

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, 2011

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 ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of March 31, 2011 the registrant had 482.6 million shares of Class A common stock, \$0.0001 par value, and 53.5 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, 2011
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BROADCOM CORPORATION UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2011	December 31, 2010
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,637	\$ 1,622
Short-term marketable securities	645	1,035
Accounts receivable, net	760	820
Inventory	550	598
Prepaid expenses and other current assets	117	108
Total current assets	3,709	4,183
Property and equipment, net	291	266
Long-term marketable securities	1,649	1,401
Goodwill	1,685	1,677
Purchased intangible assets, net	346	366
Other assets	56	51
Total assets	\$ 7,736	\$ 7,944
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 536	\$ 604
Wages and related benefits	122	208
Deferred revenue and income	46	55
Accrued liabilities	416	404
Total current liabilities	1,120	1,271
Long-term debt	697	697
Other long-term liabilities	151	150
Commitments and contingencies		
Shareholders' equity:		
Common stock	—	—
Additional paid-in capital	11,698	11,994
Accumulated deficit	(5,949)	(6,177)
Accumulated other comprehensive income	19	9
Total shareholders' equity	5,768	5,826
Total liabilities and shareholders' equity	\$ 7,736	\$ 7,944

See accompanying notes.

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2011	2010
	(In millions, except per share data)	
Net revenue:		
Product revenue	\$ 1,752	\$ 1,404
Income from Qualcomm Agreement	52	52
Licensing revenue	12	6
Total net revenue	1,816	1,462
Costs and expenses:		
Cost of product revenue	895	695
Research and development	498	421
Selling, general and administrative	179	133
Amortization of purchased intangible assets	7	3
Impairment of long-lived assets	9	—
Settlement costs (gains), net	(5)	3
Total operating costs and expenses	1,583	1,255
Income from operations	233	207
Interest income, net	—	2
Other income (expense), net	(1)	3
Income before income taxes	232	212
Provision for income taxes	4	2
Net income	\$ 228	\$ 210
Net income per share (basic)	\$ 0.42	\$ 0.42
Net income per share (diluted)	\$ 0.40	\$ 0.40
Weighted average shares (basic)	539	495
Weighted average shares (diluted)	575	527
Dividends per share	\$ 0.09	\$ 0.08

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,	
	2011	2010
	(In millions)	
Cost of product revenue	\$ 7	\$ 7
Research and development	101	89
Selling, general and administrative	36	31

See accompanying notes.

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Operating activities		
Net income	\$ 228	\$ 210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23	20
Stock-based compensation expense:		
Stock options and other awards	40	36
Restricted stock units	104	91
Acquisition-related items:		
Amortization of purchased intangible assets	22	10
Impairment of long-lived assets	9	—
Changes in operating assets and liabilities:		
Accounts receivable	60	(94)
Inventory	48	(34)
Prepaid expenses and other assets	(28)	13
Accounts payable	(70)	44
Deferred revenue and income	(9)	(9)
Accrued settlement costs	—	(1)
Other accrued and long-term liabilities	(93)	(18)
Net cash provided by operating activities	<u>334</u>	<u>268</u>
Investing activities		
Net purchases of property and equipment	(45)	(18)
Net cash paid for acquired companies	—	(102)
Purchases of strategic investments	—	(5)
Purchases of marketable securities	(654)	(65)
Proceeds from sales and maturities of marketable securities	794	189
Net cash provided by (used in) investing activities	<u>95</u>	<u>(1)</u>
Financing activities		
Repurchases of Class A common stock	(421)	(154)
Dividends paid	(49)	(40)
Payment of assumed debt	—	(14)
Proceeds from issuance of common stock	112	82
Minimum tax withholding paid on behalf of employees for restricted stock units	(56)	(30)
Net cash used in financing activities	<u>(414)</u>	<u>(156)</u>
Increase in cash and cash equivalents	15	111
Cash and cash equivalents at beginning of period	1,622	1,397
Cash and cash equivalents at end of period	<u>\$ 1,637</u>	<u>\$ 1,508</u>

See accompanying notes.

BROADCOM CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2011

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 prominent technology innovator and global leader in semiconductors for wired and wireless communications. Our products enable the delivery of voice, video, data and multimedia to and throughout the home, the office and the mobile environment. We provide the industry’s broadest portfolio of state-of-the-art system-on-a-chip, or SoC, and embedded software solutions to manufacturers of computing and networking equipment, digital entertainment and broadband access products, and mobile devices.

Basis of Presentation

The interim unaudited 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, 2010, included in our Annual Report on Form 10-K filed with the SEC February 2, 2011.

The interim unaudited condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our consolidated financial position at March 31, 2011 and December 31, 2010, and our consolidated results of operations for the three months ended March 31, 2011 and 2010 and cash flows for the three months ended March 31, 2011 and 2010. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for future quarters or the full year.

Use of Estimates

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

Revenue Recognition

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

Multiple Element Arrangements Excluding Software

We occasionally enter into revenue arrangements that contain multiple deliverables. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. Moreover, judgment is used in interpreting the commercial terms and determining when all criteria of revenue recognition have been met for each deliverable in order for revenue recognition to occur in the appropriate accounting period. While changes in the allocation of the arrangement consideration between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition, which could affect our results of operations.

The Financial Accounting Standards Board issued amended revenue recognition guidance for arrangements with multiple deliverables and certain software sold with tangible products. This eliminates the residual method of revenue recognition and allows the use of management's best estimate of selling price for individual elements of an arrangement when vendor specific evidence or third party evidence is unavailable.

Distributor Revenue

A portion of our product sales is made through distributors under agreements allowing for pricing credits and/or rights of return. These pricing credits and/or right of return provisions prevent us from being able to reasonably estimate the final price of the inventory to be sold and the amount of inventory that could be returned pursuant to these agreements. As a result, the fixed and determinable revenue recognition criterion has not been met at the time we deliver products to our distributors. Accordingly, product revenue from sales made through these distributors is not recognized until the distributors ship the product to their customers. We also maintain inventory, or hubbing, arrangements with certain of our customers. Pursuant to these arrangements, we deliver products to a customer or a designated third party warehouse based upon the customers' projected needs, but do not recognize product revenue unless and until the customer reports that it has removed our product from the warehouse and such customer has taken title and the risk of loss.

Software, Royalties and Cancellation Fee Revenue

Revenue from software licenses is recognized when all of the software revenue recognition criteria are met and, if applicable, when vendor specific objective evidence, or VSOE, exists to allocate the total license fee to each element of multiple-element software arrangements, including post-contract customer support. Post-contract support is recognized ratably over the support period. When a contract contains multiple elements wherein the only

undelivered element is post-contract customer support and VSOE of the fair value of post-contract customer support does not exist, revenue from the entire arrangement is recognized ratably over the support period. Software royalty revenue is recognized in arrears on a quarterly basis, based upon reports received from licensees during the period, unless collectability is not reasonably assured, in which case revenue is recognized when payment is received from the licensee. Revenue from cancellation fees is recognized when cash is received from the customer.

Licensing Revenue

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

Income from the Qualcomm Agreement

On April 26, 2009 we entered into a four-year Settlement and Patent License and Non-Assert Agreement, or the Qualcomm Agreement, with Qualcomm Incorporated, or Qualcomm. The Qualcomm Agreement is a multiple element arrangement which includes: (i) an exchange of intellectual property rights, including in certain circumstances, by a series of covenants not to assert claims of patent infringement under future patents issued within one to four years of the execution date of the agreement, (ii) the assignment of certain existing patents by Broadcom to Qualcomm with Broadcom retaining a royalty-free license under these patents, and (iii) the settlement of all outstanding litigation and claims between us and Qualcomm. The proceeds of the Qualcomm Agreement were allocated amongst the principal elements of the transaction. A gain of \$65 million from the settlement of litigation was immediately recognized as a reduction in settlement costs that approximates the value of awards determined by the United States District Court for the Central District of California. The remaining consideration was predominantly associated with the transfer of current and future intellectual property rights and is being recognized within net revenue over the performance period of four years as a single unit of accounting. However this income will be limited to the lesser of the cumulative straight-line amortization over the four year performance period or the cumulative cash proceeds received.

Deferred Revenue and Income

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

Stock-Based Compensation

Broadcom has in effect stock incentive plans under which incentive stock options have been granted to employees and restricted stock units and non-qualified stock options have been granted to employees and non-employee members of the Board of Directors. We also have an employee stock purchase plan for all eligible employees. We are required to estimate the fair value of share-based awards on the date of grant. The value of the award is principally recognized as an expense ratably over the requisite service periods. The fair value of our restricted stock units is based on the closing market price of our Class A common stock on the date of grant less our expected dividend yield. We have estimated the fair value of stock options and stock purchase rights as of the date of grant or assumption using the Black-Scholes option-pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the award, the expected volatility of our stock price and the expected dividend yield. We evaluate the assumptions used to value stock options and stock purchase rights on a

quarterly basis. The fair values generated by the Black-Scholes model may not be indicative of the actual fair values of our equity awards, as it does not consider other factors important to those awards to employees, such as continued employment, periodic vesting requirements and limited transferability.

Fair Value of Financial Instruments

Our financial instruments consist principally of cash and cash equivalents, short- and long-term marketable securities, accounts receivable, accounts payable and long-term debt. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. The fair value of our long-term debt is determined by using estimated market prices. 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. We do not have any marketable securities in the "Level 3" category. We believe that the recorded values of all our other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

Cash, Cash Equivalents and Marketable Securities

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents. The cost of these investments approximates their fair value. We maintain an investment portfolio of various security holdings, types and maturities. We define marketable securities as income yielding securities that can be readily converted into cash. Marketable securities' short-term and long-term classifications are based on remaining maturities at each reporting period. Examples of marketable securities include U.S. Treasury and agency obligations, commercial paper and corporate notes and bonds. We place our cash investments in instruments that meet credit quality standards and concentration exposures as specified in our investment policy. It is our policy to invest in instruments that have a final maturity not to exceed three years and a portfolio weighted average maturity not to exceed 18 months. We do not use derivative financial instruments.

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

Goodwill and Other Long-Lived Assets

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

Guarantees and Indemnifications

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

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

Recent Accounting Pronouncements

During the three months ended March 31, 2011, there were no new accounting pronouncements that would have had a material effect on our unaudited condensed consolidated financial statements. For a description of recent accounting pronouncements relevant to us, please refer to "Recent Accounting Pronouncements" section included in Note 1 of our Annual Report on Form 10-K for the year ended December 31, 2010.

2. Supplemental Financial Information

Net Revenue

The following table presents details of our product revenue:

	Three Months Ended March 31,	
	2011	2010
Product sales made through direct sales force (1)	76.9%	80.5%
Product sales made through distributors(2)	23.1	19.5
	<u>100.0%</u>	<u>100.0%</u>

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- (1) Includes 9.0% and 5.5% of product sales maintained under hubbing arrangements with certain of our customers in the three months ended March 31, 2011 and 2010, respectively.
- (2) Includes 8.1% and 5.3% of product sales maintained under fulfillment distributor arrangements in the three months ended March 31, 2011 and 2010, respectively.

Income from the Qualcomm Agreement is expected to be recognized in the remainder of 2011 through 2013 as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u> (In millions)	<u>Thereafter</u>	<u>Total</u>
Income from Qualcomm Agreement	\$155	\$186	\$86	\$—	\$427

Inventory

The following table presents details of our inventory:

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
	(In millions)	
Work in process	\$ 225	\$ 279
Finished goods	325	319
	<u>\$ 550</u>	<u>\$ 598</u>

Property and Equipment

The following table presents details of our property and equipment:

	<u>Useful Life</u> (In years)	<u>March 31, 2011</u>	<u>December 31, 2010</u>
		(In millions)	
Leasehold improvements	1 to 10	\$ 177	\$ 173
Office furniture and equipment	3 to 7	29	29
Machinery and equipment	3 to 5	343	313
Computer software and equipment	2 to 4	149	142
Construction in progress	N/A	19	14
		<u>717</u>	<u>671</u>
Less accumulated depreciation and amortization		<u>(426)</u>	<u>(405)</u>
		<u>\$ 291</u>	<u>\$ 266</u>

Goodwill

The following tables summarize the activity related to the carrying value of our goodwill:

	Reportable Segments			Consolidated
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking	
	(In millions)			
Goodwill	\$ 595	\$ 990	\$ 1,909	\$ 3,494
Accumulated impairment losses	—	(543)	(1,286)	(1,829)
Goodwill at December 31, 2010	<u>\$ 595</u>	<u>\$ 447</u>	<u>\$ 623</u>	<u>\$ 1,665</u>
Effects of foreign currency translation				12
Goodwill at December 31, 2010				<u>\$ 1,677</u>

	Reportable Segments			Consolidated
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking	
	(In millions)			
Goodwill at December 31, 2010	\$ 595	\$ 447	\$ 623	\$ 1,665
Other	2	—	—	2
Goodwill at March 31, 2011	<u>\$ 597</u>	<u>\$ 447</u>	<u>\$ 623</u>	<u>\$ 1,667</u>
Effects of foreign currency translation				18
Goodwill at March 31, 2011				<u>\$ 1,685</u>

Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	March 31, 2011			December 31, 2010		
	Gross	Accumulated Amortization & Impairments	Net	Gross	Accumulated Amortization & Impairments	Net
	(In millions)					
Developed technology	\$ 485	\$ (255)	\$ 230	\$ 485	\$ (240)	\$ 245
In-process research and development	56	—	56	56	—	56
Customer relationships	154	(108)	46	154	(102)	52
Customer backlog	10	(9)	1	10	(8)	2
Other	11	(9)	2	11	(9)	2
	<u>\$ 716</u>	<u>\$ (381)</u>	<u>\$ 335</u>	<u>\$ 716</u>	<u>\$ (359)</u>	<u>\$ 357</u>
Effects of foreign currency translation			11			9
			<u>\$ 346</u>			<u>\$ 366</u>

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,	
	2011	2010
	(In millions)	
Cost of product revenue	\$ 15	\$ 7
Other operating expenses	7	3
	<u>\$ 22</u>	<u>\$ 10</u>

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The following table presents details of the amortization of existing purchased intangible assets, including IPR&D, that is currently estimated to be expensed in the remainder of 2011 and thereafter:

	Purchased Intangible Asset Amortization by Year						Total
	2011	2012	2013	2014 (In millions)	2015	Thereafter	
Cost of product revenue	\$ 43	\$ 72	\$ 64	\$ 49	\$ 29	\$ 38	\$ 295
Other operating expenses	22	10	3	3	4	9	51
	<u>\$ 65</u>	<u>\$ 82</u>	<u>\$ 67</u>	<u>\$ 52</u>	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ 346</u>

Accrued Liabilities

The following table presents details of our accrued liabilities:

	March 31, 2011	December 31, 2010
	(In millions)	
Accrued rebates	\$ 281	\$ 270
Accrued settlement charges	20	17
Accrued legal costs	30	28
Accrued taxes	16	14
Warranty reserve	11	13
Other	58	62
	<u>\$ 416</u>	<u>\$ 404</u>

Other Long-Term Liabilities

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

	March 31, 2011	December 31, 2010
	(In millions)	
Deferred rent	\$ 41	\$ 39
Accrued taxes	29	29
Deferred tax liabilities	34	35
Accrued settlement charges	35	38
Other long-term liabilities	12	9
	<u>\$ 151</u>	<u>\$ 150</u>

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Accrued Rebate Activity

The following table summarizes the activity related to accrued rebates:

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Beginning balance	\$ 270	\$ 162
Charged as a reduction of revenue	152	104
Reversal of unclaimed rebates	(2)	(2)
Payments	(139)	(69)
Ending balance	<u>\$ 281</u>	<u>\$ 195</u>

Warranty Reserve Activity

The following table summarizes activity related to the warranty reserve:

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Beginning balance	\$ 13	\$ 10
Charged to costs and expenses	2	5
Payments	(4)	(1)
Ending balance	<u>\$ 11</u>	<u>\$ 14</u>

Computation of Net Income Per Share

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

	Three Months Ended March 31,	
	2011	2010
	(In millions, except per share data)	
Numerator: Net income	<u>\$ 228</u>	<u>\$ 210</u>
Denominator for net income per share (basic)	539	495
Effect of dilutive securities:		
Stock awards	36	32
Denominator for net income per share (diluted)	<u>575</u>	<u>527</u>
Net income per share (basic)	<u>\$ 0.42</u>	<u>\$ 0.42</u>
Net income per share (diluted)	<u>\$ 0.40</u>	<u>\$ 0.40</u>

Net income per share (diluted) does not include the effect of anti-dilutive common share equivalents resulting from outstanding equity awards. There were 11 million and 53 million anti-dilutive common share equivalents in the three months ended March 31, 2011 and 2010, respectively.

Supplemental Cash Flow Information

In the three months ended March 31, 2011 we paid \$1 million related to share repurchases that had not settled by December 31, 2010 and accrued \$24 million related to unsettled share repurchases at March 31, 2011. In the three months ended March 31, 2011 we received \$4 million related to stock option exercises that had not settled by December 31, 2010. In the three months ended March 31, 2011, we paid \$12 million for capital equipment that was accrued as of December 31, 2010 and had billings of \$14 million for capital equipment that were accrued but not yet paid as of March 31, 2011.

3. Business Combinations

There were no business combinations completed in the three months ended March 31, 2011. In March 2010 we acquired Teknovus, Inc., a leading supplier of Ethernet Passive Optical Network chipsets and software for \$109 million, exclusive of cash acquired. We also assumed \$14 million of Teknovus debt which was subsequently repaid in the three months ended March 31, 2010. No equity awards were assumed in this acquisition.

In April 2011, we announced that we acquired Provigent Inc., a privately-held company that provides highly integrated, high performance, mixed signal semiconductors for microwave backhaul systems. In connection with the acquisition, we paid approximately \$313 million, net of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of Provigent. The purchase price was paid in cash, except that a portion attributable to certain unvested employee stock options will be paid in the form of Broadcom equity awards. A portion of the cash consideration was placed into escrow pursuant to the terms of the acquisition agreement.

Our primary reasons for these acquisitions were to expand our addressable market in the Infrastructure & Networking market, reduce the time required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing product offerings, augment our engineering workforce, and enhance our technological capabilities.

In November 2010 we acquired Beceem Communications, Inc., or Beceem, a company that develops SoC solutions for LTE and WiMAX 4G connectivity. We preliminarily estimated the fair value of the tax assets and tax liabilities for the Beceem acquisition, which closed on November 24, 2010. The purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed on the basis of their respective estimated fair values on the acquisition date. We expect to finalize the Beceem allocation in the three months ending June 30, 2011.

In the three months ended March 31, 2011 we completed the purchase price allocation of Gigle Networks Inc., which was acquired in December 2010.

Contingent Consideration

In connection with our 2010 acquisitions of Gigle Networks Inc. and Percello Ltd., additional cash consideration of up to \$20 million may be paid to former shareholders upon satisfaction of certain future performance goals. In connection with this contingent consideration, we originally recorded an estimated \$1 million liability. As of March 31, 2011, there have been no changes to our original estimates for Gigle or Percello.

Supplemental Pro Forma Data (Unaudited)

The unaudited pro forma statement of income data below gives effect to our 2010 acquisitions that were completed during 2010 as if they had occurred at the beginning of 2010. The following data includes the amortization of purchased intangible assets and stock-based compensation expense. This pro forma data is presented for informational purposes only and does not purport to be indicative of the results of future operations or of the results that would have occurred had the acquisitions taken place at the beginning of 2010.

	Three Months Ended March 31, 2010
Pro forma net revenue	\$ 1,490
Pro forma net income	\$ 171
Pro forma net income per share (basic)	\$ 0.35
Pro forma net income per share (diluted)	\$ 0.33

4. Cash, Cash Equivalents and Marketable Securities

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

	<u>Cash and Cash Equivalents</u>	<u>Short-Term Marketable Securities</u> (In millions)	<u>Long-Term Marketable Securities</u>	<u>Total</u>
March 31, 2011				
Cash	\$ 117	\$ —	\$ —	\$ 117
Bank deposits	597	—	—	597
Certificate of deposits	5	5	1	11
Money market funds	299	—	—	299
U.S. treasury and and agency obligations	30	454	1,464	1,948
Foreign government and agency obligations	—	1	5	6
Commercial paper	563	80	—	643
Corporate bonds	26	102	172	300
Asset-backed securities and other	—	3	7	10
	<u>\$ 1,637</u>	<u>\$ 645</u>	<u>\$ 1,649</u>	<u>\$ 3,931</u>
December 31, 2010				
Cash	\$ 103	\$ —	\$ —	\$ 103
Bank deposits	455	—	—	455
Money market funds	641	—	—	641
U.S. treasury and and agency obligations	4	586	1,360	1,950
Commercial paper	419	363	—	782
Corporate bonds	—	86	41	127
	<u>\$ 1,622</u>	<u>\$ 1,035</u>	<u>\$ 1,401</u>	<u>\$ 4,058</u>

The following table presents the gross unrealized gains and losses and fair values for those investments aggregated by major security type:

	<u>Cost</u>	<u>Gross Unrealized Gains</u> (In millions)	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
March 31, 2011				
U.S. treasury and and agency obligations	<u>\$ 1,952</u>	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ 1,948</u>
December 31, 2010				
U.S. treasury and and agency obligations	<u>\$ 1,953</u>	<u>\$ 2</u>	<u>\$ (5)</u>	<u>\$ 1,950</u>

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The following table shows the fair value measurements for those investments aggregated by major security type:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
	(In millions)			
March 31, 2011				
Cash	\$ 117	\$ —	\$ —	\$ 117
Bank deposits	597	—	—	597
Certificate of deposits	11	—	—	11
Money market funds	299	—	—	299
U.S. treasury and and agency obligations	1,948	—	—	1,948
Foreign government and agency obligations	6	—	—	6
Commercial paper	—	643	—	643
Corporate bonds	17	283	—	300
Asset-backed securities and other	—	10	—	10
	<u>\$ 2,995</u>	<u>\$ 936</u>	<u>\$ —</u>	<u>\$ 3,931</u>
December 31, 2010				
Cash	\$ 103	\$ —	\$ —	\$ 103
Bank deposits	455	—	—	455
Money market funds	641	—	—	641
U.S. treasury and and agency obligations	1,950	—	—	1,950
Commercial paper	—	782	—	782
Corporate bonds	20	107	—	127
	<u>\$ 3,169</u>	<u>\$ 889</u>	<u>\$ —</u>	<u>\$ 4,058</u>

There were no transfers between Level 1, Level 2 or Level 3 securities in the three months ended March 31, 2011. All of our long-term marketable securities had maturities of between one and three years in duration at March 31, 2011.

At March 31, 2011 we had 187 investments that were in an unrealized loss position for less than 12 months. The gross unrealized losses were due to changes in interest rates. We have determined that the gross unrealized losses on these investments at March 31, 2011 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.

5. Income Taxes

We recorded a tax provision of \$4 million and \$2 million for the three months ended March 31, 2011 and 2010, respectively. Our effective tax rates were 2.0% and 1.0% in the three months ended March 31, 2011 and 2010, respectively. The difference between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate in the three months ended March 31, 2011 and 2010, and \$4 million of tax benefits in the three months ended March 31, 2010 resulting primarily from the March 22, 2010 decision in the U.S. Court of Appeals for the Ninth Circuit case concerning Xilinx (as disclosed in prior periods).

We utilize the asset and liability method of accounting for income taxes. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future

taxable income, tax planning strategies and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our recent cumulative losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$15 million and \$17 million at March 31, 2011 and December 31, 2010, respectively.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2004 through 2010 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2002 through 2010 tax years generally remain subject to examination by tax authorities. Our income tax returns for the 2004, 2005 and 2006 tax years are currently under examination by the Internal Revenue Service.

As previously disclosed, on January 28, 2011, we received Notices of Proposed Adjustment, or NOPAs, from the IRS proposing increases to our taxable income for our 2004 to 2006 tax years. The proposed adjustments would increase income for 2004 through 2006 by approximately \$1.55 billion and decrease our net operating loss carryforwards into the 2004 tax year by \$476 million. The NOPAs primarily relate to transfer pricing in connection with our R&D cost-sharing arrangement with a foreign subsidiary that commenced in 1998, referred to as the 1998 Agreement. The IRS audited the 1998 Agreement in connection with our 1999 and 2000 taxable years. The parties had previously reached an agreement that we have followed. The IRS's transfer pricing position in the NOPAs is similar to the transfer pricing position it recently advocated in *VERITAS v. Commissioner*, 133 T.C. No. 14 (2009) where the Court held that the IRS's proposed adjustments were arbitrary, capricious and unreasonable. We have reviewed the NOPAs and evaluated any potential impact of the proposed adjustments. We disagree with the IRS's position and intend to pursue all available administrative and judicial remedies to resolve the issue. We do not expect that the NOPAs or the IRS examination will have a material effect on our financial condition or results of operations. It is possible, however, that we may not prevail on this issue in whole or in part, and we are in ongoing discussions with the IRS and could choose to settle this matter, either of which could result in the utilization of a portion of our net operating loss carryforwards.

In December, 2010 the *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010* was enacted. A provision in this legislation provided for the extension of the research and development tax credit for qualifying expenditures paid or incurred from January 1, 2010 through December 31, 2011. As a result of this legislation, we generated federal research and development tax credits of \$90 million for the year ended December 31, 2010 and expect to generate additional research and development tax credits for the year ended December 31, 2011. These tax credits which if unutilized, will carry forward to future periods. No tax benefit was recorded for these carryforwards since we have a full valuation allowance on our U.S. deferred tax assets.

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

6. Long-Term Debt

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

	<u>March 31,</u>		<u>December 31,</u>	
	<u>2011</u>		<u>2010</u>	
	(In millions, except percentage data)			
	<u>Amount</u>	<u>Effective Rate</u>	<u>Amount</u>	<u>Effective Rate</u>
1.500% fixed-rate notes, due 2013	\$ 300	1.605%	\$ 300	1.605%
2.375% fixed-rate notes, due 2015	400	2.494%	400	2.494%
Total	700		700	
Unaccreted Discount	(3)		(3)	
Total	\$ 697		\$ 697	

Senior Notes

In November 2010 we issued senior unsecured notes in an aggregate principal amount of \$700 million. These Notes consist of \$300 million aggregate principal amount of notes which mature in November 2013, or the 2013 Notes, and bear interest at a fixed rate of 1.500% per annum, and \$400 million aggregate principal amount of notes which mature in November 2015, or the 2015 Notes, and bear interest at a fixed rate of 2.375% per annum. Interest is payable in cash semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2011. The 2013 Notes were issued with an original issue discount at 99.694% and the 2015 Notes were issued with an original issue discount at 99.444% and are recorded as long-term debt, net of original issue discount. The discount and debt issuance costs associated with the issuance of the Notes are amortized to interest expense over their respective terms.

The effective rates for the fixed-rate debt include the interest on the notes and the accretion of the original issue discount. Based on estimated market prices, the fair value of our Notes was \$686 million and \$687 million as of March 31, 2011 and December 31, 2010, respectively.

In connection with the Notes, we entered into a registration rights agreement pursuant to which we agreed to use our commercially reasonable efforts to file with the SEC an exchange offer registration statement to issue registered notes with substantially identical terms as the Notes in exchange for an outstanding Notes, or, under certain circumstances, a shelf registration statement to register the Notes. We agreed to use our commercially reasonable efforts to file a registration statement to consummate the exchange offer or cause the shelf registration statement to be declared effective by the SEC, in each case on or prior to 365 days after the closing of the Notes offering. If we are unable to complete our registration statement, we will be subject to interest penalties.

We may redeem the Notes at any time, subject to a specified make-whole premium as defined in the indenture governing the Notes. In the event of a change of control triggering event, each holder of Notes will have the right to require us to purchase for cash all or a portion of their Notes at a redemption price of 101% of the aggregate principal amount of such Notes plus accrued and unpaid interest. Default can be triggered by any missed interest or principal payment, breach of covenant, or in certain events of bankruptcy, insolvency or reorganization.

The Notes 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 but unpaid interest on the Notes.

Relative to our overall indebtedness, the 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, swingline loans and letters of credit in an aggregate amount of up to \$500 million. The credit facility matures on November 19, 2014, at which time all outstanding revolving facility loans and accrued and unpaid interest must be repaid. We did not draw on our credit facility during 2010 or in the three months ended March 31, 2011.

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

The Credit Facility contains customary representations and warranties as well as affirmative, negative and financial covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00.

7. Shareholders' Equity

Share Repurchase Programs

In February 2011 we entered into an accelerated share repurchase, or ASR, agreement to repurchase \$300 million dollars of our Class A common stock, which was recorded as a reduction to shareholders' equity. Under the ASR program, a majority of the shares repurchased were immediately retired and, depending on the average daily volume weighted average price of our Class A common stock during the specified term, we may receive additional shares back at the conclusion of the program.

Under the terms of the ASR, we paid \$300 million in cash during the quarter, and subsequently received and cancelled 6 million shares of our Class A common stock. At March 31, 2011 under the terms of the agreement, \$41 million was pending final settlement which represents an additional 1 million shares at a weighted average price of \$42.64. The ASR is expected to conclude in May 2011.

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 (including under an ASR or other arrangement) is equal to the total number of shares issued pursuant to our equity awards in the previous year and the current year. Our February 2010 share repurchase program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors. In addition to the shares repurchased under the ASR, we repurchased approximately 4 million and 5 million shares of our Class A common stock at a weighted average price of \$40.18 and \$29.75 per share in the three months ended March 31, 2011 and 2010, respectively.

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, or the Exchange Act.

Quarterly Dividend

In January 2011, our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased the quarterly cash dividend by 12.5% to \$0.09 per share (\$0.36 per share on an annual basis) and

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declared a quarterly cash dividend of \$0.09 per share payable to holders of our common stock. In the three months ended March 31, 2011 and 2010 we paid \$49 million and \$40 million, respectively, in dividends to holders of our Class A and Class B common stock. These dividends were paid from U.S. domestic sources other than our retained earnings and are accounted for as reductions of shareholders' equity.

Comprehensive Income

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

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Net income	\$ 228	\$ 210
Other comprehensive income (loss):		
Unrealized gain (loss) on marketable securities	(1)	1
Translation adjustments	11	6
Total comprehensive income	<u>\$ 238</u>	<u>\$ 217</u>

8. Employee Benefit Plans

Combined Incentive Plan Activity

Activity under all stock option incentive plans in the three months ended March 31, 2011 is set forth below:

	Options Outstanding			
	Number of Shares	Exercise Price Range per Share (In millions, except per share data)	Weighted Average Exercise Price per Share	Weighted Average Grant-Date Fair Value per Share
Balance at December 31, 2010	78	\$ 0.01 - 48.63	\$ 27.05	\$ 15.05
Options granted ⁽¹⁾	—	45.82 - 45.82	45.82	11.72
Options cancelled ⁽²⁾	—	0.55 - 46.01	26.49	11.74
Options exercised	(5)	0.01 - 45.05	24.08	14.50
Balance at March 31, 2011	<u>73</u>	<u>\$ 0.01 - 48.63</u>	<u>\$ 27.24</u>	<u>\$ 15.13</u>

(1) Less than one million stock options were granted in the three months ended March 31, 2011.

(2) Less than one million stock options were cancelled in the three months ended March 31, 2011.

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Restricted stock unit activity in the three months ended March 31, 2011 is set forth below:

	Restricted Stock Units Outstanding	Weighted Average Grant-Date Fair Value per Share
	Number of Shares (In millions, except per share data)	
Balance at December 31, 2010	28	\$ 27.17
Restricted stock units granted	8	44.92
Restricted stock units cancelled ⁽¹⁾	—	30.84
Restricted stock units vested	(4)	26.41
Balance at March 31, 2011	<u>32</u>	<u>\$ 31.84</u>

(1) Less than one million restricted stock units were cancelled in the three months ended March 31, 2011.

In January 2011, the Compensation Committee adopted a Performance Restricted Stock Units Incentive Award Program, or the PRSU Program. Under the PRSU Program, and at the sole discretion of the Compensation Committee, certain of our executives will annually be designated as participants. The PRSU Program was adopted under, and all awards and grants under the program shall be pursuant to, the Broadcom Corporation 1998 Stock Incentive Plan, as amended and restated. The Compensation Committee designated the first performance cycle under the PRSU Program to be January 1, 2010 through December 31, 2010. Pursuant to the PRSU Program, a participant has the opportunity to receive grants of performance-based RSUs, or PRSUs if the performance targets established by the Compensation Committee have been met for a performance cycle (typically, January 1 through December 31 of a subject year). In 2011, our executive officers received PRSUs, in lieu of stock options, and additionally, continued to receive time-based grants of RSUs. In 2011 we granted 0.2 million PRSUs that were based on 2010 performance targets under the PRSU Program. Under the terms of the PRSU Program, the award recipients were also awarded grants of the same number of PRSUs to be made in the subsequent two calendar years on the basis of having met the 2010 performance targets. These PRSU grants were included in both the computation of stock-based compensation expense and diluted net income per share.

In February 2011, as part of Broadcom's regular annual equity compensation review program, our Compensation Committee granted 6 million restricted stock units.

The per share fair values of stock options and employee stock purchase rights granted in the three months ended March 31, 2011 in connection with stock incentive plans and rights granted in connection with the employee stock purchase plan have been estimated with the following weighted average assumptions:

	Employee Stock Purchase Rights	Employee Stock Options
Expected life (in years)	1.09	3.60
Implied Volatility	0.34	0.34
Risk-free interest rate	0.34%	1.56%
Expected dividend yield	0.80%	0.80%
Weighted average fair value	\$12.29	\$11.72

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The weighted average fair values per share of the restricted stock units granted in the three months ended March 31, 2011 was \$44.92 calculated based on the fair market value of our Class A common stock on the respective grant dates less any expected dividend yield.

Stock-Based Compensation Expense

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

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Cost of product revenue	\$ 7	\$ 7
Research and development	101	89
Selling, general and administrative	36	31

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the remainder of 2011 through 2015 related to unvested share-based payment awards at March 31, 2011:

	2011	2012	2013	2014	2015	Total
	(In millions)					
Unearned stock-based compensation	\$ 360	\$ 344	\$ 222	\$ 111	\$ 12	\$ 1,049

The weighted-average period over which the unearned stock-based compensation is expected to be recognized is 1.5 years.

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

9. Litigation

We and certain of our subsidiaries are currently parties to various legal proceedings, including those noted in this section. Unless specifically noted below, during the period presented we have not: recorded any accrual for loss contingencies associated with the legal proceedings described below; 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

As previously reported in our Annual Report on Form 10-K for the year ended December 31, 2010, from October 2007 through March 2011 we were involved in litigation with Wi-LAN Inc. In March 2011, Broadcom and Wi-LAN signed a Settlement and Patent License Agreement and dismissed with prejudice all pending claims and counterclaims associated with that litigation. The consideration paid and to be paid under the agreement was allocated on a relative fair value basis between a loss on settlement for litigation, which was reported in 2010, and intellectual property rights, which will be amortized over the useful life of the intellectual property.

In November 2009 we filed a complaint in the United States District Court for the Eastern District of Texas against the Commonwealth Scientific and Industrial Research Organisation, or CSIRO, seeking a declaratory judgment that U.S. Patent Number 5,487,069 is invalid, unenforceable and not infringed. CSIRO has answered the complaint and counterclaimed for infringement against Broadcom wireless LAN products and seeking damages, attorney's fees, and an injunction. In connection with an ex parte reexamination, the Patent Office has recently issued a Reexamination Certificate allowing the original claims of CSIRO's patent and adding some amended claims. On March 31, 2011, the Court granted CSIRO's motion to add its amended claims to the case. Trial has been set for April 2012.

In September 2009 we filed a complaint in the United States District Court for the Central District of California against Emulex Corporation, or Emulex, alleging infringement of ten patents generally relating to networking technologies. In subsequent filings, we added two additional patents and dropped four patents, bringing the total to eight asserted patents. Our complaints seek injunctions against Emulex and the recovery of monetary damages, including treble damages for willful infringement, and attorneys' fees. In its answers, Emulex denied liability and asserted counterclaims seeking a declaratory judgment that the asserted patents are invalid and not infringed. Discovery is currently underway, with trial set for September 2011.

In August 2010, Broadcom filed a motion to intervene (i.e., to be added as a party) in *U.S. Ethernet Innovations, LLC v. Acer, Inc.*, Case No. 10-cv-03724-JW (N.D. Cal.). In this case, U.S. Ethernet Innovations, LLC, or USEI, filed a patent infringement complaint alleging that numerous companies, including certain Broadcom customers, infringe four patents relating generally to Ethernet technology. USEI seeks monetary damages, attorney's fees, and an injunction. Defendants have filed answers denying the allegations in USEI's complaint and asserting counterclaims for declaratory judgment that USEI's patents are invalid, unenforceable, and not infringed. Broadcom contends that it has a license related to USEI's patents and is seeking to assert this license as a defense. In December 2010, the Court granted Broadcom's motion to intervene. The Court has scheduled a claim construction hearing for October 2011, and no trial date has been set.

As previously reported in our Annual Report on Form 10-K for the year ended December 31, 2010, since December 2006 Broadcom and its subsidiary, Global Locate, Inc., were engaged in various litigation matters with SiRF Technology, Inc., which company was later acquired by CSR plc. On January 10, 2011, Broadcom and CSR announced that the parties had settled all outstanding litigation between themselves and their subsidiaries, that the parties would seek to dismiss their various pending actions, and that they had agreed not to pursue any patent infringement actions or claims against each other, or against any third parties based on use of each others' products, for a period of five years. The consideration received and to be received under the agreement was allocated on a relative fair value basis between a settlement gain, which was partially recognized in the three months ended March 31, 2011 and patent licensing royalty revenue. Revenue derived from the patent license will be recognized as licensing revenue.

On December 1, 2010, Rambus Inc. filed a complaint in the United States District Court for the Northern District of California against Broadcom, alleging that certain Broadcom products infringe nineteen patents relating generally to memory controller and high speed interface technologies. Broadcom filed its response to Rambus' complaint on January 26, 2011. On January 28, 2011, Broadcom filed a motion to stay the action pending completion of certain ITC proceedings discussed below. On February 23, 2011, the case was designated as a related case with certain other cases filed by Rambus against third parties Freescale Semiconductor, Inc., LSI Corporation, MediaTek, Inc., NVIDIA Corporation and STMicroelectronics N.V.

On December 1, 2010, Rambus Inc. filed a complaint in the ITC against Broadcom and numerous other parties, asserting that Broadcom engaged in unfair trade practices by importing certain memory controllers and devices

having certain accused interface technologies that allegedly infringe six patents. The complaint seeks an exclusion order to bar importation into the United States all semiconductor chips that include memory controllers and/or peripheral interfaces that are manufactured, imported, or sold for importation that infringe any claim of the asserted patents, and all products incorporating the same. The complaint further seeks a cease and desist order directing Broadcom and other parties to cease and desist from importing, marketing, advertising, demonstrating, sampling, warehousing inventory for distribution, offering for sale, selling, distributing, licensing, or using any semiconductor chips that include memory controllers and/or peripheral interfaces, and products containing such semiconductor chips, that infringe any claim of the asserted patents. On December 29, 2010, the ITC voted to institute an investigation based on Rambus' complaint. Broadcom filed its response to the complaint on February 1, 2011. Discovery in the case is proceeding. On March 3, 2011 Broadcom and certain other respondents filed a motion to stay the investigation pending the completion of appellate proceedings in a prior ITC investigation, No. 337-TA-661, involving some of the same patents at issue in this investigation. Rambus and the ITC staff have opposed a stay, and no ruling has yet been issued. Trial is currently scheduled to commence on October 11, 2011, and the target date for a Final Determination by the ITC is currently May 14, 2012.

On March 22, 2011, Azure Networks, LLC and Tri-County Excelsior Foundation filed a complaint in the United States District Court for the Eastern District of Texas against Broadcom, alleging that certain Broadcom products infringe US Patent No. 7,756,129, allegedly relating to certain Bluetooth technologies. Broadcom's response to the complaint has not yet been filed.

Other Litigation

In November 2009 Emulex filed a complaint in the Central District of California against Broadcom alleging violation of the antitrust laws, defamation, and unfair competition. The complaint seeks injunctive relief and monetary damages, including treble damages and attorneys' fees. In January 2010, Emulex filed an amended complaint in which Emulex removed, among other things, the claim of unfair competition. In February 2010, we filed motions to dismiss the case and a motion to strike. In June 2010, the District Court granted in part and denied in part our motion to dismiss and denied our motion to strike. In July 2010, we filed a notice of appeal of the District Court's denial of our motion to strike. In November 2010, the parties agreed to a voluntary stay of the appeal. No trial date has been set for this matter. We intend to defend this action vigorously.

From March through August 2006 a number of purported Broadcom shareholders filed putative shareholder derivative actions, the Options Derivative Actions, against Broadcom, each of the then members of our Board of Directors and certain current or former officers, alleging, among other things, that the defendants improperly dated certain Broadcom employee stock option grants. Four of those cases, *Murphy v. McGregor, et al.* (Case No. CV06-3252 R (CWx)), *Shei v. McGregor, et al.* (Case No. SACV06-663 R (CWx)), *Ronconi v. Dull, et al.* (Case No. SACV 06-771 R (CWx)) and *Jin v. Broadcom Corporation, et al.* (Case No. 06CV00573) have been consolidated in the United States District Court for the Central District of California. The plaintiffs filed a consolidated amended complaint in November 2006. In addition, two putative shareholder derivative actions, *Pirelli Armstrong Tire Corp. Retiree Med. Benefits Trust v. Samueli, et al.* (Case No. 06CC0124) and *Servais v. Samueli, et al.* (Case No. 06CC0142), were filed in the California Superior Court for the County of Orange. The Superior Court consolidated the state court derivative actions in August 2006, and the plaintiffs filed a consolidated amended complaint in September 2006. The plaintiffs in the Options Derivative Actions contend, among other things, that the defendants' conduct violated United States and California securities laws, breached defendants' fiduciary duties, wasted corporate assets, unjustly enriched the defendants, and caused errors in our consolidated financial statements. The plaintiffs seek, among other things, unspecified damages and disgorgement of profits from the alleged conduct, to be paid to Broadcom.

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

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In August 2009 Broadcom, by and through its SLC, plaintiffs and certain of the defendants executed a Stipulation and Agreement of Partial Settlement, or Partial Derivative Settlement, in the federal derivative action pertaining to past employee stock option grants. The Partial Derivative Settlement resolved all claims in the action against the defendants, other than three individuals: Dr. Henry T. Nicholas, III, our former President and Chief Executive Officer and former Co-Chairman of the Board, William J. Ruehle, our former Chief Financial Officer, and Dr. Henry Samueli, our Chief Technical Officer and current nominee to our Board of Directors. In connection with the Partial Derivative Settlement, Broadcom and certain of the defendants also entered into a settlement with Broadcom's directors and officers liability insurance carriers, or Insurance Agreement. In December 2009 the District Court entered an order granting final approval of the Partial Derivative Settlement. In January 2010 Dr. Nicholas, Mr. Ruehle, and Dr. Samueli filed notices of appeal of the order in the United States Court of Appeals for the Ninth Circuit.

In March 2011, Broadcom, plaintiffs and the three remaining defendants executed a Stipulation and Agreement of Settlement, or Derivative Settlement, in the federal derivative action. If the Derivative Settlement is approved by the District Court and the judgment becomes final and non-appealable, then:

- Broadcom will receive payment from Dr. Nicholas of \$27 million, which will be recorded as a settlement gain in our unaudited condensed consolidated statements of income;
- Mr. Ruehle will execute a Notice of Dismissal with Prejudice of an action filed by him against Broadcom, which seeks damages in excess of \$26 million;
- Broadcom will cancel unexercised Broadcom stock options held by Dr. Samueli and valued by Broadcom at \$24 million for purposes of the settlement (using the same methodology used to value equity granted to employees in the February annual focal compensation review). However, the final valuation of Dr. Samueli's unexercised stock options for purposes of determining the impact to Broadcom's statement of income will ultimately be determined at the time of Court approval using a Black-Scholes analysis based on the closing price of Broadcom's Class A common stock on that date (and in all likelihood will differ from the \$24 million valuation used for the settlement). This amount will be recorded as a settlement gain in our unaudited condensed consolidated statements of income;
- Dr. Samueli will contribute \$2 million in cash to the Broadcom Foundation; and
- Dr. Nicholas, Mr. Ruehle and Dr. Samueli will be dismissed with prejudice from the federal consolidated shareholder derivative litigation.

Broadcom has agreed to pay plaintiffs' counsel \$25 million of the settlement proceeds for attorneys' fees, expenses, and costs, subject to Court approval, which will be recorded as an operating expense in our unaudited condensed consolidated statements of income. In addition, upon final Court approval and receipt of the settlement consideration, Broadcom expects to contribute approximately \$25 million to the Broadcom Foundation, which will be recorded as a charitable contribution in our unaudited condensed consolidated statements of income. On March 24, 2011 the District Court issued an order preliminarily approving the Derivative Settlement. A final approval hearing has been scheduled for May 16, 2011. The amounts described above have not been recorded in our statement of income in the three months ended March 31, 2011 as final court approval has not been received.

On April 7, 2011, the parties to the state derivative action filed a stipulation providing that the plaintiffs will file with the state court a request for dismissal of the state derivative action with prejudice if the District Court grants final approval of the Derivative Settlement and the judgment becomes final and non-appealable.

In April 2008 we delivered a Notice of Arbitration and Arbitration Claim to our former independent registered public accounting firm, E&Y, and certain related parties. The arbitration relates to the issues that led to the restatement of Broadcom's financial statements for the periods from 1998 through March 31, 2006 as disclosed in an amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and an amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed with the SEC January 23, 2007. In May 2008 E&Y delivered a Notice of Defense and Counterclaim. No date for an arbitration hearing has been scheduled.

We have indemnification agreements with each of our present and former directors and officers, under which we are generally required to indemnify each such director or officer against expenses, including attorneys' fees, judgments, fines and settlements, arising from the Options Derivative Actions, and the prior related stock option class actions and SEC and U.S. Attorney's Office investigations (subject to certain exceptions, including liabilities arising from willful misconduct, from conduct knowingly contrary to the best interests of Broadcom, or conduct that is knowingly fraudulent or deliberately dishonest or results in improper personal benefit). Pursuant to the Insurance Agreement, and subject to the terms described more completely therein, including relinquishing of rights to any further recovery as to the matters described above under these directors' and officers' liability insurance policies by Broadcom and certain of its former and current officers and directors, Broadcom received payments totaling \$118 million from its insurance carriers which was recorded as a \$91 million, \$17 million and \$10 million reduction of selling, general and administrative expenses in 2009, 2008 and 2007, respectively. We did not receive any additional proceeds from insurance carriers in 2010. The \$118 million includes \$43 million in reimbursements previously received from the insurance carriers under reservations of rights, and \$75 million paid to Broadcom upon final approval of the Partial Derivative Settlement. In addition, Broadcom paid \$12 million to the lead federal derivative plaintiffs' counsel for attorneys' fees, expenses and costs of plaintiffs' counsel in connection with the Partial Derivative Settlement and their prosecution of the derivative action. As of March 31, 2011, in connection with our securities litigation and related government investigations, we have advanced approximately \$175 million to certain current and former officers for attorney and expert fees, which amount has been expensed. Pursuant to the Insurance Agreement, we agreed to indemnify and hold harmless the insurance carriers in connection with certain proceedings that might be brought against the carriers by non-settling parties. In October 2010 the insurance carriers notified us that they received mediation demands from certain non-settling derivative defendants and tendered those claims to Broadcom for indemnity.

In the event that the trial court's approval of the Partial Derivative Settlement is reversed or vacated by an appellate court or otherwise does not become final and non-appealable, Broadcom in its sole discretion has the election to either provide a release to the insurance carriers and indemnify them related to any future claims and retain the \$118 million in accordance with the Insurance Agreement or to repay to the insurance carriers certain portions of the aggregate amount previously paid to Broadcom.

In December 2010 Nancy Tullos, our former Vice President of Human Resources, sent Broadcom an arbitration demand seeking \$6 million plus attorney's fees and alleging that Broadcom breached the terms of a 2003 separation agreement by cancelling certain stock options granted to Ms. Tullos. In January 2011, Broadcom responded, denying her allegations and counterclaiming for attorney's fees that were advanced to Ms. Tullos in litigations regarding Broadcom's past stock options practices. The arbitration is scheduled for June 2011.

General

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

The pending proceedings involve complex questions of fact and law and will require the expenditure of significant funds and the diversion of other resources to prosecute and defend. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. The resolution of intellectual property litigation may require us to pay damages for past infringement or to obtain a license under the other party's intellectual property rights that could require one-time license fees or ongoing royalties, 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 involved in such litigation may perform for us. From time to time we may enter into confidential discussions regarding the potential settlement of pending litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. The settlement of any pending litigation or other proceeding could require us to incur substantial settlement payments and costs. 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. In addition, from time to time we are approached by holders of intellectual property to engage in discussions about our obtaining licenses to their intellectual property. We will disclose the nature of any such discussion if we believe 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.

10. Business Enterprise Segments, Significant Customer and Geographical Information

Business Enterprise Segments

Broadcom has three reportable segments consistent with our target markets. Our three reportable segments are: Broadband Communications (Home), Mobile & Wireless (Hand) and Infrastructure & Networking (Infrastructure). Our Chief Executive Officer, who is our chief operating decision maker, or CODM, reviews financial information at the reporting segment level. In January 2011, our Mobile Platforms and Wireless Connectivity businesses were combined for internal reporting purposes which aligns with our externally reported Mobile & Wireless segment.

We also report an “All Other” category that primarily includes licensing revenue from our agreement with Verizon Wireless and income from the Qualcomm Agreement since they are principally the result of corporate efforts. “All Other” also includes operating expenses that we do not allocate to our other operating segments as these expenses are not included in the segment operating performance measures evaluated by our CODM. Operating costs and expenses that are not allocated include stock-based compensation, amortization of purchased intangible assets, impairment of goodwill and other long-lived assets, net settlement costs, net restructuring costs, charitable contributions, 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. In 2010, we reclassified the amortization of acquired inventory valuation step-up from its respective reportable segment into the “All Other” category, as these charges are the result of acquisition accounting and we believe these amounts should not be included when measuring our reportable segments’ operating performance. Prior period amounts have been reclassified to conform to the current period presentation. Our CODM does not review information regarding total assets, interest income or income taxes on an operating segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

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

	Reportable Segments				
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking	All Other	Consolidated
	(In millions)				
Three Months Ended March 31, 2011					
Net revenue	\$ 490	\$ 855	\$ 419	\$ 52	\$ 1,816
Operating income (loss)	84	139	153	(143)	233
Three Months Ended March 31, 2010					
Net revenue	\$ 464	\$ 554	\$ 392	\$ 52	\$ 1,462
Operating income (loss)	84	61	154	(92)	207

Included in the “All Other” Category:

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Net revenue	\$ 52	\$ 52
Stock-based compensation	\$ 144	\$ 127
Amortization of purchased intangible assets	22	10
Amortization of acquired inventory valuation step-up	5	4
Impairment of long-lived assets	9	—
Settlement costs (gains), net	(5)	3
Employer payroll tax on certain stock option exercises	3	1
Miscellaneous corporate allocation variances	17	(1)
Total other operating costs and expenses	\$ 195	\$ 144
Total operating loss for the “All Other” category	\$ (143)	\$ (92)

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,	
	2011	2010
Five largest customers as a group	41.6%	35.2%

Product revenue derived from shipments to international destinations, as a percentage of product revenue was as follows:

	Three Months Ended March 31,	
	2011	2010
China (exclusive of Hong Kong)	31.7%	27.7%
Hong Kong	25.7	26.7
Other Asia (primarily Singapore and Taiwan)	37.2	38.3
Europe	2.4	2.4
Other	2.2	1.2
	<u>99.2%</u>	<u>96.3%</u>

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

Cautionary Statement

You should read the following discussion and analysis in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related Notes thereto contained in Part I, Item 1 of this Report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2010 and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.

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

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements concerning projected 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; the impact of the earthquake and other recent events in Japan on our results of operations; our ability to consummate acquisitions and integrate their operations successfully; 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 migrate to smaller process geometries; our success in pending intellectual property litigation matters; our potential needs for additional capital; inventory and accounts receivable levels; the impact of the Internal Revenue Service review of certain income tax returns on our results of operations; the amount of research and development tax credits we expect to generate during 2011; the effect of potential changes in U.S. or foreign tax laws and regulations or the interpretation thereof; the level of accrued rebates, and income we expect to record in connection with the Qualcomm Agreement or similar arrangements in the future. 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.

Overview

Broadcom Corporation (including our subsidiaries, referred to collectively in this Report as "Broadcom," "we," "our" and "us") is a prominent technology innovator and global leader in semiconductors for wired and wireless communications. Broadcom® products enable the delivery of voice, video, data and multimedia to and throughout the home, the office and the mobile environment. We provide the industry's broadest portfolio of state-of-the-art system-on-a-chip, or SoC, and embedded software solutions to manufacturers of computing and networking equipment, digital entertainment and broadband access products, and mobile devices.

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

Our diverse product portfolio includes:

- *Broadband Communications (Solutions for the Home)* — Highly integrated solutions for the connected home, including set-top-boxes and media servers, residential gateways, home networking, femtocells, high definition TV platforms, Blu-ray Disc® players and digital video recorders (DVRs).
- *Mobile & Wireless (Solutions for the Hand)* — Low-power, high-performance and highly integrated solutions powering the mobile ecosystem, including Wi-Fi and Bluetooth, cellular modems, personal navigation and global positioning, near field communications, multimedia and application processing, and mobile power management solutions.
- *Infrastructure & Networking (Solutions for Infrastructure)* — Highly integrated solutions for carriers, service providers, enterprises, small-to-medium businesses and data centers for network infrastructure needs, including switches and physical layer (PHY) devices for local, metropolitan, wide area and storage networking; switch fabric solutions; and high-speed controllers.

Our product revenue consists principally of sales of semiconductor devices and, to a lesser extent, 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. Our licensing revenue and income is generated from the licensing of our intellectual property, of which the vast majority to date has been derived from agreements with two customers, Verizon Wireless and Qualcomm Incorporated. The licensing revenue from our agreement with Verizon Wireless ended in March 2009 and the income from the Qualcomm Agreement is non-recurring and will terminate in 2013. There can be no assurances that we will be able to enter into similar arrangements in the future. At March 31, 2011 we had deferred income of \$39 million related to the Qualcomm Agreement.

A detailed discussion of our business may be found in Part I, Item 1, “Business,” of our 2010 Annual Report on Form 10-K for the year ended December 31, 2010.

Operating Results for the Three Months Ended March 31, 2011

In the three months ended March 31, 2011 our net income was \$228 million as compared to net income of \$210 million in the three months ended March 31, 2010. The increase in profitability was the direct result of a broad-based increase in net revenue of 24.2% primarily in our Mobile & Wireless reportable segment in the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 offset in part by lower gross margins and an increase in operating expenses. Other highlights during the three months ended March 31, 2011 include the following:

- Our cash and cash equivalents and marketable securities were \$3.93 billion at March 31, 2011, compared with \$4.06 billion at December 31, 2010. We generated cash flow from operations of \$334 million during the three months ended March 31, 2011.
- In January 2011, our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased our quarterly cash dividend by 12.5% to \$0.09 per share (\$0.36 per share on an annual basis) and declared a quarterly cash dividend of \$0.09 per share payable to holders of our common stock.
- In January 2011, the Compensation Committee adopted a Performance Restricted Stock Units Incentive Award Program, or the PRSU Program. Under the PRSU Program, and at the sole discretion of the Compensation Committee, certain of our executives will annually be designated as participants. The PRSU Program was adopted under, and all awards and grants under the program shall be pursuant to, the

Broadcom Corporation 1998 Stock Incentive Plan, as amended and restated. The Compensation Committee designated the first performance cycle under the PRSU Program to be January 1, 2010 through December 31, 2010. Pursuant to the PRSU Program, a participant has the opportunity to receive grants of performance-based RSUs, or PRSUs if the performance targets established by the Compensation Committee have been met for a performance cycle (typically, January 1 through December 31 of a subject year). In 2011, our executive officers received PRSUs, in lieu of stock options, and additionally, continued to receive time-based grants of RSUs. In 2011 we granted 0.2 million PRSUs that were based on 2010 performance targets under the PRSU Program. Under the terms of the PRSU Program, the award recipients were also awarded grants of the same number of PRSUs to be made in the subsequent two calendar years on the basis of having met the 2010 performance targets. These PRSU grants were included in both the computation of stock-based compensation expense and diluted net income per share.

- In February 2011, we entered into an accelerated share repurchase, or ASR, agreement to repurchase \$300 million dollars of our Class A common stock, which was recorded as a reduction to shareholders' equity. Under the ASR program, a majority of the shares repurchased were immediately retired and, depending on the average daily volume weighted average price of our Class A common stock during the specified term, we may receive additional shares back at the conclusion of the program. Under the terms of the ASR, we paid \$300 million in cash during the quarter and subsequently received and cancelled six million shares of our Class A common stock. At March 31, 2011, under the terms of the agreement \$41 million was pending final settlement which represents an additional one million shares at a weighted average price of \$42.64. The ASR is expected to conclude in May 2011.
- In April 2011, we acquired Provigent Inc., a privately-held company that provides highly integrated, high performance, mixed signal semiconductors for microwave backhaul systems. In connection with the acquisition, we paid approximately \$313 million, net of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of Provigent. The purchase price was paid in cash, except that a portion attributable to certain unvested employee stock options will be paid in Broadcom equity awards. A portion of the cash consideration was placed into escrow pursuant to the terms of the acquisition agreement.
- In March 2011 an earthquake occurred off the northeast coast of Japan which has disrupted the global supply chain for components manufactured in Japan that are incorporated in our products or included in the end user products of our customers. Due to cross dependencies, supply chain disruptions stemming from the occurrences in Japan could negatively impact the demand for our products, including, for example, if our customers are unable to obtain sufficient supply of other components required for their end products. While we believe our supply is relatively secure, we are currently working with our customers towards the expedited qualification of second source manufacturers for any affected parts. We continue to monitor the effect of the events in Japan on end demand patterns and inventory levels throughout the supply chain.

Business Enterprise Segments.

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

	Reportable Segments				
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking	All Other	Consolidated
	(In millions)				
Three Months Ended March 31, 2011					
Net revenue	\$490	\$855	\$419	\$ 52	\$1,816
Operating income (loss)	84	139	153	(143)	233
Three Months Ended March 31, 2010					
Net revenue	\$464	\$554	\$392	\$ 52	\$1,462
Operating income (loss)	84	61	154	(92)	207

Included in the “All Other” category:

	Three Months Ended March 31,	
	2011	2010
	(In millions)	
Net revenue	\$ 52	\$ 52
Stock-based compensation	\$ 144	\$ 127
Amortization of purchased intangible assets	22	10
Amortization of acquired inventory valuation step-up	5	4
Impairment of long-lived assets	9	—
Settlement costs (gains), net	(5)	3
Employer payroll tax on certain stock option exercises	3	1
Miscellaneous corporate allocation variances	17	(1)
Total other operating costs and expenses	\$ 195	\$ 144
Total operating loss for the “All Other” category	\$ (143)	\$ (92)

For additional information about our business enterprise segments, see further discussion in Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements.

Factors That May Impact Net Income

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

- volume of product sales and corresponding gross margin;
- required levels of research and development and other operating costs;
- stock-based compensation expense;
- licensing and income from intellectual property;
- deferral of revenue under multiple-element arrangements;

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- amortization of purchased intangible assets;
- cash-based incentive compensation expense;
- litigation costs and insurance recoveries;
- settlement costs or gains;
- adjustments to tax reserves and the results of income tax audits;
- the loss of interest income resulting from lower average interest rates and investment balance reductions resulting from expenditures on repurchases of our Class A common stock, dividends and acquisitions of businesses;
- impairment of goodwill and other long-lived assets;
- charitable contributions;
- other-than-temporary impairment of marketable securities and strategic investments;
- restructuring costs or reversals thereof; and
- gain (loss) on strategic investments.

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 of our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no material changes in any of our critical accounting policies during the three months ended March 31, 2011.

Results of Operations

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

	Three Months Ended March 31,	
	2011	2010
Net revenue:		
Product revenue	96.5%	96.1%
Income from Qualcomm Agreement	2.8	3.5
Licensing revenue	0.7	0.4
Total net revenue	100.0	100.0
Costs and expenses:		
Cost of product revenue	49.3	47.5
Research and development	27.4	28.8
Selling, general and administrative	9.8	9.1
Amortization of purchased intangible assets	0.4	0.2
Impairment of long-lived assets	0.5	—
Settlement costs (gains), net	(0.3)	0.2
Total operating costs and expenses	87.1	85.8
Income from operations	12.9	14.2
Interest income, net	—	0.1
Other income (expense), net	(0.1)	0.2
Income before income taxes	12.8	14.5
Provision for income taxes	0.3	0.1
Net income	12.5%	14.4%

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

	Three Months Ended March 31,	
	2011	2010
Product gross margin	48.9%	50.5%
Total gross margin	50.7	52.5

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

	Three Months Ended March 31,	
	2011	2010
Cost of product revenue	0.4%	0.4%
Research and development	5.6	6.1
Selling, general and administrative	2.0	2.1

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

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

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Product revenue	\$ 1,752	96.5%	\$ 1,404	96.1%	\$ 348	24.8%
Income from Qualcomm Agreement	52	2.8	52	3.5	—	—
Licensing revenue	12	0.7	6	0.4	6	100.0
Total net revenue	\$ 1,816	100.0%	\$ 1,462	100.0%	\$ 354	24.2%
Cost of product revenue ⁽¹⁾	\$ 895	49.3%	\$ 695	47.5%	\$ 200	28.8%
Product gross margin	48.9%		50.5%		(1.6)%	
Total gross margin	50.7%		52.5%		(1.8)%	

	Three Months Ended March 31, 2011		Three Months Ended December 31, 2010		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Product revenue	\$ 1,752	96.5%	\$ 1,889	97.1%	\$ (137)	(7.3)%
Income from Qualcomm Agreement	52	2.8	52	2.7	—	—
Licensing revenue	12	0.7	5	0.2	7	140.0
Total net revenue	\$ 1,816	100.0%	\$ 1,946	100.0%	\$ (130)	(6.7)%
Cost of product revenue ⁽¹⁾	\$ 895	49.3%	\$ 956	49.1%	\$ (61)	(6.4)%
Product gross margin	48.9%		49.4%		(0.5)%	
Total gross margin	50.7%		50.9%		(0.2)%	

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

Net Revenue. Our product revenue is generated principally by sales of our semiconductor devices. Our Broadband Communications products include solutions for cable modems, DSL applications, digital cable, direct broadcast satellite and IP set-top boxes, digital TVs and high definition DVD and personal video recording devices. Our Mobile & Wireless products include wireless LAN, cellular, touch controller, GPS, Bluetooth, mobile multimedia and applications processors, mobile power management and VoIP solutions. Our Infrastructure & Networking products include Ethernet transceivers, controllers, switches, broadband network and security processors and server chipsets. Our licensing revenue and income from the Qualcomm Agreement is generated from the licensing of intellectual property.

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The following table presents net revenue from each of our reportable segments and its respective contribution to net revenue:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Broadband Communications	\$ 490	27.0%	\$ 464	31.7%	\$ 26	5.6%
Mobile & Wireless	855	47.0	554	37.9	301	54.3
Infrastructure & Networking	419	23.1	392	26.8	27	6.9
All other ⁽¹⁾	52	2.9	52	3.6	—	—
Total net revenue	<u>\$ 1,816</u>	<u>100.0%</u>	<u>\$ 1,462</u>	<u>100.0%</u>	<u>\$ 354</u>	<u>24.2%</u>

(1) Includes (i) income relating to the Qualcomm Agreement that was entered into in April 2009 and (ii) other revenue from certain patent agreements. See Notes 1 and 2 of Notes to Unaudited Condensed Consolidated Financial Statements.

The increase in net revenue from our Broadband Communications reportable segment resulted primarily from an increase in demand for broadband modems partially offset by a decrease in demand for Blu-ray products. The increase in net revenue from our Mobile & Wireless reportable segment resulted primarily from an increase in demand for our wireless connectivity and cellular solutions. The increase in net revenue from our Infrastructure & Networking reportable segment resulted primarily from an increase in demand for our Ethernet switching products offset in part by a reduction in demand for our Ethernet controller products.

The following table presents net revenue from each of our reportable segments and its respective contribution to net revenue:

	Three Months Ended March 31, 2011		Three Months Ended December 31, 2010		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Broadband Communications	\$ 490	27.0%	\$ 577	29.7%	\$ (87)	(15.1)%
Mobile & Wireless	855	47.0	908	46.7	(53)	(5.8)
Infrastructure & Networking	419	23.1	409	20.9	10	2.4
All other ⁽¹⁾	52	2.9	52	2.7	—	—
Total net revenue	<u>\$ 1,816</u>	<u>100.0%</u>	<u>\$ 1,946</u>	<u>100.0%</u>	<u>\$ (130)</u>	<u>(6.7)%</u>

(1) Includes (i) income relating to the Qualcomm Agreement that was entered into in April 2009 and (ii) other revenue from certain patent agreements. See Notes 1 and 2 of Notes to Unaudited Condensed Consolidated Financial Statements.

The decrease in net revenue from our Broadband Communications reportable segment resulted primarily from a decrease in demand for our set-top box and broadband modem products. The decrease in net revenue from our Mobile & Wireless reportable segment resulted from a decrease in demand for cellular solutions. The increase in net revenue from our Infrastructure & Networking reportable segment resulted primarily from an increase in demand for our Ethernet switching products.

We recorded rebates to certain customers of \$152 million, or 8.4% of net revenue, \$145 million, or 7.5% of net revenue, \$104 million, or 7.1% of net revenue, in the three months ended March 31, 2011, December 31, 2010, and March 31, 2010, respectively. The increase in rebates in 2011 was attributable to a change to the mix in sales to

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customers that participate in our rebate programs, primarily an increase in the Mobile & Wireless area. We anticipate that accrued rebates will vary in future periods based upon the level of overall sales to customers that participate in our rebate programs.

From time to time, our key customers place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the seasonal variations in consumer products and changes in the overall economic environment. Additionally, since we own inventory that is physically located in a third party's warehouse, our ability to effectively manage inventory levels may be impaired, causing our total inventory turns to decrease, which could increase expenses associated with excess and obsolete products and negatively impact our cash flow.

For these and other reasons, our total net revenue and results of operations for the three months ended March 31, 2011 and prior periods may not necessarily be indicative of future net revenue and results of operations.

Concentration of Net Revenue

Income from the Qualcomm Agreement is expected to be recognized in the remainder of 2011 through 2013 as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u> (In millions)	<u>Thereafter</u>	<u>Total</u>
Income from Qualcomm Agreement	\$155	\$186	\$86	\$—	\$427

The following table presents details of our product net revenue:

	<u>Three Months Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
Product sales made through direct sales force (1)	76.9%	80.5%
Product sales made through distributors(2)	23.1	19.5
	<u>100.0%</u>	<u>100.0%</u>

(1) Includes 9.0% and 5.5% of product sales maintained under hubbing arrangements with certain of our customers in the three months ended March 31, 2011 and 2010, respectively.

(2) Includes 8.1% and 5.3% of product sales maintained under fulfillment distributor arrangements in the three months ended March 31, 2011 and 2010, respectively.

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

	<u>Three Months Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
Five largest customers as a group	41.6%	35.2%

We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the remainder of 2011 and for the foreseeable future. The identities of our largest customers and their respective contributions to our total net revenue have varied and will likely continue to vary from period to period.

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Product revenue derived from shipments to international destinations, as a percentage of product revenue was as follows:

	Three Months Ended March 31,	
	2011	2010
China (exclusive of Hong Kong)	31.7%	27.7%
Hong Kong	25.7	26.7
Other Asia (primarily Singapore and Taiwan)	37.2	38.3
Europe	2.4	2.4
Other	2.2	1.2
	<u>99.2%</u>	<u>96.3%</u>

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

Factors That May Impact Net Revenue

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

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

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 paid to vendors for use of their technology. Also included in cost of product revenue is the amortization of purchased technology, and manufacturing overhead, including costs of personnel and equipment associated with manufacturing support, product warranty costs, provisions for excess and obsolete inventories, and stock-based compensation expense for personnel engaged in manufacturing support. Product gross margin is product revenue less cost of product revenue divided by product revenue and does not include income from the Qualcomm Agreement and revenue from the licensing of intellectual property. Total gross margin is total net revenue less cost of product revenue divided by total net revenue.

Product gross margin decreased to 48.9% in the three months ended March 31, 2011 as compared to 50.5% in the three months ended March 31, 2010 primarily as a result of (i) a net increase in excess and obsolete inventory provisions of \$10 million due to an increase in the provision for digital TV products and (ii) an increase in amortization of purchased intangibles of \$9 million primarily due to our acquisitions completed in the three months ended December 31, 2010.

Product gross margin decreased to 48.9% in the three months ended March 31, 2011 from 49.4% in the three months ended December 31, 2010 primarily as a result of an increase of \$10 million in acquisition-related amortization charges and fixed costs being spread over a lower revenue base, offset in part by (i) a reduction in the excess and obsolete inventory provision of \$3 million and (ii) a reduction of warranty provisions of \$5 million.

Factors That May Impact Product Gross Margin

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

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

Typically our newly introduced products have lower gross margins until we commence volume production and launch lower cost revisions of such products enabling us to benefit from economies of scale and more efficient designs. Our product and total gross margin may also be impacted by additional stock-based compensation expense and changes therein, as discussed below, and the amortization of purchased intangible assets related to future acquisitions.

Research and Development Expense

Research and development expense consists primarily of salaries and related costs of employees engaged in research, design and development activities, including stock-based compensation expense. Development and design

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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 March 31, 2011		Three Months Ended March 31, 2010		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Salaries and benefits	\$ 274	15.1%	\$ 219	15.0%	\$ 55	25.1%
Stock-based compensation ⁽¹⁾	101	5.6	89	6.1	12	13.5
Development and design costs	65	3.6	64	4.3	1	1.6
Other	58	3.1	49	3.4	9	18.4
Research and development	<u>\$ 498</u>	<u>27.4%</u>	<u>\$ 421</u>	<u>28.8%</u>	<u>\$ 77</u>	<u>18.3%</u>

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

The increase in salaries and benefits and stock based compensation increases were primarily attributable to an increase in headcount of approximately 1,125 personnel, bringing headcount to approximately 6,875 at March 31, 2011, which represents a 19.6% increase from our March 31, 2010 levels. Development and design costs were unchanged from the three months ended March 31, 2010, these costs can vary from period to period depending on the timing, development and tape-out of various products. The increase in the *Other* line item in the above table is primarily attributable to an increase in travel and facilities expenses.

We expect research and development costs to increase as a result of growth in, and 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.

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. The majority of our new products are now designed in 40 nanometer CMOS processes, and we are preparing for the 28 nanometer process. We currently hold more than 5,100 U.S. and more than 2,200 foreign patents and more than 7,700 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.

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

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Salaries and benefits	\$ 72	4.0%	\$ 56	3.8%	\$ 16	28.6%
Stock-based compensation ⁽¹⁾	36	2.0	31	2.1	5	16.1
Legal and accounting fees	46	2.5	27	1.8	19	70.4
Other	25	1.3	19	1.4	6	31.6
Selling, general and administrative	<u>\$ 179</u>	<u>9.8%</u>	<u>\$ 133</u>	<u>9.1%</u>	<u>\$ 46</u>	<u>34.6%</u>

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

The increase in salaries and benefits and stock based compensation were primarily attributable to an increase in headcount of approximately 300 personnel, bringing headcount to approximately 1,650 at March 31, 2011, which represents a 22.2% increase from our March 31, 2010 levels. The increase in legal and accounting fees related to an increase in legal fees associated with litigation related to our stock options matter. Legal fees consist primarily of attorneys’ fees and expenses related to our outstanding intellectual property and prior years’ stock option backdating securities litigation, patent prosecution and filings and various other transactions. Legal fees fluctuate from period to period due to the nature, scope, timing and costs of the matters in litigation. See Note 9 of Notes to Unaudited Condensed Consolidated Financial Statements for further information. The increase in the *Other* line item in the above table is primarily attributable to an increase in travel and facilities expense.

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 March 31, 2011		Three Months Ended March 31, 2010		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount (In millions, except percentages)	% of Net Revenue		
Cost of product revenue	\$ 7	0.4%	\$ 7	0.4%	\$ —	0.0%
Research and development	101	5.6	89	6.1	12	13.5
Selling, general and administrative	36	2.0	31	2.1	5	16.1
	<u>\$ 144</u>	<u>8.0%</u>	<u>\$ 127</u>	<u>8.6%</u>	<u>\$ 17</u>	<u>13.4%</u>

We recognize stock-based compensation expense related to share-based awards, resulting from stock options, stock purchase rights and restricted stock units we issued or assumed in acquisitions over their respective service periods. Unearned stock-based compensation is principally amortized ratably over the service periods of the underlying stock options and restricted stock units, generally 48 months and 16 quarters, respectively. If there are any modifications or cancellations of the underlying unvested awards, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards to employees or assume unvested equity awards in connection with acquisitions. The increase in stock-based compensation in the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 primarily related to the

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commencement of a new two-year offering period under our employee stock purchase program, which resulted in a \$13 million increase in stock-based compensation expense as compared to the three months ended March 31, 2010.

It is our long-term objective that total stock-based compensation approximates 5% of total net revenue.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the remainder of 2011 through 2015 related to unvested share-based payment awards at March 31, 2011:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
			(In millions)			
Unearned stock-based compensation	\$360	\$344	\$222	\$111	\$12	\$1,049

See Note 8 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:

	<u>Three Months Ended March 31, 2011</u>		<u>Three Months Ended March 31, 2010</u>			<u>% Change in Amount</u>
	<u>Amount</u>	<u>% of Net Revenue</u>	<u>Amount</u>	<u>% of Net Revenue</u>	<u>Increase</u>	
			(In millions, except percentages)			
Cost of product revenue	\$ 15	0.8%	\$ 7	0.5%	\$ 8	114.3%
Other operating expenses	7	0.4	3	0.2	4	133.3
	<u>\$ 22</u>	<u>1.2%</u>	<u>\$ 10</u>	<u>0.7%</u>	<u>\$ 12</u>	<u>120.0%</u>

The following table presents details of the amortization of existing purchased intangible assets, including IPR&D that is currently estimated to be expensed in the remainder of 2011 and thereafter at March 31, 2011. If we acquire additional purchased intangible assets in the future, our cost of product revenue or operating expenses will be increased by the amortization of those assets.

	<u>Purchased Intangible Asset Amortization by Year</u>						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Thereafter</u>	<u>Total</u>
	(In millions)						
Cost of product revenue	\$ 43	\$ 72	\$ 64	\$ 49	\$ 29	\$ 38	\$ 295
Other operating expenses	22	10	3	3	4	9	51
	<u>\$ 65</u>	<u>\$ 82</u>	<u>\$ 67</u>	<u>\$ 52</u>	<u>\$ 33</u>	<u>\$ 47</u>	<u>\$ 346</u>

Impairment of Long-Lived Assets

In the three months ended March 31, 2011 we recorded an impairment charge of \$9 million primarily related to a technology license that was acquired in 2008. The primary factor contributing to this impairment charge was the continued reduction in our revenue outlook for our Blu-ray Disc business, and the related decrease to the estimated cash flows identified with the impaired assets. We did not record any impairment charges in the three months ended March 31, 2010.

Settlement Costs (Gains)

In the three months ended March 31, 2011, we received \$5 million in settlement gains in connection with the settlement of an infringement claim. In the three months ended March 31, 2010, we recorded \$3 million in settlement costs primarily related to infringement claims and employment matters.

On March 18, 2011, Broadcom announced that the remaining defendants in the federal consolidated shareholder derivative action relating to the company's historical stock option accounting practices have entered into a settlement, referred to as the Derivative Settlement. If the Derivative Settlement is approved by the District Court and the judgment becomes final and non-appealable, then:

-Broadcom will receive payment from Dr. Henry T. Nicholas, III, our former President and Chief Executive Officer and former Co-Chairman of the Board, of \$27 million which will be recorded as a settlement gain in our unaudited condensed consolidated statements of income;

-William J. Ruehle, our former Chief Financial Officer, will execute a Notice of Dismissal with Prejudice of an action filed by him against Broadcom, which seeks damages in excess of \$26 million;

-Broadcom will cancel unexercised Broadcom stock options held by Dr. Henry Samueli (our Chief Technical Officer) and valued by Broadcom (for purposes of the settlement, using the same methodology used to value equity granted to employees in the February annual focal compensation review) at \$24 million. However, the final valuation of Dr. Samueli's unexercised stock options for purposes of determining the impact to Broadcom's statement of income will ultimately be determined at the time of Court approval using a Black-Scholes analysis based on the closing price of Broadcom's Class A common stock on that date (and in all likelihood will differ from the \$24 million valuation used as a basis of settlement). This amount will be recorded as a settlement gain in our unaudited condensed consolidated statements of income;

-Dr. Samueli will contribute \$2 million in cash to the Broadcom Foundation; and

-Dr. Nicholas, Mr. Ruehle and Dr. Samueli will be dismissed with prejudice from the federal consolidated shareholder derivative litigation.

Broadcom has agreed to pay plaintiffs' counsel \$25 million of the settlement proceeds for attorneys' fees, expenses, and costs, subject to Court approval, which will be recorded as an operating expense in our unaudited condensed consolidated statements of income. In addition, upon final Court approval and receipt of the settlement consideration, Broadcom expects to contribute approximately \$25 million to the Broadcom Foundation which will be recorded as a charitable contribution in our unaudited condensed consolidated statements of income. On March 24, 2011 the District Court issued an order preliminarily approving the Derivative Settlement. A final approval hearing has been scheduled for May 16, 2011. These amounts described above have not been recorded in our statement of income in the three months ended March 31, 2011 as final court approval has not been received.

For a further discussion of litigation matters, see Note 9 of Notes to the Unaudited Condensed Consolidated Financial Statements.

Interest and Other Income (Expense), Net

The following table presents interest and other income, net:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010		(Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Interest income, net	\$—	0.0%	\$2	0.1%	\$(2)	(100.0)%
Other income (expense), net	(1)	(0.1)	3	0.2	(4)	(133.3)

Interest income, net, reflects interest income earned on cash, cash equivalents and marketable securities balances offset by interest expense. Other income (expense), net, primarily includes gains and losses on foreign currency transactions.

The decrease in interest income, net, for the three months ended March 31, 2011 as compared to the three months ended March 31, 2010 was driven primarily by interest expense related to our long-term debt. Our cash and marketable securities balances increased from \$2.36 billion at March 31, 2010 to \$3.93 billion at March 31, 2011, primarily due to net cash provided by operating activities, proceeds from exercise of stock options and stock purchase rights and proceeds from the issuance of our long-term debt. The average interest rates earned in the three months ended March 31, 2011 and 2010 were 0.52% and 0.39%, respectively. The average interest rate for our long-term debt in the three months ended March 31, 2011 was 0.48%.

Provision for Income Taxes

We recorded a tax provision of \$4 million and \$2 million for the three months ended March 31, 2011 and 2010, respectively. Our effective tax rates were 2.0% and 1.0% in the three months ended March 31, 2011 and 2010, respectively. The difference between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate in the three months ended March 31, 2011 and 2010, and \$4 million of tax benefits in the three months ended March 31, 2010 resulting primarily from the March 22, 2010 decision in the U.S. Court of Appeals for the Ninth Circuit case concerning Xilinx (as disclosed in prior periods).

We utilize the asset and liability method of accounting for income taxes. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our recent cumulative losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$15 million and \$17 million at March 31, 2011 and December 31, 2010, respectively.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2004 through 2010 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2002 through 2010 tax years generally remain subject to examination by tax authorities. Our income tax returns for the 2004, 2005 and 2006 tax years are currently under examination by the Internal Revenue Service.

As previously disclosed, on January 28, 2011, we received Notices of Proposed Adjustment, or NOPAs, from the IRS proposing increases to our taxable income for our 2004 to 2006 tax years. The proposed adjustments would increase income for 2004 through 2006 by approximately \$1.55 billion and decrease our net operating loss carryforwards into the 2004 tax year by \$476 million. The NOPAs primarily relate to transfer pricing in connection with our R&D cost-sharing arrangement with a foreign subsidiary that commenced in 1998, referred to as the 1998 Agreement. The IRS audited the 1998 Agreement in connection with our 1999 and 2000 taxable years. The parties had previously reached an agreement that we have followed. The IRS's transfer pricing position in the NOPAs is similar to the transfer pricing position it recently advocated in VERITAS v. Commissioner, 133 T.C. No. 14 (2009) where the Court held that the IRS's proposed adjustments were arbitrary, capricious and unreasonable. We have reviewed the NOPAs and evaluated any potential impact of the proposed adjustments. We disagree with the IRS's position and intend to pursue all available administrative and judicial remedies to resolve the issue. We do not expect that the NOPAs or the IRS examination will have a material effect on our financial condition or results of operations. It is possible, however, that we may not prevail on this issue in whole or in part, and we are in ongoing discussions with the IRS and could choose to settle this matter, either of which could result in the utilization of a portion of our net operating loss carryforwards.

In December, 2010 the *Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010* was enacted. A provision in this legislation provided for the extension of the research and development tax credit for qualifying expenditures paid or incurred from January 1, 2010 through December 31, 2011. As a result of this legislation, we generated federal research and development tax credits of \$90 million for the year ended December 31, 2010 and expect to generate additional research and development tax credits for the year ended December 31, 2011. These tax credits, if unutilized, will carry forward to future periods. No tax benefit was recorded for these carryforwards since we have a full valuation allowance on our U.S. deferred tax assets.

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

Recent Accounting Pronouncements

See Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements for a description of recent accounting pronouncements.

Liquidity and Capital Resources

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

	March 31, 2011	December 31, 2010 (In millions)	Increase (Decrease)
Working capital	\$ 2,589	\$ 2,912	\$ (323)
Cash and cash equivalents(1)	\$ 1,637	\$ 1,622	\$ 15
Short-term marketable securities(1)	645	1,035	(390)
Long-term marketable securities	1,649	1,401	248
	<u>\$ 3,931</u>	<u>\$ 4,058</u>	<u>\$ (127)</u>

(1) Included in working capital.

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, 2011 and 2010

Cash and cash equivalents increased to \$1.64 billion at March 31, 2011 from \$1.62 billion at December 31, 2010 as a result of cash provided by operating activities, proceeds from marketable securities and the issuance of our Class A common stock, offset in part by repurchases of our Class A common stock, our quarterly dividend payments and net purchases of property and equipment.

	Three Months Ended March 31, (In millions)	
	2011	2010
Net cash provided by operating activities	\$ 334	\$ 268
Net cash provided by (used in) investing activities	95	(1)
Net cash used in financing activities	(414)	(156)
Increase in cash and cash equivalents	\$ 15	\$ 111
Cash and cash equivalents at beginning of period	1,622	1,397
Cash and cash equivalents at end of period	<u>\$ 1,637</u>	<u>\$ 1,508</u>

Operating Activities

In the three months ended March 31, 2011 our operating activities provided \$334 million in cash. This was primarily the result of net income of \$228 million and net non-cash operating expenses of \$198 million, offset in part by net cash used by changes in operating assets and liabilities of \$92 million. In the three months ended March 31, 2010 our operating activities provided \$268 million in cash. This was primarily the result of net income of \$210 million and net non-cash operating expenses of \$157 million, offset in part by net cash used by changes in operating assets and liabilities of \$99 million.

Our days sales outstanding remained at 38 days for both the three months ended March 31, 2011 and December 31, 2010. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to

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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.

Inventory days on hand remained relatively flat decreasing from 57 days to 56 days. In the future, our inventory levels will continue to be determined by the level of purchase orders we receive and the stage at which our products are in their respective product life cycles, our ability, and the ability of our customers, to manage inventory under hubbing arrangements, and competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

Investing Activities

Investing activities provided \$95 million in cash in the three months ended March 31, 2011, which was primarily the result of \$140 million in net proceeds from sales and maturities of marketable securities, offset in part by \$45 million of capital equipment purchases, primarily to support our research and development efforts. Investing activities used \$1 million in cash in the three months ended March 31, 2010, which was primarily the result of \$102 million in net cash paid for the acquisition of Teknovus and \$18 million of capital equipment purchases, mostly to support our research and development efforts, offset in part by the net proceeds from the sales and maturities of marketable securities of \$124 million.

Financing Activities

Our financing activities used \$414 million in cash in the three months ended March 31, 2011, which was primarily the result of \$421 million in repurchases of shares of our Class A common stock, dividends paid of \$49 million, and \$56 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by \$112 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan. Our financing activities used \$156 million in cash in the three months ended March 31, 2010, which was primarily the result of \$154 million in repurchases of shares of our Class A common stock, dividends paid of \$40 million, repayment of debt assumed in our Teknovus acquisition of \$14 million and \$30 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by \$82 million in proceeds received from issuances of common stock upon exercise of stock options.

The timing and number of stock option exercises and employee stock purchases and the amount of cash proceeds we receive through those exercises and purchases are not within our control, and in the future we may not generate as much cash from the exercise of stock options as we have in the past. Moreover, it is now our general practice to issue a combination of time-based and performance-based RSUs only to certain employees and, in most cases to issue solely time-based RSUs. We may issue stock options in the future and currently plan to only do so in connection with acquisitions. Unlike the exercise of stock options, the issuance of shares upon vesting of restricted stock units does not result in any cash proceeds to Broadcom and requires the use of cash, as we currently allow employees to elect to have a portion of the shares issued upon vesting of restricted stock units withheld to satisfy minimum statutory withholding taxes, which we then pay in cash to the appropriate tax authorities on each participating employee's behalf.

Senior Notes

The following table summarizes the principal amount of our senior unsecured notes:

	March 31, 2011	December 31, 2010
	(In millions)	
1.500% fixed-rate notes, due 2013	\$ 300	\$ 300
2.375% fixed-rate notes, due 2015	400	400
Total	\$ 700	\$ 700

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In November 2010 we issued senior unsecured notes in an aggregate principal amount of \$700 million. These Notes consist of \$300 million aggregate principal amount of notes which mature in November 2013, or the 2013 Notes, and bear interest at a fixed rate of 1.500% per annum, and \$400 million aggregate principal amount of notes which mature in November 2015, or the 2015 Notes, and bear interest at a fixed rate of 2.375% per annum. Interest is payable in cash semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2011. The 2013 Notes were issued with an original issue discount at 99.694% and the 2015 Notes were issued with an original issue discount at 99.444% and are recorded as long-term debt, net of original issue discount. The discount and debt issuance costs associated with the issuance of the Notes are amortized to interest expense over their respective terms.

In connection with the Notes, we entered into a registration rights agreement pursuant to which we agreed to use our reasonable commercial efforts to file with the SEC an exchange offer registration statement to issue registered notes with substantially identical terms as the Notes in exchange for any outstanding Notes, or, under certain circumstances, a shelf registration statement to register the Notes. We agreed to use our commercially reasonable efforts to consummate the exchange offer or cause the shelf registration statement to be declared effective by the SEC, in each case on or prior to 365 days after the closing of the Notes offering. If we are unable to complete our registration statement, we will be subject to interest penalties.

We may redeem the Notes at any time, subject to a specified make-whole premium as defined in the indenture governing the Notes. In the event of a change of control triggering event, each holder of Notes will have the right to require us to purchase for cash all or a portion of their Notes at a redemption price of 101% of the aggregate principal amount of such Notes, plus accrued and unpaid interest. Default can be triggered by any missed interest or principal payment, breach of covenant, or in certain events of bankruptcy, insolvency or reorganization.

The Notes 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 but unpaid interest on the Notes.

We were in compliance with all debt covenants as of March 31, 2011.

Credit Facility

In November 2010, we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swingline loans and letters of credit in an aggregate amount of up to \$500 million. The credit facility matures on November 19, 2014, at which time all outstanding revolving facility loans and accrued and unpaid interest must be repaid. We did not draw on our credit facility in 2010 or in the three months ended March 31, 2011.

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

The Credit Facility contains customary representations and warranties as well as affirmative, negative and financial 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 debt covenants as of March 31, 2011.

Other Notes and Borrowings

We had no other significant notes or borrowings as of March 31, 2011.

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 need to raise additional funds to finance our activities beyond the next 12 months or to consummate acquisitions of other businesses, assets, products or technologies. If needed, we may be able to raise such funds by selling equity or debt securities to the public or to selected investors, or by borrowing money from financial institutions. We could also reduce certain expenditures, such as repurchases of our Class A common stock.

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

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

- general economic and specific conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry, trends in the wired and wireless communications markets in various geographic regions, including seasonality in sales of consumer products into which our products are incorporated;
- acquisitions of businesses, assets, products or technologies;
- the unavailability of credit and financing, which may lead certain of our customers to reduce their levels of purchases or to seek credit or other accommodations from us;
- litigation expenses, settlements and judgments;
- the overall levels of sales of our semiconductor products, licensing revenue, income from the Qualcomm Agreement and product gross margins;
- our business, product, capital expenditure and research and development plans, and product and technology roadmaps;
- the market acceptance of our products;
- repurchases of our Class A common stock;
- payment of cash dividends;
- required levels of research and development and other operating costs;
- volume price discounts and customer rebates;
- intellectual property disputes, customer indemnification claims and other types of litigation risks;
- the levels of inventory and accounts receivable that we maintain;
- licensing royalties payable by us;

- changes in our compensation policies;
- the issuance of restricted stock units and the related cash payments we make for withholding taxes due from employees;
- capital improvements for new and existing facilities;
- technological advances;
- our competitors' responses to our products and our anticipation of and responses to their products;
- our relationships with suppliers and customers;
- the availability and cost of sufficient foundry, assembly and test capacity and packaging materials; and
- the level of exercises of stock options and stock purchases under our employee stock purchase plan.

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

Off-Balance Sheet Arrangements

At March 31, 2011 we had no material off-balance sheet arrangements, other than our 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 AA/Aa2. 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 may fall short of expectations due to changes in interest rates or if the decline in fair value of our publicly traded debt 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 debt 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 income (loss), a component of shareholders' equity, net of tax.

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

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, 2011, a 100 basis point increase in interest rates across all maturities would result in a \$25 million incremental decline in the fair market value of the portfolio. As of December 31, 2010, a similar 100 basis point increase in interest rates across all maturities would result in an \$23 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 analyses performed as of March 31, 2011 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 Senior Notes bear fixed interest rates, and therefore, would not be subject to interest rate risk.

Our cash, cash equivalent and marketable securities at March 31, 2011 consisted of \$2.32 billion held domestically, with the remaining balance of \$1.61 billion held by foreign subsidiaries. There may be adverse tax effects upon repatriation of these funds to the United States.

Exchange Rate Risk

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

Item 4. Controls and Procedures

We are committed to maintaining disclosure controls and procedures designed to ensure that information required to be disclosed in our periodic reports filed under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures and implementing controls and procedures 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, 2011, the end of the period covered by this Report.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2011 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 9 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 Annual Report on Form 10-K for the year ended December 31, 2010 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.

We face intense competition.

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

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

Existing or new competitors may develop technologies that more effectively address our markets with products that offer enhanced features and functionality, lower power requirements, greater levels of integration or lower cost. Increased competition also has resulted in and is likely to continue to result in increased expenditures on research and development, declining 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 assure you that we will be able to continue to compete successfully against current or new competitors. If we do not compete successfully, we may lose market share in our existing markets and our revenues may fail to increase or may decline.

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

We derive a substantial portion of our revenue from sales to a relatively small number of customers. Sales to our five largest customers represented 41.6% and 35.2% of our total net revenue in the three months ended March 31, 2011 and 2010, 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.

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

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

In addition, the majority of our licensing revenues and related income to date has been derived from agreements with two customers, Verizon Wireless and Qualcomm. Our patent license agreements with these two customers are expected to result in licensing revenue and related income of approximately \$1.02 billion over a six year period. From January 2008 through March 2011, we recorded \$597 million in licensing revenue and related income derived from Verizon Wireless and Qualcomm. The licensing revenue from our agreement with Verizon Wireless has ended and the income from the Qualcomm Agreement is non-recurring and will terminate in 2013. There can be no assurances that we will be able to enter into additional such arrangements in the future, or that we will be able to successfully collect the remaining payments due to us under the Qualcomm Agreement in the event of a default by Qualcomm.

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

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;
- seasonality in sales of consumer and enterprise products in which our products are incorporated;
- our dependence on a few significant customers and/or design wins for a substantial portion of our revenue;
- timing, rescheduling or cancellation of significant customer orders and our ability, as well as the ability of our customers, to manage inventory;
- changes in customer product needs and market acceptance of our products;
- the impact of the Internal Revenue Service review of certain of our income tax returns;
- 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; and
- the impact of a significant natural disaster, such as an earthquake, severe weather, tsunamis or other flooding, or a nuclear crisis, as well as interruptions or shortages in the supply of utilities such as water and electricity, on a key location such as our corporate headquarters or our Northern California facilities, both of which are located near major earthquake fault lines.

We may fail to adjust our operations in response to changes in demand.

Through internal growth and acquisitions, we significantly modified the scope of our operations and workforce in recent years. 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 and our highly skilled workforce. During some periods, our growth has placed a significant strain on our management personnel, systems and resources. To respond to periods of increased demand, we will be required to expand, train, manage and motivate our workforce. Alternatively, in response to the economic downturn in the markets in the semiconductor industry and

communications market, we may be required to implement restructuring actions and a number of other cost saving measures. All of these endeavors require substantial management effort. If we are unable to effectively manage our expanding operations, we may be unable to adjust our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our current or future business.

We face risks associated with our acquisition strategy.

A key element of our business strategy involves expansion through the acquisitions 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 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 in the integration of acquired businesses that could disrupt our ongoing business and distract our management team, including:

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

Acquisitions can result in increased debt or contingent liabilities, 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. In addition, we may record goodwill and other purchased intangible assets in connection with an acquisition and incur impairment charges in the future. If our actual results, or the plans and estimates used in future impairment analyses, are less favorable than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges.

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 to accurately forecast and plan 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 issues 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 end demand for 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.

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, 2009 through March 31, 2011 our Class A common stock has traded at prices as low as \$15.31 and as high as \$47.39 per share. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control.

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

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

We may be required to defend against alleged infringement of intellectual property rights of others and/or may be unable able 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 that claim we have infringed upon, misappropriated or misused other parties' proprietary rights. Additionally, we receive notices that challenge the validity of our patents. 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.

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. These indemnification provisions may, in some circumstances, extend our liability beyond the products we provide to include liability for combinations of components or system level designs and for consequential damages and/or lost profits. Even if claims or litigation against us are not valid or successfully asserted, these claims could result in significant costs and diversion of the attention of management and other key employees to defend.

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. Any of these claims or litigation may materially and adversely affect our business, financial condition and results of operations.

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. 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. If our intellectual property rights do not adequately protect our technology, our competitors may be able to offer products similar to ours.

Our software may be derived from “open source” software, which is generally made available to the public by its authors and/or other third parties. Open source software is often made available under licenses, which impose certain obligations in the event we distribute derivative works of the open source software. These obligations may require us to make source code for the derivative works available to the public, and/or license such derivative works on different terms than those customarily used to protect our intellectual property. With respect to our proprietary software, we generally license such software under terms that prohibit combining it with open source software. Despite these restrictions, parties may combine our proprietary software with open source software without our authorization, in which case we might nonetheless be required to release the source code of our proprietary software.

We enter into confidentiality agreements with our employees, consultants and strategic partners. We also 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. Additionally, current, departing or former employees or third parties could attempt to penetrate our computer systems and networks to misappropriate our proprietary information and technology or interrupt our business. Because the techniques used by computer hackers and others to access or sabotage networks change frequently and generally are not recognized until launched against a target, we may be unable to anticipate, counter or ameliorate these techniques. As a result, our technologies and processes may be misappropriated.

We cannot assure you that our efforts to prevent the misappropriation or infringement of our intellectual property or the intellectual property of our customers will succeed. 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. Litigation is very expensive and may divert the attention of management and other key employees from the operation of the business, which could negatively impact our business and results of operations.

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 and are currently engaged in examinations and tax audits. There can be no assurance that the outcomes from these audits will not have an adverse effect on our net operating loss and research and development tax credit carryforwards, our financial position, or our operating results.

In certain foreign jurisdictions, we operate under tax holidays and favorable tax incentives. For instance, in Singapore we operate under tax holidays that reduce taxes on substantially all of our operating income in that jurisdiction. Such tax holidays and incentives often require us to meet specified employment and investment criteria in such jurisdictions. In a period of tight manufacturing capacity, our ability to meet Singaporean content in our products may be more limited, which may have adverse tax consequences. More generally, if any of our tax holidays or incentives are terminated or if we fail to meet the criteria to continue to enjoy such holidays or incentives, our results of operations may be materially and adversely affected.

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

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 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.

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 invested substantial resources in emerging technologies that did not achieve the market acceptance that we had expected. As a result, it is difficult to anticipate our future revenue streams from, or the sustainability of, our new products.

Our industry is dynamic and we are required to devote significant resources to research and development to remain competitive. 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.

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;
- license any desired third party technology or intellectual property rights;
- obtain sufficient foundry capacity and packaging materials; 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 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 shift to "just-in-time" inventory management, any disruption in the supply chain could lead to more immediate shortages in product or component supply. In addition, an increasing percentage of our inventory is maintained under hubbing 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 our hubbing arrangements, which could increase expenses associated with excess and obsolete product inventory and negatively impact our cash flow.

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 99.2%, and 96.3% of our product revenue in the three months ended March 31, 2011 and 2010, respectively. 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 standards, particularly with respect to intellectual property;
- 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;
- changes in taxation and tariffs; and
- difficulties in staffing and managing international operations.

Economic conditions in our primary overseas markets, particularly in Asia, may negatively impact the demand for our products abroad. In particular, the recent earthquake and tsunami in Japan have disrupted the global supply chain for components manufactured in Japan that are incorporated in our products or included in the end user products of our customers. Due to cross dependencies, supply chain disruptions stemming from the occurrences in Japan could negatively impact the demand for our products including, for example, if our customers are unable to obtain sufficient supply of other components required for their end products. We continue to monitor the effect of the events in Japan on end demand patterns and inventory levels throughout the supply chain. 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.

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. 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 increasing capital intensity associated with fabrication in smaller process geometries may limit our diversity of suppliers.

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 manufactures, 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 co-founders and their affiliates may control the outcome of matters that require the approval of our shareholders.

As of March 31, 2011 our co-founders, directors, executive officers and their respective affiliates beneficially owned 11.2% of our outstanding common stock and held 52.5% of the total voting power held by our shareholders. Accordingly, these shareholders currently have enough voting power to control the outcome of matters that require the approval of our shareholders. These matters include the election of our Board of Directors, the issuance of additional shares of Class B common stock, and the approval of most significant corporate transactions, including certain mergers and consolidations and the sale of substantially all of our assets. In particular, as of March 31, 2011 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samueli, beneficially owned a total of 10.1% of our outstanding common stock and held 52.1% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we will not be able to engage in certain transactions, and our shareholders will not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. 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.

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, the Federal Communications Commission, or FCC, has broad jurisdiction in the United States over many of the devices into which our products are incorporated. FCC regulatory policies that affect the ability of cable or satellite operators or telephone companies to offer certain services to their customers or other aspects of their business may impede sales of our products in the United States. In addition, we may experience delays if a product incorporating our chips fails to comply with FCC emissions specifications.

We and our customers are subject to various import and export laws and regulations. Government export regulations apply to the encryption or other features contained in some of our products. If we fail to continue to receive licenses or otherwise 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.

Our business may also be subject to regulation by countries other than the United States. Foreign governments may impose tariffs, duties and other import restrictions on components that we obtain from non-domestic suppliers and may impose export restrictions on products that we sell internationally. These tariffs, duties or restrictions could materially and adversely affect our business, financial condition and results of operations.

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.

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, 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;
- 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.

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 also issue shares of Class B common stock in connection with certain acquisitions, which have superior voting rights entitling the holder to ten votes for each share held on matters that we submit to a shareholder vote (as compared to one vote per share in the case of our Class A common stock) as well as the right to vote separately as a class. In addition, 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.

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

In the three months ended March 31, 2011 we issued an aggregate of 0.4 million shares of Class A common stock upon conversion of a like number of shares of Class B common stock in connection with their disposition. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. The offers and sales of those securities were effected without registration in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended, or the Securities Act.

Issuer Purchases of Equity Securities

In February 2011, we entered into an accelerated share repurchase, or ASR, agreement to repurchase \$300 million dollars of our Class A common stock, which was recorded as a reduction to shareholders' equity. Under the ASR program, a majority of the shares repurchased were immediately retired and, depending on the average daily volume weighted average price of our Class A common stock during the specified term, we may receive additional shares back at the conclusion of the program.

Under the terms of the ASR, we paid \$300 million in cash during the quarter, and subsequently received and cancelled 6 million shares of our Class A common stock. At March 31, 2011 under the terms of the agreement, \$41 million was pending final settlement which represents an additional 1 million shares at a weighted average price of \$42.64. The ASR is expected to conclude in May 2011.

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

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Class A common stock that may be repurchased in any one year (including under an ASR or other arrangement) is equal to the total number of shares issued pursuant to our equity awards in the previous year and the current year. The February 2010 share repurchase program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors. In addition to the shares repurchased under our ASR, we repurchased approximately 4 million and 5 million shares of our Class A common stock at a weighted average price of \$40.18 and \$29.75 per share in the three months ended March 31, 2011 and 2010, respectively.

The following table presents details of our various repurchases during the three months ended March 31, 2011:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price per Share</u> (In millions, except per share data)	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans</u>	<u>Approximate Dollar Value of Shares That May yet be Purchased under the Plans</u>
January 2011	—	\$ —	—	
February 2011	6	42.63	6	
March 2011	4	40.19	4	
Total	<u>10</u>	<u>\$ 41.73</u>	<u>10</u>	<u>\$ —</u>

Item 3. Defaults upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

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

<u>Exhibit Number</u>	<u>Description</u>
10.1†	Letter agreement dated February 1, 2011 by and between Morgan Stanley & Co. Incorporated and the Registrant Regarding a Fixed Collared Accelerated Share Repurchase Transaction.
31	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and furnished herewith pursuant to SEC Release No. 33-8238.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document

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Exhibit Number	Description
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

-
- † Confidential treatment has previously been requested for certain portions of the referenced exhibit pursuant to Rule 406 under the Securities Act.
- * Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

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, Corporate Controller
and Principal Accounting Officer*

April 26, 2011

EXHIBIT INDEX

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Reference Number: []

Account Number: []

Morgan Stanley

MORGAN STANLEY & CO. INCORPORATED
1585 BROADWAY
NEW YORK, NY 10036-8293
(212) 761-4000

February 1, 2011

Fixed Dollar Collared Accelerated Share Repurchase Transaction

Broadcom Corporation
5300 California Avenue
Irvine, CA 92617-3038

Dear Sir/Madam:

The purpose of this letter agreement (this “Confirmation”) is to confirm the terms and conditions of the Transaction entered into between Morgan Stanley & Co. Incorporated (“MSCO”) and Broadcom Corporation (the “Issuer”) on the Trade Date specified below (the “Transaction”). This confirmation constitutes a “Confirmation” as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2002 ISDA Equity Derivatives Definitions (as published by the International Swaps and Derivatives Association, Inc. (“ISDA”)) (the “Equity Definitions”) are incorporated into this Confirmation. In the event of any inconsistency between the Equity Definitions and this Confirmation, this Confirmation will govern. Any reference to a currency shall have the meaning contained in Annex A to the 1998 ISDA FX and Currency Option Definitions, as published by ISDA.

1. This Confirmation evidences a complete and binding agreement between MSCO and Issuer as to the terms of the Transaction to which this Confirmation relates. This Confirmation shall be subject to an agreement (the “**Agreement**”) in the form of the 2002 ISDA Master Agreement (the “**ISDA Form**”) as if MSCO and Issuer had executed an agreement in such form without any Schedule. For the avoidance of doubt, the Transaction shall be the only transaction under the Agreement.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

GENERAL TERMS:

Trade Date:	As specified in Schedule I
Buyer:	Issuer
Seller:	MSCO
Shares:	Common Stock of Issuer (Ticker: “BRCM”)
Number of Shares:	The number of Shares delivered in accordance with Physical Settlement below.
Tranches:	The Transaction will be divided into multiple Tranches, each

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with the terms set forth in this Confirmation, and in particular with the Prepayment Amount, Observation Dates, the Scheduled Valuation Date and the Lock-Out Date set forth in Schedule I. The payments and deliveries to be made upon settlement of the Transaction will be determined separately for each Tranche as if each Tranche were a separate Transaction under the Agreement.

Forward Price:	A price per Share (as determined by the Calculation Agent) equal to (i) Mean of 10b-18 VWAPs minus (ii) the Discount Percentage (as specified in Schedule I) multiplied by the Mean of 10b-18 VWAPs; provided, however, that if the Forward Price would otherwise be: (A) greater than the Forward Cap Price, the Forward Price shall equal the Forward Cap Price (as specified in Schedule I), or (B) less than the Forward Floor Price, the Forward Price shall equal the Forward Floor Price (as specified in Schedule I)
10b-18 VWAP:	For each Observation Date that is a Trading Day during the Calculation Period or the Initial Hedge Period, a price per share (as determined by the Calculation Agent) equal to the volume-weighted average price of the Rule 10b-18 eligible trades in the Shares for the entirety of such Trading Day as determined by reference to the screen entitled “BRCM.UQ <Equity> AQR SEC” or any successor page as reported by Bloomberg L.P. (without regard to pre-open or after hours trading outside of any regular trading session for such Trading Day or block trades (as defined in Rule 10b-18(b)(5) of the Securities Exchange Act of 1934 as amended (the “ Exchange Act ”)) on such Trading Day).
Mean of 10b-18 VWAPs:	The arithmetic mean of the 10b-18 VWAP on each Observation Date that is a Trading Day during the Calculation Period.
Observation Dates:	As specified in Schedule I.
Calculation Period:	The period from and including the first Observation Date that is a Trading Day that occurs after the Initial Hedge Completion Date to but excluding the relevant Valuation Date; provided, however, that if the Valuation Date is the Scheduled Valuation Date, then the Valuation Date shall be included in the Calculation Period.
Trading Day:	Any Exchange Business Day that is not a Disrupted Day.
Initial Shares:	As specified in Schedule I
Initial Share Delivery Date:	The First Exchange Business Day following the Trade Date. On the Initial Share Delivery Date, Seller shall deliver a number of Shares equal to the Initial Shares to Buyer in accordance with Section 9.4 of the Equity Definitions, with

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	the Initial Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4.
Initial Hedge Period:	The period from and including the first Observation Date that is a Trading Day that occurs after the Trade Date (the “Initial Hedge Start Date”) to and including the Initial Hedge Completion Date
Initial Hedge Completion Date:	The Observation Date on which MSCO completes its initial hedge, as determined by MSCO in its good faith and commercially reasonable discretion, but in no event shall the Initial Hedge Completion Date occur later than the [*] Trading Day after the Initial Hedge Start Date. On or prior to the Exchange Business Day following the Initial Hedge Completion Date for any Tranche, MSCO shall provide Issuer with written notice specifying the first day of the Calculation Period and the Initial Hedge Period Reference Price, the Forward Cap Price and the Forward Floor Price (with such prices expressed in USD) for such Tranche.
Initial Hedge Period Reference Price:	An amount in USD equal to the arithmetic mean (not a weighted average) of the 10b-18 VWAP on each Observation Date that is a Trading Day from, and including, the first Observation Date that is a Trading Day immediately following the Trade Date to, and including, the Initial Hedge Completion Date.
Additional Shares:	A number of Shares equal to (i) the Prepayment Amount (as defined below) divided by the Forward Cap Price (as specified in Schedule I) minus (ii) the Initial Shares delivered to Issuer by MSCO.
Additional Share Delivery Date:	One Exchange Business Day following the Initial Hedge Completion Date. On the Additional Share Delivery Date, Seller shall deliver a number of shares equal to the Additional Shares to Buyer in accordance with Section 9.4 of the Equity Definitions, with the Additional Share Delivery Date deemed to be a “Settlement Date” for purposes of such Section 9.4.
Prepayment:	Applicable
Prepayment Amount:	As specified in Schedule I
Commission Amount:	As specified in Schedule I
Adjustment Amount:	As specified in Schedule I
Structuring Fee:	As specified in Schedule I
Prepayment Date:	The First Exchange Business Day following the Trade Date. On the Prepayment Date, Buyer shall pay to Seller the Prepayment Amount, the Commission Amount, the

* This information has been omitted based on a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

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Adjustment Amount and the Structuring Fee.

Exchange:

NASDAQ GS

Related Exchange:

The primary exchange on which options or futures on the relevant Shares are traded.

Market Disruption Event:

The definition of “Market Disruption Event” in Section 6.3(a) of the Equity Definitions is hereby amended by replacing the words “at any time during the one-hour period that ends at the relevant Valuation Time” in the third line thereof with the words “at any time on any Observation Date during the Calculation Period or Initial Hedge Period or” after the word “material”.

Notwithstanding anything to the contrary in the Equity Definitions, if any Observation Date in the Calculation Period or the Initial Hedge Period is a Disrupted Day, the Calculation Agent shall have the option in its good faith and commercially reasonable discretion either (i) to determine the weighting of each Rule 10b-18 eligible transaction in the Shares on the relevant Disrupted Day using its commercially reasonable judgment for purposes of calculating the Forward Price, as applicable, (ii) to elect to extend the Calculation Period or the Initial Hedge Period by a number of Observation Dates equal to the number of Disrupted Days during the Calculation Period or the Initial Hedge Period or (iii) to suspend the Calculation Period or the Initial Hedge Period, as appropriate, until the circumstances giving rise to such suspension have ceased, in either case, by delivering notice in writing to Issuer of (x) the circumstances giving rise to such Disrupted Day and (y) any such weighting, extension or suspension as soon as reasonably practicable after the occurrence of such Disrupted Day and, with respect to a Disrupted Day arising with respect to any Requirements (as defined in Section 10), shall subsequently notify Issuer on the day Seller believes that the circumstances giving rise to such Disrupted Day have changed. For the avoidance of doubt, (I) if Calculation Agent elects the option described in clause (i) above, then such Disrupted Day shall be deemed to be a Trading Day for purposes of calculating the Forward Price or the Initial Hedge Period Reference Price, as the case may be and (II) any adjustments made by Calculation Agent as a result of any Disrupted Day shall be Fair Value Adjustments (as defined below).

VALUATION:

Valuation Time:

The Scheduled Closing Time on the relevant Exchange

Valuation Date:

The earlier of (i) the Scheduled Valuation Date (as specified in Schedule I) and (ii) any date after the Lock-Out Date (as specified in Schedule I) specified by MSCO to Issuer by 9:00pm EST on such date as a Valuation Date, in each case,

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subject to extension in accordance with “Market Disruption Event” above or Section 9 or Section 10 below; provided, however, that if a Valuation Date occurs pursuant to clause (ii) above, then (A) the Calculation Period for this Transaction (or portion thereof) shall be deemed to end as of the Trading Day immediately preceding the relevant Valuation Date and (B) MSCO shall have the right to specify a Valuation Date with respect to any portion of this Transaction as it selects (any such Valuation Date on a portion of this Transaction for less than the full Prepayment Amount, a “Partial Acceleration Date”); provided, however, that MSCO can only elect to declare a Partial Acceleration Date if the portion of the transaction subject to the Partial Acceleration Date is in an increment of USD25,000,000.

In the case of a Partial Acceleration Date, MSCO shall specify in its notice to Issuer designating a Valuation Date in connection with a Partial Acceleration Date the percentage of the Prepayment Amount that is subject to such Valuation Date and Calculation Agent shall adjust all terms of this Transaction as it deems reasonable in a good faith and commercially reasonable manner in order to take into account the occurrence of any Partial Acceleration Date (including cumulative adjustments to take into account all Partial Acceleration Dates that occur during the term of this Transaction).

On each Valuation Date, Calculation Agent shall calculate the Settlement Amount.

SETTLEMENT TERMS:

Physical Settlement:

Applicable.

On the relevant Settlement Date, Seller shall deliver to Buyer a number of Shares equal to (a) (i) the Prepayment Amount *divided by* (ii) the Forward Price as determined on the relevant Valuation Date, *minus* (b) the Initial Shares *minus* (c) the Additional Shares, rounded to the nearest whole number of Shares (such number of Shares, the “Settlement Amount”).

Settlement Currency:

USD

Settlement Date:

Three Exchange Business Days after the relevant Valuation Date, or if such date is not a Clearance System Business Day or if there is a Settlement Disruption Event on such day, the immediately succeeding Clearance System Business Day on which there is no Settlement Disruption Event.

SHARE ADJUSTMENTS:

Potential Adjustment Event:

Notwithstanding anything to the contrary in Section 11.2(e) of the Equity Definitions, each of (i) an Extraordinary Dividend,

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(ii) any issuance of Shares in connection with a Compensatory Plan (as defined in Section 11(a)), or (iii) any repurchases of Shares hereunder or under any other plan or transaction of Issuer shall not constitute a Potential Adjustment Event.

Extraordinary Dividend:

Any dividend or distribution on the Shares with an ex-dividend date occurring during the period from and including the Trade Date to and including the Valuation Date (other than any dividend or distribution of the type described in Section 11.2(e)(i) or Section 11.2(e)(ii) (A) or (B) of the Equity Definitions) (a “**Dividend**”) that is either (i) a non-regularly scheduled Dividend or (ii) the amount or value of which (as determined by the Calculation Agent) exceeds the Ordinary Dividend Amount.

Ordinary Dividend Amount:

For any calendar quarter, USD 0.09

Agreement Regarding Dividends:

Notwithstanding any other provision of this Confirmation, the Definitions, or the Agreement to the contrary, in calculating any adjustment pursuant to Article 11 of the Equity Definitions or any amount payable in respect of any termination or cancellation of the Transaction pursuant to Article 12 of the Equity Definitions or Section 6 of the Agreement, the Calculation Agent shall not take into account changes to any dividends since the Trade Date. For the avoidance of doubt, if an Early Termination Date occurs in respect of the Transaction, the amount payable pursuant to Section 6 of the Agreement in respect of such Early Termination Date shall be determined without regard to the difference between actual dividends declared (including Extraordinary Dividends) and expected dividends as of the Trade Date.

Method of Adjustment:

Calculation Agent Adjustment; provided that if Seller suspends trading in the Shares for all or any portion of a Trading Day within the Calculation Period, the suspension shall be treated as a Potential Adjustment Event subject to Calculation Agent Adjustment. In the case of a suspension arising as a result of any Requirements (as defined in Section 10), the Calculation Agent shall make such adjustments prior to the period of suspension, if it is practical to do so. Otherwise, and in all cases of a suspension as contemplated under “Market Disruption Event” above, the Calculation Agent shall make such adjustments promptly following the period of suspension.

With respect to any Potential Adjustment Event, all adjustments made by the Calculation Agent pursuant to “Calculation Agent Adjustment” shall be Fair Value Adjustments. “Fair Value Adjustments” means, in respect of any event, adjustments to any relevant terms of the Transaction as necessary to preserve as nearly as practicable the fair value of such Transaction to MSCO prior to such

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event, where the Calculation Agent, in making Fair Value Adjustments, shall take into account any increase or decrease in such fair value to MSCO as a result of the relevant event, based on stock price volatility, interest rates, strike price, stock loan rate, liquidity and VWAP averaging dates.

EXTRAORDINARY EVENTS:

Consequences of Merger Events:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Cancellation and Payment on that portion of the Other Consideration that consists of cash; Modified Calculation Agent Adjustment on the remainder of the Other Consideration
Share-for-Combined:	Modified Calculation Agent Adjustment
Tender Offer:	Applicable

CONSEQUENCES OF TENDER OFFERS:

Share-for-Share:	Modified Calculation Agent Adjustment
Share-for-Other:	Modified Calculation Agent Adjustment
Share-for-Combined:	Modified Calculation Agent Adjustment

For purposes of this Transaction, the definition of Merger Date in Section 12.1(c) shall be amended to read, “Merger Date shall mean the Announcement Date.” For purposes of this Transaction, the definition of Tender Offer Date in Section 12.1(e) shall be amended to read, “Tender Offer Date shall mean the Announcement Date.”

Composition of Combined Consideration:	Applicable
Nationalization, Insolvency or Delisting:	Cancellation and Payment (Calculation Agent Determination)

With respect to any consequences of an Extraordinary Event to which Modified Calculation Agent Adjustment applies, any adjustments made by the Calculation Agent pursuant to “Modified Calculation Agent Adjustment” shall be Fair Value Adjustments.

Additional Disruption Events:

Change in Law:	Applicable; <i>provided</i> that the parties agree that, for the avoidance of doubt, for purposes of Section 12.9(a)(ii) of the Equity Definitions, “any applicable law or regulation” shall include the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any rules and regulations promulgated thereunder and any similar law or regulation, without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or
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regulation promulgated and the consequences specified in Section 12.9(b)(i) of the Equity Definitions shall apply to any Change in Law arising from any such act, rule or regulation”.

Failure to Deliver: Applicable

Insolvency Filing: Applicable

Hedging Disruption: Applicable

Increased Cost of Hedging: Not Applicable

Loss of Stock Borrow: Applicable

Maximum Stock Loan Rate: [*]bps

Increased Cost of Stock Borrow: Applicable

Initial Stock Loan Rate: 25bps

Determining Party: For all Extraordinary Events, MSCO; *provided* that, upon receipt of written request from Issuer, Determining Party shall promptly (but in no event later than within seven Scheduled Trading Days from the receipt of such request) provide Issuer with a written explanation describing in reasonable detail any determination made by it (including any quotations, market data or information from internal sources used in making such determinations, but without disclosing MSCO’s proprietary models).

Hedging Party: For all Additional Disruption Events, MSCO

Non-Reliance: Applicable

AGREEMENTS AND ACKNOWLEDGMENTS:

Regarding Hedging Activities: Applicable

Additional Acknowledgments: Applicable

3. Calculation Agent: MSCO; *provided* that, upon receipt of written request from Issuer, Calculation Agent shall promptly (but in no event later than within seven Scheduled Trading Days from the receipt of such request) provide Issuer with a written explanation describing in reasonable detail any calculation, adjustment or determination made by it (including any quotations, market data or information from internal sources used in making such calculations, adjustments or determinations, but without disclosing MSCO’s proprietary models).

4. Account Details: To be provided.

5. (a) Nationalization, Insolvency or Delisting. The words “the Transaction will be cancelled,” in the first line of Section 12.6(c)(ii) are replaced with the words “MSCO will have the right to cancel this Transaction,”.

* This information has been omitted based on a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

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(b) Additional Termination Event. The declaration of any Extraordinary Dividend by Issuer during the period from and including the Trade Date to but excluding the final Valuation Date shall constitute an Additional Termination Event with this Transaction as the only “Affected Transaction” and Issuer as the sole “Affected Party”.

(c) For the avoidance of doubt, this Transaction shall be deemed to be a “Share Forward Transaction” for purposes of the Equity Definitions; provided, however, that in Section 9.2(a)(iii) of the Equity Definitions the words “the Excess Dividend Amount, if any, and” shall be deleted.

(d) The proviso appearing in parentheses beginning on the fifth row from the end of Section 11.2(c) is removed.

6. Certain Payments and Deliveries by MSCO. Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and MSCO would be required to make a payment pursuant to Sections 6(d) and 6(e) of the Agreement, (ii) a Tender Offer occurs and MSCO would be required to make a payment pursuant to Sections 12.3 and 12.7 of the Equity Definitions, (iii) a Merger Event occurs and MSCO would be required to make a payment pursuant to Sections 12.2 and 12.7 of the Equity Definitions (iv) an Additional Disruption Event occurs and MSCO would be required to make a payment pursuant to Sections 12.8 and 12.9 of the Equity Definitions or (v) a Nationalization, Insolvency or Delisting occurs and MSCO would be required to make a payment pursuant to Sections 12.6 and 12.7 of the Equity Definitions, then Issuer shall have the option to require MSCO to make such payment in cash or to settle such payment amount in Shares (or, in the case of a Merger Event, a number of units, each comprising the number or amount of the securities or property that a hypothetical holder of one Share would receive in such Merger Event (each such unit, an “**Alternative Delivery Unit**” and, the securities or property comprising such unit, “**Alternative Delivery Property**”)) (any such payment described in Sections 6(i), (ii), (iii), (iv) or (v) above, an “**MSCO Payment Amount**”). If Issuer elects for MSCO to settle an MSCO Payment Amount in Shares or Alternative Delivery Property, then on the date such MSCO Payment Amount is due, a Settlement Balance shall be established with an initial balance equal to the MSCO Payment Amount. On such date, MSCO shall commence purchasing Shares or Alternative Delivery Property for delivery to Issuer. At the end of each Trading Day on which MSCO purchases Shares or Alternative Delivery Property pursuant to this Section 6, MSCO shall reduce the Settlement Balance by the amount, determined in a good faith and commercially reasonable manner, paid by MSCO to purchase the Shares or Alternative Delivery Property purchased on such Trading Day. MSCO shall deliver any Shares or Alternative Delivery Property purchased on a Trading Day to Issuer on the third Exchange Business Day following the relevant Trading Day. MSCO shall continue purchasing Shares or Alternative Delivery Property until the Settlement Balance has been reduced to zero.

7. Certain Payments and Deliveries by Issuer. (a) Notwithstanding anything to the contrary herein, or in the Equity Definitions, if at any time (i) an Early Termination Date occurs and Issuer would be required to make a payment pursuant to Sections 6(d) and 6(e) of the Agreement, (ii) a Tender Offer occurs and Issuer would be required to make a payment pursuant to Sections 12.3 and 12.7 of the Equity Definitions, (iii) a Merger Event occurs and Issuer would be required to make a payment pursuant to Sections 12.2 and 12.7 of the Equity Definitions, (iv) an Additional Disruption Event occurs and Issuer would be required to make a payment pursuant to Sections 12.8 and 12.9 of the Equity Definitions or (v) a Nationalization, Insolvency or Delisting occurs and Issuer would be required to make a payment pursuant to Sections 12.6 and 12.7 of the Equity Definitions (any such payment described in Sections 7(i), (ii), (iii), (iv) or (v) above, an “**Early Settlement Payment**”), then Issuer shall have the option, in lieu of making such cash payment, to settle its payment obligations under Sections 7(i), (ii), (iii), (iv) or (v) above in Shares or Alternative Delivery Property (such Shares or Alternative Delivery Property, the “**Early Settlement Shares**”). In order to elect to deliver Early Settlement Shares, (i) Issuer must notify MSCO of its election by no later than 4 p.m. EST on the date that is three Exchange Business Days before the date that the Early Settlement Payment is due, (ii) must specify whether such Early Settlement Shares are to be sold by means of a registered offering or by means of a private placement and (iii) the conditions described in Section 8 below must be satisfied on each day Early Settlement Shares are to be sold by Seller in connection with Buyer’s election to deliver Early Settlement Shares in connection with the settlement of an Early Settlement Payment.

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(b) For the avoidance of doubt, nothing in this Confirmation shall be interpreted as requiring Issuer to deliver cash in respect of the settlement of the Transaction contemplated by this Confirmation following payment by Issuer of the relevant Prepayment Amount, except in circumstances where the required cash settlement thereof is permitted for classification of the contract as equity by ASC 815-40, *Derivatives and Hedging — Contracts in Entity's Own Equity* as in effect on the Trade Date (including, without limitation, where Issuer so elects to deliver cash or fails timely to elect to deliver Shares or Early Settlement Shares in respect of the settlement of the Transaction).

8. Conditions to Delivery of Early Settlement Shares.

Issuer may only deliver Early Settlement Shares and Make-Whole Shares (as defined below) subject to satisfaction of the following conditions:

(a) If Issuer timely elects to deliver Early Settlement Shares and Make-Whole Shares by means of a registered offering, the following provisions shall apply:

(i) On the later of (A) the Trading Day following the Issuer's election to deliver Early Settlement Shares and any Make-Whole Shares by means of a registered offering (the "**Registration Notice Date**"), and (B) the date on which the Registration Statement is declared effective by the SEC or becomes effective (the "**Registered Share Delivery Date**"), the Issuer shall deliver to MSCO a number of Early Settlement Shares equal to the quotient of (I) the relevant Early Settlement Payment divided by (II) the market value per Share on the date of such delivery as reasonably determined by the Calculation Agent.

(ii) Promptly following the Registration Notice Date, the Issuer shall file with the SEC a registration statement ("**Registration Statement**") covering the public resale by MSCO of the Early Settlement Shares and any Make-Whole Shares (collectively, the "**Registered Securities**") on a continuous or delayed basis pursuant to Rule 415 (or any similar or successor rule), if available, under the Securities Act; *provided* that no such filing shall be required pursuant to this paragraph (ii) if the Issuer shall have filed a similar registration statement with unused capacity at least equal to the relevant Early Settlement Payment and such registration statement has become effective or been declared effective by the SEC on or prior to the Registration Notice Date and no stop order is in effect with respect to such registration statement as of the Registration Notice Date. The Issuer shall use its commercially reasonable efforts to file an automatic shelf registration statement or have the Registration Statement declared effective by the SEC as promptly as possible.

(iii) Promptly following the Registration Notice Date, the Issuer shall afford MSCO a reasonable opportunity to conduct a due diligence investigation with respect to the Issuer customary in scope for underwritten offerings of equity securities of similar size by similar issuers (including, without limitation, the availability of senior management to respond to questions regarding the business and financial condition of the Issuer and the right to have made available to MSCO for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by MSCO), and MSCO shall be satisfied in all material respects with the results of such due diligence investigation of the Issuer. For the avoidance of doubt, the Issuer shall not have the right to deliver Shares pursuant to this Section 8(a) (and the conditions to delivery of Early Settlement Shares specified in this Section 8(a) shall not be satisfied) until MSCO is satisfied in all material respects with the results of such due diligence investigation of the Issuer.

(iv) From the effectiveness of the Registration Statement until all Registered Securities have been sold by MSCO, the Issuer shall, at the request of MSCO, make available to MSCO a printed prospectus relating to the Registered Securities in form and substance (including, without limitation, any sections describing the plan of distribution) reasonably satisfactory to MSCO (a "**Prospectus**"),

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which term shall include any prospectus supplement thereto), in such quantities as MSCO shall reasonably request.

(v) The Issuer shall use its commercially reasonable best efforts to prevent the issuance of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Prospectus and, if any such order is issued, to obtain the lifting thereof as soon thereafter as is possible. If the Registration Statement, the Prospectus or any document incorporated therein by reference contains a misstatement of a material fact or omits to state a material fact required to be stated therein or necessary to make any statement therein not misleading, the Issuer shall as promptly as practicable file any required document and prepare and furnish to MSCO a reasonable number of copies of such supplement or amendment thereto as may be necessary so that the Prospectus, as thereafter delivered to the purchasers of the Registered Securities will not contain a misstatement of a material fact or omit to state a material fact required to be stated therein or necessary to make any statement therein not misleading.

(vi) On or prior to the Registered Share Delivery Date, the Issuer shall enter into an agreement (a “**Transfer Agreement**”) with MSCO (or any affiliate of MSCO designated by MSCO) in connection with the public resale of the Registered Securities, substantially similar to underwriting agreements customary for underwritten offerings of equity securities of similar size by similar issuers, in form and substance satisfactory to MSCO (or such affiliate), which Transfer Agreement shall (without limitation of the foregoing):

(A) contain provisions substantially similar to those contained in such underwriting agreements relating to the indemnification of, and contribution in connection with the liability of, MSCO and its affiliates,

(B) provide for delivery to MSCO (or such affiliate) of customary opinions (including, without limitation, accounting comfort letters, opinions relating to the due authorization, valid issuance and fully paid and non-assessable nature of the Registered Securities and the lack of material misstatements and omissions in the Registration Statement, the Prospectus and the Issuer’s filings under the Exchange Act of 1934, as amended and modified (the “**Exchange Act**”)); and

(C) provide for the payment by the Issuer of all fees and expenses in connection with such resale, including all registration costs and all fees and expenses of counsel for MSCO (or such affiliate), but such Transfer Agreement shall not provide for any underwriter discount or commission.

(vii) On the Registered Share Delivery Date, a balance (the “**Settlement Balance**”) shall be established with an initial balance equal to the applicable amount of the relevant Early Settlement Payment. Following the delivery of Early Settlement Shares or any Make-Whole Shares, Seller shall sell all such Early Settlement Shares or Make-Whole Shares in a good faith and commercially reasonable manner.

(viii) At the end of each day upon which sales have been made, the Settlement Balance shall be (A) reduced by an amount equal to the aggregate proceeds received by MSCO upon settlement of the sale of such Share, and (B) increased by an amount (as reasonably determined by the Calculation Agent) equal to MSCO’s commercially reasonable funding cost with respect to the then-current Settlement Balance as of the close of business on such day.

(ix) If, on any date, the Settlement Balance has been reduced to zero but not all of the Early Settlement Shares have been sold, no additional Early Settlement Shares shall be sold and MSCO shall promptly deliver to the Issuer (A) any remaining Early Settlement Shares and (B) if the Settlement

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Balance has been reduced to an amount less than zero, an amount in cash equal to the absolute value of the then-current Settlement Balance.

(x) If, on any date, all of the Early Settlement Shares have been sold and the Settlement Balance has not been reduced to zero, the Issuer shall promptly deliver to MSCO an additional number of Shares (“Make-Whole Shares”) equal to (A) the Settlement Balance as of such date divided by (B) the market value per Share on the date of such delivery as reasonably determined by the Calculation Agent. This clause (x) shall be applied successively until the Settlement Balance is reduced to zero.

(xi) If at any time the number of Shares covered by the Registration Statement is less than the number of Registered Securities required to be delivered pursuant to this Section 8(a), the Issuer shall, at the request of MSCO, file additional registration statement(s) to register the sale of all Registered Securities required to be delivered to MSCO.

(xii) The Issuer shall cooperate with MSCO and use all commercially reasonable efforts to take any other action necessary to effect the intent of the provisions set forth in this Section 8(a).

(b) If Issuer timely elects to deliver Early Settlement Shares and Make-Whole Shares by means of a private placement, the following provisions shall apply:

(i) all Early Settlement Shares and Make-Whole Shares shall be delivered to the Seller (or any affiliate of the Seller designated by the Seller) pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof;

(ii) Seller and any potential purchaser of any such Shares from the Seller (or any affiliate of the Seller designated by the Seller) identified by Seller shall have been afforded a commercially reasonable opportunity to conduct a due diligence investigation with respect to Issuer customary in scope for private placements of equity securities of similar size by similar issuers (including, without limitation, the right to have made available to them for inspection all financial and other records, pertinent corporate documents and other information reasonably requested by them) and Buyer shall not disclose material non-public information in connection with such due diligence investigation; and

(iii) an agreement (a “**Private Placement Agreement**”) shall have been entered into between Issuer and the Seller (or any affiliate of the Seller designated by the Seller) in connection with the private placement of such Shares by Issuer to the Seller (or any such affiliate) and the private resale of such Shares by the Seller (or any such affiliate), substantially similar to private placement purchase agreements customary for private placements of equity securities of similar size by similar issuers, in form and substance commercially reasonably satisfactory to the Seller and the Issuer, which Private Placement Agreement shall include, without limitation, provisions substantially similar to those contained in such private placement purchase agreements relating to the indemnification of, and contribution in connection with the liability of, the Seller and its affiliates, and shall provide for the payment by Issuer of all fees and expenses in connection with such resale, including all reasonable fees and expenses of one counsel for the Seller but not including any underwriter or broker discounts and commissions, and shall contain representations, warranties and agreements of Issuer and Seller reasonably necessary or advisable to establish and maintain the availability of an exemption from the registration requirements of the Securities Act for such resales.

(iv) If Issuer elects to deliver Early Settlement Shares to satisfy its payment obligation of an Early Settlement Payment, neither Issuer nor Seller shall take or cause to be taken any action that would make unavailable either (i) the exemption set forth in Section 4(2) of the Securities Act for the sale of any Early Settlement Shares or Make-Whole Shares by Issuer to the Seller or (ii) an exemption from the registration requirements of the Securities Act reasonably acceptable to the Seller for resales of Early Settlement Shares and Make-Whole Shares by the Seller.

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(v) On the date requested by MSCO, (A) Issuer shall deliver a number of Early Settlement Shares equal to the quotient of (I) the relevant Early Settlement Payment divided by (II) a per share value, determined by MSCO in a commercially reasonable manner and which may be based on indicative bids from institutional “accredited investors” (as defined in Rule 501 under the Securities Act of 1933, as amended (the “Securities Act”)) and (B) the provisions of Sections 8(a)(vii) —(x) shall apply to the Early Settlement Shares delivered pursuant to this Section 8(b)(v). For purposes of applying the foregoing, the Registered Share Delivery Date referred to in 8(a)(vii) shall be the date on which Issuer delivers the Early Settlement Shares.

(c) The provisions of Section 8(b) shall apply to any then-current Settlement Balance if (i) on any given day, Issuer cannot satisfy any of the conditions of Section 8(a) or (ii) for a period of at least ten (10) consecutive Exchange Business Days, MSCO has determined that it is inadvisable to effect sales of Registered Securities.

(d) If Issuer elects to deliver Early Settlement Shares to satisfy its payment obligation of an Early Settlement Payment, then, if necessary, Issuer shall use its commercially reasonable best efforts to cause the number of authorized but unissued Shares of Common Stock to be increased to an amount sufficient to permit Issuer to fulfill its obligations to satisfy its payment obligation of an Early Settlement Payment by delivering Early Settlement Shares.

9. Special Provisions for Merger Events. Notwithstanding anything to the contrary herein or in the Equity Definitions, to the extent that an Announcement Date for a potential Merger Transaction occurs during the term of this Transaction and such Announcement Date does not cause this Transaction to terminate in whole under the provisions of “Extraordinary Event” in paragraph 2 above:

(a) As soon as practicable following the public announcement of such potential Merger Transaction, Issuer shall provide MSCO with written notice of such announcement;

(b) Promptly after request from MSCO, Issuer shall provide MSCO with written notice specifying (i) Issuer’s average daily Rule 10b-18 Purchases (as defined in Rule 10b-18 under the Exchange Act (“**Rule 10b-18**”)) during the three full calendar months immediately preceding the Announcement Date that were not effected through MSCO or its affiliates and (ii) the number of Shares purchased pursuant to the block purchase proviso in Rule 10b-18(b)(4) under the Exchange Act for the three full calendar months preceding the Announcement Date. Such written notice shall be deemed to be a certification by Issuer to MSCO that such information is true and correct. Issuer understands that MSCO will use this information in calculating the trading volume for purposes of Rule 10b-18; and

(c) Issuer acknowledges that any notice delivered under this Section 9 may cause a deemed Market Disruption Event to occur pursuant to Section 10; accordingly, Issuer acknowledges that its delivery of such notice must comply with the standards set forth in Section 12(c).

“**Merger Transaction**” means any merger, acquisition or similar transaction involving a recapitalization of Issuer as contemplated by Rule 10b-18(a)(13) (iv) under the Exchange Act.

10. Seller Adjustments. In the event that Seller determines in its good faith and commercially reasonable discretion, based on advice of counsel, that it is appropriate with regard to any legal, regulatory or self-regulatory requirements or related policies and procedures (whether or not such requirements, policies or procedures are imposed by law or have been voluntarily adopted by Seller, and including, without limitation, Rule 10b-18, Rule 10b-5, Regulation 13D-G and Regulation 14E, “**Requirements**”), for Seller to refrain from purchasing Shares or to purchase fewer than the number of Shares Seller would otherwise purchase on any Trading Day during the duration of this Transaction, then Seller may elect to deem that a Market Disruption Event has occurred and will be continuing on such Trading Day, which shall be a Disrupted Day for purposes of “Market Disruption Event” above; provided that if any such deemed Market Disruption Event results in the

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Scheduled Valuation Date being postponed to a date that is on or after June 30, 2011 then such postponement will constitute an Additional Termination Event, with (i) Issuer as the sole “Affected Party”, (ii) the Transaction as the sole “Affected Transaction” and (iii) such date as the Early Termination Date.

11. Covenants.

(a) The Buyer covenants and agrees:

(i) that during the term of this Agreement, neither it nor any “affiliated purchaser” (as defined in Rule 10b-18 under the Exchange Act) shall directly or indirectly (which shall be deemed to include the writing or purchase of any cash-settled derivative instrument) purchase Shares (or any security convertible into or exchangeable for Shares) without the prior written approval of Seller (including, without limitation, any Rule 10b-18 purchases of blocks (as defined in Rule 10b-18 under the Exchange Act)), except through MSCO;

(ii) that it shall report the Transaction to the extent required under the Exchange Act and the rules and regulations thereunder;

(iii) that as of (i) the Trade Date and (ii) the date of any election by Issuer that Shares or Alternative Delivery Property be delivered by it or by MSCO pursuant to Section 6 or 7, Issuer is in compliance with its reporting obligations under the Exchange Act and its most recent Annual Report on Form 10-K;

(iv) that it is not relying, and has not relied, upon Seller or any of its representatives or advisors with respect to the legal, accounting, tax or other implications of this Agreement and that it has conducted its own analyses of the legal, accounting, tax and other implications of this Agreement, and that Seller and its affiliates may from time to time effect transactions for their own account or the account of customers and hold positions in securities or options on securities of the Buyer and that Seller and its affiliates may continue to conduct such transactions during the term of this Agreement; and

(v) that the Shares are not, and Issuer will not cause the Shares to be, subject to a “restricted period” (as defined in Regulation M promulgated under the Exchange Act) at any time during the Regulation M Period (as defined below) unless Issuer has provided written notice to MSCO of such restricted period not later than the Scheduled Trading Day immediately preceding the first day of such “restricted period” (such event, a “Regulation M Event”); Issuer acknowledges that any such notice may cause a deemed Market Disruption Event to occur pursuant to Section 10; accordingly, Issuer acknowledges that its delivery of such notice must comply with the standards set forth in Section 12(c); provided, however, that Issuer may only declare up to 3 Regulation M Events during the Regulation M Period. “**Regulation M Period**” means, the period commencing on the first day of the Initial Hedge Period and ending on the earliest of (i) the Scheduled Valuation Date, (ii) the third Exchange Business Day immediately following the last day of the Calculation Period, or such earlier day as elected by MSCO and notified to Issuer (or, if later, the Lock-out Date), and (iii) in the event Section 6 applies to a Transaction, and Issuer elects to require MSCO to deliver Shares or Alternative Delivery Property pursuant to such Section 6, the date reasonably determined by the Calculation Agent and notified to Issuer,

provided that this Section 11(a) shall not (i) limit the Buyer’s ability, pursuant to its employee incentive plan or dividend reinvestment program, to re-acquire Shares in connection with the related equity transactions, (ii) limit Buyer’s ability to withhold shares to cover tax liabilities associated with such equity transactions or (iii) limit Buyer’s ability to grant stock and options to “affiliated purchasers” (as defined in Rule 10b-18) or the ability of such affiliated purchasers to acquire such stock or options, in connection with the Buyer’s compensation policies for directors, officers and employees or any agreements with respect to the compensation of directors, officers or employees of any entities that are acquisition targets of Issuer, and in connection with any such purchase Buyer will be deemed to represent to Seller that such purchase does not constitute a “Rule 10b-18 Purchase” (as defined in Rule 10b-18) (any such incentive or compensatory plan, program or policy of Issuer, a “**Compensatory Plan**”).

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(b) On each day during the term of the Transaction, on which MSCO effects any purchases of Shares with respect to the Transaction (other than purchases in connection with any dynamic adjustments to MSCO's hedge position in respect of the market risk associated with the equity options embedded in the Transaction), it shall effect all purchases of Shares made for the purpose of covering any short position in Shares that was established for the purposes of hedging MSCO's equity price risk in respect of the Transaction, in a manner that MSCO reasonably believes, based on the representations, warranties and agreements of Issuer set forth herein, would comply with the limitations set forth in clauses (b)(1), (b)(2), (b)(3), (b)(4) and (c) of Rule 10b-18, as if MSCO were the "Issuer" or an "affiliated purchaser" (as such term is defined in Rule 10b-18) of Issuer and such rule were applicable to such purchases; provided, however, that it is understood and agreed that Seller will not be obligated to comply with this paragraph in connection with Seller's ability to declare a Valuation Date other than the Scheduled Valuation Date or if an Event of Default, Additional Disruption Event, Extraordinary Event or Additional Termination Event occurs.

12. Representations, Warranties and Acknowledgments.

(a) The Buyer hereby represents and warrants to Seller as of the Trade Date that:

(i) as of the date hereof, the Buyer is not in possession of any material, non-public information with respect to the Buyer or any of its securities;

(ii) the transactions contemplated by this Confirmation have been authorized under Buyer's publicly announced program to repurchase Shares;

(iii) the Buyer is not entering into this Agreement (x) to facilitate a distribution of the Shares (or any security convertible into or exchangeable for Shares) or (y) in connection with a future issuance of securities, in either case, except in connection with a Compensatory Plan or other publicly disclosed transaction;

(iv) the Buyer is not entering into this Agreement to create actual or apparent trading activity in the Shares (or any security convertible into or exchangeable for Shares) or to raise or depress the price of the Shares (or any security convertible into or exchangeable for Shares);

(v) it will not be engaged in an "issuer tender offer" as such term is defined in Rule 13e-4 under the Exchange Act nor is it aware of any third party tender offer with respect to the Shares within the meaning of Rule 13e-1 under the Exchange Act; and

(vi) the Buyer is as of the date hereof, and after giving effect to the transactions contemplated hereby will be, Solvent. As used in this paragraph, the term "Solvent" means, with respect to a particular date, that on such date (A) the present fair market value (or present fair saleable value) of the assets of the Buyer is not less than the total amount required to pay the liabilities of the Buyer on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured, (B) the Buyer is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business, (C) assuming consummation of the transactions as contemplated by this Agreement, the Buyer is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature, (D) the Buyer is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Buyer is engaged and (E) the Buyer is not a defendant in any civil action that could reasonably be expected to result in a judgment that Buyer is or would become unable to satisfy.

(b) Seller and the Buyer each hereby acknowledges that any transactions by Seller in the Shares will be undertaken by Seller, as the case may be, as principal for its own account. All of the actions to be taken by Seller in connection with this Agreement, shall be taken by Seller independently and without any advance or subsequent consultation with the Buyer.

(c) 10b5-1 Plan.

(i) Each of MSCO and Issuer is entering into this Confirmation and the Transaction hereunder in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act (“**Rule 10b5-1**”) or any other antifraud or anti-manipulation provisions of the federal or applicable state securities laws and, with respect to Issuer, that it has not entered into or altered and will not enter into or alter any corresponding or hedging transaction or position with respect to the Shares. Each of MSCO and Issuer acknowledges that it is the intent of the parties that the Transaction entered into under this Confirmation comply with the requirements of paragraphs (c)(1)(i)(A) and (B) of Rule 10b5-1 and the Transaction entered into under this Confirmation be interpreted to comply with the requirements of Rule 10b5-1(c).

(ii) Issuer will not seek to control or influence MSCO’s decision to make any “purchases or sales” (within the meaning of Rule 10b5-1(c)(1)(i)(B)(3)) under the Transaction entered into under this Confirmation, including, without limitation, MSCO’s decision to enter into or unwind any Hedge Positions in respect of the Transaction. Issuer represents and warrants that it has consulted with its own advisors as to the legal aspects of its adoption and implementation of this Confirmation under Rule 10b5-1.

(iii) Each of MSCO and Issuer hereby acknowledges and agrees that any amendment, modification, waiver or termination of this Confirmation must be effected in accordance with the requirements for the amendment or termination of a “plan” as defined in Rule 10b5-1(c). Without limiting the generality of the foregoing, any such amendment, modification, waiver or termination shall be made in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5, and no such amendment, modification or waiver shall be made at any time at which Issuer is aware of any material non-public information regarding Issuer or the Shares.

13. Acknowledgements of Buyer Regarding Hedging and Market Activity. Buyer agrees, understands and acknowledges that:

- (a) during the period from (and including) the Trade Date to (and including) the Settlement Date, Seller and its affiliates may buy or sell Shares or other securities or buy or sell options or futures contracts or enter into swaps or other derivative securities in order to adjust its hedge position with respect to the transactions contemplated by this Transaction;
- (b) Seller and its affiliates also may be active in the market for the Shares other than in connection with hedging activities in relation to the transactions contemplated by this Transaction;
- (c) Seller shall make its own determination as to whether, when and in what manner any hedging or market activities in the Issuer’s securities shall be conducted and shall do so in a manner that it deems appropriate to hedge its price and market risk with respect to 10b-18 VWAP; and
- (d) any market activities of Seller and its affiliates with respect to the Shares may affect the market price and volatility of the Shares, as well as the 10b-18 VWAP, each in a manner that may be adverse to Buyer.

14. In the event that Seller becomes involved in any capacity in any action, proceeding or investigation brought by or against any person in connection with any matter referred to in this Agreement to the extent that such action, proceeding or investigation results from the breach by the Buyer of any of its representations, warranties or covenants hereunder, the Buyer will reimburse Seller for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith. The Buyer also will indemnify and hold Seller harmless against any losses, claims, damages or liabilities to which it may become subject in connection with any matter referred to in this Agreement to the extent any such loss, claim, damage or liability results from the breach by the Buyer of any of its representations, warranties or covenants hereunder, except to the extent that any such loss, claim, damage or liability results from the gross negligence or bad faith of Seller

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in effecting the transactions which are the subject of this Agreement; *provided, however*, that if it is determined by a court of competent jurisdiction in a final judgment that Seller is not entitled to be indemnified hereunder in connection with such matter, then Seller shall reimburse the Buyer for any expenses paid pursuant to the first sentence of this Section 14. If for any reason the foregoing indemnification is unavailable to Seller or insufficient to hold it harmless, then the Buyer shall contribute to the amount paid or payable by Seller as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the Buyer on one hand and Seller on the other hand with respect to such loss, claim, damage, or liability and any other relevant equitable considerations. The reimbursement, indemnity and contribution obligations of the Buyer under this Section 14 shall be in addition to any liability which the Buyer may otherwise have, shall extend upon the same terms and conditions to any affiliate of Seller and the partners, directors, officers, agents, employees and controlling persons (if any), as the case may be, of Seller and any such affiliate and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Buyer, Seller, any such affiliate and any such person. The Buyer also agrees that neither Seller nor any of such affiliates, partners, directors, officers, agents, employees or controlling persons shall have any liability to the Buyer for or in connection with any matter referred to in this Agreement except to the extent that any losses, claims, damages, liabilities or expenses incurred by the Buyer result from the gross negligence or bad faith of Seller in effecting the transactions that are the subject of this Agreement. The foregoing provisions shall survive any termination or completion of this Agreement. For the purposes of this Section 14, the term “Seller” shall include MSCO and its affiliates. The foregoing reimbursement, indemnity and contribution obligations of the Buyer shall be paid promptly in cash.

15. The parties hereto agree and acknowledge that Seller is a “financial participant” within the meaning of Section 101(22) of Title 11 of the United States Code (the “**Bankruptcy Code**”). The parties hereto further agree and acknowledge that this Transaction is either (i) a “securities contract” as such term is defined in Section 741(7) of the Bankruptcy Code, in which case each payment and delivery made pursuant to this Transaction is a “settlement payment”, as such term is defined in Section 741(8) of the Bankruptcy Code, and that Seller is entitled to the protections afforded by, among other sections, Sections 362(b)(6), 546(e) and 555 of the Bankruptcy Code, or (ii) a “swap agreement”, as such term is defined in Section 101(53B) of the Bankruptcy Code, in which case each party is a “swap participant”, as such term is defined in Section 101(53C) of the Bankruptcy Code, and that Seller is entitled to the protections afforded by, among other sections, Sections 362(b)(17), 546(g) and 560 of the Bankruptcy Code.

16. Seller and Issuer hereby agree and acknowledge that Seller has authorized the Issuer and each of its employees, representatives and other agents to disclose this Transaction, including the tax treatment and tax structure thereof and all materials relating thereto, to any and all persons, and there are no express or implied agreements, arrangements or understandings to the contrary, and authorizes the Issuer to use any information that the Issuer receives or has received with respect to this Transaction in any manner.

17. Treatment in Bankruptcy; No Setoff; No Collateral.

(a) In the event the Buyer becomes the subject of proceedings (“**Bankruptcy Proceedings**”) under the U.S. Bankruptcy Code or any other applicable bankruptcy or insolvency statute from time to time in effect, any rights or claims of Seller hereunder in respect of this transaction shall rank for all purposes no higher than, but on a parity with, the rights or claims of holders of Shares, and Seller hereby agrees that its rights and claims hereunder shall be subordinated to those of all parties with claims or rights against the Buyer (other than common stockholders) to the extent necessary to assure such ranking. Without limiting the generality of the foregoing, after the commencement of Bankruptcy Proceedings, the claims of Seller hereunder shall for all purposes have rights equivalent to the rights of a holder of a percentage of the Shares equal to the aggregate amount of such claims (the “**Claim Amount**”) taken as a percentage of the sum of (i) the Claim Amount and (ii) the aggregate fair market value of all outstanding Shares on the record date for distributions made to the holders of such Shares in the related Bankruptcy Proceedings. Notwithstanding any right it might otherwise have to assert a higher priority claim in any such Bankruptcy Proceedings, Seller shall be entitled to receive a distribution solely to the extent and only in the form that a holder of such percentage of the Shares would be entitled to receive in such Bankruptcy Proceedings, and, from and after the commencement of such Bankruptcy

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Proceedings, Seller expressly waives (i) any other rights or distributions to which it might otherwise be entitled in such Bankruptcy Proceedings in respect of its rights and claims hereunder and (ii) any rights of setoff it might otherwise be entitled to assert in respect of such rights and claims.

(b) Notwithstanding any provision of this Agreement or any other agreement between the parties to the contrary, neither the obligations of the Buyer nor the obligations of Seller hereunder are secured by any collateral, security interest, pledge or lien.

18. Share Cap. Notwithstanding any other provision of this Agreement to the contrary, in no event shall the Buyer be required to deliver to Seller a number of Shares that exceeds the Share Cap (as specified in Schedule I), subject to reduction by the number of Shares delivered hereunder by the Buyer on any prior date.

19. Illegality. The parties agree that for the avoidance of doubt, for purposes of Section 5(b)(i) of the Agreement, “any applicable law” shall include the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any rules and regulations promulgated thereunder and any similar law or regulation, without regard to Section 739 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or any similar legal certainty provision in any legislation enacted, or rule or regulation promulgated, on or after the Trade Date, and the consequences specified in the Agreement, including without limitation, the consequences specified in Section 6 of the Agreement, shall apply to any Illegality arising from any such act, rule or regulation.

20. Account Details:

Account for Payments to MSCO:

Citibank NY

[*]

Morgan Stanley

[*]

Broadcom Corporation

[*]

Account for Payments to Issuer:

To be provided by Issuer

21. Contact Details for Purposes of Giving Notice:

If to MSCO:

Anthony Cicia

Email: Anthony.Cicia@morganstanley.com

Phone: 212-761-7959

If to Issuer:

22. Governing law: The laws of the State of New York.

EACH PARTY HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS CONFIRMATION OR ANY TRANSACTION CONTEMPLATED HEREBY.

* This information has been omitted based on a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

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Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us by facsimile to the number provided on the attached facsimile cover page.

Confirmed as of the date first written above:

BROADCOM CORPORATION

MORGAN STANLEY & CO. INCORPORATED

By: /s/ Eric Brandt

Name: Eric Brandt

Title: EVP and CFO

By: /s/ Serkan Savasoglu

Name: Serkan Savasoglu

Title: Managing Director

Schedule I

This Schedule I, dated February 1, 2011 may be amended and/or superseded from time to time by mutual agreement of both parties. For the purposes of this Transaction, the following terms shall have the following values/meanings:

Tranche #1:

1. The Trade Date shall be February 2, 2011
2. The Forward Cap Price equals [*]% of the Initial Hedge Period Reference Price
3. The Forward Floor Price equals [*]% of the Initial Hedge Period Reference Price
4. The Discount Percentage equals [*]%
5. The Initial Shares equal 2,177,339.
6. The Prepayment Amount equals USD 150,000,000.
7. The Commission Amount equals [*]
8. The Adjustment Amount equals [*]
9. The Structuring Fee equals [*]
10. The Scheduled Valuation Date shall mean the [*]th Scheduled Trading Day following the Initial Hedge Completion Date.
11. The Lock-Out Date shall mean the [*]th Scheduled Trading Day following the Initial Hedge Completion Date; *provided* that under any circumstances where the Calculation Period is extended, the Lock-Out Date shall be postponed by an equal number of Observation Dates.
12. Observation Dates: [*]

Tranche #2:

1. The Trade Date shall be February 2, 2011
2. The Forward Cap Price equals [*]% of the Initial Hedge Period Reference Price
3. The Forward Floor Price equals [*]% of the Initial Hedge Period Reference Price
4. The Discount Percentage equals [*]%
5. The Initial Shares equal 2,177,339.
6. The Prepayment Amount equals USD 150,000,000.
7. The Commission Amount equals [*]
8. The Adjustment Amount equals [*]
9. The Structuring Fee equals [*]

* This information has been omitted based on a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

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10. The Scheduled Valuation Date shall mean the [*]th Scheduled Trading Day following the Initial Hedge Completion Date.

11. The Lock-Out Date shall mean [*]th Scheduled Trading Day following the Initial Hedge Completion Date; *provided* that under any circumstances where the Calculation Period is extended, the Lock-Out Date shall be postponed by an equal number of Observation Dates.

12. Observation Dates: [*]

GENERAL:

The Share Cap (applicable to both Tranches in aggregate) shall equal the lesser of (i) 12.96 million Shares and (ii) 20% of the total number of Shares that Issuer has outstanding as of any day.

* This information has been omitted based on a request for confidential treatment. The omitted portions have been separately filed with the Securities and Exchange Commission.

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AGREED AND ACKNOWLEDGED (as of the date listed above)

BROADCOM CORPORATION

/s/ Eric Brandt

Name: Eric Brandt

Title: EVP and CFO

MORGAN STANLEY & CO. INCORPORATED

/s/ Serkan Savasoglu

Name: Serkan Savasoglu

Title: Managing Director

**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 26, 2011

**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 26, 2011

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, 2011 (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 26, 2011

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, 2011 (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 26, 2011