cost of product revenue	50.6	49.7	49.3
Research and development	31.9	31.2	30.7
Selling, general and administrative	9.3	8.3	8.9
Amortization of purchased intangible assets	0.5	0.7	0.7
Impairments of long-lived assets	1.3	—	0.5
Restructuring costs, net	0.3	0.8	—
Settlement costs	0.1	0.3	—
Other gains, net	(2.6)	—	—
Total operating costs and expenses	91.4	91.0	90.1
Income from operations	8.6	9.0	9.9
Interest expense, net	(0.3)	(0.3)	(0.4)
Other income, net	0.2	0.1	0.1
Income before income taxes	8.5	8.8	9.6
Provision for income taxes	0.2	0.7	0.1
Net income	8.3 %	8.1 %	9.5 %

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

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Net Revenue By Reportable Segment			
Broadband Communications	28.2%	26.6%	26.8%
Mobile and Wireless	42.6	45.5	49.7
Infrastructure and Networking	29.2	27.9	21.4
All Other	—	—	2.1
Gross Margin Data			
Product gross margin	49.4%	50.3%	49.6%
Total gross margin	49.4	50.3	50.7
Stock-Based Compensation Expense (included in each functional line item)			
Cost of product revenue	0.3%	0.3%	0.3%
Research and development	4.2	4.0	4.9
Selling, general and administrative	1.5	1.4	1.7

Net Revenue By Reportable Segments

The following table presents net revenue from each of our reportable segments:

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Broadband Communications	\$ 559	\$ 548	\$ 537	\$ 11	2.0 %	\$ 22	4.1 %
Mobile and Wireless	846	940	995	(94)	(10.0)	(149)	(15.0)
Infrastructure and Networking	579	576	430	3	0.5	149	34.7
All Other	—	—	43	—	—	(43)	(100.0)
Total net revenue	\$ 1,984	\$ 2,064	\$ 2,005	\$ (80)	(3.9)	\$ (21)	(1.0)

Broadband Communications. The increase in net revenue in the three months ended March 31, 2014, as compared to the three months ended December 31, 2013, resulted primarily from an increase in sales of our set-top box (STB) solutions of \$12 million. STB growth is generally driven by global subscriber growth, the adoption of new communication features (including HEVC, transcoding and MoCA 2.0), market share gains and the roll-out of more highly integrated platforms by global service providers. The increase in net revenue in the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, resulted primarily from an increase in sales of our broadband modem solutions of \$21 million. Growth in sales of broadband modem solutions is generally driven by subscriber growth, and momentum in emerging areas, such as small cells.

Mobile and Wireless. The decrease in net revenue in the three months ended March 31, 2014, as compared to the three months ended December 31, 2013, resulted primarily from decreases in sales of wireless connectivity products of \$43 million, other technologies incorporated primarily into handheld devices of \$46 million, and our cellular SoCs of \$5 million. These decreases in revenue were driven by historical softness in customer order patterns and the impact of a decelerating smartphone market, particularly in higher-end devices. The decrease in net revenue in the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, resulted primarily from decreases in sales of wireless connectivity products of \$71 million, other technologies incorporated primarily into handheld devices of \$44 million, and of our cellular SoCs of \$34 million. These decreases in revenue were driven by the trend in low-cost smartphones toward integrated platforms from single suppliers, which currently tend to not include Broadcom wireless connectivity solutions. In addition, the initial ramp of LTE SoCs has not offset the reduction in sales of 3G cellular SoCs. Sales of 3G cellular SoCs are also decreasing primarily due to intense price competition, particularly in low-end 3G platforms.

Infrastructure and Networking. The increase in net revenue for the three months ended March 31, 2014, as compared to the three months ended December 31, 2013, resulted primarily from an increase in sales of our Ethernet switches and PHYs of \$3 million. The increase in net revenue for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, resulted primarily from an increase in sales of Ethernet switches and PHYs of \$130 million and communication processor and wireless infrastructure of \$14 million, primarily driven by stronger sales into the service provider and data center markets. Growth in Ethernet switches and PHYs is generally driven by continued build outs of packet-based networks to support the delivery of video and mobile data over the Internet, an increase in hosted services and cloud computing, and the ongoing growth in unified communications in the enterprise.

Rebates. We recorded customer rebates of \$187 million, or 9.4% of net revenue, \$271 million, or 13.1% of net revenue, and \$161 million, or 8.0% of net revenue, in the three months ended March 31, 2014, December 31, 2013, and March 31, 2013, respectively. We reverse the accrual of unclaimed rebate amounts as specific rebate programs contractually end or when we believe unclaimed rebates are no longer subject to payment and will not be paid. We reversed accrued rebates of \$6 million in each of the three months ended March 31, 2014, December 31, 2013 and March 31, 2013, respectively. We anticipate that accrued rebates will vary in future periods based upon the level of overall sales to customers that participate in our rebate programs.

Concentration of Net Revenue

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

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
Two largest customers	30.2%	34.4%	36.8%
Five largest customers as a group	45.5	50.5	51.7

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

From time to time, our key customers place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the seasonal variations in consumer products and changes in the overall economic environment. For these and other reasons, our total net revenue and results of operations for the three months ended March 31, 2014 and prior periods may not necessarily be indicative of future net revenue and results of operations.

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

The following table presents total net revenue, cost of product revenue, product gross margin and total gross margin:

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Product revenue	\$ 1,984	\$ 2,064	\$ 1,962	\$ (80)	(3.9)%	\$ 22	1.1 %
Income from Qualcomm Agreement	—	—	43	—	—	(43)	(100.0)
Total net revenue	\$ 1,984	\$ 2,064	\$ 2,005	\$ (80)	(3.9)	\$ (21)	(1.0)
Cost of product revenue	\$ 1,004	\$ 1,026	\$ 988	\$ (22)	(2.1)	\$ 16	1.6
Product gross margin	49.4%	50.3%	49.6%				
Total gross margin	49.4%	50.3%	50.7%				

Cost of Product Revenue and Product Gross Margin. Cost of product revenue comprises the cost of our semiconductor devices, which consists of the cost of purchasing finished silicon wafers manufactured by independent foundries, costs associated with our purchase of assembly, test and quality assurance services and packaging materials for semiconductor products, as well as royalties and license fees paid to vendors and to non-practicing entities, or NPEs. Also included in cost of product revenue is the amortization of purchased technology and inventory valuation step-up, and manufacturing overhead, including costs of personnel and equipment associated with manufacturing support, product warranty costs, provisions for excess and obsolete inventories, and stock-based compensation expense for personnel engaged in manufacturing support. Product gross margin is product revenue less cost of product revenue divided by product revenue and does not include income from the Qualcomm Agreement. Total gross margin is total net revenue less cost of product revenue divided by total net revenue.

Product gross margin decreased to 49.4% in the three months ended March 31, 2014 as compared to 50.3% in the three months ended December 31, 2013. The decrease in gross margin resulted from an increase in amortization of purchased intangible assets of \$8 million for newly completed technology related to our acquisition of NetLogic Microsystems, Inc. in 2012, as well as the Renesas Transaction in 2013.

Product gross margin includes \$10 million, \$9 million and \$8 million of licensing revenue related to our intellectual property in the three months ended March 31, 2014, December 31, 2013 and March 31, 2013, respectively. Product gross margin also includes \$2 million, \$6 million and \$7 million of licensing costs related to NPEs in the three months ended March 31, 2014, December 31, 2013 and March 31, 2013, respectively.

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

Research and Development Expense

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

The following table presents details of research and development expense:

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 372	\$ 368	\$ 348	\$ 4	1.1 %	\$ 24	6.9 %
Stock-based compensation	84	83	99	1	1.2	(15)	(15.2)
Development and design costs	88	97	93	(9)	(9.3)	(5)	(5.4)
Other	92	95	75	(3)	(3.2)	17	22.7
Research and development	\$ 636	\$ 643	\$ 615	\$ (7)	(1.1)%	\$ 21	3.4 %

The increase in salaries and benefits for the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, was primarily attributable to an increase in headcount of approximately 750 personnel, mostly due to the Renesas Transaction, offset by our restructuring in late 2013, bringing research and development headcount to approximately 9,600 at March 31, 2014. This represents an 8.5% increase from March 31, 2013. Salaries and benefits also increased as a result of an increase in cash compensation levels in connection with our annual merit review program. See below for a discussion of stock-based compensation. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. Tape-out costs generally increase over time as we transition to smaller geometry process technologies. The increase in the *Other* line item from the three months ended March 31, 2013 is primarily attributable to an increase in depreciation expenses related to the Renesas Transaction.

We remain committed to significant research and development efforts to extend our technology leadership in the wired and wireless communications markets in which we operate. Factors that may impact research and development costs include the diversification of the markets we serve, new product opportunities, the number of design wins that go into production, changes in our compensation policies, and any expansion into new markets and technologies, including acquisitions. For the three months ended March 31, 2014, approximately 45% and 35% of our products were manufactured in 40 nanometers and 65 nanometers, respectively. We are designing most new products in 40 nanometers and 28 nanometers, and are beginning to develop products leveraging FinFET technologies. We currently hold more than 9,300 U.S. and more than 4,000 foreign patents and have more than 8,050 additional U.S. and foreign pending patent applications. We maintain an active program of filing for and acquiring additional U.S. and foreign patents in wired and wireless communications and other fields.

Selling, General and Administrative Expense

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

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Salaries and benefits	\$ 91	\$ 84	\$ 88	\$ 7	8.3 %	\$ 3	3.4 %
Stock-based compensation	30	28	34	2	7.1	(4)	(11.8)
Legal and accounting fees	21	24	23	(3)	(12.5)	(2)	(8.7)
Other	43	36	34	7	19.4	9	26.5
Selling, general and administrative	\$ 185	\$ 172	\$ 179	\$ 13	7.6 %	\$ 6	3.4 %

The increase in salaries and benefits in the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, was attributable to an increase in headcount of approximately 100 personnel, mostly due to the Renesas Transaction, bringing selling, general and administrative headcount to approximately 2,050 at March 31, 2014. This represents a 5.1% increase from March 31, 2013. Salaries and benefits also increased as a result of an increase in cash compensation levels in connection with our annual merit review program. See below for a discussion of stock-based compensation. The increases in the *Other* line item was primarily attributable to an increase in facilities expenses.

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			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of product revenue	\$ 6	\$ 6	\$ 7	\$ —	—%	\$ (1)	(14.3)%
Research and development	84	83	99	1	1.2	(15)	(15.2)
Selling, general and administrative	30	28	34	2	7.1	(4)	(11.8)
	\$ 120	\$ 117	\$ 140	\$ 3	2.6%	\$ (20)	(14.3)%

The decrease in stock-based compensation in the three months ended March 31, 2014, as compared to the three months ended March 31, 2013, was primarily attributable to certain assumed equity awards becoming fully vested during 2013. In the three months ended March 31, 2014, we granted equity awards with a fair value of \$386 million, primarily related to our regular annual equity compensation review program, which will be expensed over the next four years.

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

	2014	2015	2016	2017	2018	Total
(In millions)						
Unearned stock-based compensation	\$ 356	\$ 341	\$ 219	\$ 110	\$ 15	\$ 1,041

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. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of activity related to share-based awards.

Amortization of Purchased Intangible Assets

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2014	December 31, 2013	March 31, 2013	\$ Change	% Change	\$ Change	% Change
(In millions, except percentages)							
Cost of product revenue	\$ 50	\$ 42	\$ 43	\$ 8	19.0 %	\$ 7	16.3 %
Other operating expenses	9	14	15	(5)	(35.7)	(6)	(40.0)
	<u>\$ 59</u>	<u>\$ 56</u>	<u>\$ 58</u>	<u>\$ 3</u>	<u>5.4 %</u>	<u>\$ 1</u>	<u>1.7 %</u>

The amortization of purchased intangible assets reflects the pattern in which the economic benefits of the intangible assets were consumed or otherwise used.

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

	Purchased Intangible Asset Amortization by Year							Total
	2014	2015	2016	2017	2018	Thereafter		
(In millions)								
Cost of product revenue	\$ 142	\$ 175	\$ 154	\$ 133	\$ 113	\$ 291	\$ 1,008	
Other operating expenses	26	14	5	3	2	3	53	
	<u>\$ 168</u>	<u>\$ 189</u>	<u>\$ 159</u>	<u>\$ 136</u>	<u>\$ 115</u>	<u>\$ 294</u>	<u>\$ 1,061</u>	

Impairment of Goodwill and Other Long-Lived Assets

In the three months ended March 31, 2014 we recorded impairment charges primarily for completed technology of \$25 million, of which \$19 million was related to our acquisition of SC Square and \$5 million related to the Renesas Transaction, each included in our Mobile and Wireless reportable segment. In the three months ended March 31, 2013 we recorded impairment charges primarily for IPR&D costs of \$10 million, related to our acquisition of Provigent, Inc. included in our Infrastructure and Networking reportable segment. The primary factors contributing to the 2014 impairment charges were (i) for SC Square, the discontinuation of certain security solutions and (ii) for the Renesas Transaction, a reduction in revenue expectations related to an acquired legacy LTE modem product and an associated decrease to the respective estimated cash flows.

Other Gains, Net

In March 2014 we sold certain Ethernet controller-related assets and provided non-exclusive licenses to intellectual property, including a non-exclusive patent license, to QLogic Corporation for a total of \$209 million, referred to as the QLogic Transaction. The transaction was accounted for as a multiple element arrangement, which primarily included (i) the sale of certain assets (constituting a business for accounting purposes), (ii) the licensing of certain intellectual property and (iii) a long-term supply agreement. In connection with the transaction, we recorded a gain on the sale of assets of \$48 million (net of a goodwill adjustment of \$37 million) and deferred revenue of \$120 million. The revenue related to the license agreements (\$76 million) and the supply agreement (\$44 million), will be amortized over approximately seven years. The operating gain was recorded in "Other gains, net" included in our Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2014.

Provision for Income Taxes

The following tables present details of the provision for income taxes and our effective tax rates:

	Three Months Ended		
	March 31, 2014	December 31, 2013	March 31, 2013
	(In millions, except percentages)		
Provision for income taxes	\$ 3	\$ 13	\$ 2
Effective tax rates	1.8%	7.2%	1.0%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate, and domestic tax losses recorded without tax benefits. In determining our annualized effective tax rates, the tax effects of a \$48 million gain on sale of assets for the three months ended March 31, 2014, and the impairments of purchased intangible assets of \$25 million and \$10 million for the three months ended March 31, 2014 and 2013, respectively, were treated as discrete items. As a result, we recorded discrete tax benefits for the impairments of purchased intangible assets of \$5 million and \$2 million for the three months ended March 31, 2014 and 2013, respectively. We also recorded discrete tax benefits of \$4 million and \$2 million for the three months ended March 31, 2014 and 2013, respectively, resulting primarily from the expiration of statutes of limitations for the assessment of taxes in various foreign jurisdictions.

As a result of our cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$18 million and \$24 million at March 31, 2014 and December 31, 2013, respectively.

Our income tax returns for the 2007, 2008 and 2009 tax years are currently under examination by the Internal Revenue Service. We do not believe the audit will have a material impact on our financial position, operating results, or cash flows. However, our deferred tax assets could be reduced, with a corresponding reduction in the valuation allowance related to such deferred tax assets.

Liquidity and Capital Resources**Working Capital and Cash and Marketable Securities.**

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

	March 31, 2014	December 31, 2013	\$ Change
	(In millions)		
Working capital	\$ 2,761	\$ 2,419	\$ 342
Cash and cash equivalents	\$ 2,254	\$ 1,657	597
Short-term marketable securities	679	775	(96)
Long-term marketable securities	2,008	1,939	69
Total cash and cash equivalents and marketable securities	\$ 4,941	\$ 4,371	\$ 570

See discussion of market risk that follows in Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

Cash Provided and Used in the Three Months Ended March 31, 2014 and 2013

	Three Months Ended	
	March 31,	
	2014	2013
	(In millions)	
Net cash provided by operating activities	\$ 606	\$ 388
Net cash provided by (used in) investing activities	38	(121)
Net cash used in financing activities	(47)	(142)
Increase in cash and cash equivalents	597	125
Cash and cash equivalents at beginning of period	1,657	1,617
Cash and cash equivalents at end of period	\$ 2,254	\$ 1,742

Operating Activities

In the three months ended March 31, 2014 our operating activities provided \$606 million in cash. This was primarily the result of net income of \$165 million, net non-cash operating expenses of \$207 million, and changes in operating assets and liabilities of \$234 million. The changes in operating assets and liabilities were primarily driven by a decrease in accounts receivables and an increase in accrued rebates, as well as an increase in deferred revenue recorded in connection with the QLogic Transaction. In the three months ended March 31, 2013 our operating activities provided \$388 million in cash. This was primarily the result of net income of \$191 million and net non-cash operating expenses of \$247 million, offset in part by changes in operating assets and liabilities of \$50 million.

Our days sales outstanding decreased from 35 days at December 31, 2013 to 34 days at March 31, 2014. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Additionally, accounts receivable could increase due to fluctuations in concentrations of revenue with customers under rebate programs, which may result in higher levels of accounts receivables and accrued rebates on our balance sheet. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may have difficulty gaining access to sufficient credit on a timely basis.

Our inventory days on hand increased from 47 days at December 31, 2013 to 48 days at March 31, 2014. In the future, our inventory levels will continue to be determined by the level of purchase orders we receive and the stage at which our products are in their respective product life cycles, our ability, and the ability of our customers, to manage inventory under hubbing arrangements, and competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

Investing Activities

Investing activities provided \$38 million in cash in the three months ended March 31, 2014, which was primarily the result of \$90 million from the QLogic Transaction and \$26 million in net proceeds of marketable securities, offset in part by \$78 million of capital equipment purchases to support our research and development efforts. Investing activities used \$121 million in cash in the three months ended March 31, 2013, which was primarily the result of \$41 million of capital equipment purchases to support our research and development efforts and \$80 million in net purchases of marketable securities.

Financing Activities

Our financing activities used \$47 million in cash in the three months ended March 31, 2014, which was primarily the result of dividend payments of \$70 million and \$31 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, or RSUs, offset in part by \$54 million in proceeds received from issuances of common stock upon the exercise of stock options. Our financing activities used \$142 million in cash in the three months ended March 31, 2013, which was primarily the result of \$107 million in repurchases of our Class A common stock, dividend payments of \$63 million, and \$40 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to RSUs, offset in part by \$68 million in proceeds received from issuances of common stock upon the exercise of stock options.

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

Short and Long-Term Financing Arrangements

At March 31, 2014, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

Registration Statements

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

Credit Facility

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million. This credit facility, which was amended in October 2011, has a maturity date of November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. We have not drawn on the credit facility since its inception.

The credit facility contains customary representations, warranties and covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00. We were in compliance with all credit facility debt covenants as of March 31, 2014.

Senior Notes

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

	March 31, 2014
	(In millions)
2.375% fixed-rate notes, due 2015	\$ 400
2.700% fixed-rate notes, due 2018	500
2.500% fixed-rate notes, due 2022	500
	<u>\$ 1,400</u>
Unaccreted discount	(5)
	<u>\$ 1,395</u>

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

Other Notes and Borrowings

We had no other significant notes or borrowings as of March 31, 2014.

Commitments and Other Contractual Obligations

There have been no material changes in the three months ended March 31, 2014 to the amounts presented in the table under the "Commitments and Other Contractual Obligations" section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" of our 2013 Annual Report.

Prospective Capital Needs

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

We earn a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. For at least the next 12 months, we have sufficient cash in the U.S. and expect domestic cash flow to sustain our operating activities and cash commitments for investing and financing activities, such as acquisitions, quarterly dividends, share buy-backs and repayment of debt. In addition, we expect existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months. If we were to repatriate our foreign earnings, which are indefinitely reinvested, it would not result in a significant tax liability because the amounts would be offset by our remaining net operating loss and tax credit carryforwards. As of March 31, 2014 we have approximately \$2.73 billion of cash, cash equivalents, and marketable securities held by our foreign subsidiaries.

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

Off-Balance Sheet Arrangements

At March 31, 2014 we had no material off-balance sheet arrangements, other than our facility operating leases.

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

Interest Rate Risk

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

To assess the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of March 31, 2014, a 100 basis point increase in interest rates across

all maturities would result in a \$29 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

Actual future gains and losses associated with our investments may differ from the sensitivity analysis performed as of March 31, 2014 due to the inherent limitations associated with predicting the changes in the timing and level of interest rates and our actual exposures and positions.

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

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

Exchange Rate Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2014, the end of the period covered by this Report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2014 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 8 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” immediately below.

Item 1A. *Risk Factors*

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other information contained in this Report and in our other filings with the SEC, including our 2013 Annual Report and subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Broadcom, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our Class A common stock will likely decline, and you may lose all or part of your investment.

Our quarterly operating results may fluctuate significantly.

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

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

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

We derive a substantial portion of our revenue from sales to a relatively small number of customers. Sales to our five largest customers represented 45.5%, and 51.7% of our total net revenue in the three months ended March 31, 2014 and 2013, respectively. Sales to two significant customers represented 30.2% and 36.8% of our total net revenue in the three months ended March 31, 2014 and 2013, respectively. We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. The loss of any significant customer could materially and adversely affect our financial condition and results of operations. Also, as our significant customers become larger relative to our business and the industry, they may be able to leverage pricing pressure through the supply chain, vertical integration or other avenues, thereby adversely affecting our gross margins.

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

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

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

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

We face intense competition.

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

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

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

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

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

We expect that a high percentage of our future sales will come from sales of new products. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. The markets for some of these products are new to us and may be immature and/or unpredictable. These markets may not develop into profitable opportunities and we have in the past invested substantial resources in emerging technologies that did not achieve the market acceptance that we had expected. In particular, we have made a significant investment in LTE technology, including the acquisition of the LTE related assets of Renesas Electronics Corporation. Failure to ramp LTE products could materially adversely affect our results of operations and our long term view of the viability of our mobile and wireless reportable segment. As a result, it is difficult to anticipate our future revenue streams from, or the sustainability of, our new products.

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

dedicate more resources to other products. The discontinuation of an existing or planned product may adversely affect our relationship with one or more of our customers and/or could cause us to incur an impairment charge.

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

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

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

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

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

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

During other periods, our growth has placed a significant strain on our management personnel, systems and resources. To respond to such periods of increased demand, we are required to expand, train, manage and motivate our workforce, and to upgrade or enhance our existing IT systems. For example, over the next twelve to eighteen months, we plan to upgrade our enterprise resource planning system. We may not be successful in implementing new systems, which could involve business disruptions, including impeding the shipment of our products. If we are unable to effectively manage expanding operations during growth periods, we may be unable to adjust our business quickly enough to meet competitive challenges or exploit potential market opportunities.

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

We are exposed to risks associated with our international operations.

We currently obtain substantially all of our manufacturing, assembly and testing services from suppliers located outside the United States. Products shipped to international destinations, primarily in Asia, represented 95.7% and 96.5% of our product revenue in the three months ended March 31, 2014 and 2013, respectively. Substantially all of our products are shipped through our logistical facilities in Singapore. An increasing portion of our product sales is made through international distributors, which increases our exposure to the risks described below. In addition, we undertake various sales and marketing activities through regional offices in a number of countries. We intend to continue expanding our international business activities and to open other design and operational centers abroad.

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

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

- changes in taxation and tariffs; and
- difficulties in staffing and managing international operations.

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

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

Our business is subject to potential tax liabilities.

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

Our stock price is highly volatile.

The market price of our Class A common stock has fluctuated substantially in the past and is likely to continue to be highly volatile and subject to wide fluctuations. From January 1, 2010 through March 31, 2014 our Class A common stock has traded at prices as low as \$23.25 and as high as \$47.39 per share. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control.

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

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

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

We operate primarily in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, the semiconductor industry has experienced significant downturns characterized by decreases in product demand, excess customer inventories and accelerated erosion of prices. The semiconductor industry also periodically experiences increased demand and production capacity constraints, which may affect our ability to ship products. An increasing number of our products are being incorporated into consumer electronic products, which are subject to significant seasonality and fluctuations in demand. Economic volatility can cause extreme difficulties for our customers and vendors in accurately

forecasting and planning future business activities. This unpredictability could cause our customers to reduce spending on our products and services, which would delay and lengthen sales cycles. Furthermore, during challenging economic times our customers and vendors may face challenges in gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. As a result, we may experience growth patterns that are different than the demand for our customers' products, particularly during periods of high volatility.

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

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

Companies in the semiconductor industry and the wired and wireless communications markets aggressively protect and pursue their intellectual property rights. From time to time, we receive notices from competitors and other operating companies, as well as notices from "non-practicing entities," or NPEs, that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. We may also be required to indemnify some customers and strategic partners under our agreements if a third party alleges or if a court finds that our products or activities have infringed upon, misappropriated or misused another party's proprietary rights. We have received requests from certain customers and strategic partners to include increasingly broad indemnification provisions in our agreements with them. Additionally, our products may contain technology provided to us by other parties such as contractors, suppliers or customers. We may have little or no ability to determine in advance whether such technology infringes the intellectual property rights of a third party. Our contractors, suppliers and licensors may not be required to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages.

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

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

We face risks associated with our acquisition strategy.

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

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

- lower gross margins, revenue and operating income than originally anticipated at the time of acquisition and other financial challenges;

- delays in the timing and successful integration of an acquired company's technologies, and/or launch of products;
- the loss of key personnel;
- challenges in obtaining necessary transition services; and
- becoming subject to intellectual property or other litigation.

Acquisitions can result in increased debt or contingent liabilities. While we believe we will have the ability to service any additional debt we may potentially issue in connection with acquisitions, our ability to make principal and interest payments when due depends upon our future performance, which will be subject to general economic conditions, industry cycles, and business and other factors affecting our operations, including the other risk factors described in this section, many of which are beyond our control. Acquisitions can also result in adverse tax consequences, warranty or product liability exposure related to acquired assets, additional stock-based compensation expense, write up of acquired inventory to fair value, and the recording and later amortization of amounts related to certain purchased intangible assets, all of which can adversely affect our reported results on a GAAP basis. Furthermore, we have in the past and may in the future record goodwill and other purchased intangible assets in connection with an acquisition and incur impairment charges.

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

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

We are subject to order and shipment uncertainties.

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

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

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

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

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

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

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

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

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

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

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

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

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

Government regulation may adversely affect our business.

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

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

products that we sell internationally. These tariffs, duties or restrictions could materially and adversely affect our business, financial condition and results of operations.

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the SEC adopted new disclosure requirements in 2012 relating to the sourcing of certain minerals from the Democratic Republic of Congo and adjoining countries. Those rules, which could require reporting in mid 2014, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

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

As of March 31, 2014 our co-founders, directors, executive officers and their respective affiliates beneficially owned 9.6% of our outstanding common stock and held 48.4% of the total voting power held by our shareholders. As a result, the voting power of these shareholders may strongly influence the outcome of matters that require the approval of our shareholders, including the election of our Board of Directors and certain significant corporate transactions. In particular, as of March 31, 2014 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samueli, beneficially owned a total of 8.5% of our outstanding common stock and held 48.0% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we may not be able to engage in certain transactions, and our shareholders may not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. In addition, repurchases of shares of our Class A common stock under our share repurchase program would result in an increase in the total voting power of our co-founders, directors, executive officers and their affiliates, as well as other continuing shareholders.

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

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

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

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

Future dividends may be affected by, among other factors:

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

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

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

In the three months ended March 31, 2014 we issued less than 100 shares of Class A common stock upon conversion of a like number of shares of Class B common stock in connection with their disposition. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. The offers and sales of those

securities were effected without registration in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

In February 2010, we announced that our Board of Directors had authorized an evergreen share repurchase program intended to offset dilution associated with our stock incentive plans. The maximum number of shares of our Class A common stock that may be repurchased in any one year under this program (including under an accelerated share repurchase or similar arrangement) is equal to the total number of shares issued pursuant to our equity awards in the previous year and the current year. This program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors. The program may be complemented by one or more additional share repurchase programs in the future. We did not repurchase any shares under this program in the three months ended March 31, 2014.

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

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not Applicable

Item 5. *Other Information*

None.

Item 6. Exhibits

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

Exhibit Number	Description
10.1*	2012 Stock Incentive Plan, as amended and rested February 13, 2014
10.2*	Restricted Stock Units Incentive Award Program, as amended and restated February 20, 2014
10.3*	Restricted Stock Units Incentive Award Program, Form of Award Letter
31.1	Certifications of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certifications of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and furnished herewith pursuant to SEC Release No. 33-8238
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* A contract, compensatory plan or arrangement in which directors or executive officers are eligible to participate.

SIGNATURES

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

BROADCOM CORPORATION,
a California corporation
(Registrant)

/s/ ERIC K. BRANDT

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

/s/ ROBERT L. TIRVA

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

April 24, 2014

BROADCOM CORPORATION
2012 STOCK INCENTIVE PLAN
(amended and restated February 13, 2014)

ARTICLE ONE

GENERAL PROVISIONS

I. PURPOSE OF THE PLAN

This 2012 Stock Incentive Plan, adopted by the Broadcom Corporation Board of Directors on February 16, 2012 was approved by the Corporation's shareholders at the annual meeting of shareholders on May 15, 2012. The Plan was amended and restated by the Board on February 13, 2014. The Plan is intended to promote the interests of Broadcom Corporation, a California corporation, by providing eligible persons in the Corporation's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such service.

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

II. STRUCTURE OF THE PLAN

A. The Plan is divided into three equity incentive programs:

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

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

III. ADMINISTRATION OF THE PLAN

A. The Discretionary Grant and Stock Issuance Programs shall be administered by the Plan Administrator, provided, that, any discretionary Awards to members of the Compensation Committee must be authorized and approved by a disinterested majority of the Board.

B. Members of the Compensation Committee shall serve for such period as the Board may determine and may be removed by the Board at any time.

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

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

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

IV. ELIGIBILITY

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

- (i) Employees,
- (ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and
- (iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

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

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

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

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. Subject to the automatic share increase provisions of Section V.B. of this Article One and any additional shares authorized by the vote of the Board and approved by the shareholders, as of the Effective Date, the number of shares of Common Stock reserved for issuance over the term of the Plan shall not exceed 100,000,000 shares.

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

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

D. Shares of Common Stock subject to outstanding Awards under the Plan shall be available for subsequent issuance under the Plan to the extent (i) those Awards expire or terminate for any reason prior to the issuance of the shares of Common Stock subject to those Awards or (ii) the Awards are cancelled in accordance with the cancellation-regrant provisions of Article Two. Unvested shares issued under the Plan and subsequently cancelled or repurchased by the Corporation at the original exercise or issue price paid per share pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for subsequent reissuance under the Plan. In addition, should the exercise price of an option under the Plan be paid with shares of Common Stock, the authorized reserve of Common Stock under the Plan shall be reduced only by the net number of shares issued under the exercised stock option. Should shares of Common Stock otherwise issuable under the Plan be withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the issuance, exercise or vesting of an Award under the Plan, the number of shares of Common Stock available for issuance under the Plan shall be reduced only by the net number of shares issued with respect to that Award.

E. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, appropriate adjustments shall be made by the Plan

Administrator to (i) the maximum number and/or class of securities issuable under the Plan, (ii) the maximum number and/or class of securities for which any one person may be granted Awards under the Plan per calendar year, (iii) the number and/or class of securities for which restricted stock unit awards are subsequently to be made under the Director Automatic Grant Program to new and continuing Eligible Directors, (iv) the number and/or class of securities and the exercise or base price per share (or any other cash consideration payable per share) in effect under each outstanding Award under the Discretionary Grant Program and the Director Automatic Grant Program, (v) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share thereunder and (vi) the maximum number and/or class of securities by which the share reserve may increase automatically each calendar year pursuant to the provisions of Section V.B of this Article One. To the extent such adjustments are to be made to outstanding Awards, those adjustments shall be effected in a manner that shall preclude the enlargement or dilution of rights and benefits under those Awards. The adjustments determined by the Plan Administrator shall be final, binding and conclusive.

ARTICLE TWO

DISCRETIONARY GRANT PROGRAM

I. OPTION TERMS

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

A. Exercise Price.

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

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

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

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

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide irrevocable instructions to (a) a brokerage firm (designated by the Corporation)¹ to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm to complete the sale, or

(iv) if Optionee ceases Service for any reason other than death, Permanent Disability or Misconduct, and the entire exercise period applicable to the option remaining after such cessation of Service falls within a market blackout period which the Corporation may impose from time to time, the Plan Administrator may, in its discretion, permit the Corporation (either at the time the option is granted or at any time thereafter) to (a) automatically exercise such portion of the option which has not been exercised previously on the last business day of the exercise period and (b) automatically withhold on such day a number of shares of Common Stock subject to the option having a Fair Market Value (measured as of the exercise date) equal to (i) the aggregate exercise price of the shares of Common Stock with respect to which the option is being exercised and (ii) the amount necessary to satisfy any applicable withholding taxes; *provided*, that such automatic exercise shall only occur if the Fair Market Value per share on the last business day of the exercise period of the option is equal

¹ With respect to officer or director of the Corporation subject to the short-swing profit liability provisions of Section 16 of the 1934 Act, the brokerage firm need only be reasonably satisfactory to the Corporation for purposes of administering such procedure.

to or greater than 101% of the exercise price per share **of the option** and, *provided, further*, that the Plan Administrator shall have the discretionary authority to revoke or amend this Section I.A.2.iv. of this Article Two (and any related provisions in an applicable option agreement) at any time without the consent of Optionee.

Except to the extent the procedure set forth in either Section I.A.2.iii. or Section I.A.2.iv. of this Article Two is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. Exercise and Term of Options. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date. An option shall not be exercisable for any fractional shares.

C. Effect of Termination of Service.

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

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option or as otherwise specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Optionee, but no such option shall be exercisable after the expiration of the option term.

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

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

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

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

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

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

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

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

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

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

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

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

II. INCENTIVE OPTIONS

The terms specified below, together with any additions, deletions or changes thereto imposed from time to time pursuant to the provisions of the Code governing Incentive Options, shall be applicable to all Incentive Options. Except as modified by the provisions of this Section II, all the provisions of

Articles One, Two and Five shall be applicable to Incentive Options. Options that are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Section II.

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

B. **Exercise Price.** The exercise price per share shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the option grant date.

C. **Dollar Limitation.** The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars (\$100,000). To the extent the Employee holds two (2) or more such options that become exercisable for the first time in the same calendar year, then for purposes of the foregoing limitation on the exercisability of those options as Incentive Options, such options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

D. **10% Shareholder.** If any Employee to whom an Incentive Option is granted is a 10% Shareholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

III. STOCK APPRECIATION RIGHTS

A. **Authority.** The Plan Administrator shall have full power and authority, exercisable in its sole discretion, to grant stock appreciation rights in accordance with this Section III to selected Optionees or other individuals eligible to receive option grants under the Discretionary Grant Program.

B. **Types.** Two types of stock appreciation rights shall be authorized for issuance under this Section III: (i) tandem stock appreciation rights ("Tandem Rights"), and (ii) standalone stock appreciation rights ("Standalone Rights").

C. **Tandem Rights.** The following terms and conditions shall govern the grant and exercise of Tandem Rights.

1. One or more Optionees may be granted a Tandem Right, exercisable upon such terms and conditions as the Plan Administrator may establish, to elect between the exercise of the underlying stock option for shares of Common Stock or the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (i) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (ii) the aggregate exercise price payable for such vested shares.

2. No such option surrender shall be effective unless it is approved by the Plan Administrator, either at the time of the actual option surrender or at any earlier time. If the surrender is so approved, then the distribution to which the Optionee shall accordingly become entitled under this Section III may be made in shares of Common Stock valued at Fair Market Value on the option surrender date, in cash, or

partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

3. If the surrender of an option is not approved by the Plan Administrator, then the Optionee shall retain whatever rights the Optionee had under the surrendered option (or surrendered portion thereof) on the option surrender date and may exercise such rights at any time prior to the *later* of (i) five (5) business days after the receipt of the rejection notice or (ii) the last day on which the option is otherwise exercisable in accordance with the terms of the instrument evidencing such option, but in no event may such rights be exercised more than ten (10) years after the date of the option grant.

D. **Standalone Rights.** The following terms and conditions shall govern the grant and exercise of Standalone Rights under this Article Two:

1. One or more individuals eligible to participate in the Discretionary Grant Program may be granted a Standalone Right not tied to any underlying option under this Discretionary Grant Program. The Standalone Right shall relate to a specified number of shares of Common Stock and shall be exercisable upon such terms and conditions as the Plan Administrator may establish. In no event, however, may the Standalone Right have a maximum term in excess of ten (10) years measured from the grant date. Upon exercise of the Standalone Right, the holder shall be entitled to receive a distribution from the Corporation in an amount equal to the excess of (i) the aggregate Fair Market Value (on the exercise date) of the shares of Common Stock underlying the exercised right over (ii) the aggregate base price in effect for those shares.

2. The number of shares of Common Stock underlying each Standalone Right and the base price in effect for those shares shall be determined by the Plan Administrator in its sole discretion at the time the Standalone Right is granted. In no event, however, may the base price per share be less than the Fair Market Value per underlying share of Common Stock on the grant date.

3. Standalone Rights shall be subject to the same transferability restrictions applicable to Non-Statutory Options and may not be transferred during the holder's lifetime, except by gift or pursuant to a domestic relations order covering the Standalone Right as marital property to one or more Family Members of the holder or to a trust established exclusively for the holder and/or such Family Members. In addition, one or more beneficiaries may be designated for an outstanding Standalone Right in accordance with substantially the same terms and provisions as set forth in Section I.F of this Article Two.

4. The distribution with respect to an exercised Standalone Right may be made in shares of Common Stock valued at Fair Market Value on the exercise date, in cash, or partly in shares and partly in cash, as the Plan Administrator shall in its sole discretion deem appropriate.

5. The holder of a Standalone Right shall have no shareholder rights with respect to the shares subject to the Standalone Right unless and until such person shall have exercised the Standalone Right and become a holder of record of shares of Common Stock issued upon the exercise of such Standalone Right.

E. **Post-Service Exercise.** The provisions governing the exercise of Tandem and Standalone Appreciation Rights following the cessation of the recipient's Service or the recipient's death shall be substantially the same as those set forth in Section I.C of this Article Two for the options granted under the Discretionary Grant Program.

F. **Net Counting.** Upon the exercise of any Tandem or Standalone Right under this Section III, the share reserve under Section V of Article One shall be reduced only by the net number of shares actually issued by the Corporation upon such exercise, and not by the gross number of shares as to which such Tandem or Standalone Right is exercised.

IV. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. No Award outstanding under the Discretionary Grant Program at the time of a Change in Control shall vest and become exercisable on an accelerated basis if and to the extent that: (i) such Award is, in connection with the Change in Control, assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction, (ii) such Award is replaced with a cash retention program of the successor corporation that preserves the spread existing at the time of the Change in Control on the shares of Common Stock as to which the Award is not otherwise at that time vested and exercisable and provides for the subsequent vesting and payout of that spread in accordance with the same exercise/vesting schedule applicable to those shares, or (iii) the acceleration of such Award is subject to other limitations imposed by the Plan Administrator. However, if none of the foregoing conditions are satisfied, each Award outstanding under the Discretionary Grant Program at the time of the Change in Control but not otherwise vested and exercisable as to all the shares at the time subject to that Award shall automatically accelerate so that each such Award shall, immediately prior to the effective date of the Change in Control, vest and become exercisable as to all the shares of Common Stock at the time subject to that Award and may be exercised as to any or all of those shares as fully vested shares of Common Stock.

B. All outstanding repurchase rights under the Discretionary Grant Program shall also terminate automatically, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent: (i) those repurchase rights are assigned to the successor corporation (or parent thereof) or otherwise continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator.

C. Immediately following the consummation of the Change in Control, all outstanding Awards under the Discretionary Grant Program shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Change in Control transaction.

D. Each option that is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities that would have been issuable to the Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control. In the event outstanding Standalone Rights are to be assumed in connection with a Change in Control transaction or otherwise continued in effect, the shares of Common Stock underlying each such Standalone Right shall be adjusted immediately after such Change in Control to apply to the number and class of securities into which those shares of Common Stock would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time. Appropriate adjustments to reflect such Change in Control shall also be made to (i) the exercise price payable per share under each outstanding option, *provided* the aggregate exercise price payable for such securities shall remain the same, (ii) the base price per share in effect under each outstanding Standalone Right, *provided* the aggregate base price shall remain the same, (iii) the maximum number and/or class of securities available for issuance over the

remaining term of the Plan, (iv) the maximum number and/or class of securities for which any one person may be granted Awards under the Plan per calendar year, (v) the maximum number and/or class of securities by which the share reserve is to increase automatically each calendar year pursuant to the automatic share increase provisions of the Plan, (vi) the number and/or class of securities for which restricted stock unit awards are subsequently to be made under the Director Automatic Grant Program to new and continuing Eligible Directors and (vii) the number and/or class of securities subject to each outstanding Award under the Stock Issuance Program and the cash consideration (if any) payable per share thereunder. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards under the Discretionary Grant Program, substitute, for the securities underlying those assumed Awards, one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall, immediately prior to the effective date of a Change in Control or a Hostile Take-Over, vest and become exercisable as to all the shares at the time subject to those Awards and may be exercised as to any or all of those shares as fully vested shares of Common Stock, whether or not those Awards are to be assumed or otherwise continued in full force and effect pursuant to the express terms of such transaction. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall immediately terminate at the time of such Change in Control or consummation of such Hostile Take-Over and shall not be assignable to successor corporation (or parent thereof), and the shares subject to those terminated rights shall accordingly vest in full at the time of such Change in Control or consummation of such Hostile Take-Over.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding Awards under the Discretionary Grant Program so that those Awards shall immediately vest and become exercisable as to all of the shares at the time subject to those Awards in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of any Change in Control or a Hostile Take-Over in which those Awards do not otherwise vest on an accelerated basis. Any Awards so accelerated shall remain exercisable as to fully vested shares until the expiration or sooner termination of their term. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of his or her Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar (\$100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-Statutory Option under the Federal tax laws.

H. Awards outstanding under the Discretionary Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

ARTICLE THREE

STOCK ISSUANCE PROGRAM

I. STOCK ISSUANCE TERMS

A. **Issuances.** Shares of Common Stock may be issued under the Stock Issuance Program through direct and immediate issuances without any intervening option grants. Each such stock issuance shall be evidenced by a Stock Issuance Agreement that complies with the terms specified below. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards or restricted stock units, awarded by and at the discretion of the Plan Administrator, that entitle the recipients to receive the shares underlying those awards or units upon the attainment of designated performance goals and/or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those awards or units.

B. **Issue Price.**

1. The price per share at which shares of Common Stock may be issued under the Stock Issuance Program shall be fixed by the Plan Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the issuance date.

2. Shares of Common Stock may be issued under the Stock Issuance Program for any of the following items of consideration that the Plan Administrator may deem appropriate in each individual instance:

- (i) cash or check made payable to the Corporation;
- (ii) past services rendered to the Corporation (or any Parent or Subsidiary); or
- (iii) any other valid form of consideration permissible under the California Corporations Code at the time such shares are issued.

C. **Vesting Provisions.**

1. Shares of Common Stock issued under the Stock Issuance Program may, in the discretion of the Plan Administrator, be fully and immediately vested upon issuance or may vest in one or more installments over the Participant's period of Service and/or upon attainment of specified performance objectives. The elements of the vesting schedule applicable to any unvested shares of Common Stock issued under the Stock Issuance Program shall be determined by the Plan Administrator and incorporated into the Stock Issuance Agreement. Shares of Common Stock may also be issued under the Stock Issuance Program pursuant to share right awards or restricted stock units that entitle the recipients to receive the shares underlying those awards and/or units upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those awards or units, including (without limitation) a deferred distribution date following the termination of the Participant's Service.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall vest (or vest and become issuable) upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (i) return on

total shareholder equity; (ii) net income per share of Common Stock; (iii) net income or operating income; (iv) earnings before interest, taxes, depreciation, amortization and stock-based compensation costs, or operating income before depreciation and amortization; (v) gross profit, sales or revenue targets; (vi) return on assets, capital or investment; (vii) cash flow; (viii) market share; (ix) cost reduction goals; (x) budget comparisons; (xi) implementation or completion of projects or processes strategic or critical to the Corporation's business operations; (xii) measures of customer satisfaction; (xiii) any combination of, or a specified increase in, any of the foregoing; and (xiv) the formation of joint ventures, research and development collaborations, marketing or customer service collaborations, or the completion of other corporate transactions intended to enhance the Corporation's revenue or profitability or expand its customer base; *provided, however*, that for purposes of items (ii), (iii), (iv) and (vii) above, the Plan Administrator may, at the time the Awards are made, specify certain adjustments to such items as reported in accordance with generally accepted accounting principles in the U.S. ("GAAP"), which will exclude from the calculation of those performance goals one or more of the following: certain charges related to acquisitions, stock-based compensation, employer payroll tax expense on certain stock option exercises, settlement costs, restructuring costs, gains or losses on strategic investments, non-operating gains or losses, certain other non-cash charges, valuation allowance on deferred tax assets, and the related income tax effects, purchases of property and equipment, and any extraordinary non-recurring items as described in FASB ASC Topic 225, provided that such adjustments are in conformity with those reported by the Corporation on a non-GAAP basis. In addition, such performance goals may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Corporation's business groups or divisions thereof or any Parent or Subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned, and a maximum level of performance at which an award will be fully earned. The Plan Administrator may provide that, if the actual level of attainment for any performance objective is between two specified levels, the amount of the award attributable to that performance objective shall be interpolated on a straight-line basis.

3. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) that the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration or a substantial reduction in the value of outstanding shares of Common Stock as a result of a spin-off transaction or an extraordinary dividend or distribution, shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate.

4. The Participant shall have full shareholder rights with respect to any shares of Common Stock issued to the Participant under the Stock Issuance Program, whether or not the Participant's interest in those shares is vested. Accordingly, the Participant shall have the right to vote such shares and to receive any regular cash dividends paid on such shares. The Participant shall not have any shareholder rights with respect to the shares of Common Stock subject to a restricted stock unit or share right award until that award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding restricted stock unit or share right awards, subject to such terms and conditions as the Plan Administrator may deem appropriate.

5. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Stock Issuance Program or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further shareholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash, cash equivalent or otherwise, the Corporation shall repay to the Participant the same amount and form of consideration as the Participant paid for the surrendered shares.

6. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock that would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those shares. Any such waiver shall result in the immediate vesting of the Participant's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the Participant's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to shares that were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's Involuntary Termination or as otherwise provided in Section II.E of this Article Three.

7. Outstanding share right awards or restricted stock units under the Stock Issuance Program shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those awards or units, if the performance goals or Service requirements established for such awards or units are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue vested shares of Common Stock under one or more outstanding share right awards or restricted stock units as to which the designated performance goals or Service requirements have not been attained or satisfied. However, no vesting requirements tied to the attainment of performance goals may be waived with respect to awards or units which were at the time of grant intended to qualify as performance-based compensation under Code Section 162(m), except in the event of the Participant's Involuntary Termination solely to the extent determined by the Plan Administrator with respect to a particular grant or as otherwise provided in Section II.E of this Article Three.

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. All of the Corporation's outstanding repurchase rights under the Stock Issuance Program shall terminate automatically, and all the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of any Change in Control, except to the extent (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the express terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

B. Each outstanding Award under the Stock Issuance Program that is assumed in connection with a Change in Control or otherwise continued in effect shall be adjusted immediately after the consummation of that Change in Control to apply to the number and class of securities into which the shares of Common Stock subject to the Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the cash consideration (if any) payable per share thereunder, *provided* the aggregate amount of such consideration shall remain the same. If any such Award is not so assumed or otherwise continued in effect or replaced with a cash retention program that preserves the Fair Market Value of the shares underlying the Award at the time of the Change in Control and provides for the subsequent vesting and payout of that value in accordance with the vesting schedule in effect for the Award at the time of such Change in Control, such Award shall vest, and the shares of Common Stock subject to that Award shall be issued as fully-vested shares, immediately prior to the consummation of the Change in Control.

C. The Plan Administrator shall have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest (or vest and become issuable) in whole or in part immediately upon the occurrence of a Change in Control or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of that Change in Control transaction.

D. The Plan Administrator shall also have the discretionary authority to structure one or more unvested Awards under the Stock Issuance Program so that the shares of Common Stock subject to those Awards shall automatically vest (or vest and become issuable) in whole or in part immediately upon the occurrence of a Hostile Take-Over or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period (not to exceed eighteen (18) months) following the effective date of that Hostile Take-Over.

E. The Plan Administrator's authority under Paragraphs C and D of this Section II shall also extend to any Award intended to qualify as performance-based compensation under Code Section 162(m), even though the automatic vesting of those Awards pursuant to Paragraph C or D of this Section II may result in their loss of performance-based status under Code Section 162(m).

ARTICLE FOUR

DIRECTOR AUTOMATIC GRANT PROGRAM

I. TERMS

A. **Grant Dates.** Grants under this Article Four shall be made on the dates specified below:

1. On the date of each annual meeting of shareholders, beginning with the 2013 Annual Meeting of Shareholders, each individual who is to continue to serve as an Eligible Director, whether or not that individual is standing for re-election to the Board at that particular annual meeting of shareholders, shall automatically be granted restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by dividing the dollar sum of Three Hundred Thousand Dollars (\$300,000) by the Fair Market Value per share of Common Stock on such date. There shall be no limit on the number of such annual restricted stock unit awards any one Eligible Director may receive over his or her period of Board service.

2. Each individual who commences service as an Eligible Director by reason of his or her election to the Board at an annual meeting of shareholders, beginning with the 2013 Annual Meeting of Shareholders, shall automatically be granted restricted stock units covering that number of shares of Common Stock (rounded up to the next whole share) determined by dividing the dollar sum of Three Hundred Thousand Dollars (\$300,000) by the Fair Market Value per share of Common Stock on the date of such annual meeting.

3. Each individual who is first elected or appointed as an Eligible Director at any time after the Registration Date and other than as a result of his or her initial election to the Board at an annual meeting of shareholders beginning with the 2013 Annual Meeting of Shareholders, shall, on the date he or she commences Service as an Eligible Director, automatically be granted the following Award, provided such individual has not previously been in the employ of the Corporation (or any Parent or Subsidiary):

- a restricted stock unit award covering that number of shares of Common Stock determined (i) first by multiplying the dollar sum of Three Hundred Thousand Dollars (\$300,000) by a fraction the numerator of which is the number of months (including any partial month, expressed as a fraction) that will elapse between the date he or she commences Service as an Eligible Director and the first May 5th next succeeding such Service commencement date and the denominator of which is 12 months and (ii) then, by dividing the pro-rated dollar amount so calculated by the Fair Market Value per share on such commencement date.

B. Vesting of Restricted Stock Units and Issuance of Shares. Each restricted stock unit award shall vest in a series of one or more successive equal quarterly installments over the period measured from the date of such award and ending no later than the next succeeding 5th day of May. The quarterly vesting dates shall be the 5th day of February, May, August and November each year, with the first such quarterly vesting date to be at least thirty (30) days after the date of the award and the final vesting date to be the *earlier* of (i) the last quarterly vesting date determined for such award in accordance with the foregoing specified dates or (ii) the day immediately preceding the date of the first annual meeting of shareholders following the date of such award. The Board member shall not vest in any additional restricted stock units following his or her cessation of service as a Board member; *provided, however*, that each restricted stock unit award held by an Eligible Director under the Director Automatic Grant Program will immediately vest in full upon his or her cessation of Board service by reason of death or Permanent Disability. As the restricted stock units under the Director Automatic Grant Program vest in one or more installments, the shares of Common Stock underlying those vested units shall be promptly issued; *provided, however*, that the Compensation Committee may allow one or more Eligible Directors to defer, in accordance with the applicable deferral election requirements in effect under Code Section 409A and the Treasury Regulations issued thereunder, the issuance of the shares beyond the applicable vesting date to a designated date or until cessation of Board service or an earlier change in control event (as determined in accordance with such Treasury Regulations).

II. CHANGE IN CONTROL/HOSTILE TAKE-OVER

A. In the event of any Change in Control or Hostile Take-Over while the Eligible Director remains a Board member, the following provisions shall apply:

- The shares of Common Stock that are at the time of such Change in Control or Hostile Take-Over subject to any outstanding restricted stock units awards made to such Director under the Director Automatic Grant Program shall, immediately prior to the effective date of the Change in Control or Hostile Take-Over, vest in full and be issued to such individual as soon as administratively practicable thereafter, but in no event later than fifteen (15) business days after the effective date of such transaction; *provided, however*, that should there be a deferral election in effect at that time for any Eligible Director, then the issuance of the vested shares (or any other securities or consideration in which those vested shares of Common Stock may have been converted in the Change in Control or Hostile Take-Over transaction) shall be issued or distributed solely in accordance with the permissible Code Section 409A payment date or event specified in that deferral election, including that, notwithstanding anything to the contrary in the Plan, to the extent required to avoid the imposition of any excise tax under Code Section 409A, no Change in Control or Hostile Take-Over shall be deemed to occur unless such event constitutes a change in control event (as determined in accordance with Code Section 409A and the Treasury Regulations issued thereunder).

B. The existence of outstanding Awards under the Director Automatic Grant Program shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

III. REMAINING TERMS

The remaining terms of each restricted stock unit award under the Director Automatic Grant Program shall be as set forth in the form restricted stock unit award agreement approved by the Compensation Committee to evidence the Awards made under this Article Four.

ARTICLE FIVE

MISCELLANEOUS

I. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the issuance, exercise or vesting of Awards under the Plan shall be subject to the satisfaction of all applicable federal, state and local income and employment tax withholding requirements.

B. In addition to the automatic withholding provision set forth in Section I.A.2.iv of Article Two, the Plan Administrator may, in its discretion, provide any or all Optionees or Participants to whom Awards are made under the Plan (other than the Awards made under the Director Automatic Grant Program) with the right to utilize either or both of the following methods to satisfy all or part of the Withholding Taxes to which those holders may become subject in connection with the issuance, exercise or vesting of those Awards.

Stock Withholding: The election to have the Corporation withhold, from the shares of Common Stock otherwise issuable upon the issuance, exercise or vesting of those Awards a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by the Optionee or Participant and make a cash payment equal to such Fair Market Value directly to the appropriate taxing authorities on such individual's behalf. The shares of Common Stock so withheld shall **not** reduce the number of shares of Common Stock authorized for issuance under the Plan.

Stock Delivery: The election to deliver to the Corporation, at the time the Award is issued, exercised or vests, one or more shares of Common Stock previously acquired by such Optionee or Participant (other than in connection with the issuance, exercise or vesting triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by such holder. The shares of Common Stock so delivered shall not be added to the shares of Common Stock authorized for issuance under the Plan.

II. SHARE ESCROW/LEGENDS

Unvested shares issued under the Plan may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

III. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall be effective immediately on the Effective Date, provided that, awards will not be granted under the Discretionary Grant Program, the Stock Issuance Program or the Director Automatic Grant Program until any time after the Registration Date.

B. The Plan shall serve as the successor to the 1998 Plan, and no further option grants or direct stock issuances shall be made under the 1998 Plan after the Registration Date. Each outstanding award granted under the 1998 Plan shall continue to be governed solely by the terms of the 1998 Plan and other documents evidencing such award.

C. The Plan shall terminate upon the earliest to occur of (i) May 15, 2022, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully-vested shares or (iii) the termination of all outstanding Awards in connection with a Change in Control. Should the Plan terminate prior to May 15, 2022, all Awards outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such Awards.

IV. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects. However, no such amendment or modification shall adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or the Participant consents to such amendment or modification. In addition, shareholder approval will be required for any amendment to the Plan that (i) materially increases the number of shares of Common Stock available for issuance under the Plan, (ii) materially expands the class of individuals eligible to receive option grants or other awards under the Plan, (iii) materially increases the benefits accruing to the Optionees and Participants under the Plan or materially reduces the price at which shares of Common Stock may be issued or purchased under the Plan, (iv) materially extends the term of the Plan, (v) expands the types of awards available for issuance under the Plan, (vi) would require shareholder approval under any applicable law, rule or regulation.

B. Awards may be made under the Plan that involve shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided no shares shall actually be issued pursuant to those Awards until the number of shares of Common Stock available for issuance under the Plan is sufficiently increased either by (1) the automatic annual share increase provisions of Section V.B. of Article One or (2) shareholder approval of an amendment of the Plan sufficiently increasing the share reserve. If shareholder approval is required and is not obtained within twelve (12) months after the date of the first such excess Award, then all Awards made on the basis of such excess shares shall terminate and cease to be outstanding.

V. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VI. REGULATORY APPROVALS

A. The implementation of the Plan, the grant of any Award and the issuance of shares of Common Stock in connection with the issuance, exercise or vesting of any Award made under the Plan shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards made under the Plan and the shares of Common Stock issuable pursuant to those Awards.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of Federal and state securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any stock exchange on which Common Stock is then listed for trading.

VII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or the Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or the Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

- A. **Award** shall mean any of the following stock or stock-based awards authorized for issuance or grant under the Plan: stock option, stock appreciation right, direct stock issuance, restricted stock or restricted stock unit award or other stock-based award.
- B. **Board** shall mean the Corporation's Board of Directors.
- C. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:
- (i) a shareholder-approved merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or
 - (ii) a shareholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation, or
 - (iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "1934 Act")) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders or pursuant to a private transaction or series of transactions with one or more of the Corporation's shareholders.
- D. **Code** shall mean the Internal Revenue Code of 1986, as amended.
- E. **Common Stock** shall mean the Corporation's Class A Common Stock.
- F. **Corporation** shall mean Broadcom Corporation, a California corporation, and any corporate successor to all or substantially all of the assets or voting stock of Broadcom Corporation that shall by appropriate action adopt the Plan.
- G. **Director Automatic Grant Program** shall mean the director automatic grant program in effect under Article Four of the Plan for the Eligible Directors.
- H. **Discretionary Grant Program** shall mean the discretionary grant program in effect under Article Two of the Plan pursuant to which stock options and stock appreciation rights may be granted to one or more eligible individuals.
- I. **Effective Date** shall mean May 15, 2012, the date the Plan was approved by the Corporation's shareholders at the annual meeting of shareholders.
- J. **Eligible Director** shall mean a Board member who is not, at the time of such determination, an employee of the Corporation (or any Parent or Subsidiary) and who is accordingly eligible to participate

in the Director Automatic Grant Program in accordance with the eligibility provisions of Articles One and Four.

K. **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.

L. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

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

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

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

N. **Family Member** means, with respect to a particular Optionee or Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

O. **Hostile Take-Over** shall mean either of the following events effecting a change in control or ownership of the Corporation:

(i) the acquisition, directly or indirectly, by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation) of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's shareholders that the Board does not recommend such shareholders to accept, or

(ii) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the Board members ceases, by reason of one or more contested elections for Board membership, to be composed of individuals who either (A) have been Board members continuously since the beginning of such period or (B) have been elected or nominated for election as

Board members during such period by at least a majority of the Board members described in clause (A) who were still in office at the time the Board approved such election or nomination.

P. **Incentive Option** shall mean an option that satisfies the requirements of Code Section 422.

Q. **Involuntary Termination** shall mean unless otherwise determined by the Plan Administrator pursuant to a specific agreement evidencing an Award, the termination of the Service of any individual that occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation that materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary, fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual's consent.

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

S. **1998 Plan** shall mean the Corporation's 1998 Stock Incentive Plan, as amended and restated on November 11, 2010, and as in effect immediately prior to the Registration Date hereunder.

T. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

U. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

V. **Optionee** shall mean any person to whom an option is granted under the Discretionary Grant or Director Automatic Grant Program.

W. **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.

X. **Participant** shall mean any person who is issued shares of Common Stock or restricted stock units or other stock-based awards under the Stock Issuance Program, and any person who is issued restricted stock units under the Director Automatic Grant Program.

Y. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee or the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is both (i) expected to result in death or determined to be total and permanent by two (2) physicians selected by the Corporation or its insurers and acceptable to the Optionee or the Participant (or the Optionee's or Participant's legal representative), and (ii) to the extent the Optionee is eligible to participate in the Corporation's long-term disability plan, entitles the Optionee or the Participant to the payment of long-term disability benefits from the Corporation's long-term disability plan. The process for determining a Permanent Disability in accordance with the foregoing shall be completed no later than the *later* of (i) the close of the calendar year in which the Optionee's or the Participant's Service terminates by reason of the physical or mental impairment triggering the determination process or (ii) the fifteenth day of the third calendar month following such termination of Service. However, solely for purposes of the Director Automatic Grant Program, Permanent Disability or Permanently Disabled shall mean the inability of the Eligible Director to perform his or her usual duties as a Board member by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

Z. **Plan** shall mean the Corporation's 2012 Stock Incentive Plan, as set forth in this document.

AA. **Plan Administrator** shall mean the Compensation Committee or other committee appointed by the Board, which is authorized to administer the Discretionary Grant and Stock Issuance Programs with respect to one or more classes of eligible persons.

BB. **Registration Date** shall mean the date upon which the Corporation's filing of a Form S-8 registration statement for the shares of Common Stock issuable under the Plan becomes effective.

CC. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, an Eligible Director or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the Award made to such person. Service (as defined herein) shall include continued employment or service through any pre-termination notice period that is applicable to a Participant or Optionee serving in any of the foregoing capacities. For purposes of the Plan, an Optionee or Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Optionee or Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary, provided that, for the avoidance of doubt, the performance of services shall include continued employment or service through the period of time occurring during any pre-termination notice period that is applicable to such Optionee or Participant or (ii) the entity for which the Optionee or Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Optionee or Participant may subsequently continue to perform services for that entity.

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

EE. **Stock Issuance Agreement** shall mean the agreement entered into by the Corporation and the Participant at the time of issuance of shares of Common Stock under the Stock Issuance Program.

FF. **Stock Issuance Program** shall mean the stock issuance program in effect under Article Three of the Plan.

GG. **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.

HH. **10% Shareholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

II. **Withholding Taxes** shall mean the federal, state and local income and employment taxes to which the Optionee or Participant may become subject in connection with the issuance, exercise or vesting of the Award made to him or her under the Plan.

BROADCOM CORPORATION
RESTRICTED STOCK UNITS INCENTIVE AWARD PROGRAM
(Established January 18, 2011)
(Amended and Restated February 20, 2014)

SECTION I. PURPOSE

The purpose of the Broadcom Corporation (the “Company”) Restricted Stock Units Incentive Award Program (the “Program”) is to

- *Focus management efforts on the creation of long-term stockholder value,*
- *Sustain consistent profitable growth,*
- *Retain senior executives who have delivered sustained performance by delivering significant capital accumulation opportunities subject to their continuing employment with the Company, and*
- *Encourage strategic decision-making by providing rewards for the long-term achievement of Company performance goals.*

The Program was adopted under the Broadcom Corporation 1998 Stock Incentive Plan, as amended and restated March 12, 2008 and applies also to Awards (as defined below) granted under the Broadcom 2012 Stock Incentive Plan adopted February 16, 2012 (together, the “Plans”). The Program sets forth the terms and conditions for performance-based awards (“Awards”) to be granted to eligible officers under the Plan. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Plan.

SECTION II. EFFECTIVE DATE AND ELIGIBILITY CRITERIA

The Program was established on January 18, 2011. The Program shall have annual performance cycles, over which Performance Goals (as defined below) shall be measured. Each performance cycle shall be the one-year period beginning January 1 of a given year and ending December 31 of such year (the “Performance Cycle”). The first Performance Cycle under the Program was the one-year period from January 1, 2010 through December 31, 2010. The Compensation Committee of the Board of Directors of the Company (the “Committee”), in its sole discretion, may authorize subsequent Performance Cycles. Participation in one or more Performance Cycles under the Program does not assure participation in any other Performance Cycle.

Service providers who are officers of the Company or a Subsidiary whose responsibilities have a direct and significant impact on Company performance and financial results shall be eligible to participate in the Program. The Committee shall, by written resolution and at its sole discretion,

select individual officers to participate in the Program (each, a “Participant”) and shall advise the Participants in writing of their designation as Participants.

A Participant need not be employed by the Company on the first day of a Performance Cycle. If a Participant becomes eligible to participate in the Program during a Performance Cycle, the Committee shall determine if such Participant shall be eligible to participate in such Performance Cycle and whether or not an Award shall be prorated for such period from the Participant’s date of hire or the date of such designation to participate in the Program, if later.

SECTION III. AWARDS AND AWARD CALCULATION

A Participant shall have the opportunity to earn Awards under the Program based on the achievement of long-term Company performance.

1. Generally

Awards shall be made annually by the Committee and shall be communicated to each Participant pursuant to an award letter setting forth the Performance Goals (as defined below) for a given Performance Cycle and the maximum number of restricted stock units (“Performance RSU Grant”) that the Participant is eligible to receive if the Committee determines that such Performance Goals are met or exceeded during the Performance Cycle, measured in the calendar year immediately following the end of the Performance Cycle. Such calendar year and each of the two calendar years immediately thereafter, referred to as the “Retention Period” to the extent such Retention Period is applicable to a specific Performance RSU Grant, as further described below. All Performance RSU Grants shall be evidenced by an agreement between the Company and the Participant in a form approved by the Committee (the “RSU Agreement”).

2. Performance Goals

“Performance Goals” are defined as objectively determinable performance objectives established by the Committee in resolutions and communicated in writing to Participants and may be based upon one or more of the following business criteria as established by the Committee: sales growth; gross profit; operating profitability; operating income; EBITDA; earnings; EPS; cash flow; market share; sales; revenue; profits before interest and taxes; expenses; cost of goods sold; profit margin; working capital; return on capital; equity or assets; economic value added; stock price; P/E ratio; or other objectively determinable business metrics appropriate in the judgment of the Committee; provided, however, that for purposes of items above, the Committee may, at the time the Awards are made, specify certain adjustments to such items as reported in accordance with generally accepted accounting principles in the U.S. (“GAAP”), which will exclude from the calculation of those Performance Goals one or more of the following: certain charges related to acquisitions, stock-based compensation, employer payroll tax expense on certain stock option exercises, settlement costs, restructuring costs, gains or losses on strategic investments, non-operating gains or losses, certain other non-cash charges, valuation allowance on deferred tax assets, and the related income tax effects, purchases of property and equipment, and any extraordinary non- recurring items as

described in Accounting Principles Board Opinion No. 30, provided that such adjustments are in conformity with those reported by the Company on a non-GAAP basis. In addition, such Performance Goals may be based upon the attainment of specified levels of the Company's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Company's business groups or divisions thereof or any Parent or Subsidiary. Performance Goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned, and a maximum level of performance at which an award will be fully earned. The Committee may provide that, if the actual level of attainment for any performance objective is between two specified levels, the amount of the award attributable to that performance objective shall be interpolated on a straight-line basis.

For purposes of Awards that are intended to be "qualified performance-based compensation" within the meaning of Section 162(m) (4)(C) of the Internal Revenue Code of 1986, as amended ("Code") ("QPBC"), the Performance Goals shall be adopted for each Performance Cycle by the Committee no later than the latest time permitted by Section 162(m) of the Code ("Section 162(m)") (generally, no later than 90 days after the commencement of the Performance Cycle) and while the performance relating to the Performance Goals remain substantially uncertain within the meaning of Section 162(m). The Awards for the 2010 Performance Cycle are not intended to be QPBC.

3. Performance RSU Grant Calculation

Participants must meet or exceed Performance Goals during the Performance Cycle in order to receive Performance RSU Grants. Upon attaining or exceeding the Performance Goals in a Performance Cycle, Participant shall be eligible to receive, in the year immediately following the end of the Performance Cycle, subject to the Participant's continued employment with the Company, a Performance RSU Grant, the maximum value of which shall be determined by the Committee in its sole discretion no later than the latest time permitted by Section 162(m) (the "Maximum Award Dollar Amount"). In determining the Maximum Award Dollar Amount and the actual target amount, the Committee will review the analysis and market data provided by the Company's independent compensation consultant.

Notwithstanding anything to the contrary in the Program, the Committee may reduce (including to zero) the Maximum Award Dollar Amount and/or number of shares of the Company's Class A Common Stock (the "Common Stock") subject to a Performance RSU Grant below the amount or number of shares, as applicable, determined pursuant to the achievement of Performance Goals, in its sole discretion.

For Performance Cycles prior to the 2014 Performance Cycle, the same number of Performance RSU Grant shares as granted in the year immediately following the end of the Performance Cycle, if any, shall be granted in each of the two years thereafter, subject to the Participant's continued employment with the Company through each of the grant dates (after the Committee determines the number of shares to be awarded to a Participant, in its sole discretion, such number of shares may not be unilaterally reduced by the Committee, without written consent from the affected Participant). For the 2014 Performance Cycle and Performance Cycles thereafter, such subsequent

year grants will apply only to 50% of the targeted Performance RSU Grant applicable to a specified Performance Cycle.

For example, to the extent applicable, upon the attainment of certain Performance Goals for a Performance Cycle, Performance RSU Grants shall be made in each of the following three years, as shown in the table below, subject to the Participant's continued employment with the Company.

Performance Goals Achieved in Year 0	Performance RSU Grants
Year 1	Performance RSU Grant for X number of shares of Common Stock, as determined by the Committee, in its sole discretion
Year 2	Same number of Performance RSU Grant shares as granted in Year 1 for the Performance Goals achieved in Year 0
Year 3	Same number of Performance RSU Grant shares as granted in Year 1 for the Performance Goals achieved in Year 0

Due to the one-year Performance Cycles and three-year Retention Periods, in the event that applicable Performance Goals are achieved in consecutive years, Participants have the opportunity to earn multiple Performance RSU Grants in a given fiscal year, subject to Participant's continued participation in the Program.

For the 2014 Performance Cycle and Performance Cycles thereafter, the targeted Performance RSU Grants that may be granted with respect to each such Performance Cycle shall be divided into two equal 50% portions, each with separate Performance Goals. One-half of the targeted Performance RSU Grant applicable in each such Performance Cycle shall confer upon the Participant eligibility to receive a grant of Performance RSUs in the year following the Performance Cycle and eligibility also to receive additional grants of Performance RSUs in subsequent years to the extent the Performance Goals are achieved in the applicable Performance Cycle; the other half of the targeted Performance RSU Grant applicable in each such Performance Cycle shall confer upon the Participant eligibility to receive a grant of Performance RSUs only in the year following the Performance Cycle.

Performance RSU Grants shall vest quarterly over a four-year period of continued employment with the Company (or a Subsidiary), measured from the vesting start date as set forth in the RSU Agreement for each such Performance RSU Grant. Performance RSU Grants shall entitle the Participant to receive one share of Common Stock at the time a unit vests.

SECTION IV. AWARD PAYMENT TIMING

Performance RSU Grants, if granted, in the Committee's sole discretion, shall be paid in shares of Common Stock as soon as practicable after they vest, and in no event later than the fifteenth (15th) day of the third (3rd) month after the calendar year in which they vest.

For purposes of Awards that are intended to be QPBC, no Awards shall be paid to Participants unless and until the Committee shall make a certification in writing with respect to the attainment of the

Performance Goals as required by Section 162(m), and the Committee may in its sole discretion reduce an Award to a Participant, however, the Committee shall have no discretion to increase the amount of any such Award, as determined under the objectively determinable formulas.

The maximum Award to a Participant under the Program shall not exceed 9,000,000 shares of Common Stock with respect to any Performance Cycle.

A Participant must be in continuous employment with the Company (or a Subsidiary) through the grant date and subsequent vesting dates of such Awards and Performance RSU Grants. All Performance RSU Grants shall be evidenced by an RSU Agreement, which may provide for acceleration of vesting under specific circumstances. The Company shall deduct all federal, state and local taxes required by law or Company policy from any Award or Performance RSU Grants paid hereunder; provided, that such deduction shall be equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state and local income tax and payroll tax purposes that are applicable to such supplemental taxable income.

For purposes of Awards that are intended to be QPBC, once an Award formula is established based on one or more of the Performance Goals, the Committee may with the consent of the Participant establish (and once established, rescind, waive or amend) additional conditions and terms of payment of awards (including but not limited to the achievement of other financial, strategic or individual goals, which may be objective or subjective) as it deems desirable in carrying out the purposes of the Program and may take into account such other factors as it deems appropriate in administering any aspect of the Program. However, for purposes of Awards that are intended to be QPBC, the Committee shall have no authority to increase the amount of a targeted award granted to any Participant or to pay an award under the Program if the Performance Goals have not been satisfied.

SECTION V. PROGRAM ADMINISTRATION

The Program shall be administered by the Committee in accordance with the Plan and in a manner that satisfies the requirements of Section 162(m) for QPBC, if intended to be applicable.

SECTION VI. ABSENCE OF PROGRAM FUNDING; NO EQUITY INTEREST

The Program shall be unfunded. Benefits under the Program shall be paid in shares of Common Stock from the general funds of the Company (or the Subsidiary), and a Participant (or the Participant's estate in the event of death) shall be no more than an unsecured general creditor of the Company (or the Subsidiary) with no special or prior right to any assets of the Company (or the Subsidiary).

Nothing contained in the Program shall be deemed to give any Participant any equity or other interest in the assets, business or affairs of the Company or any Subsidiary. It is not intended that a Participant's interest in the Program shall constitute a security or equity interest within the meaning of any state or federal securities laws.

SECTION VII. NO TRANSFERABILITY

A Participant shall not have any right to transfer, sell, alienate, assign, pledge, mortgage, collateralize or otherwise encumber any of the payments provided by the Program.

SECTION VIII. NO EMPLOYMENT RIGHTS

The Program is not intended to be a contract of employment. Both the Participant and the Company and any Subsidiaries have the right to end their employment or other service relationship with or without cause or notice.

SECTION IX. INTERPRETATION, AMENDMENT AND TERMINATION

The Committee shall have the power to interpret all provisions of the Program, which interpretations shall be final and binding on all persons. The provisions of this document shall supersede all provisions of any and all such prior documents relating to the Program and its subject matter. However, if the provisions of this document conflict with any provision of the Plan, the provisions set forth in the Plan shall govern in all cases. The laws of the State of California shall govern all questions concerning the construction, validity and interpretation of the Program, without regard to such state's conflict of laws rules.

To the extent applicable, the Program shall be interpreted in accordance with Section 409A of the Code ("Section 409A"). Notwithstanding any provision of the Program to the contrary, in the event that the Company determines in good faith that any compensation or benefits payable under the Program may not be either exempt from or compliant with Section 409A, the Company may adopt such amendments to the Program or adopt other policies or procedures (including amendments, policies and procedures with retroactive effectiveness), or take any other commercially reasonable actions necessary or appropriate (i) to preserve the intended tax treatment of the compensation and benefits payable hereunder and/or preserve the economic benefits of such compensation and benefits, and/or (ii) to exempt the compensation and benefits payable hereunder from Section 409A or to comply with the requirements of Section 409A and thereby avoid the application of penalty taxes thereunder.

Notwithstanding anything in the Program to the contrary, to the extent that any payment or benefit constitutes non-exempt "nonqualified deferred compensation" for purposes of Section 409A, and such payment or benefit would otherwise be payable or distributable hereunder by reason of the Participant's termination of employment, all references to the Participant's termination of employment shall be construed to mean a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h) (a "Separation from Service"), and the Participant shall not be considered to have a termination of employment unless such termination constitutes a Separation from Service with respect to the Participant.

The Committee reserves the right to amend or terminate the Program at any time, with or without prior notice; provided, however, that all amendments to the Program shall preserve the qualification of any Awards intended to be QPBC under the Program as QPBC under Section 162(m). Notwithstanding the foregoing, except as provided below, the Committee may not amend the Program in a way that would materially impair the rights of a Participant with respect to a Performance Cycle that already has begun at the time of such amendment, except to the extent necessary to preserve the qualification of Awards as QPBC or unless such Participant has consented in writing to such amendment. In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Company, whether similar or dissimilar (each a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or other affiliates, the Committee, in its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Committee may deem necessary), or substitute any Awards due currently or in the future under the Program, including, but not limited to, any Awards that have accrued to the benefit of Participants but have not yet been paid, subject to Section 409A of the Code, and the regulations and guidance promulgated thereunder.

[date]

VIA EMAIL AND U.S. MAIL

[Name]
[Company]
[Address]
[email]

Re: Restricted Stock Units Incentive Award Program – 2014 Participation Letter

Dear [Name],

Broadcom (the “Company”) is pleased to inform you that you have been selected to participate in the Company’s restricted stock unit incentive award program (the “Program”). The Program is intended to deliver significant capital accumulation opportunities for our executive officers by providing rewards based on the long-term achievement of Company financial goals and the generation of shareholder value, as measured by relative Total Shareholder Return (“TSR”).

As a participant in the Program, you have the opportunity to receive grants of restricted stock units (“Performance RSU Grants”) if the performance objectives established by the Compensation Committee by resolution for the current performance cycle (January 1, 2014 through December 31, 2014, the “2014 Performance Cycle”) have been met. The Performance RSU Grants for which you may be eligible to receive constitute 25% of your total annual target equity compensation value for 2015 and are comprised of two types of Performance RSU Grants – TSR Performance RSUs and Operational Performance RSUs – as more fully described below.

For 2014, the Company must achieve at least \$2 billion in GAAP gross profit in order for any Performance RSU Grants to be awarded under the Program. Assuming achievement of \$2 billion in gross profit, the Compensation Committee, in its discretion, may award Performance RSU Grants at or below the maximum value described below based on the following performance-based metrics:

1. **TSR Performance**. One-half of the aggregate value of the Performance RSU Grants, or 12.5% of your aggregate annual target equity compensation value for 2015 (the “TSR Performance RSUs”), will be based on the Company’s relative TSR with respect to a share of the Company’s Class A common stock (“Stock”) as compared to the TSR of selected peer companies. For the 2014 Performance Cycle, the relative TSR calculation will be based on the Stock’s performance as compared to the component companies of the Philadelphia Semiconductor Sector Index (the “SOX Index”), which is comprised of companies primarily involved in the design, distribution, manufacture and sale of semiconductors, in either case during the 2014 Performance Cycle.

Depending on the Company’s TSR relative to the component companies in the SOX Index during the 2014 Performance Cycle, you may be entitled to receive, on or around February 19, 2015, subject to your continued employment with the Company through the grant date, a one-time grant of TSR Performance RSUs, the targeted value of which shall be equal to 12.5% of your 2015 total target equity compensation value as determined by the Compensation Committee, assuming Company TSR performance for the 2014 Performance Cycle at or above the 50th percentile of the SOX Index. If Company TSR performance is between the 50th percentile and the 100th percentile

of the SOX Index, you will be entitled to receive a grant of TSR Performance RSUs, ranging between 12.5% (for performance at the 50th percentile) and 37.5% (for performance at the 100th percentile) of your 2015 total target equity compensation value as determined by the Compensation Committee, with the number of TSR Performance RSUs granted to you with respect to performance levels between the 50th percentile and the 100th percentile interpolated on a straight line linear basis. If Company TSR performance for the 2014 Performance Cycle is lower than the 50th percentile of the SOX Index, you will not receive a grant of TSR Performance RSUs. For the avoidance of doubt, you will **not** be entitled to receive additional grants of TSR Performance RSUs in subsequent years based on the relative TSR performance during the 2014 Performance Cycle.

For purposes of calculating TSR as to any company, TSR shall be determined by dividing the Change in Stock Price by the Initial Stock Price, where:

- The Initial Stock Price means the closing stock price of the Stock on the NASDAQ Stock Market on the first trading day of the 2014 Performance Cycle.
- The Change in Stock Price shall mean (A) the closing stock price of the Stock on the NASDAQ Stock Market on the last trading day of the 2014 Performance Cycle minus (B) the Initial Stock Price.

The Calculation of TSR for the component companies of the SOX will be based on the component companies as of the last trading day of the 2014 Performance Cycle. The calculation will exclude any company that was removed from the SOX Index during the 2014 Performance Cycle. The Compensation Committee has full power and authority to establish such other rules as it may deem appropriate for proper administration of the Program.

You must be in continuous employment with the Company through the grant date in 2015 in order to receive a grant of TSR Performance RSUs. TSR Performance RSUs vest quarterly over a four-year period, subject to your continued employment with the Company, measured from the vesting start date as set forth in a restricted stock unit award agreement, which will be provided to you at the time any grant of TSR Performance RSUs is made to you.

2. **Operational Performance.** One-half of the target aggregate Performance RSU Grant for 2015 (the “Operational Performance RSUs”) will be based on (i) the Company’s revenue growth (excluding extraordinary items, at the discretion of the Compensation Committee) relative to the Segmented Industry Revenue Growth (as defined below) for such period for select peer companies and (ii) operating performance, measured by either (A) product operating margin or (B) cash flow from operations minus capital spending (“Free Cash Flow”), depending on Segmented Industry Revenue Growth during the 2014 Performance Cycle. As applicable, the Company’s product operating margin shall be measured against a predetermined product operating margin goal (calculated on a non-GAAP basis), and the Company’s Free Cash Flow shall be measured against a predetermined Free Cash Flow target. If Segmented Industry Revenue Growth in 2014 is greater than 0, then the Compensation Committee will use non-GAAP product operating margin with respect to the second performance-based metric of operating performance, and if Segmented Industry Revenue Growth in 2014 is 0 or is a negative value, then the Compensation Committee will use Free Cash Flow with respect to the second performance-based metric of operating performance. “Segmented Industry Revenue Growth” shall be *average revenue growth* calculated by using mix-

weighted data from an index constructed using peer companies for each of Broadcom’s business groups, as determined by the Compensation Committee (which determination can include adjustments for extraordinary events as determined by the Compensation Committee in its direction). The 2014 revenue growth performance goal is that the Company’s revenue growth (as defined above) must exceed Segmented Industry Revenue Growth. The 2014 operating performance goal is that (A) in a year of Segmented Industry Revenue Growth greater than 0, non-GAAP product operating margin must exceed 18% and (B) in a year of 0 or negative Segmented Industry Revenue Growth, Free Cash Flow must be at least \$1 billion. For purposes of determining achievement of non-GAAP product operating margin or Free Cash Flow, the Compensation Committee, in its discretion, may make adjustments for extraordinary events. For the purposes of determining gross profit, Segmented Industry Revenue Growth, non-GAAP product operating margin or Free Cash Flow, the Compensation Committee will round to the nearest 10 basis points.

If **both** performance goals (i.e., relative revenue growth and either non-GAAP product operating margin or Free Cash Flow, as applicable) are met or exceeded for 2014, you will be eligible to receive, on or around February 19, 2015, subject to your continued employment with the Company through the grant date, a grant of Operational Performance RSUs, the targeted value of which shall be equal to 12.5% of your 2015 total target equity compensation amount as determined by the Compensation Committee, taking into consideration the market data provided by its independent compensation consultant.

Further, the same number of Operational Performance RSUs as granted in 2015, if applicable, will be granted on or around February 19 of each of 2016 and 2017, subject to your continued employment with the Company through each of such grant dates. For example, upon the attainment of the performance goals applicable to the Operational Performance RSUs for the 2014 Performance Cycle, a grant of Operational Performance RSUs shall be made in each of the following three years (the “Three-Year Retention Period”), as shown in the table below, subject to your continued employment with the Company:

Performance Goals Achieved in 2014	Performance RSU Grants
2015	Grant of Operational Performance RSUs for X number of shares of Stock as determined by the Compensation Committee, in its sole discretion
2016	Same number of Operational Performance RSUs shares as granted in 2015 for the performance goals achieved in 2014
2017	Same number of Operational Performance RSUs shares as granted in 2015 for the performance goals achieved in 2014

Because of the one-year Performance Cycles and Three-Year Retention Periods, in the event that the performance goals are achieved in consecutive years, you have the opportunity to earn multiple grants of Operational Performance RSUs in a given fiscal year, subject to your continued participation in the Program.

You must be in continuous employment with the Company through the grant date in order to receive a grant of Operational Performance RSUs. Operational Performance RSUs vest quarterly over a four-year period, subject to your continued employment with the Company, measured from the vesting start date as set forth in the restricted stock unit award agreement, which will be provided to you at the time any grant of Operational Performance RSUs is made to you.

The maximum value the Performance RSU Grants shall in no event exceed \$ [] (the defined "Maximum Award Dollar Amount" per the program documents). The maximum value of Performance RSU Grants in 2015 shall be equal to the quotient of (i) the Maximum Award Dollar Amount, divided by (ii) the fair market value of a share of Stock on the date the Compensation Committee certifies the performance goals and determines the Performance RSU Grant (i.e., on or around February 19, 2015). **Please note that it is not expected that your actual Performance RSU Grant will be made at the Maximum Award Dollar Amount; rather, it is expected that the Compensation Committee will award less than the Maximum Award Dollar Amount and/or maximum Performance RSU Grant in its sole discretion.**

3. **Time-Vested RSUs.** In addition to your opportunity to earn Performance RSU Grants, in 2015, you may be eligible to receive 75% of your 2015 annual target equity grant value in the form of time-vested restricted stock units outside of the Program ("Time-Vested RSUs"). Such Time-Vested RSUs will vest quarterly over a four-year period, subject to your continued employment with the Company, measured from the vesting start date as set forth in the restricted stock unit award agreement for such Time-Vested RSUs.

Further, we are pleased to tell you that the Compensation Committee has determined that, in light of the Company's performance during 2013, in 2014 you are eligible to receive a Performance RSU Grant related to the 2013 Performance Cycle in the amount equal to 25% of your 2014 target equity grant value, or [] shares, subject to your continued employment with the Company. You will also receive, subject to continuous employment with the Company, subsequent Performance RSU Grants of [] shares in each of 2015 and 2016 (the remaining two years of the Three-Year Retention Period). In addition, you are eligible to receive Time-Vested RSUs in the amount equal to []% of your 2014 target equity grant value, or [] shares, subject to your continued employment with the Company. Furthermore, pursuant to the Company's achievement of the performance goals applicable to the 2011 Performance Cycle and the 2012 Performance Cycle, you are eligible to receive, subject to continuous employment with the Company, Performance RSU Grants of [] in 2014 for the 2011 Performance Cycle and [] in each of 2014 and 2015 for the 2012 Performance Cycle. Your 2014 Performance RSU Grants (including Performance RSU Grants based on the 2011, 2012 and 2013 Performance Cycles) and 2014 Time-Vested RSUs were granted on February 20, 2014.

Please carefully read the enclosed Program, as it contains the terms and conditions of the Program in detail. If you have any questions about the Program or this letter, please feel free to contact me. On behalf of the Company, I would like to thank you and your team for the hard work and strong service that have contributed to our success.

Sincerely,

[name]

[position]

Broadcom Corporation
5300 California Avenue
Irvine, CA 92617

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

I, Scott A. McGregor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Broadcom Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SCOTT A. MCGREGOR

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

Date: April 24, 2014

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

I, Eric K. Brandt, certify that:

1. I have reviewed this 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
*Executive Vice President and
Chief Financial Officer*
(Principal Financial Officer)

Date: April 24, 2014

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

Certification of Chief Executive Officer

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

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2014 (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: April 24, 2014

Certification of Chief Financial Officer

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

- (i) the accompanying Quarterly Report on Form 10-Q of the Company for the quarterly period ended March 31, 2014 (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: April 24, 2014