

BROADCOM CORP

FORM 10-Q (Quarterly Report)

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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, 2012

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, 2012 the registrant had 498 million shares of Class A common stock, \$0.0001 par value, and 53 million shares of Class B common stock, \$0.0001 par value, outstanding.

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BROADCOM CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2012

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PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
(In millions)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,325	\$ 4,146
Short-term marketable securities	350	383
Accounts receivable, net	763	678
Inventory	475	421
Prepaid expenses and other current assets	141	124
Total current assets	3,054	5,752
Property and equipment, net	418	368
Long-term marketable securities	388	676
Goodwill	3,606	1,787
Purchased intangible assets, net	2,023	400
Other assets	84	57
Total assets	\$ 9,573	\$ 9,040
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 518	\$ 442
Wages and related benefits	146	175
Deferred revenue and income	13	21
Accrued liabilities	511	461
Total current liabilities	1,188	1,099
Long-term debt	1,196	1,196
Other long-term liabilities	308	224
Commitments and contingencies		
Shareholders' equity:		
Common stock	-	-
Additional paid-in capital	12,070	11,821
Accumulated deficit	(5,162)	(5,250)
Accumulated other comprehensive loss	(27)	(50)
Total shareholders' equity	6,881	6,521
Total liabilities and shareholders' equity	\$ 9,573	\$ 9,040

See accompanying notes.

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BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2012	2011
(In millions, except per share data)		
Net revenue:		
Product revenue	\$ 1,770	\$ 1,752
Income from Qualcomm Agreement	52	52
Licensing revenue	5	12
Total net revenue	1,827	1,816
Costs and expenses:		
Cost of product revenue	918	894
Research and development	546	498
Selling, general and administrative	179	179
Amortization of purchased intangible assets	17	7
Impairments of long-lived assets	28	9
Restructuring costs, net	3	-
Settlement costs (gains), net	86	(5)
Total operating costs and expenses	1,777	1,582
Income from operations	50	234
Interest expense, net	(6)	-
Other expense, net	(1)	(1)
Income before income taxes	43	233
Provision (benefit) for income taxes	(45)	5
Net income	\$ 88	\$ 228
Net income per share (basic)	\$ 0.16	\$ 0.42
Net income per share (diluted)	\$ 0.15	\$ 0.40
Weighted average shares (basic)	548	539
Weighted average shares (diluted)	570	575
Dividends per share	\$ 0.10	\$ 0.09

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,	
	2012	2011
(In millions)		
Cost of product revenue	\$ 9	\$ 7
Research and development	94	102
Selling, general and administrative	47	36

See accompanying notes.

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Net income	\$ 88	\$ 228
Other comprehensive income, net of tax:		
Foreign currency translation adjustments, net of \$0 tax in 2012 and 2011	20	11
Unrealized gains (losses) on marketable securities, net of \$0 tax in 2012 and 2011	3	(1)
Other comprehensive income	23	10
Comprehensive income	<u>\$ 111</u>	<u>\$ 238</u>

See accompanying notes.

BROADCOM CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Operating activities		
Net income	\$ 88	\$ 228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28	23
Stock-based compensation expense:		
Stock options and other awards	27	41
Restricted stock units	123	104
Acquisition-related items:		
Amortization of purchased intangible assets	54	22
Impairments of long-lived assets	28	9
Changes in operating assets and liabilities:		
Accounts receivable	(51)	59
Inventory	38	48
Prepaid expenses and other assets	(11)	(28)
Accounts payable	52	(70)
Deferred revenue and income	(9)	(9)
Accrued settlement costs	87	—
Other accrued and long-term liabilities	(86)	(94)
Net cash provided by operating activities	<u>368</u>	<u>333</u>
Investing activities		
Net purchases of property and equipment	(74)	(45)
Net cash paid for acquired company	(3,393)	—
Purchases of marketable securities	(334)	(654)
Proceeds from sales and maturities of marketable securities	706	795
Net cash provided by (used in) investing activities	<u>(3,095)</u>	<u>96</u>
Financing activities		
Repurchases of Class A common stock	—	(421)
Dividends paid	(55)	(48)
Payment of assumed contingent consideration	(53)	—
Proceeds from issuance of common stock	62	112
Minimum tax withholding paid on behalf of employees for restricted stock units	(48)	(57)
Net cash used in financing activities	<u>(94)</u>	<u>(414)</u>
Increase (decrease) in cash and cash equivalents	(2,821)	15
Cash and cash equivalents at beginning of period	4,146	1,622
Cash and cash equivalents at end of period	<u>\$ 1,325</u>	<u>\$ 1,637</u>

See accompanying notes.

BROADCOM CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012

1. Summary of Significant Accounting Policies

Our Company

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

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, 2011, included in our Annual Report on Form 10-K filed with the SEC on February 1, 2012.

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

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, 2012 and December 31, 2011, and our consolidated results of operations and cash flows for the three months ended March 31, 2012 and 2011. The results of operations for the three months ended March 31, 2012 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 United States generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of total net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, rebates, allowances for doubtful accounts, sales returns and allowances, warranty obligations, inventory valuation, stock-based compensation expense, goodwill and purchased intangible asset valuations, strategic investments, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, self-insurance, restructuring costs or reversals, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

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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. However, we do not recognize revenue when any future performance obligations remain. We record reductions of revenue for estimated product returns and pricing adjustments, such as competitive pricing programs and rebates, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns, analysis of credit memo data, specific criteria included in rebate agreements, and other factors known at the time. We accrue 100% of potential rebates at the time of sale and do not apply a breakage factor. We reverse the accrual for unclaimed rebate amounts as specific rebate programs contractually end and when we believe unclaimed rebates are no longer subject to payment and will not be paid. See Note 2 for a summary of our rebate activity.

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. When we enter into an arrangement that includes multiple elements, the allocation of value to each element is derived based on management's best estimate of selling price 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.

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.

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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.

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.

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

The fair value of the majority of our cash equivalents and marketable securities was determined based on “Level 1” inputs. The fair value of certain marketable securities and our long-term debt were determined based on “Level 2” inputs. The valuation techniques used to measure the fair value of our “Level 2” instruments were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data. We do not have any marketable securities in the “Level 3” category. We believe that the recorded values of all our other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

Cash, Cash Equivalents and Marketable Securities

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

We account for our investments in debt 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, net in the 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 assets are consumed or otherwise used or, if that pattern cannot be reliably determined, using a straight-line amortization method. We capitalize IPR&D projects acquired as part of a business combination. On completion of each project, IPR&D assets are reclassified to developed technology and amortized over their estimated useful lives.

Impairment of Goodwill and Other Long-Lived Assets

We evaluate goodwill on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we conduct a two-step goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values. We determine the fair values of our reporting units using the income valuation approach, as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit’s fair value, we perform the second step of the goodwill impairment test. The second step of the

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goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss.

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

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

Guarantees and Indemnifications

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

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

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.

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Litigation and Settlement Costs

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

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board, or FASB, issued guidance regarding the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. We adopted the provisions of this guidance effective January 1, 2012, as reflected in the unaudited condensed consolidated statements of comprehensive income herein.

2. Supplemental Financial Information

Net Revenue

The following table presents details of our product revenue:

	Three Months Ended March 31,	
	2012	2011
Product sales through direct sales force	76.7%	76.9%
Product sales maintained under fulfillment distributor arrangements	7.7	8.1
Product sales through distributors	15.7	15.0
	<u>100.0%</u>	<u>100.0%</u>

Income from the Qualcomm Agreement is expected to be recognized as follows:

	June 30, 2012	Three Months Ending			June 30, 2013	Total
		September 30, 2012	December 31, 2012 (In millions)	March 31, 2013		
Income from Qualcomm Agreement	\$ 48	\$ 43	\$ 43	\$ 44	\$ 43	\$ 221

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Inventory

The following table presents details of our inventory:

	March 31, 2012	December 31, 2011
	(In millions)	
Work in process	\$ 147	\$ 135
Finished goods	328	286
	<u>\$ 475</u>	<u>\$ 421</u>

Property and Equipment

The following table presents details of our property and equipment:

	Useful Life (In years)	March 31, 2012	December 31, 2011
		(In millions)	
Leasehold improvements	1 to 10	\$ 218	\$ 212
Office furniture and equipment	3 to 7	39	38
Machinery and equipment	5	442	396
Computer software and equipment	2 to 8	152	128
Construction in progress	N/A	27	26
		878	800
Less accumulated depreciation and amortization		(460)	(432)
		<u>\$ 418</u>	<u>\$ 368</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)	Foreign Currency	
Goodwill at December 31, 2011	\$ 597	\$ 470	\$ 735	\$ (15)	\$ 1,787
Goodwill recorded in connection with acquisitions	—	—	1,810	—	1,810
Effects of foreign currency translation	—	—	—	9	9
Goodwill at March 31, 2012	<u>\$ 597</u>	<u>\$ 470</u>	<u>\$ 2,545</u>	<u>\$ (6)</u>	<u>\$ 3,606</u>

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Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	March 31, 2012			December 31, 2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Developed technology	\$ 1,770	\$ (304)	\$ 1,466	\$ 587	\$ (282)	\$ 305
In-process research and development	325	—	325	59	—	59
Customer relationships	369	(133)	236	173	(117)	56
Other	31	(20)	11	23	(20)	3
	<u>\$ 2,495</u>	<u>\$ (457)</u>	<u>\$ 2,038</u>	<u>\$ 842</u>	<u>\$ (419)</u>	<u>\$ 423</u>
Effects of foreign currency translation			(15)			(23)
			<u>\$ 2,023</u>			<u>\$ 400</u>

In the three months ended March 31, 2012 we reclassified \$1 million of IPR&D costs related to previous acquisitions to developed technology and such costs will now be amortized to cost of product revenue.

In March 2012 we recorded impairment charges for developed technology of \$28 million, primarily related to our acquisitions of Dune Networks, Inc. and Percello Ltd. included in our Infrastructure & Networking and Broadband Communications reportable segments, respectively. The primary factor contributing to these impairment charges was the reduction in the revenue outlook for certain products and the resulting decrease to the estimated cash flows identified with the impaired assets.

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

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

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Cost of product revenue	\$ 37	\$ 15
Other operating expenses	17	7
	<u>\$ 54</u>	<u>\$ 22</u>

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The following table presents details of the estimated future amortization of existing purchased intangible assets, including IPR&D.

	Purchased Intangible Asset Amortization by Year						Total
	2012	2013	2014	2015	2016	Thereafter	
	(In millions)						
Cost of product revenue	\$ 157	\$ 180	\$ 231	\$ 222	\$ 200	\$ 789	\$ 1,779
Other operating expenses	78	56	62	31	9	8	244
	<u>\$ 235</u>	<u>\$ 236</u>	<u>\$ 293</u>	<u>\$ 253</u>	<u>\$ 209</u>	<u>\$ 797</u>	<u>\$ 2,023</u>

Accrued Liabilities

The following table presents details of our accrued liabilities:

	March 31,	December 31,
	2012	2011
	(In millions)	
Accrued rebates	\$ 302	\$ 317
Accrued royalties	26	18
Accrued settlement charges	69	28
Accrued legal costs	17	16
Accrued taxes	15	16
Warranty reserve	12	14
Restructuring liabilities	5	6
Other	65	46
	<u>\$ 511</u>	<u>\$ 461</u>

Other Long-Term Liabilities

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

	March 31,	December 31,
	2012	2011
	(In millions)	
Deferred rent	\$ 50	\$ 48
Accrued taxes	60	24
Deferred tax liabilities	79	80
Accrued settlement charges	94	48
Restructuring liabilities	1	2
Other long-term liabilities	24	22
	<u>\$ 308</u>	<u>\$ 224</u>

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Accrued Rebate Activity

The following table summarizes the activity related to accrued rebates:

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Beginning balance	\$ 317	\$ 270
Charged as a reduction of revenue	147	152
Reversal of unclaimed rebates	(3)	(2)
Payments	(159)	(139)
Ending balance	<u>\$ 302</u>	<u>\$ 281</u>

Warranty Reserve Activity

The following table summarizes activity related to the warranty reserve:

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Beginning balance	\$ 14	\$ 13
Charged to costs and expenses	1	2
Payments	(3)	(4)
Ending balance	<u>\$ 12</u>	<u>\$ 11</u>

Restructuring Activity

The following table summarizes activity related to our current and long-term restructuring liabilities during the three months ended March 31, 2012:

	Three Months Ended March 31, 2012
	(In millions)
Beginning balance	\$ 8
Charged to expense	3
Cash Payments	(5)
Ending balance	<u>\$ 6</u>

Settlement Costs (Gains)

In the three months ended March 31, 2012 we recorded settlement costs of \$86 million related to patent infringement claims. We recorded settlement gains of \$5 million in the three months ended March 31, 2011. See Note 9.

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Computation of Net Income Per Share

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

	Three Months Ended March 31,	
	2012	2011
	(In millions, except per share data)	
Numerator: Net income	\$ 88	\$ 228
Denominator for net income per share (basic)	548	539
Effect of dilutive securities:		
Stock awards	22	36
Denominator for net income per share (diluted)	570	575
Net income per share (basic)	\$ 0.16	\$ 0.42
Net income per share (diluted)	\$ 0.15	\$ 0.40

Net income per share (diluted) does not include the effect of anti-dilutive common share equivalents resulting from outstanding equity awards. There were 27 million and 11 million anti-dilutive common share equivalents in the three months ended March 31, 2012 and 2011, respectively.

Supplemental Cash Flow Information

In the three months ended March 31, 2012 we accrued \$3 million related to stock option exercises that had not settled by March 31, 2012. In the three months ended March 31, 2012, we paid \$41 million for capital equipment that was accrued as of December 31, 2011 and had billings of \$30 million for capital equipment that were accrued but not yet paid as of March 31, 2012.

3. Business Combinations

On February 17, 2012 we completed our acquisition of NetLogic, a publicly traded company that is a leader in high performance intelligent semiconductor solutions for next generation networks. The combination enables Broadcom to deliver best-in-class, seamlessly integrated network infrastructure platforms to its customers, reducing both time-to-market and development costs. The addition of NetLogic also extends Broadcom's infrastructure portfolio with key technologies, including multi-core embedded processor and knowledge-based processor solutions, both critical enablers of the next generation infrastructure build-out. In connection with the acquisition we paid \$3.61 billion, exclusive of cash acquired, to acquire all of the outstanding shares of capital stock and other equity rights of NetLogic. The purchase price was paid in cash, except for certain equity awards with a fair value of \$349 million were assumed. Approximately \$137 million of the equity consideration was recorded as goodwill and \$212 million will be recognized as stock-based compensation expense primarily over the next two to three years.

The unaudited consolidated financial statements include the results of operations of NetLogic commencing as of the acquisition date and are included in our Infrastructure & Networking reportable segment. Included in the unaudited consolidated statement of income for the three months ended March 31, 2012 was net revenue of \$33 million for NetLogic and an operating loss of \$73 million. In connection with the acquisition, our results of operations in the three months ended March 31, 2012 included: (i) stock-based compensation of \$27 million, of which \$17 million related to the accelerated vesting of equity awards upon the termination of certain employees with change in control agreements, (ii) the amortization of purchased intangibles of \$27 million, and (iii) the amortization of acquired inventory valuation step-up of \$20 million. We also incurred certain severance and other benefit costs of \$2 million in the three months ended March 31, 2012 that are classified as restructuring costs in our unaudited consolidated statement of income. Lastly, we incurred \$6 million in transaction costs related to legal, accounting and other related fees, of which \$1 million was recorded in the three months ended March 31, 2012 in selling, general and administrative expense and the remaining was previously expensed in 2011.

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Our primary reason for acquiring NetLogic was to enhance our ability to deliver a complete, end-to-end network infrastructure solution for customers. In addition, it allows us to reduce the time required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing product offerings, augment our engineering workforce, and enhance our technological capabilities. The principal factor that resulted in the recognition of goodwill was that the purchase price for NetLogic was based on cash flow projections assuming the integration of any acquired technology and products with our products, which is of considerably greater value than utilizing NetLogic's technology or product on a standalone basis.

We have preliminarily estimated the fair value of the acquired assets and liabilities for NetLogic. We allocated the purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of acquisition. We expect to finalize the allocation of the NetLogic acquisition by the end of the second quarter of 2012. The purchase price for NetLogic was preliminarily allocated as follows:

	<u>2012</u> <u>Acquisitions</u> <u>(In millions)</u>		
Fair Market Values			
Cash and cash equivalents	\$ 219		
Short-term marketable securities	48		
Accounts receivable, net	34		
Inventory	92		
Prepaid and other current assets	8		
Property and equipment, net	16		
Other assets	23		
Purchased intangible assets	1,696		
Goodwill	<u>1,810</u>		
Total assets acquired	3,946		
Accounts payable	35		
Accrued liabilities	20		
Net deferred tax liabilities	46		
Contingent consideration	53		
Long-term liabilities	<u>43</u>		
Total liabilities assumed	197		
Purchase price allocation	<u>\$ 3,749</u>		
		<u>Useful</u> <u>Life</u> <u>(In years)</u>	<u>NetLogic</u> <u>Acquisition</u> <u>(In millions)</u>
Purchased Intangible Assets:			
Developed technology		6 - 14	\$ 1,226
In-process research and development		10-13	267
Customer relationships		3 - 5	196
Other		3	<u>7</u>
			<u>\$ 1,696</u>

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Purchased Intangible Assets

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

The fair value of the IPR&D from the NetLogic acquisition was determined using the income approach. Under the income approach, the expected future cash flows from each project under development are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return. Significant factors considered in the calculation of the rate of return are the weighted average cost of capital, the return on assets, as well as the risks inherent in the development process, including the likelihood of achieving technological success and market acceptance. Each project was analyzed to determine the unique technological innovations, the existence and reliance on patented technology, the existence of any alternative future use or current technological feasibility, and the complexity, cost and time to complete the remaining development. Future cash flows for each project were estimated based on forecasted revenue and costs, taking into account the expected product life cycles, market penetration and growth rates. We believe the amount recorded as IPR&D, as well as developed technology, represented the fair value and approximate the amount a market participant would pay for these projects as of the acquisition date.

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

<u>Company Acquired</u>	<u>Development Projects</u>	<u>Weighted Average Estimated Percent Complete</u>	<u>Average Estimated Time to Complete (In years)</u>	<u>Estimated Cost to Complete (In millions)</u>	<u>Risk Adjusted Discount Rate</u>	<u>IPR&D (In millions)</u>
NetLogic	Next generation networks	10%	4.3	\$401	17%	\$267

At March 31, 2012 all development projects from the NetLogic acquisition were still in process. The assumptions consist primarily of expected completion dates for the IPR&D projects, estimated costs to complete the projects, and revenue and expense projections for the products once they have entered the market. Research and development costs to bring the products of NetLogic to technological feasibility are not expected to have a material impact on our results of operations or financial condition. Actual results to date have been consistent, in all material respects, with our assumptions at the time of the acquisitions.

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

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Contingent Earn-out Consideration

In connection with our NetLogic acquisition, we assumed a liability of \$53 million related to contingent consideration in connection with one of NetLogic's prior acquisitions and subsequently paid this amount in the three months ended March 31, 2012. Additional cash consideration of up to \$57 million may be paid to the former shareholders of this prior acquisition upon satisfaction of certain future performance goals. As of March 31, 2012 we do not have any liabilities recorded in connection with any remaining contingent earn-out consideration, as we believe that the achievement of the future performance goals is unlikely.

Supplemental Pro Forma Data (Unaudited)

The unaudited pro forma statement of income data below gives effect to our 2012 and 2011 acquisitions as if they had occurred at the beginning of the year prior to their respective acquisition dates. The following data includes the effects of amortization of purchased intangible assets and acquired inventory valuation step-up, stock-based compensation expense, foregone interest as a result of cash paid to acquire the companies, and other one-time transactions costs directly associated with the acquisitions such as legal, accounting and banking fees. 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 in the periods noted above.

	Three Months Ended March 31,	
	2012	2011
	(In millions, except per share data)	
Pro forma net revenue	\$ 1,877	\$ 1,929
Pro forma net income	\$ 116	\$ 165
Pro forma net income per share (basic)	\$ 0.21	\$ 0.30
Pro forma net income per share (diluted)	\$ 0.20	\$ 0.28

BroadLight, Inc. Acquisition

In April 2012 we completed our previously announced acquisition of BroadLight, Inc., a privately held provider of highly integrated networking and fiber access passive optical network processors. We paid \$203 million, exclusive of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of BroadLight, of which \$3 million will be paid in Broadcom restricted stock units for certain unvested employee stock options. Additional contingent earn-out consideration of up to \$10 million in cash may be paid to the former holders of BroadLight capital stock and other rights upon satisfaction of certain future performance goals. A portion of the cash consideration payable to the stockholders will be placed into escrow to cover indemnity obligations. The results of operations of BroadLight will be included as of the acquisition date in our unaudited consolidated financial statements beginning in three months ended June 30, 2012.

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4. Fair Value Measurements

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

	March 31, 2012						
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 151	\$ —	\$ —	\$ 151	\$ 151	\$ —	\$ —
Level 1:							
Bank deposits	655	—	—	655	654	1	—
Money market funds	89	—	—	89	89	—	—
U.S. treasury and agency obligations	404	—	—	404	140	116	148
Corporate bonds	3	—	—	3	—	3	—
Subtotal	1,151	—	—	1,151	883	120	148
Level 2:							
Commercial paper	291	—	—	291	291	—	—
Corporate bonds	452	1	—	453	—	225	228
Asset-backed securities and other	17	—	—	17	—	5	12
Subtotal	760	1	—	761	291	230	240
Level 3:							
None	—	—	—	—	—	—	—
Total	\$ 2,062	\$ 1	\$ —	\$ 2,063	\$ 1,325	\$ 350	\$ 388
	December 31, 2011						
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	\$ 154	\$ —	\$ —	\$ 154	\$ 154	\$ —	\$ —
Level 1:							
Bank deposits	2,717	—	—	2,717	2,716	—	1
Money market funds	914	—	—	914	914	—	—
U.S. treasury and agency obligations	469	—	—	469	—	90	379
Corporate bonds	7	—	—	7	—	7	—
Subtotal	4,107	—	—	4,107	3,630	97	380
Level 2:							
Commercial paper	381	—	—	381	311	70	—
Corporate bonds	543	1	(2)	542	51	211	280
Asset-backed securities and other	21	—	—	21	—	5	16
Subtotal	945	1	(2)	944	362	286	296
Level 3:							
None	—	—	—	—	—	—	—
Total	\$ 5,206	\$ 1	\$ (2)	\$ 5,205	\$ 4,146	\$ 383	\$ 676

There were no transfers between Level 1, Level 2 or Level 3 securities in the three months ended March 31, 2012. All of our long-term marketable securities had maturities of between one and three years in duration at March 31, 2012. Our cash, cash equivalents and marketable securities at March 31, 2012 consisted of \$1.30 billion held domestically, with the remaining balance of \$762 million held by foreign subsidiaries.

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At March 31, 2012 we had 131 investments with a fair value of \$484 million that were in an unrealized loss position for less than 12 months. Our gross unrealized losses of less than \$1 million for these investments at March 31, 2012 were due to changes in interest rates. We have determined that the gross unrealized losses on these investments at March 31, 2012 are temporary in nature. We evaluate securities for other-than-temporary impairment on a quarterly basis. Impairment is evaluated considering numerous factors, and their relative significance varies depending on the situation. Factors considered include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the issuer, and our intent and ability to hold the investment in order to allow for an anticipated recovery in fair value.

Instruments Not Recorded at Fair Value on a Recurring Basis. We measure the fair value of our long-term debt carried at amortized cost quarterly for disclosure purposes. The estimated fair value of long-term debt is determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. Based on the market prices, the fair value of our long-term debt was \$1.23 billion and \$1.22 billion as of March 31, 2012 and December 31, 2011 respectively. The recorded values of all our accounts receivable and accounts payable approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

Assets and Liabilities Recorded at Fair Value on a Non-Recurring Basis. We measure the fair value of our cost method investments when they are deemed to be other-than-temporarily impaired, assets acquired and liabilities assumed in a business acquisition, and goodwill and other long lived assets when they are held for sale or determined to be impaired. See Notes 2 and 3 for discussion on fair value measurements of certain assets and liabilities recorded at fair value on a non-recurring basis.

5. Income Taxes

We recorded a tax benefit of \$45 million and a tax provision of \$5 million for the three months ended March 31, 2012 and 2011, respectively. Our effective tax rates were (104.7)% and 2.1% in the three months ended March 31, 2012 and 2011, respectively. For the three months ended March 31, 2012 and 2011, 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, and for the three months ended March 31, 2012, \$46 million of tax benefits resulting from reductions in our U.S. valuation allowance on certain deferred tax assets, due to recording net deferred tax liabilities for identifiable intangible assets under purchasing accounting for our acquisition of NetLogic.

During the three months ended March 31, 2012, our U.S. parent was loaned \$1.5 billion by its foreign subsidiaries, which was used to facilitate the acquisition of NetLogic. To the extent this loan is not repaid by August 2012, it will be treated as a taxable repatriation of our prior foreign earnings for U.S. income tax purposes. We believe that it is unlikely that this loan will be repaid, and therefore, we have treated the amount as includible in U.S. taxable income in calculating our income tax provision for the quarter ended March 31, 2012. This intercompany payment did not result in a tax liability for us because it was offset by our net operating loss and tax credit carryforwards. The \$3.61 billion cash purchase price to acquire NetLogic greatly exceeded the purchase price of any prior cash acquisition we have made. The acquisition of NetLogic is unusual and nonrecurring. Our other cash acquisitions have been for significantly lower purchase prices, and we have never previously determined it prudent or necessary to access our prior years' foreign earnings to facilitate an acquisition. We do not currently expect any future need to access our prior years' foreign earnings, and therefore, aside from the \$1.5 billion used to facilitate the NetLogic acquisition, we intend to continue to permanently reinvest our foreign earnings.

We 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

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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 tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$60 million and \$62 million at March 31, 2012 and December 31, 2011, respectively.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2007 through 2011 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2002 through 2011 tax years generally remain subject to examination by tax authorities. Our income tax returns for the 2007, 2008 and 2009 tax years are currently under examination by the Internal Revenue Service.

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 the expiration date of December 31, 2011. As a result of this legislation, we generated federal research and development tax credits of \$118 million 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 carryovers since we have a full valuation allowance on our U.S. net 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. We have begun discussions with the Singapore Economic Development Board with respect to tax incentives for periods after March 31, 2014.

6. Long-Term Debt and Credit Facility

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	(In millions)	
1.500% fixed-rate notes, due 2013	\$ 300	\$ 300
2.375% fixed-rate notes, due 2015	400	400
2.700% fixed-rate notes, due 2018	500	500
	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Unaccreted discount	(4)	(4)
	<u>\$ 1,196</u>	<u>\$ 1,196</u>

We also have a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million with a maturity date of November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. No amounts were outstanding on our credit facility at March 31, 2012 and December 31, 2011.

The long-term debt and credit facility contain customary representations, warranties and covenants.

7. Shareholders' Equity

Quarterly Dividend

In January 2012 our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased the quarterly cash dividend by 11.1% to \$0.10 per share (\$0.40 per share on an annual basis) and declared a quarterly cash dividend of \$0.10 per share payable to holders of our common stock. In the three

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months ended March 31, 2012 and 2011 we paid \$55 million and \$49 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.

8. Employee Benefit Plans

Combined Incentive Plan Activity

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

	Options Outstanding		
	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Grant-Date Fair Value per Share
	(In millions, except per share data)		
Balance at December 31, 2011	66	\$ 27.47	\$ 15.10
Options assumed	4	9.71	27.54
Options cancelled	—	34.52	13.03
Options exercised	(4)	19.06	14.42
Balance at March 31, 2012	<u>66</u>	<u>\$ 26.82</u>	<u>\$ 14.53</u>

Restricted stock unit activity is set forth below:

	Restricted Stock Units Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value per Share
	(In millions, except per share data)	
Balance at December 31, 2011	22	\$ 32.88
Restricted stock units granted	10	36.52
Restricted stock units assumed	6	37.55
Restricted stock units cancelled	—	33.50
Restricted stock units vested	(4)	26.38
Balance at March 31, 2012	<u>34</u>	<u>\$ 34.16</u>

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The per share fair values of rights granted in connection with the employee stock purchase plan and stock options assumed in the three months ended March 31, 2012 have been estimated with the following weighted average assumptions:

	Employee Stock Purchase Rights	Assumed Employee Stock Options
Expected life (in years)	0.82	1.39
Implied Volatility	0.40	0.41
Risk-free interest rate	0.11%	0.22%
Expected dividend yield	1.10%	1.00%
Weighted average fair value	\$ 9.88	\$ 27.54

Stock-Based Compensation Expense

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

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Cost of product revenue	\$ 9	\$ 7
Research and development	94	102
Selling, general and administrative	47	36
	<u>\$ 150</u>	<u>\$ 145</u>

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the remainder of 2012 through 2016 related to unvested share-based payment awards:

	2012	2013	2014	2015	2016	Total
	(In millions)					
Unearned stock-based compensation	\$382	\$377	\$244	\$117	\$14	\$1,134

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

9. Litigation

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

From time to time we may conclude it is in the best interests of our shareholders, employees, and customers to settle one or more litigation matters, and any such settlement could include substantial payments; however, other

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

Intellectual Property Proceedings

In September 2009 we filed a complaint 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 withdrew six patents, bringing the total to six asserted patents. In its answers, Emulex denied liability and asserted counterclaims seeking a declaratory judgment that the asserted patents are invalid and not infringed. A trial occurred in September and October 2011, and the Court heard post-trial motions in December 2011. The Court found that all six asserted Broadcom patents are not invalid. The Court further found Emulex infringed U.S. Patent No. 7,058,150 and 7,471,691. In March 2012, the Court granted Broadcom's motion for an injunction on the '150 and '691 patents and in April 2012, the Court entered an injunction against Emulex. On the remaining four patents, the jury found one patent not infringed and failed to reach a verdict on the other three, resulting in a mistrial on those three patents. The Court has scheduled a new trial on the three patents for April 2013.

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 a certain U.S. patent number is invalid, unenforceable and not infringed. CSIRO answered the complaint and counterclaimed for infringement against Broadcom wireless LAN products and sought damages, attorney's fees, and an injunction. Following a court ordered mediation session in March 2012, Broadcom and CSIRO entered into a settlement agreement resolving the litigation and the Court dismissed the parties' claims with prejudice.

In August 2010, we filed a motion to intervene (i.e., to be added as a party) in *U.S. Ethernet Innovations, LLC v. Acer, Inc.*, Case No. 10-cv-03724-JW (N.D. Cal.). In this case, U.S. Ethernet Innovations, LLC, or USEI, filed a patent infringement complaint alleging that numerous companies, including certain of our customers, infringe 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. We contend that we have a license related to USEI's patents and are seeking to assert this license as a defense. In December 2010, the Court granted our motion to intervene. No trial date has been set.

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

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Other Litigation

In November 2009 Emulex filed a complaint in the Central District of California against us 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 April 2012, the Court granted a joint stipulation to dismiss Emulex's antitrust, defamation, and unfair competition case against us without prejudice.

In April 2008 we delivered a Notice of Arbitration and Arbitration Claim to our former independent registered public accounting firm Ernst & Young LLP, or E&Y, and certain related parties. The arbitration relates to the issues that led to the restatement of our financial statements for the periods from 1998 through March 31, 2006 as disclosed in an amended Annual Report on Form 10-K/A for the year ended December 31, 2005 and an amended Quarterly Report on Form 10-Q/A for the three months ended March 31, 2006, each filed with the SEC January 23, 2007. In May 2008 E&Y delivered a Notice of Defense and Counterclaim. The arbitration hearing has been scheduled for October 2012.

In September 2011, two lawsuits were filed by stockholders of NetLogic purporting to assert claims arising from our entry into a definitive merger agreement with NetLogic under which a subsidiary of Broadcom, I&N Acquisition Corp., was to be merged with and into NetLogic. On November 11, 2011, all parties to these actions, captioned *New Jersey Carpenters' Pension Fund v. Broyles et al.*, (Cal. Super. Ct. County of Santa Clara, Case No. 1-11-CV-209381) (referred to as the California Action), and *Danielo v. NetLogic Microsystems, et al.*, (Del. Ct. of Chancery, Case No. 6881-VCG) (referred to as the Delaware Action), executed a Memorandum of Understanding, or MOU, respecting a proposed settlement of the claims in each of those actions. The terms of the proposed settlement required NetLogic to make certain supplemental disclosures regarding the merger in a Form 8-K filed with the SEC by NetLogic on November 14, 2011, and contemplate the payment by NetLogic of attorneys fees' and costs to counsel representing the plaintiffs in the amount of \$795,000, or such lower amount as the Court may order. A preliminary settlement hearing has been conducted and notice of the settlement has been provided to the proposed settlement class. A final settlement hearing is scheduled for June 22, 2012.

SEC Investigation

In February 2012 we were notified by the SEC's Division of Enforcement—Los Angeles Regional office that it is conducting a formal investigation of our accounting practices related to litigation reserves. The SEC has requested documents and information for the time period commencing June 1, 2010 to the present. We believe that the SEC's investigation was prompted by allegations of a former employee relating to our processes and decisions regarding litigation reserves in the first quarter of 2011 in connection with asserted and unasserted intellectual property claims. Following our receipt of these allegations in April 2011, we, with oversight from the Audit Committee of the Board of Directors, conducted an internal review of these allegations with the assistance of independent outside counsel and did not identify any improprieties. This investigation was completed during the three months ended June 30, 2011. In addition, based on the internal review, the results of which were discussed with the our independent registered public accounting firm, we determined that no adjustments to our fiscal 2010 and March 31, 2011 consolidated financial statements were necessary relating to the subject matter of the review. We are cooperating with the SEC's investigation.

General

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

The pending proceedings described above involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources to prosecute and defend. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible. From time to time we may enter

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into confidential discussions regarding the potential settlement of pending intellectual property or other litigation or other proceedings; however, there can be no assurance that any such discussions will occur or will result in a settlement. In the course of such settlement discussions, if we conclude that a settlement is probable and the settlement amount is estimable we may record settlement costs, notwithstanding not having reached a final settlement agreement. In the three months ended March 31, 2012 we recorded settlement costs of \$86 million, related to the settlement of patent infringement claims referenced above. Also, upon the occurrence of certain events, we may be required to record additional settlement costs of up to \$20 million related to a patent infringement case that settled in 2011. The settlement of any pending litigation or other proceedings could require us to incur substantial settlement payments and costs. Furthermore, the settlement of any intellectual property proceeding may require us to grant a license to certain of our intellectual property rights to the other party under a cross-license agreement. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected. See Note 1 for an additional discussion of our accounting policy under “Litigation and Settlement Costs”.

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.

We also report an “All Other” category that primarily includes licensing revenue and income from the Qualcomm Agreement since it is 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. Our CODM does not review information regarding total assets, interest income or income taxes on an operating segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

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

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking (In millions)		
Three Months Ended March 31, 2012					
Net revenue	\$ 494	\$ 875	\$ 406	\$ 52	\$ 1,827
Operating income (loss)	104	124	107	(285)	50
Three Months Ended March 31, 2011					
Net revenue	\$ 490	\$ 854	\$ 419	\$ 53	\$ 1,816
Operating income (loss)	84	138	154	(142)	234

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Included in the “All Other” category:

	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Net revenue	\$ 52	\$ 53
Stock-based compensation	\$ 150	\$ 145
Amortization of purchased intangible assets	54	22
Amortization of acquired inventory valuation step-up	22	5
Impairments of long-lived assets	28	9
Settlement costs (gains), net	86	(5)
Restructuring costs, net	3	—
Employer payroll tax on certain stock option exercises	2	3
Miscellaneous corporate allocation variances	(8)	16
Total other operating costs and expenses	\$ 337	\$ 195
Total operating loss for the “All Other” category	\$ (285)	\$ (142)

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,	
	2012	2011
Five largest customers as a group	49.2%	41.4%

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

	Three Months Ended March 31,	
	2012	2011
China (exclusive of Hong Kong)	32.7%	31.7%
Hong Kong	26.4	25.7
Singapore, Taiwan and Japan	26.5	24.3
Europe	1.2	2.4
Other	12.6	15.1
	<u>99.4%</u>	<u>99.2%</u>

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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, 2011 and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.

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

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to, statements concerning projected total net revenue, costs and expenses and product and total gross margin; our accounting estimates, assumptions and judgments; the demand for our products; our dependence on a few key customers and/or design wins for a substantial portion of our revenue; our ability to consummate acquisitions and integrate their operations successfully, including our acquisition of NetLogic Microsystems, Inc.; 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; our ability to obtain future tax holidays in Singapore; our ability to permanently reinvest our foreign earnings; the effect of potential changes in U.S. or foreign tax laws and regulations or the interpretation thereof; the level of accrued rebates; and 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 global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom products seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments. We provide the industry's broadest portfolio of state-of-the-art system-on-a-chip, or SoC, and software solutions.

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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)* Complete solutions for cable, xDSL, fiber, satellite and IP broadband networks to enable the connected home, including set-top boxes and media servers, residential modems and gateways, femtocells and wired home networking solutions.
- *Mobile & Wireless (Solutions for the Hand)* — Low-power, high-performance and highly integrated solutions powering the mobile and wireless ecosystem, including Wi-Fi and Bluetooth, cellular modems, personal navigation and global positioning, near field communications (NFC), Voice over IP (VoIP), 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 Ethernet switches, physical layer (PHY), multicore embedded processors, knowledge-based processors, digital front ends for wireless infrastructure, switch fabric solutions, high-speed Ethernet controllers and microwave backhaul devices.

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 the three months ending June 30, 2013. There can be no assurances that we will be able to enter into similar arrangements in the future. At March 31, 2012 we had deferred income of \$5 million related to the Qualcomm Agreement.

A detailed discussion of our business may be found in Part I, Item 1, “Business,” of our 2011 Annual Report on Form 10-K for the year ended December 31, 2011.

Operating Results for the Three Months Ended March 31, 2012

In the three months ended March 31, 2012 our net income was \$88 million as compared to net income of \$228 million in the three months ended March 31, 2011. The decrease in profitability was primarily related to lower gross margins due to the amortization of purchased intangible assets and inventory valuation step-up from our acquisition of NetLogic Microsystems, Inc., or NetLogic, in February 2012, an increase in research and development and stock-based compensation expenses associated with the NetLogic acquisition. In addition, we incurred charges related to settlement costs and the impairment of certain purchased intangible assets, offset by a non-recurring income tax benefit.

The unaudited consolidated financial statements include the results of operations of NetLogic commencing as of the acquisition date and are included in our Infrastructure & Networking reportable segment. Included in the unaudited consolidated statement of income for the three months ended March 31, 2012 was net revenue of \$33 million for NetLogic and an operating loss of \$73 million. In connection with the acquisition, our results of operations for the three months ended March 31, 2012 included: (i) stock-based compensation of \$27 million, of which \$17 million related to the accelerated vesting of equity awards upon the termination of certain employees with change in control agreements, (ii) the amortization of purchased intangibles of \$27 million, and (iii) the amortization of acquired inventory valuation step-up of \$20 million.

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Other highlights during the three months ended March 31, 2012 include the following:

- Our cash and cash equivalents and marketable securities were \$2.06 billion at March 31, 2012, compared with \$5.20 billion at December 31, 2011. This significant decrease was primarily the result of our acquisition of NetLogic discussed below. We generated cash flow from operations of \$368 million during the three months ended March 31, 2012 as compared to \$333 million in the three months ended March 31, 2011.
- In January 2012 our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased our quarterly cash dividend by 11.1% to \$0.10 per share (\$0.40 per share on an annual basis) and declared a quarterly cash dividend of \$0.10 per share payable to holders of our common stock.
- In February 2012 we completed our acquisition of NetLogic, a publicly traded company that is a leader in high performance intelligent semiconductor solutions for next generation networks. In connection with the acquisition, we paid \$3.61 billion, exclusive of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of NetLogic. The purchase price was paid in cash, except for a portion attributable to certain equity awards which were paid in the form of Broadcom equity. The equity awards had a fair value of \$349 million, of which \$137 million was considered part of the purchase price, and the remaining \$212 will be recognized as stock-based compensation expense primarily over the next two to three years.
- In February 2012 we recorded a favorable adjustment to the provision for income taxes of \$46 million relating to the reversal of our valuation allowance. This was directly related to the establishment of a deferred tax liability associated with the step-up of NetLogic acquired identifiable intangible assets allocated to jurisdictions in which the statutory tax rate is above zero.
- In March 2012 we recorded settlement costs of \$86 million related to the settlement of patent infringement claims.
- In March 2012 we recorded a purchased intangible impairment charge of \$28 million primarily related to our acquisitions of Dune Networks, Inc. and Percello Ltd.
- In April 2012 we completed our previously announced acquisition of BroadLight, Inc., a privately held provider of highly integrated networking and fiber access passive optical network processors. We paid \$203 million, exclusive of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of BroadLight, of which \$3 million will be paid in Broadcom restricted stock units for certain unvested employee stock options. Additional consideration of up to \$10 million in cash may be paid to the former holders of BroadLight capital stock and other rights upon satisfaction of certain future performance goals. The results of operations of BroadLight will be included as of the acquisition date in our unaudited consolidated financial statement beginning in three months ended June 30, 2012.

Business Enterprise Segments.

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

	Reportable Segments			All Other	Consolidated
	Broadband Communications	Mobile & Wireless	Infrastructure & Networking (In millions)		
Three Months Ended March 31, 2012					
Net revenue	\$ 494	\$ 875	\$ 406	\$ 52	\$ 1,827
Operating income (loss)	104	124	107	(285)	50
Three Months Ended March 31, 2011					
Net revenue	\$ 490	\$ 854	\$ 419	\$ 53	\$ 1,816
Operating income (loss)	84	138	154	(142)	234

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Included in the “All Other” category:

	Three Months Ended	
	March 31,	
	2012	2011
	(In millions)	
Net revenue	\$ 52	\$ 53
Stock-based compensation	\$ 150	\$ 145
Amortization of purchased intangible assets	54	22
Amortization of acquired inventory valuation step-up	22	5
Impairments of long-lived assets	28	9
Settlement costs (gains), net	86	(5)
Restructuring costs, net	3	—
Employer payroll tax on certain stock option exercises	2	3
Miscellaneous corporate allocation variances	(8)	16
Total other operating costs and expenses	\$ 337	\$ 195
Total operating loss for the “All Other” category	\$ (285)	\$ (142)

For additional information about our business enterprise segments and “all other” category, 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:

- our product mix and volume of product sales and corresponding gross margin (see further discussion below under “*Factors That May Impact Net Revenue*” and “*Factors That May Impact Product Gross Margin*”);
- required levels of research and development and other operating costs;
- stock-based compensation expense;
- licensing and income from intellectual property;
- impairment of goodwill and other long-lived assets;
- deferral of revenue and costs under multiple-element arrangements;
- amortization of purchased intangible assets;
- settlement costs or gains;
- cash-based incentive compensation expense;
- litigation costs and insurance recoveries;
- changes in tax laws, adjustments to tax reserves and the results of income tax audits;

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- the loss of interest income resulting from lower average interest rates and investment balance reductions resulting from expenditures on repurchases of our Class A common stock, dividends and acquisitions of businesses;
- restructuring costs;
- other-than-temporary impairment of marketable securities; and charitable contributions.

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, 2011. There have been no material changes in any of our critical accounting policies during the three months ended March 31, 2012.

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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,	
	2012	2011
Net revenue:		
Product revenue	96.9%	96.4%
Income from Qualcomm Agreement	2.8	2.9
Licensing revenue	0.3	0.7
Total net revenue	100.0	100.0
Costs and expenses:		
Cost of product revenue	50.2	49.2
Research and development	29.9	27.4
Selling, general and administrative	9.8	9.9
Amortization of purchased intangible assets	0.9	0.4
Impairments of long-lived assets	1.5	0.5
Restructuring costs, net	0.3	—
Settlement costs (gains), net	4.7	(0.3)
Total operating costs and expenses	97.3	87.1
Income from operations	2.7	12.9
Interest expense, net	(0.3)	—
Other expense, net	(0.1)	(0.1)
Income before income taxes	2.3	12.8
Provision (benefit) for income taxes	(2.5)	0.2
Net income	4.8%	12.6%

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,	
	2012	2011
Product gross margin	48.1%	49.0%
Total gross margin	49.8	50.8

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,	
	2012	2011
Cost of product revenue	0.5%	0.4%
Research and development	5.1	5.6
Selling, general and administrative	2.6	2.0

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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, 2012		Three Months Ended March 31, 2011		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Product revenue	\$ 1,770	96.9%	\$ 1,752	96.4%	\$ 18	1.0%
Income from Qualcomm Agreement	52	2.8	52	2.9	—	—
Licensing revenue	5	0.3	12	0.7	(7)	(58.3)
Total net revenue	<u>\$ 1,827</u>	<u>100.0%</u>	<u>\$ 1,816</u>	<u>100.0%</u>	<u>\$ 11</u>	<u>0.6%</u>
Cost of product revenue	<u>\$ 918</u>	<u>50.2%</u>	<u>\$ 894</u>	<u>49.2%</u>	<u>\$ 24</u>	<u>2.7%</u>
Product gross margin	<u>48.1%</u>		<u>49.0%</u>		<u>(0.9)%</u>	
Total gross margin	<u>49.8%</u>		<u>50.8%</u>		<u>(1.0)%</u>	

	Three Months Ended March 31, 2012		Three Months Ended December 31, 2011		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Product revenue	\$ 1,770	96.9%	\$ 1,763	96.8%	\$ 7	0.4%
Income from Qualcomm Agreement	52	2.8	52	2.9	—	—
Licensing revenue	5	0.3	5	0.3	—	—
Total net revenue	<u>\$ 1,827</u>	<u>100.0%</u>	<u>\$ 1,820</u>	<u>100.0%</u>	<u>\$ 7</u>	<u>0.4%</u>
Cost of product revenue	<u>\$ 918</u>	<u>50.2%</u>	<u>\$ 894</u>	<u>49.1%</u>	<u>\$ 24</u>	<u>2.7%</u>
Product gross margin	<u>48.1%</u>		<u>49.3%</u>		<u>(1.2)%</u>	
Total gross margin	<u>49.8%</u>		<u>50.9%</u>		<u>(1.1)%</u>	

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

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Broadband Communications	\$ 494	27.0%	\$ 490	27.0%	\$ 4	0.8%
Mobile & Wireless	875	48.0	854	47.0	21	2.5
Infrastructure & Networking	406	22.2	419	23.1	(13)	(3.1)
All other ⁽¹⁾	52	2.8	53	2.9	(1)	(1.9)
Total net revenue	<u>\$ 1,827</u>	<u>100.0%</u>	<u>\$ 1,816</u>	<u>100.0%</u>	<u>\$ 11</u>	<u>0.6%</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 our broadband modems and set top boxes, partially offset by a reduction in demand for our digital television and Blue-ray Disc products. The increase in net revenue from our Mobile & Wireless

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reportable segment resulted primarily from an increase in demand for our cellular solutions. The decrease in net revenue from our Infrastructure & Networking reportable segment resulted primarily from a decrease in demand for our Ethernet switch and controller products, offset in part by \$33 million in net revenue associated with our acquisition of NetLogic.

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

	<u>Three Months Ended</u> <u>March 31, 2012</u>		<u>Three Months Ended</u> <u>December 31, 2011</u>		<u>Increase</u> <u>(Decrease)</u>	<u>%</u> <u>Change</u> <u>in</u> <u>Amount</u>
	% of Net		% of Net			
	<u>Amount</u>	<u>Revenue</u>	<u>Amount</u>	<u>Revenue</u>		
	(In millions, except percentages)					
Broadband Communications	\$ 494	27.0%	\$ 510	28.0%	\$ (16)	(3.1)%
Mobile & Wireless	875	48.0	875	48.1	—	—
Infrastructure & Networking	406	22.2	383	21.0	23	6.0
All other ⁽¹⁾	52	2.8	52	2.9	—	—
Total net revenue	\$ 1,827	100.0%	\$ 1,820	100.0%	\$ 7	0.4%

(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 products. Revenue from our Mobile & Wireless reportable segment was flat sequentially, as strength in 3G basebands and WiFi combos was offset by anticipated softness in 2G baseband and multimedia co-processors. The increase in net revenue from our Infrastructure & Networking reportable segment resulted primarily from \$33 million in net revenue associated with our acquisition of NetLogic, offset in part by weakness in the service provider market and a decrease in demand for our controller products.

We recorded rebates to certain customers of \$147 million, or 8.0% of net revenue, \$146 million, or 8.0% of net revenue, and \$152 million, or 8.4% of net revenue, in the three months ended March 31, 2012, December 31, 2011, and March 31, 2011, respectively. We anticipate that accrued rebates will vary in future periods based upon the level of overall sales to customers that participate in our rebate programs. We reverse the accrual of unclaimed rebate amounts as specific rebate programs contractually end or when we believe unclaimed rebates are no longer subject to payment and will not be paid. We reversed accrued rebates of \$3 million, \$2 million and \$2 million in the three months ended March 31, 2012, December 31, 2011 and March 31, 2011, respectively.

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, 2012 and prior periods may not necessarily be indicative of future net revenue and results of operations.

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Concentration of Net Revenue

Income from the Qualcomm Agreement is expected to be recognized as follows:

	Three Months Ending					Total
	June 30, 2012	September 30, 2012	December 31, 2012 (In millions)	March 31, 2013	June 30, 2013	
Income from Qualcomm Agreement	\$48	\$43	\$43	\$44	\$43	\$221

The following table presents details of our product net revenue:

	Three Months Ended March 31,	
	2012	2011
Product sales through direct sales force	76.7%	76.9%
Product sales maintained under fulfillment distributor arrangements	7.7	8.1
Product sales through distributors	15.7	15.0
	<u>100.0%</u>	<u>100.0%</u>

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,	
	2012	2011
Five largest customers as a group	49.2%	41.4%

We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the remainder of 2012 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.

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

	Three Months Ended March 31,	
	2012	2011
China (exclusive of Hong Kong)	32.7%	31.7%
Hong Kong	26.4	25.7
Singapore, Taiwan and Japan	26.5	24.3
Europe	1.2	2.4
Other	12.6	15.1
	<u>99.4%</u>	<u>99.2%</u>

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

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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 and license fees paid to vendors and non-practicing entities, or NPEs, for use of their technology. Also included in cost of product revenue is the amortization of purchased technology and inventory valuation step-up, and manufacturing overhead, including costs of personnel and equipment associated with manufacturing support, product warranty costs, provisions for excess and obsolete inventories, and stock-based compensation expense for personnel engaged in manufacturing support. Product gross margin is product revenue less cost of product revenue divided by product revenue and does not include income from the Qualcomm Agreement or 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 48.1% in the three months ended March 31, 2012 as compared to 49.0% in the three months ended March 31, 2011 primarily because of increases in amortization of purchased intangibles and inventory valuation step-up of \$22 million and \$17 million respectively, offset in part by a decrease in excess and obsolete inventory provisions of \$11 million. The increase in the amortization of purchased intangibles and inventory valuation step-up were primarily the result of our acquisition of NetLogic. Product gross margin also includes \$3 million and \$2 million of licensing costs related to NPEs in the three months ended March 31, 2012 and 2011, respectively.

Product gross margin decreased to 48.1% in the three months ended March 31, 2012 as compared to 49.3% in the three months ended December 31, 2011 primarily because of an increase in amortization of purchased intangibles and inventory valuation step-up of \$25 million and \$17 million, respectively, offset in part by a decrease in excess and obsolete inventory provisions of \$10 million. The increase in the amortization of purchased intangibles and inventory step-up were primarily the result of our acquisition of NetLogic. Product gross margin also includes \$3 million and \$2 million of licensing costs related to NPEs in the three months ended March 31, 2012 and December 31, 2011, respectively.

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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;
- our ability to create cost advantages through successful integration and convergence;
- fluctuations in direct product costs such as silicon wafer costs and assembly, packaging and testing costs, and other fixed costs;
- our ability to advance to the next technology node faster than our competitors;
- licensing royalties payable by us, including licensing fees paid to NPEs;
- the consolidation of foundry subcontractors that could potentially drive increased wafer prices;
- product warranty costs;
- fair value and related amortization of acquired tangible and intangible assets; and
- amortization of acquired inventory valuation step-up.

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

Research and Development Expense

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

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The following table presents details of research and development expense:

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Salaries and benefits	\$ 304	16.6%	\$ 274	15.1%	\$ 30	10.9%
Stock-based compensation	94	5.1	102	5.6	(8)	(7.8)
Development and design costs	79	4.3	64	3.5	15	23.4
Other	69	3.9	58	3.2	11	19.0
Research and development	<u>\$ 546</u>	<u>29.9%</u>	<u>\$ 498</u>	<u>27.4%</u>	<u>\$ 48</u>	<u>9.6%</u>

The increase in salaries and benefits was primarily attributable to an increase in headcount of approximately 1,015 personnel, bringing headcount to approximately 7,890 at March 31, 2012, which represents a 14.8% increase from our March 31, 2011 levels. Approximately 50% of the increase in headcount was the result of our acquisition of NetLogic. See below for discussion of stock-based compensation. Development and design costs increased in the three months ended March 31, 2012 due to increases in prototyping, licensing fees and system level testing expenses. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. The increase in the *Other* line item in the above table is primarily attributable to an increase in depreciation, 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, including acquisitions.

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. Approximately 70% of our products are currently manufactured in 65 nanometers. We are designing most new products in 40 nanometers and 28 nanometers, and are beginning to evaluate 20 nanometers. We currently hold more than 6,800 U.S. and more than 2,700 foreign patents and more than 7,350 additional U.S. and foreign pending patent applications. We maintain an active program of filing for and acquiring additional U.S. and foreign patents in wired and wireless communications and other fields.

Selling, General and Administrative Expense

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

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

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Salaries and benefits	\$ 80	4.4%	\$ 73	4.0%	\$ 7	9.6%
Stock-based compensation	47	2.6	36	2.0	11	30.6
Legal and accounting fees	23	1.3	46	2.5	(23)	(50.0)
Other	29	1.5	24	1.4	5	20.8
Selling, general and administrative	<u>\$ 179</u>	<u>9.8%</u>	<u>\$ 179</u>	<u>9.9%</u>	<u>\$ —</u>	<u>0.0%</u>

The increase in salaries and benefits was primarily attributable to an increase in headcount of approximately

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300 personnel, bringing headcount to approximately 1,950 at March 31, 2012, which represents an 18.2% increase from our March 31, 2011 levels. Approximately 50% of the increase in headcount was the result of our acquisition of NetLogic. See below for discussion of stock-based compensation. The decrease in legal and accounting fees primarily related to legal fees associated with ongoing litigation including the settlement of a shareholder derivative action in the three months ended June 30, 2011. Legal fees consist primarily of attorneys' fees and expenses related to our outstanding intellectual property and prior years' securities litigation, patent prosecution and filings and various other transactions. Legal fees fluctuate from period to period due to the nature, scope, timing and costs of the matters in litigation. See Note 9 of Notes to 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 facilities and marketing 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, 2012		Three Months Ended March 31, 2011		Increase (Decrease)	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
	(In millions, except percentages)					
Cost of product revenue	\$ 9	0.5%	\$ 7	0.4%	\$ 2	28.6%
Research and development	94	5.1	102	5.6	(8)	(7.8)
Selling, general and administrative	47	2.6	36	2.0	11	30.6
	<u>\$ 150</u>	<u>8.2%</u>	<u>\$ 145</u>	<u>8.0%</u>	<u>\$ 5</u>	<u>3.4%</u>

NetLogic contributed approximately \$27 million of stock-based compensation in the three months ended March 31, 2012, which included \$17 million related to the accelerated vesting of equity awards upon the termination of certain employees with change in control agreements. In the three months ended March 31, 2012, we also granted equity awards with a fair value of \$360 million, primarily related to our regular annual equity compensation review program, that will be expensed over the next four years and assumed equity awards with a fair value of \$212 million that will be expensed primarily over the next two to three years.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the remainder of 2012 through 2016 related to unvested share-based payment awards:

	2012	2013	2014	2015	2016	Total
	(In millions)					
Unearned stock-based compensation	\$ 382	\$ 377	\$ 244	\$ 117	\$ 14	\$ 1,134

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

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

See Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of activity related to share-based awards.

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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, 2012</u>		<u>Three Months Ended March 31, 2011</u>		<u>Increase</u>	<u>% Change in Amount</u>
	<u>Amount</u>	<u>% of Net Revenue</u>	<u>Amount</u>	<u>% of Net Revenue</u>		
Cost of product revenue	\$ 37	2.0%	\$ 15	0.8%	\$ 22	146.7%
Other operating expenses	17	0.9	7	0.4	10	142.9
	<u>\$ 54</u>	<u>2.9%</u>	<u>\$ 22</u>	<u>1.2%</u>	<u>\$ 32</u>	<u>145.5%</u>

The increase in amortization of purchased intangible assets in the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 primarily related to our acquisitions of NetLogic in 2012 and Provigent Inc. in 2011. In the three months ended March 31, 2012, we recorded purchased intangible assets of \$1.70 billion related to our acquisition of NetLogic.

The following table presents details of the amortization of existing purchased intangible assets, including IPR&D, which is currently estimated to be expensed in the remainder of 2012 and thereafter:

	<u>Purchased Intangible Asset Amortization by Year</u>						<u>Total</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>	
	(In millions)						
Cost of product revenue	\$ 157	\$ 180	\$ 231	\$ 222	\$ 200	\$ 789	\$ 1,779
Other operating expenses	78	56	62	31	9	8	244
	<u>\$ 235</u>	<u>\$ 236</u>	<u>\$ 293</u>	<u>\$ 253</u>	<u>\$ 209</u>	<u>\$ 797</u>	<u>\$ 2,023</u>

We 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. In addition, based on our current assumptions, IPR&D assets will be reclassified to development technology through 2016 and amortized over their estimated useful lives. If we acquire additional purchased intangible assets in the future, our cost of product revenue or operating expenses will be increased by the amortization of those assets.

In-Process Research and Development

In the three months ended March 31, 2012 we capitalized IPR&D of \$267 million related to our NetLogic acquisition. For a description of our valuation techniques and significant assumptions underlying the valuation of the ongoing development projects that were in process at the date of acquisition and were capitalized as IPR&D, see the discussion in Note 3 of Notes to the Unaudited Condensed Consolidated Financial Statements.

Impairment of Long-Lived Assets

In March 2012 we recorded impairment charges for developed technology of \$28 million, primarily related to our acquisitions of Dune Networks, Inc. and Percello Ltd. included in our Infrastructure & Networking and Broadband Communications reportable segments, respectively. The primary factor contributing to these impairment charges was the reduction in the revenue outlook for certain products and the resulting decrease to the estimated cash flows identified with the impaired assets.

In the three months ended March 31, 2011 we recorded an impairment charge of \$9 million primarily related

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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.

Settlement Costs (Gains)

In the three and three months ended March 31, 2012 we recorded settlement costs of \$86 million related to patent infringement claims. We recorded settlement gains of \$5 million in the three months ended March 31, 2011. 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, 2012		Three Months Ended March 31, 2011		Increase	% Change in Amount
	Amount	% of Net Revenue	Amount	% of Net Revenue		
Interest expense, net	\$ (6)	(0.3)%	\$ —	0.0%	\$ (6)	0.0%
Other expense, net	(1)	(0.1)	(1)	(0.1)	—	—

Interest expense, net, reflects interest expense on our senior notes totaling \$1.20 billion, offset by interest income earned on cash, cash equivalents and marketable securities balances. Other expense, net, primarily includes gains and losses on foreign currency transactions.

The increase in interest expense, net, for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011 was driven primarily by interest expense related to our long-term debt of \$500 million issued in November 2011.

Provision for Income Taxes

We recorded a tax benefit of \$45 million and a tax provision of \$5 million for the three months ended March 31, 2012 and 2011, respectively. Our effective tax rates were (104.7)% and 2.1% in the three months ended March 31, 2012 and 2011, respectively. For the three months ended March 31, 2012 and 2011, 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, and for the three months ended March 31, 2012, \$46 million of tax benefits resulting from reductions in our U.S. valuation allowance on certain deferred tax assets, due to recording net deferred tax liabilities for identifiable intangible assets under purchasing accounting for our acquisition of NetLogic.

During the three months ended March 31, 2012, our U.S. parent was loaned \$1.5 billion by its foreign subsidiaries, which was used to facilitate the acquisition of NetLogic. To the extent this loan is not repaid by August 2012, it will be treated as a taxable repatriation of our prior foreign earnings for U.S. income tax purposes. We believe that it is unlikely that this loan will be repaid, and therefore, we have treated the amount as includible in U.S. taxable income in calculating our income tax provision for the quarter ended March 31, 2012. This intercompany payment did not result in a tax liability for us because it was offset by our net operating loss and tax credit carryforwards. The \$3.61 billion cash purchase price to acquire NetLogic greatly exceeded the purchase price of any prior cash acquisition we have made. The acquisition of NetLogic is unusual and nonrecurring. Our other cash acquisitions have been for significantly lower purchase prices, and we have never previously determined it prudent or necessary to access our prior years' foreign earnings to facilitate an acquisition. We do not currently expect any future need to access our prior years' foreign earnings, and therefore, aside from the \$1.5 billion used to facilitate the NetLogic acquisition, we intend to continue to permanently reinvest our foreign earnings.

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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 tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of \$60 million and \$62 million at March 31, 2012 and December 31, 2011, respectively.

We file federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2007 through 2011 tax years generally remain subject to examination by federal and most state tax authorities. In foreign jurisdictions, the 2002 through 2011 tax years generally remain subject to examination by tax authorities. Our income tax returns for the 2007, 2008 and 2009 tax years are currently under examination by the Internal Revenue Service.

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 the expiration date of December 31, 2011. As a result of this legislation, we generated federal research and development tax credits of \$118 million 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 carryovers since we have a full valuation allowance on our U.S. net 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. We have begun discussions with the Singapore Economic Development Board with respect to tax incentives for periods after March 31, 2014.

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,	December 31,	
	2012	2011	Decrease
		(In millions)	
Working capital	\$ 1,866	\$ 4,653	\$(2,787)
Cash and cash equivalents	\$ 1,325	\$ 4,146	\$(2,821)
Short-term marketable securities	350	383	(33)
Long-term marketable securities	388	676	(288)
Total cash and cash equivalents and marketable securities	\$ 2,063	\$ 5,205	\$(3,142)

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, 2012 and 2011

Cash and cash equivalents decreased to \$1.33 billion at March 31, 2012 from \$4.15 billion at December 31, 2011 as a result of cash used to fund our acquisition of NetLogic, our quarterly dividend payment and net purchases of property and equipment, offset by cash provided by operating activities and proceeds from the sale of marketable securities.

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	Three Months Ended March 31,	
	2012	2011
	(In millions)	
Net cash provided by operating activities	\$ 368	\$ 333
Net cash provided by (used in) investing activities	(3,095)	96
Net cash used in financing activities	(94)	(414)
Increase (decrease) in cash and cash equivalents	\$ (2,821)	\$ 15
Cash and cash equivalents at beginning of period	4,146	1,622
Cash and cash equivalents at end of period	<u>\$ 1,325</u>	<u>\$ 1,637</u>

Operating Activities

In the three months ended March 31, 2012 our operating activities provided \$368 million in cash. This was primarily the result of net income of \$88 million, net non-cash operating expenses of \$260 million and net cash provided by changes in operating assets and liabilities of \$20 million. In the three months ended March 31, 2011 our operating activities provided \$333 million in cash. This was primarily the result of net income of \$228 million and net non-cash operating expenses of \$199 million, offset in part by net cash used by changes in operating assets and liabilities of \$94 million.

Our days sales outstanding increased to 38 days for the three months ended March 31, 2012 as compared to the 34 days for the three months ended December 31, 2011 due to the acquisition of NetLogic and revenue linearity (meaning an increased percentage of sales occurred in the final month of the quarter). We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may have difficulty gaining access to sufficient credit on a timely basis.

Our inventory days on hand increased from 43 days at December 31, 2011 to 47 days at March 31, 2012 primarily attributable to an increase in inventory and the associated valuation step-up that was realized through our acquisition of NetLogic. In the future, our inventory levels will continue to be determined by the level of purchase orders we receive and the stage at which our products are in their respective product life cycles, our ability, and the ability of our customers, to manage inventory under hubbing arrangements, and competitive situations in the marketplace. Such considerations are balanced against the risk of obsolescence or potentially excess inventory levels.

Investing Activities

Investing activities used \$3.10 billion in cash in the three months ended March 31, 2012, which was primarily the result of \$3.39 billion in net cash paid for our acquisition of NetLogic and \$74 million of capital equipment purchases to support our research and development efforts, offset in part by \$372 million in net proceeds from sales and maturities of marketable securities. Investing activities provided \$96 million in cash in the three months ended March 31, 2011, which was primarily the result of \$141 million in net proceeds from sales and maturities of marketable securities, offset in part by \$45 million of capital equipment purchases, mostly to support our research and development efforts.

Financing Activities

Our financing activities used \$94 million in cash in the three months ended March 31, 2012, which was primarily the result of the payment of contingent consideration assumed from our NetLogic acquisition of \$53 million, dividends paid of \$55 million, and \$48 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by \$62 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan.

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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 \$48 million, and \$57 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 exercise of stock options and pursuant to our employee stock purchase plan.

The timing and number of stock option exercises and employee stock purchases and the amount of cash proceeds we receive 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. While we may issue stock options in the future, we 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.

Short and Long-Term Financing Arrangements

At March 31, 2012, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

Registration Statements

We have a Form S-4 acquisition shelf registration statement on file with the SEC. The registration statement on Form S-4 enables us to issue up to 30 million shares of our Class A common stock in one or more acquisition transactions. These transactions may include the acquisition of assets, businesses or securities by any form of business combination. To date no securities have been issued pursuant to the S-4 registration statement, which does not have an expiration date mandated by SEC rules. On February 27, 2012 our Form S-3 that permitted Broadcom to sell, in one or more public offerings, shares of our Class A common stock, shares of preferred stock or debt securities, or any combination of such securities, for proceeds in an aggregate amount of up to \$1.50 billion expired. Our 2018 Notes with an aggregate principal amount of \$500 million that we issued in November 2011 were issued under this Form S-3 (see below).

Credit Facility

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to \$500 million. We amended this credit facility in October 2011 primarily to extend the maturity date by two years to November 19, 2016, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. The amendment to the credit facility also decreased the interest rate margins applicable to loans made under the credit facility and the commitment fee paid on the amount of the unused commitments. We did not draw on our credit facility in the three months ended March 31, 2012 and 2011.

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

We were in compliance with all debt covenants as of March 31, 2012.

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Senior Notes

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

	<u>March 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
	(In millions)	
1.500% fixed-rate notes, due 2013	\$ 300	\$ 300
2.375% fixed-rate notes, due 2015	400	400
2.700% fixed-rate notes, due 2018	500	500
	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Unaccreted discount	(4)	(4)
	<u>\$ 1,196</u>	<u>\$ 1,196</u>

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 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 which mature in November 2015, or the 2015 Notes, and bear interest at a fixed rate of 2.375% per annum. Proceeds from the issuance of the 2013 Notes and the 2015 Notes were utilized for general corporate purposes.

In November 2011 we issued senior unsecured notes in aggregate principal amount of \$500 million which mature in November 2018 and bear interest at a fixed rate of 2.700% per annum, or the 2018 Notes. Proceeds from the 2018 Notes were utilized to fund a portion of the acquisition consideration for NetLogic.

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

We were in compliance with all debt covenants as of March 31, 2012.

Other Notes and Borrowings

We had no other significant notes or borrowings as of March 31, 2012.

Prospective Capital Needs

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

We earn a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. For at least the next 12 months, we have sufficient cash in the U.S. and expect domestic cash flow to sustain our operating activities and cash commitments for investing and financing activities, such as acquisitions, quarterly dividends, share buy-backs and repayment of debt. In addition, we expect existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months. Included in our U.S. cash balance at March 31, 2012 is a \$1.5

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billion loan to our U.S. parent from its foreign subsidiaries. Since we do not expect this loan to be repaid by August 2012, we have treated it as includible in U.S. taxable income in determining our provision for income taxes. This intercompany inclusion did not result in an income tax liability because it can be offset by our net operating loss and tax credit carryforwards. Similarly, if we were to repatriate our other foreign earnings, which are currently permanently reinvested, it would not result in a significant tax liability because the amounts would be offset by our remaining net operating loss and tax credit carryforwards.

If we require more capital in the U.S. than is generated by our domestic operations, any taxable income that could result from the repatriation of our foreign earnings would be offset by our net operating loss and research and development tax credit carryforwards, which are currently subject to a full valuation allowance on our deferred tax assets, and would not be expected to have a material effect on our tax liabilities.

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

As of March 31, 2012 we have approximately \$762 million of cash, cash equivalents, and marketable securities held by our foreign subsidiaries. Any potential additional income, which could result if we were to repatriate our remaining foreign cash, cash equivalents and marketable securities would be offset by existing net operating loss and research and development tax credit carryforwards and should not have a material effect on our tax liabilities. Our net operating loss and research and development tax credit carryforwards are currently subject to a full valuation allowance.

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;
- payment of cash dividends;
- required levels of research and development and other operating costs;

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- 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, including licensing fees paid to NPEs;
- changes in our compensation policies;
- the issuance of restricted stock units and the related cash payments we make for withholding taxes due from employees;
- repurchases of our Class A common stock;
- 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, 2012 we had no material off-balance sheet arrangements, other than our facility operating leases.

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

Interest Rate Risk

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

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In the current 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, 2012, a 100 basis point increase in interest rates across all maturities would result in a \$7 million incremental decline in the fair market value of the portfolio. As of December 31, 2011, a similar 100 basis point increase in interest rates across all maturities would result in a \$9 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, 2012 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.

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.

Other Risks

We believe we do not have material direct or indirect exposure to European sovereign or non-sovereign debt.

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, 2012, the end of the period covered by this Report.

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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, 2012 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, 2011 and subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Broadcom, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our Class A common stock will likely decline, and you may lose all or part of your investment.

Our quarterly operating results may fluctuate significantly.

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

- changes in economic conditions in the markets we address, including the continuing volatility in the technology sector and semiconductor industry;
- 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;
- 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;

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- the impact of a significant natural disaster, such as an earthquake, severe weather, tsunami or other flooding, or a nuclear crisis, as well as interruptions or shortages in the supply of utilities such as water and electricity, in a key location such as our corporate headquarters or our Northern California facilities, both of which are located near major earthquake fault lines, or in a key location of one of our suppliers, foundries or customers; and
- the impact of tax examinations.

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

We derive a substantial portion of our revenue from sales to a relatively small number of customers. Sales to our five largest customers represented 49.2% and 41.4% of our total net revenue in the three months ended March 31, 2012 and 2011, respectively. We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. The loss of any significant customer could materially and adversely affect our financial condition and results of operations.

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. From January 2008 through March 2012, we recorded \$805 million in licensing revenue and related income derived from Verizon Wireless and Qualcomm and we expect to record an additional \$221 million. 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 the three months ending June 30, 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.

We face intense competition.

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

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.

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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 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 associated with our acquisition strategy that could disrupt our ongoing business and distract our management team, including:

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

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

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.

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

We operate primarily in the semiconductor industry, which is cyclical and subject to rapid change and evolving industry standards. From time to time, the semiconductor industry has experienced significant downturns characterized by decreases in product demand, excess customer inventories and accelerated erosion of prices. The semiconductor industry also periodically experiences increased demand and production capacity constraints, which may affect our ability to ship products. An increasing number of our products are being incorporated into consumer electronic products, which are subject to significant seasonality and fluctuations in demand. Economic volatility can cause extreme difficulties for our customers and vendors in accurately forecasting and planning future business activities. This unpredictability could cause our customers to reduce spending on our products and services, which would delay and lengthen sales cycles. Furthermore, during challenging economic times our customers and vendors may face challenges in gaining timely access to sufficient credit, which could impact their ability to make timely payments to us. As a result, we may experience growth patterns that are different than the 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, 2012 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 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. Some of these notices involve NPEs asserting claims addressing certain of our products. 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. Further, settlements can involve royalty or other payments that could reduce our profit margins and adversely affect our financial results.

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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.

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

We expect that a high percentage of our future sales will come from sales of new products. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions and short product life cycles. The markets for some of these products are new to us and may be immature and/or unpredictable. These markets may not develop into profitable opportunities and we have 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;

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- 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 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. As we transition to manufacturing our products in smaller geometry processes, such as 40 nanometers and 28 nanometers, these risks are enhanced.

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 99.4% and 99.2% of our product revenue in the three months ended March 31, 2012 and 2011, 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. 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 consolidation of foundry subcontractors, as well as the increasing capital intensity and complexity associated with fabrication in smaller process geometries may limit our diversity of suppliers, potentially driving increased wafer prices and adversely affecting our results of operations, including our product gross margins.

We do not have long-term agreements with any of our direct or indirect suppliers, including our manufacturing, assembly or test subcontractors. We typically procure services from these suppliers on a per order

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

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

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

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

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 and again in January 2012, our Board of Directors increased the quarterly dividend payment. We intend to continue to pay such dividends subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our shareholders and are in compliance with all laws and agreements of Broadcom applicable to the declaration and payment of cash dividends.

Future dividends may be affected by, among other factors:

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

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

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.

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

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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.

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the U.S. Securities and Exchange Commission proposed new disclosure requirements relating to the sourcing of certain minerals from the Democratic Republic of Congo and certain other adjoining countries. When these new requirements are in effect, they could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

Our business is subject to potential tax liabilities.

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

In certain foreign jurisdictions, we operate under tax holidays and favorable tax incentives. For instance, in Singapore we operate under tax holidays, which are effective through March 31, 2014, 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 have begun discussions with the Singapore Economic Development Board with respect to tax incentives for periods after March 31, 2014. No assurances can be given that such discussions will be successful. If we are unable to reach an agreement with Singapore (or another jurisdiction that provides similar benefits to those we realize from our current incentives in Singapore), our results of operations and financial position for periods after March 31, 2014 will be adversely affected.

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.

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

As of March 31, 2012 our co-founders, directors, executive officers and their respective affiliates beneficially owned 10.6% of our outstanding common stock and held 51.2% 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 all or substantially all of our assets. In particular, as of March 31, 2012 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samueli, beneficially owned a total of 9.5% of our outstanding common stock and held 50.9% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we will not be able to engage in certain transactions, and our shareholders will not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. 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.

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

In the three months ended March 31, 2012 we issued an aggregate of 1 million shares of Class A common stock upon conversion of a like number of shares of Class B common stock in connection with their disposition. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. The offers and sales of those securities were effected without registration in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

In February 2010, we announced that our Board of Directors had authorized an evergreen share repurchase program intended to offset dilution associated with our stock incentive plans. The maximum number of shares of our Class A common stock that may be repurchased in any one year (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.

We did not repurchase any shares of our Class A common stock in the three months ended March 31, 2012.

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

None.

Item 5. *Other Information*

None.

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Item 6. Exhibits

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

<u>Exhibit Number</u>	<u>Description</u>
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. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 / E RIC K. B RANDT

Eric K. Brandt

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/ s / R OBERT L. T IRVA

Robert L. Tirva

Senior Vice President and Corporate Controller
(Principal Accounting Officer)

May 1, 2012

EXHIBIT INDEX

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

**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 / S COTT A. M C G REGOR

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

Date: May 1, 2012

**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 / E R I C K . B R A N D T

Eric K. Brandt

*Executive Vice President and
Chief Financial Officer*
(Principal Financial Officer)

Date: May 1, 2012

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, 2012 (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 / S COTT A. M C G REGOR

Scott A. McGregor
Chief Executive Officer

Date: May 1, 2012

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, 2012 (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 / E RIC K. B RANDT

Eric K. Brandt
Chief Financial Officer

Date: May 1, 2012