10-Q 1 a20150331-10q.htm 10-Q

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, 2015

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	**33-0480482**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

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

As of March 31, 2015 the registrant had 549 million shares of Class A common stock, $0.0001 par value, and 49 million shares of Class B common stock, $0.0001 par value, outstanding.

Table of Contents

BROADCOM CORPORATION

QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2015

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2015	December 31, 2014
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,677	$ 2,545
Short-term marketable securities	1,274	1,061
Accounts receivable, net	821	804
Inventory	630	531
Prepaid expenses and other current assets	154	131
Total current assets	4,556	5,072
Property and equipment, net	620	516
Long-term marketable securities	2,533	2,383
Goodwill	3,695	3,710
Purchased intangible assets, net	490	664
Other assets	168	126
Total assets	$ 12,062	$ 12,471
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 431	$ 503
Wages and related benefits	172	220
Deferred revenue and income	37	36
Accrued liabilities	565	791
Total current liabilities	1,205	1,550
Long-term debt	1,593	1,593
Other long-term liabilities	262	277
Commitments and contingencies		
Shareholders' equity:		
Common stock	—	—
Additional paid-in capital	12,352	12,595
Accumulated deficit	(3,246)	(3,455)
Accumulated other comprehensive loss	(104)	(89)
Total shareholders' equity	9,002	9,051
Total liabilities and shareholders' equity	$ 12,062	$ 12,471

See accompanying notes.

Table of Contents

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,

	2015		2014	
	(In millions, except per share data)			
Net revenue	$	2,058	$	1,984
Cost of revenue		972		1,004
Gross profit		1,086		980
Operating expenses:				
Research and development		539		636
Selling, general and administrative		177		185
Amortization of purchased intangible assets		1		9
Impairments of long-lived assets		143		25
Restructuring costs, net		7		5
Settlement costs		—		2
Other gains, net		(4)		(52)
Total operating expenses		863		810
Income from operations		223		170
Interest expense, net		(5)		(5)
Other income, net		—		3
Income before income taxes		218		168
Provision for income taxes		9		3
Net income	$	209	$	165
Net income per share (basic)	$	0.35	$	0.28
Net income per share (diluted)	$	0.34	$	0.28
Weighted average shares (basic)		600		584
Weighted average shares (diluted)		613		590
Dividends per share	$	0.14	$	0.12

See accompanying notes.

Table of Contents

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,			
	2015		2014	
	(In millions)			
Net income	$	209	$	165
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, net of $0 tax in 2015 and 2014		(20)		(1)
Unrealized gains on marketable securities, net of $0 tax in 2015 and 2014		5		1
Other comprehensive income (loss)		(15)		—
Comprehensive income	$	194	$	165

See accompanying notes.

Table of Contents

BROADCOM CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
	(In millions)	
Operating activities		
Net income	$ 209	$ 165
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	39	52
Stock-based compensation expense	90	120
Acquisition-related items:		
Amortization of purchased intangible assets	37	59
Impairments of long-lived assets	143	25
Loss (gain) on sale of assets and other	3	(49)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable, net	(12)	61
Inventory	(99)	(5)
Prepaid expenses and other assets	(65)	4
Accounts payable	(58)	(8)
Deferred revenue	(6)	115
Other accrued and long-term liabilities	(306)	67
Net cash provided by (used in) operating activities	(25)	606
Investing activities		
Net purchases of property and equipment	(156)	(78)
Proceeds from sale (purchases) of certain assets and other	(15)	90
Purchases of marketable securities	(937)	(477)
Proceeds from sales and maturities of marketable securities	579	503
Net cash provided by (used in) investing activities	(529)	38
Financing activities		
Repurchases of Class A common stock	(335)	—
Dividends paid	(84)	(70)
Proceeds from issuance of common stock	148	54
Minimum tax withholding paid on behalf of employees for restricted stock units	(43)	(31)
Net cash used in financing activities	(314)	(47)
Increase (decrease) in cash and cash equivalents	(868)	597
Cash and cash equivalents at beginning of period	2,545	1,657
Cash and cash equivalents at end of period	$ 1,677	$ 2,254

See accompanying notes.

Table of Contents

BROADCOM CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Our Company

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

Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. 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, 2014, included in our 2014 Annual Report on Form 10-K filed with the SEC on January 29, 2015, referred to as our 2014 Annual Report.

The interim condensed consolidated financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly our results of operations and financial position for the interim periods. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for future quarters or the full year.

For a complete summary of our significant accounting policies, please refer to Note 1, “Summary of Significant Accounting Policies,” in Part IV, Item 15 of our 2014 Annual Report. There have been no material changes to our significant accounting policies during the three months ended March 31, 2015.

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, goodwill and long-lived intangible asset valuations, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, stock-based compensation expense, restructuring costs or reversals, litigation and other loss contingencies, gains and losses on sale of assets, strategic investments and self-insurance. 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.

Recent Accounting Pronouncements

In May 2014 the Financial Accountings Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

Table of Contents

2. Supplemental Financial Information

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

Inventory

	March 31, 2015	December 31, 2014
	(In millions)	
Work in process	$ 273	$ 180

Finished goods	357	351
	$ 630	$ 531

Property and Equipment, Net

In the three months ended March 31, 2015, we paid $156 million upon close of escrow for the purchase of land for the construction of a new corporate campus in Orange County, California, totaling up to 2 million square feet to meet the requirements projected in our long-term business plan. This payment included $110 million for the purchase of the land and $46 million for prepaid taxes and refundable deposits recorded as "Property and equipment, net" and "Other assets," respectively, in our unaudited condensed consolidated balance sheets.

Accrued Liabilities

	March 31, 2015	December 31, 2014
	(In millions)	
Accrued rebates	$ 350	$ 574
Accrued taxes	28	28
Accrued royalties	19	19
Accrued settlement charges	17	17
Accrued legal costs	9	10
Warranty reserve	6	6
Restructuring liabilities	13	28
Other	123	109
	$ 565	$ 791

Other Long-Term Liabilities

	March 31, 2015	December 31, 2014
	(In millions)	
Deferred revenue	$ 98	$ 105
Accrued taxes	76	77
Deferred rent	34	38
Deferred tax liabilities	17	17
Accrued settlement charges	13	17
Other long-term liabilities	24	23
	$ 262	$ 277

Table of Contents

Accrued Rebate Activity

The following table summarizes activity related to accrued rebates:

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Beginning balance	$ 574	$ 409
Charged as a reduction of revenue	221	187
Reversal of unclaimed rebates	(4)	(6)
Payments	(441)	(74)
Ending balance	$ 350	$ 516

Other Gains, Net

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

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

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

Computation of Net Income Per Share

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

Table of Contents

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

	Three Months Ended March 31,	
	2015	**2014**
	(In millions, except per share data)	
Numerator: Net income	$ 209	$ 165
Denominator for net income per share (basic)	600	584
Effect of dilutive securities:		
Stock awards	13	6
Denominator for net income per share (diluted)	613	590
Net income per share (basic)	$ 0.35	$ 0.28
Net income per share (diluted)	$ 0.34	$ 0.28

Net income per share (diluted) does not include the effect of anti-dilutive potential common shares resulting from outstanding equity awards. There were 1 million and 35 million anti-dilutive potential common shares in the three months ended March 31, 2015 and 2014, respectively.

Supplemental Cash Flow Information

In the three months ended March 31, 2015, we paid $20 million for capital equipment that was accrued as of December 31, 2014, and had billings of $6 million for capital equipment that were accrued but not yet paid as of March 31, 2015. We also had $19 million related to stock repurchases that had not settled by March 31, 2015.

3. Fair Value Measurements

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

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

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

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

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

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

	March 31, 2015						
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
	(In millions)						
Cash	$ 1,100	$ —	$ —	$ 1,100	$ 1,100	$ —	$ —
Level 1:							
Bank and time deposits	310	—	—	310	310	—	—
Money market funds	68	—	—	68	68	—	—
U.S. treasury and agency obligations	1,563	1	—	1,564	5	178	1,381
Subtotal	1,941	1	—	1,942	383	178	1,381
Level 2:							
Commercial paper	219	—	—	219	194	25	—
Corporate bonds	2,088	3	(1)	2,090	—	1,061	1,029
Asset-backed securities and other	133	—	—	133	—	10	123
Subtotal	2,440	3	(1)	2,442	194	1,096	1,152
Level 3:							
Level 3: None	—	—	—	—	—	—	—
Total	$ 5,481	$ 4	$ (1)	$ 5,484	$ 1,677	$ 1,274	$ 2,533

	December 31, 2014						
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
	(In millions)						
Cash	$ 659	$ —	$ —	$ 659	$ 659	$ —	$ —
Level 1:							
Bank and time deposits	943	—	—	943	943	—	—
Money market funds	83	—	—	83	83	—	—
U.S. treasury and agency obligations	1,434	—	(1)	1,433	12	192	1,229
Subtotal	2,460	—	(1)	2,459	1,038	192	1,229
Level 2:							
Commercial paper	800	—	—	800	798	2	—
Corporate bonds	1,931	1	(2)	1,930	50	859	1,021
Asset-backed securities and other	141	—	—	141	—	8	133
Subtotal	2,872	1	(2)	2,871	848	869	1,154
Level 3:							
Level 3: None	—	—	—	—	—	—	—
Total	$ 5,991	$ 1	$ (3)	$ 5,989	$ 2,545	$ 1,061	$ 2,383

There were no transfers between Level 1, Level 2 or Level 3 securities in the three months ended March 31, 2015. All of our long-term marketable securities had maturities of between one and three years in duration at March 31, 2015. Our cash, cash equivalents and marketable securities at March 31, 2015, consisted of $2.53 billion held domestically, with the remaining balance of $2.95 billion held by our foreign subsidiaries.

At March 31, 2015, we had 173 investments with a fair value of $1.43 billion that were in an unrealized loss position for less than twelve months. Our gross unrealized losses of $1 million for these investments at March 31, 2015, were due to changes in market rates. We have determined that the gross unrealized losses on these investments at March 31, 2015, 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 $1.64 billion and $1.61 billion as of March 31, 2015 and December 31, 2014, respectively. The recorded values of all our accounts receivable and accounts payable approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

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

4. Income Taxes

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

	Three Months Ended March 31,	
	2015	2014
	(In millions, except percentages)	
Provision for income taxes	$ 9	$ 3
Effective tax rates	4.1%	1.8%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate and domestic tax losses recorded without tax benefits. In determining our annualized effective tax rates, the tax effects of the impairments of long-lived assets of $143 million and $25 million in the three months ended March 31, 2015 and 2014, respectively, and the gain on sale of assets of $48 million in the three months ended March 31, 2014 were treated as discrete tax items. The impairment charges in the three months ended March 31, 2015 related to jurisdictions where no tax benefit could be recorded. A portion of the impairment charges in the three months ended March 31, 2014 resulted in the recording of a discrete tax benefit of $5 million. We also recorded discrete tax benefits for expirations of the statutes of limitations for the assessment of taxes in various foreign jurisdictions of $4 million in the three months ended March 31, 2014.

As a result of our cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax assets of $3 million and $2 million at March 31, 2015 and December 31, 2014, respectively.

5. Debt and Credit Facility

Senior Notes

The following table presents details of our senior notes, or the Notes, as of the dates listed below:

Date Issued	Maturity Date	Interest Rate	Effective Yield	Issuance Price	March 31, 2015	December 31, 2014
					(In millions)	

November 2011	November 2018	2.700%	2.762%	99.609%	$ 500	$ 500
August 2012	August 2022	2.500	2.585	99.255	500	500
July 2014	August 2024	3.500	3.546	99.615	350	350
July 2014	August 2034	4.500	4.546	99.400	250	250
					1,600	1,600
	Unaccreted discount				(7)	(7)
	Long-term debt				$ 1,593	$ 1,593

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 July 2014 primarily to extend the maturity date to July 31, 2019, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. Loans made under the credit facility (other than swing line loans) bear interest, at our option, at either a Base Rate plus a margin that varies from 0.000% to 0.250% or a Eurodollar Rate plus a margin that varies from 0.625% to 1.250%. Swing line loans under the credit facility bear interest applicable to Base Rate loans. We are also required to pay a commitment fee on any unused commitments at a rate that varies from 0.060% to 0.150% per annum. We have not drawn on our credit facility to date.

We may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional $100 million. The credit facility contains customary representations, warranties and covenants. The financial covenant in the credit facility requires us to maintain a consolidated leverage ratio of no more than 3.25:1.00.

6. Shareholders' Equity

Quarterly Dividend

In November 2014 our Board of Directors announced its intention to increase the quarterly cash dividend by 17% to $0.14 per share ($0.56 per share on an annual basis) payable to holders of our common stock. Pursuant to this plan we declared a quarterly cash dividend of $0.14 per share in January 2015. In the three months ended March 31, 2015 and 2014, we paid $84 million and $70 million, respectively, in dividends to holders of our Class A and Class B common stock.

Share Repurchase Programs

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

In November 2014 our Board of Directors authorized an additional share repurchase program for the repurchase of such number of shares incremental to the number allowed under the evergreen program that would yield a total share repurchase for 2015 of up to $1 billion.

Under these programs, we repurchased 8.0 million shares of our Class A common stock at a weighted average price of $44.28 in the three months ended March 31, 2015.

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

7. Employee Benefit Plans

Combined Incentive Plan Activity

Restricted stock unit activity is set forth below:

	Restricted Stock Units Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value per Share
	(In millions, except per share data)	
Balance at December 31, 2014	20	$ 32.38
Restricted stock units granted	7	42.52
Restricted stock units vested	(3)	33.61
Balance at March 31, 2015	24	$ 35.09

Stock option activity is set forth below:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price per Share
	(In millions, except per share data)	
Balance at December 31, 2014	20	$ 33.84
Options exercised	(5)	31.06
Balance at March 31, 2015	15	$ 34.71

Stock-Based Compensation Expense

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

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Cost of revenue	$ 5	$ 6
Research and development	60	84
Selling, general and administrative	25	30

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the *remainder* of 2015 through 2019 related to unvested share-based payment awards:

	2015	2016	2017	2018	2019	Total
	(In millions)					
Unearned stock-based compensation	$ 260	$ 253	$ 164	$ 79	$ 11	$ 767

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

8. Commitments and Contingencies

Claims and Litigation

We and certain of our subsidiaries are involved in various intellectual property and other proceedings, claims and litigation arising in the ordinary course of our business. We will disclose the nature of any such matters we believe to be material, along with (i) any accrual for loss contingencies associated with such legal proceedings; (ii) any determination by us that an unfavorable outcome is probable or reasonably possible; and (iii) the amount or range of any possible loss or a statement that we cannot reasonably estimate an amount or a range of possible loss.

In addition to asserted claims, from time to time we are approached by holders of intellectual property, including “non-practicing entities,” to engage in discussions about obtaining licenses to their intellectual property. We will disclose the nature of these unasserted claims if we determine that (i) it is probable an intellectual property holder will assert a claim of infringement; (ii) there is a reasonable possibility the outcome (assuming assertion) will be unfavorable; and (iii) the resulting liability would be material to our financial condition or results of operations.

While there can be no assurance, we believe that the ultimate outcome of current asserted and unasserted claims will not have a material adverse effect on our operating results, liquidity or financial position. However, our assessment of materiality may be impacted by limited information (particularly in the early stages of intellectual property proceedings), including, for example, 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. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

From time to time we may enter into confidential discussions regarding the potential settlement of pending intellectual property or proceedings, claims or litigation. 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. In light of the numerous factors that go into a settlement decision, it is difficult to predict whether any particular settlement is possible, the appropriate terms of a settlement or the opportune time to settle a matter. The settlement of any pending litigation or other proceedings could require us to make substantial settlement payments and result in us incurring substantial costs. Furthermore, the settlement or resolution 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 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.

9. Goodwill and Purchased Intangible Assets

Goodwill

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

	Reportable Segments

	Broadband and Connectivity	Infrastructure and Networking	Foreign Currency	Consolidated
	(In millions)			
Goodwill	$ 1,802	$ 3,768	$ (31)	$ 5,539
Accumulated impairment losses	(543)	(1,286)	—	(1,829)
Goodwill at December 31, 2014	1,259	2,482	(31)	3,710
Effects of foreign currency translation	—	—	(15)	(15)
Goodwill at March 31, 2015	$ 1,259	$ 2,482	$ (46)	$ 3,695

Purchased Intangible Assets

The following table presents details of our purchased intangible assets:

	March 31, 2015			December 31, 2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Developed technology	$ 919	$ (452)	$ 467	$ 1,250	$ (619)	$ 631
In-process research and development	10	—	10	19	—	19
Customer relationships	176	(164)	12	177	(164)	13
Other	32	(31)	1	32	(31)	1
	$ 1,137	$ (647)	$ 490	$ 1,478	$ (814)	$ 664

Amortization of Purchased Intangible Assets

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

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Cost of revenue	$ 36	$ 50
Other operating expenses	1	9
	$ 37	$ 59

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 2015 and thereafter:

	Purchased Intangible Asset Amortization by Year						
	2015	2016	2017	2018	2019	Thereafter	Total
	(In millions)						
Cost of revenue	$ 94	$ 93	$ 74	$ 59	$ 45	$ 112	$ 477
Other operating expenses	3	3	2	2	2	1	13
	$ 97	$ 96	$ 76	$ 61	$ 47	$ 113	$ 490

Table of Contents

Impairment of Purchased Intangible Assets

In the three months ended March 31, 2015, we recorded impairment charges for developed technology of $135 million related to knowledge-based processor products, or KBPs, related to our acquisition of NetLogic Microsystems, Inc., included in our Infrastructure and Networking reportable segment. The primary factor contributing to the impairment of our KBP assets was a reduction in the size of the addressable market for merchant KBPs driven by increasing integration of comparable functionality into

Broadcom Ethernet switches and some customers preferring to design internal solutions. This resulted in reduction in the revenue outlook for these products and the corresponding cash flows identified with the impaired assets.

In the three months ended March 31, 2014, we recorded impairment charges primarily for developed technology of $25 million, of which $19 million was related to our acquisition of SC Square Ltd., or SC Square, included in our Broadband and Connectivity reportable segment, and $5 million related to the purchase of LTE-related assets from affiliates of Renesas Electronics Corporation, or the Renesas Transaction, included in cellular baseband business. See Note 11 for a discussion of our reportable segments. The primary factors contributing to these impairment charges were (i) for SC Square, the discontinuation of certain security solutions and (ii) for the Renesas Transaction, a reduction in revenue expectations related to an acquired legacy LTE modem product and an associated decrease to the respective estimated cash flows.

In determining the amount of the impairment charges we calculated fair values as of the impairment dates for acquired intangible assets. We used several variations of the income approach to compute the fair values, including the multiple period excess earnings, relief from royalty, and incremental cash flow methods. These methods employ significant unobservable inputs categorized as Level 3 inputs. The key unobservable inputs utilized include discount rates ranging from 18% to 22%, a market participant tax rate of 17%, and estimated level of future cash flows based on current product and market data.

10. Exit from Cellular Baseband Business

Restructuring Costs

On June 2, 2014, we announced that we were exploring strategic alternatives, including a potential sale and/or wind-down, for our cellular baseband business. We reached this decision based on our conclusion that the commercial and economic opportunity in this business was not sufficiently compelling to justify the continued investment, especially when compared to other opportunities within our product portfolio. On June 26, 2014, the Audit Committee of our Board of Directors approved a global restructuring plan, or the 2014 Plan, that focuses on cost reductions and operating efficiencies and better aligns our resources to areas of strategic focus. In July 2014 we decided to pursue a wind-down of the cellular baseband business.

As of March 31, 2015 we have recognized $159 million of restructuring charges related to the exit from the cellular baseband business. These charges are comprised of (i) $131 million for employee termination benefits for 2,300 employees and (ii) $28 million for certain non-cancelable contract costs and other costs to close and consolidate 15 locations facilities. We expect to record additional restructuring charges of up to $10 million over the next 12 months, primarily for costs associated with the closure of three additional facilities.

The following table summarizes activity related to our restructuring liabilities:

	Three Months Ended March 31, 2015 (In millions)
Balance at December 31, 2014	$ 33
Charged to expense	7
Cash payments	(21)
Balance at March 31, 2015	$ 19

11. Reportable Segments, Significant Customer and Geographical Information

Reportable Segments

Our business is structured around two reportable segments: (i) Broadband and Connectivity; and (ii) Infrastructure and Networking. Our Chief Executive Officer, who is our chief operating decision maker, or CODM, reviews financial information at the reportable segment level.

Our net revenue is generated principally from sales of integrated circuit products. While we derive some revenue from other sources, such revenue is not material as it represents less than 1% of our total net revenue.

With respect to the sales of integrated circuit products, we have approximately 450 products that are grouped into approximately 60 product lines. We have concluded that these products constitute a group of similar products within each reportable segment in each of the following respects:

- the integrated circuits marketed by each of our reportable segments are sold to one type of customer: manufacturers of wired and wireless communications equipment, which incorporate our integrated circuits into their electronic products;
- the integrated circuits sold by each of our reportable segments use the same standard CMOS manufacturing processes;
- all of our integrated circuits are manufactured, assembled and tested using the same or similar group of independent, third-party subcontractors; and
- all of our integrated circuits are sold through a centralized sales force and common wholesale distributors.

The “Cellular Baseband” category shown in the table below represents the operations of the cellular baseband business that is currently winding down. As the CODM no longer reviews the financial information for purposes of allocating resources and assessing performance of Cellular Baseband, it does not qualify as an operating and reportable segment. In addition, as Cellular Baseband has not completely ceased operations and will continue to generate revenue, albeit declining, and expenses for the foreseeable future, it does not currently meet the requirements for “discontinued operations” under applicable accounting standards. We have included Cellular Baseband net revenue and operating income (loss) in the below tables as if it did meet the requirements of a reportable segment because we believe this information is useful to users of our financial statements.

We also report an “All Other” category, which includes operating expenses that we do not allocate to our reportable segments as these expenses are not included in the segment operating performance measures evaluated by our CODM. Operating costs and expenses that are not allocated include amortization of purchased intangible assets, amortization of acquired inventory valuation step-up and inventory charges relating to our decision to exit our cellular baseband business, impairment of goodwill and other long-lived assets, net settlement costs (gains), net restructuring costs, other charges (gains), 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 acquisition-related items in the “All Other” category as our CODM reviews reportable segment performance exclusive of these charges. Our CODM does not review information regarding total assets, interest income or income taxes on a segment basis. The accounting policies for segment reporting are the same as for Broadcom as a whole.

All prior-period amounts have been adjusted retrospectively to reflect the inclusion of stock-based compensation and our reportable segment changes that occurred in 2014. For a complete summary of these changes, please refer to Note 11, “Reportable Segments, Significant Customer and Geographical Information,” in Part IV, Item 15 of our 2014 Annual Report.

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

	Reportable Segments					
	Broadband and Connectivity	Infrastructure and Networking	Total Reportable Segments	Cellular Baseband	All Other	Consolidated
	(In millions)					
Three Months Ended March 31, 2015						
Net revenue	$ 1,408	$ 631	$ 2,039	$ 19	$ —	$ 2,058
Operating income (loss)	241	167	408	(7)	(178)	223
Three Months Ended March 31, 2014						
Net revenue	$ 1,246	$ 594	1,840	$ 144	$ —	$ 1,984
Operating income (loss)	184	149	333	(139)	(24)	170

Included In All Other Category:	Three Months Ended March 31, 2015	2014
	(In millions)	
Amortization of purchased intangible assets	$ 37	$ 59
Inventory charges related to the exit of the cellular baseband business	(2)	—
Impairments of long-lived assets	143	25
Settlement costs	—	2
Restructuring costs, net	7	5
Other gains, net	(4)	(52)
Miscellaneous corporate allocation variances	(3)	(15)
Total other operating costs and expenses	$ 178	$ 24
Total operating loss for the "All Other" category	$ (178)	$ (24)

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, 2015	2014
Two largest customers	26.9%	30.2%
Five largest customers as a group	42.1	45.5

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

	Three Months Ended March 31, 2015	2014
Hong Kong	32.5%	27.4%
China (exclusive of Hong Kong)	24.1	22.6
Singapore, Taiwan, Thailand and Japan	27.0	34.9
United States	4.6	4.3
Europe	1.9	2.1
Other	9.9	8.7
	100.0%	100.0%

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

Cautionary Statement

The information contained in this Quarterly Report on Form 10-Q is intended to update the information contained in our Annual Report on Form 10-K for the year ended December 31, 2014, referred to as our 2014 Annual Report, and presumes that readers have access to, and will have read, the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information contained in such Form 10-K. The information in this Form 10-Q is also not a complete description of our business or the risks associated with an investment in our common stock. You should read the following discussion and analysis in conjunction with our Unaudited Condensed Consolidated Financial Statements and the related Notes thereto contained in Part I, Item 1 of this Report and the various other disclosures made by us in this Report and in our other *reports filed with the Securities and Exchange Commission, or SEC, including our 2014 Annual Report and subsequent reports on Forms 10-Q and 8-K, which discuss our business in greater detail.*

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

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our current expectations, estimates, forecasts and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by words such as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions, and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are listed under the section entitled "Risk Factors" in Part II, Item 1A of this Report. These forward-looking statements speak only as of the date of this Report. We undertake no obligation to revise or update publicly any forward-looking statement to reflect future events or circumstances.

Additional Information

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

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

The information that we post on these social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in Broadcom to review the information that we post on these social media channels. These channels may be updated from time to time on our website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

Overview

Broadcom Corporation (including our subsidiaries, referred to collectively in this Report as "Broadcom," "we," "our" and "us") is a global leader and innovator in semiconductor solutions for wired and wireless communications. Broadcom provides one of the industry's broadest portfolio of highly-integrated system-on-a-chip solutions, or SoCs, that seamlessly deliver voice, video, data and multimedia connectivity in the home, office and mobile environments.

Our solutions are used globally by leading manufacturers and are embedded in an array of communications products. Because we leverage our technologies across different markets, certain of our integrated circuits may be incorporated into products used in multiple platforms. We utilize independent foundries and third-party subcontractors to manufacture, assemble and test all of our semiconductor products. Our business is structured around two reportable segments: (i) Broadband and Connectivity; and (ii) Infrastructure and Networking.

Operating Results for the Three Months Ended March 31, 2015

In the three months ended March 31, 2015, our net income was $209 million, as compared to a net income of $390 million in the three months ended December 31, 2014. This decrease in profitability was primarily the result of a 4.0% sequential decline in net revenue and an increase in impairment charges of long-lived assets of $129 million. In the three months ended March 31, 2014, our net income was $165 million. This year-over-year increase was the result of a 3.7% increase in net revenue and a combined net reduction of $105 million for research and development; and selling, general and administrative expenses, primarily associated with the restructuring plan that we initiated in July 2014, offset by an increase in impairment charges of long-lived assets of $118 million and a decrease in other gains of $48 million.

As discussed in further detail elsewhere in this Report, other highlights during the three months ended March 31, 2015 include the following:

- Our cash and cash equivalents and marketable securities were $5.48 billion at March 31, 2015, compared with $5.99 billion at December 31, 2014.
- Cash flow from operations used $25 million during the three months ended March 31, 2015, as compared to generating $606 million in the three months ended March 31, 2014. In April 2015, we transitioned to a new enterprise resource planning system. In preparation, we purposefully took certain measures that impacted our cash flow from operations in the three months ended March 31, 2015 to ensure business continuity during this transition. We built additional inventory to mitigate against unanticipated delays in receiving and shipping, and also paid certain accrued liabilities earlier than we otherwise would have to help ease this transition.
- We repurchased 8.0 million shares of our Class A common stock at a weighted average price of $44.28 in the three months ended March 31, 2015.
- We paid $84 million in dividends to holders of our Class A and Class B common stock in the three months ended March 31, 2015.
- In the three months ended March 31, 2015, we recorded impairment charges related to our knowledge-based processors of $135 million, related to our acquisition of NetLogic Microsystems, Inc., or NetLogic.
- In the three months ended March 31, 2015, we paid $156 million upon close of escrow for the purchase of land for the construction of a new corporate campus in Orange County, California, totaling up to 2 million square feet to meet the requirements projected in our long-term business plan. This payment included $110 million for the purchase of the land and $46 million for prepaid taxes and refundable deposits.

Reportable Segments

As discussed in Note 11 of Notes to Unaudited Condensed Consolidated Financial Statements, all prior-period amounts below have been adjusted retrospectively to reflect the inclusion of stock-based compensation and our reportable segment changes that occurred in 2014.

The following table presents details of our reportable segments, and the “Cellular Baseband” and “All Other” categories:

	Reportable Segments					
	Broadband and Connectivity	Infrastructure and Networking	Total Reportable Segments	Cellular Baseband	All Other	Consolidated
			(In millions)			
Three Months Ended March 31, 2015						
Net revenue	$ 1,408	$ 631	$ 2,039	$ 19	$ —	$ 2,058
Operating income (loss)	241	167	408	(7)	(178)	223
Operating margin	17.1%	26.5%	20.0%	(36.8)%		10.8%
Three Months Ended December 31, 2014						
Net revenue	$ 1,475	$ 625	$ 2,100	$ 43	$ —	$ 2,143
Operating income (loss)	322	157	479	(10)	(70)	399
Operating margin	21.8%	25.1%	22.8%	(23.3)%		18.6%
Three Months Ended March 31, 2014						
Net revenue	$ 1,246	$ 594	1,840	$ 144	$ —	$ 1,984
Operating income (loss)	184	149	333	(139)	(24)	170
Operating margin	14.8%	25.1%	18.1%	(96.5)%		8.6%

See Notes 10 and 11 of Notes to Unaudited Condensed Consolidated Financial Statements for further information regarding our reportable segments and our "Cellular Baseband" and "All Other" categories.

The decrease in operating income for our Broadband and Connectivity reportable segment in the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, resulted primarily from a 4.5% decrease in net revenue and an increase in excess and obsolete inventory expense. The increase in operating income in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, resulted primarily from a 13.0% increase in net revenue, offset in part by additional research and development expenses. The increase in operating income for our Infrastructure and Networking reportable segment in the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, resulted from flat operating expenses and better overall gross margins. The increase in operating income in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, resulted primarily from a 6.2% increase in net revenue, offset in part by a slight increase in operating expenses. As discussed in Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements, in July 2014 we decided to wind down our cellular baseband business as the commercial and economic opportunity was not sufficient to justify continued investment.

Critical Accounting Policies and Estimates

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

operations will be affected. For a description of our critical accounting policies and estimates, please refer to the “Critical Accounting Policies and Estimates” section in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2014 Annual Report. There have been no material changes in any of our critical accounting policies and estimates during the three months ended March 31, 2015.

Net Revenue

The following tables present net revenue from each of our reportable segments and the Cellular Baseband category:

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	**December 31, 2014**	**March 31, 2014**	**$ Change**	**% Change**	**$ Change**	**% Change**
	(In millions, except percentages)						
Broadband and Connectivity	$ 1,408	$ 1,475	$ 1,246	$ (67)	(4.5)%	$ 162	13.0 %
Infrastructure and Networking	631	625	594	6	1.0	37	6.2
Total reportable segments	2,039	2,100	1,840	(61)	(2.9)	199	10.8
Cellular Baseband	19	43	144	(24)	(55.8)	(125)	(86.8)
Total net revenue	$ 2,058	$ 2,143	$ 1,984	$ (85)	(4.0)	$ 74	3.7

	Three Months Ended		
	March 31, 2015	**December 31, 2014**	**March 31, 2014**
	(as a % of net revenue)		
Broadband and Connectivity	68.4%	68.8%	62.8%
Infrastructure and Networking	30.7	29.2	29.9
Total reportable segments	99.1	98.0	92.7
Cellular Baseband	0.9	2.0	7.3
Total net revenue	100.0%	100.0%	100.0%

Broadband and Connectivity. The decrease in net revenue in the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, resulted primarily from decreases in sales of our set-top box (STB) solutions of $37 million, our wireless connectivity products of $30 million and other broadband and connectivity technologies of $11 million, offset in part by an increase in sales of our broadband modem solutions of $11 million. The decreases in STB and wireless connectivity sales were driven by traditional softness in customer order patterns in the first quarter of the year. The increase in net revenue in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, resulted primarily from increases in sales of our broadband modem solutions of $61 million, our wireless connectivity products of $38 million, our STB solutions of $25 million, and other broadband and connectivity technologies of $38 million. Growth in sales of broadband modem solutions is generally driven by global deployments and upgrades of broadband infrastructure and the adoption of new features and technologies (including DOCSIS 3.0 and VDSL). The increase in wireless connectivity sales was driven by strong demand for our latest generation of integrated solutions that include a richer mix of features. STB growth is generally driven by global subscriber growth, the adoption of new communication features (including HEVC, transcoding and MoCA 2.0), and the roll-out of more highly integrated platforms by global service providers.

Infrastructure and Networking. The increase in net revenue for the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, resulted primarily from increases in sales of Ethernet switches and PHYs of $18 million, offset in part by decreases in sales of other infrastructure and networking products of $12 million. The increase in net revenue in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, resulted from increases in sales of our Ethernet switches and PHYs of $38 million. Growth in Ethernet switches and PHYs is generally driven by continued build outs of packet-based networks to support the delivery of video and mobile data over the Internet, an increase in hosted services and cloud computing, and the ongoing growth in unified communications in the enterprise.

Cellular Baseband. The decreases in net revenue for the three months ended March 31, 2015, as compared to the three months ended December 31, 2014 and the three months ended March 31, 2014, resulted primarily from our decision in July 2014 to wind down our cellular baseband business as the commercial and economic opportunity did not sufficiently justify continued investment. Due to our announced exit from the cellular baseband business, we expect associated revenue to significantly ramp down in the near term and trend to zero over the next twelve to eighteen months.

Rebates. We recorded rebates to certain customers of $221 million, or 10.7% of net revenue, $266 million, or 12.4% of net revenue, and $187 million, or 9.4% of net revenue, in the three months ended March 31, 2015, December 31, 2014, and March 31, 2014, respectively. The change in rebates as a percentage of net revenue was attributable to a change in the mix of sales to customers that participate in rebate programs, primarily in the Broadband and Connectivity reportable segment. 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 $4 million, $6 million and $6 million in the three months ended March 31, 2015, December 31, 2014 and March 31, 2014, respectively. We anticipate that accrued rebates will vary in future periods based upon the level of overall sales to customers that participate in our rebate programs.

Concentration of Net Revenue

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

	Three Months Ended March 31,	
	2015	2014
Two largest customers	26.9%	30.2%
Five largest customers as a group	42.1	45.5

We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. Our largest customers and their respective contributions to our total net revenue have varied and will likely continue to vary from period to period. For information regarding the geographical distribution of our shipments, as a percentage of product revenue, see further discussion in Note 11 of Notes to Unaudited Condensed Consolidated Financial Statements.

From time to time, our key customers place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the seasonal variations in consumer products and changes in the overall economic environment. For these and other reasons, our total net revenue and results of operations for the three months ended March 31, 2015, and prior periods may not necessarily be indicative of future net revenue and results of operations.

Cost of Revenue, Gross Profit and Gross Margin

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	December 31, 2014	March 31, 2014	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Net revenue	$ 2,058	$ 2,143	$ 1,984	$ (85)	(4.0)%	$ 74	3.7 %
Cost of revenue	$ 972	$ 1,012	$ 1,004	$ (40)	(4.0)	$ (32)	(3.2)
Gross profit	1,086	1,131	980	(45)	(4.0)	106	10.8
Gross margin	52.8%	52.8%	49.4%				

Cost of Revenue and Gross Margin. Cost of revenue consists of the cost of purchasing finished silicon wafers manufactured by independent foundries, costs associated with our purchase of assembly, test and quality assurance services and packaging materials for semiconductor products, as well as royalties and license fees paid to vendors and to non-practicing entities, or NPEs. Also included in cost of 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.

Gross margin was flat in the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, however there was a decrease in amortization of purchased intangible assets of $8 million that was offset by an increase of excess and obsolete inventory expense. The improvement in gross margin for the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, was driven by the $125 million decline in revenue related to our cellular baseband business (which products tend to have below average gross margins).

Gross margin includes $12 million, $12 million and $10 million of licensing revenue related to our intellectual property in the three months ended March 31, 2015, December 31, 2014 and March 31, 2014, respectively. Gross margin also includes $1 million and $2 million of licensing costs related to NPEs in the three months ended March 31, 2015 and March 31, 2014, respectively.

Research and Development Expense

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

The following table presents details of research and development expense:

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	December 31, 2014	March 31, 2014	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Salaries and benefits	$ 380	$ 374	$ 456	$ 6	1.6 %	$ (76)	(16.7)%
Development and design costs	87	88	88	(1)	(1.1)	(1)	(1.1)
Other	72	68	92	4	5.9	(20)	(21.7)
Research and development	$ 539	$ 530	$ 636	$ 9	1.7 %	$ (97)	(15.3)%
(as a % of net revenue)	26.2%	24.7%	32.1%				
Employees	7,800	8,000	9,600	(200)	(2.5)%	(1,800)	(18.8)%

The decrease in salaries and benefits for the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, was primarily attributable to our restructuring plan related to the exit from our cellular baseband business initiated in July 2014, partially offset by increases in headcount in each of our current reportable segments. Development and design costs vary from period to period depending on the timing of development and tape-out of various products. The decreases in the *Other* line item from the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, is primarily attributable to a decrease in depreciation and facility expenses related to the exit of the cellular baseband business. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements for further information.

We remain committed to significant research and development efforts to extend our technology leadership in the wired and wireless communications markets in which we operate. Factors that may impact research and development costs include the diversification of the markets we serve, new product or market opportunities, the number of design wins that go into production, changes in our compensation policies, and any expansion into new markets and technologies, including acquisitions. For the three months ended March 31, 2015, approximately 60% and 25% of our products were manufactured in 40 nanometers and 65 nanometers, respectively. We are designing most new products in 40 nanometers and 28 nanometers, and are beginning to develop products leveraging FinFET technologies. We currently hold approximately 10,700 U.S. and more than 3,700 foreign patents and have more than 6,250 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 salaries and related costs, including stock-based compensation expense, for employees engaged in selling, general and administrative activities. We also incur legal and other professional fees, facilities expenses and communications expenses.

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	December 31, 2014	March 31, 2014	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Salaries and benefits	$ 120	$ 113	$ 121	$ 7	6.2 %	$ (1)	(0.8)%
Legal and accounting fees	17	18	21	(1)	(5.6)	(4)	(19.0)
Other	40	42	43	(2)	(4.8)	(3)	(7.0)
Selling, general and administrative	$ 177	$ 173	$ 185	$ 4	2.3 %	$ (8)	(4.3)%
(as a % of net revenue)	8.6%	8.1%	9.3%				
Employees	1,950	1,950	2,050	—	— %	(100)	(4.9)%

Salaries and benefits increased for the three months ended March 31, 2015, as compared to the three months ended December 31, 2014, as a result of an increase in cash compensation levels in connection with our annual merit review program and employer payroll taxes tend to be higher in the first half of the year. The decrease in the *Other* line item was primarily attributable to a decrease in facilities expenses. See Note 10 of Notes to Unaudited Condensed Consolidated Financial Statements for further information.

Stock-Based Compensation Expense

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	December 31, 2014	March 31, 2014	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Cost of revenue	$ 5	$ 5	$ 6	$ —	— %	$ (1)	(16.7)%
Research and development	60	67	84	(7)	(10.4)	(24)	(28.6)
Selling, general and administrative	25	25	30	—	—	(5)	(16.7)
Stock-based compensation	$ 90	$ 97	$ 120	$ (7)	(7.2)%	$ (30)	(25.0)%
(as a % of net revenue)	4.4%	4.5%	6.0%				

The decrease in stock-based compensation in the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, was primarily attributable to the cancellation of equity awards held by employees who were terminated due to the decision to exit our cellular baseband business. In the three months ended March 31, 2015, we granted equity awards with a fair value of $283 million, primarily related to our regular annual equity compensation review program, which will be expensed over the next four years, as compared to $386 million in three months ended March 31, 2014.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in the *remainder* of 2015 and through 2019 related to unvested share-based payment awards:

	2015	2016	2017	2018	2019	Total
	(In millions)					
Unearned stock-based compensation	$ 260	$ 253	$ 164	$ 79	$ 11	$ 767

If there are any modifications or cancellations of the underlying unvested awards, including the cancellation of awards held by employees impacted by our current restructuring plan, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. Future stock-based compensation expense and unearned stock-based compensation will increase to the extent that we grant additional equity awards or assume unvested equity awards in connection with acquisitions. See Note 7 of Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of activity related to share-based awards.

Amortization of Purchased Intangible Assets

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

	Three Months Ended			Quarter over Quarter		Year over Year	
	March 31, 2015	December 31, 2014	March 31, 2014	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Cost of revenue	$ 36	$ 42	$ 50	$ (6)	(14.3)%	$ (14)	(28.0)%
Other operating expenses	1	3	9	(2)	(66.7)	(8)	(88.9)
	$ 37	$ 45	$ 59	$ (8)	(17.8)%	$ (22)	(37.3)%

The decrease in amortization of purchased intangible assets is primarily the result of the NetLogic impairment charges recognized in 2014.

The following table presents details of the amortization of existing purchased intangible assets (including IPR&D), currently estimated to be expensed in the *remainder* of 2015 and thereafter:

	Purchased Intangible Asset Amortization by Year						
	2015	2016	2017	2018	2019	Thereafter	Total
	(In millions)						
Cost of revenue	$ 94	$ 93	$ 74	$ 59	$ 45	$ 112	$ 477
Other operating expenses	3	3	2	2	2	1	13
	$ 97	$ 96	$ 76	$ 61	$ 47	$ 113	$ 490

Impairment of Goodwill and Other Long-Lived Assets

We recorded impairment charges of long-lived assets of $143 million and $25 million in the three months ended March 31, 2015 and 2014, respectively. See discussion of our impairment of long-lived assets in Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements.

Restructuring Costs, Net

We recorded restructuring costs of $7 million and $5 million in the three months ended March 31, 2015 and 2014, respectively. We expect to record additional restructuring charges of up to $10 million over the next 12 months, primarily for costs associated with the closure of three additional facilities. See discussion of our restructuring costs as it relates to our decision to exit from our cellular baseband business in Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements.

Other Gains, Net

We recorded other gains of $4 million and $52 million in the three months ended March 31, 2015 and 2014, respectively. See discussion of our Other Gains, Net in Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements as it relates to the sale of certain Ethernet controller-related assets to QLogic Corporation in the three months ended March 31, 2014, referred to as the QLogic Transaction.

Provision for Income Taxes

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

	Three Months Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
	(In millions, except percentages)		

Provision for income taxes	$ 9	$ 5	$ 3
Effective tax rates	4.1%	1.3%	1.8%

The differences between our effective tax rates and the 35% federal statutory rate resulted primarily from foreign earnings taxed at substantially lower rates than the federal statutory rate and domestic tax losses recorded without tax benefits. See discussion of Income Taxes in Note 4 of the Notes to Unaudited Condensed Consolidated Financial Statements for further information in determining our annualized effective tax rates.

Liquidity and Capital Resources

Working Capital and Cash and Marketable Securities.

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

	March 31, 2015	December 31, 2014	$ Change
		(In millions)	
Working capital	$ 3,351	$ 3,522	$ (171)
Cash and cash equivalents	$ 1,677	$ 2,545	$ (868)
Short-term marketable securities	1,274	1,061	213
Long-term marketable securities	2,533	2,383	150
Total cash and cash equivalents and marketable securities	$ 5,484	$ 5,989	$ (505)

See the summary of cash, cash equivalents, short and long-term marketable securities by major security type and discussion of market risk that follows in Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

Cash Provided by and Used in the Three Months Ended March 31, 2015 and 2014

	Three Months Ended March 31,	
	2015	2014
	(In millions)	
Net cash provided by (used in) operating activities	$ (25)	$ 606
Net cash provided by (used in) investing activities	(529)	38
Net cash used in financing activities	(314)	(47)
Increase (decrease) in cash and cash equivalents	(868)	597
Cash and cash equivalents at beginning of period	2,545	1,657
Cash and cash equivalents at end of period	$ 1,677	$ 2,254

Operating Activities

In the three months ended March 31, 2015, our operating activities used $25 million in cash. This was primarily the result of changes in operating assets and liabilities of $546 million, which more than offset net income of $209 million and net non-cash operating expenses of $312 million. The change in operating assets and liabilities was primarily due to our transition to a new enterprise resource planning system, or ERP, in April 2015. In preparation, we purposefully took certain measures that impacted our cash flow from operations in the three months ended March 31, 2015 to ensure business continuity during this transition. We built additional inventory to mitigate against unanticipated delays in receiving and shipping, and also paid certain accrued liabilities earlier than we otherwise would have to help ease this transition. In the three months ended March 31, 2014, our operating activities provided $606 million in cash. This was primarily the result of net income of $165 million and net non-cash operating expenses of $207 million and changes in operating assets and liabilities of $234 million.

Our days sales outstanding increased from 34 days at December 31, 2014 to 36 days at March 31, 2015. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Additionally, accounts receivable could increase due to fluctuations in concentrations of revenue with customers under rebate programs, which may result in higher levels of accounts receivables and accrued rebates on our balance sheet. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may have difficulty gaining access to sufficient credit on a timely basis.

Our inventory days on hand purposefully increased from 48 days at December 31, 2014 to 59 days at March 31, 2015, primarily related to the inventory build as discussed above. 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 $529 million in cash in the three months ended March 31, 2015, which was primarily the result of $156 million of property and equipment purchases to support our research and development efforts (which includes the purchase of land for the construction of a new corporate campus of $110 million), $15 million in purchases of other assets and $358 million in net purchases of marketable securities. Investing activities provided $38 million in cash in the three months ended March 31, 2014, which was primarily the result of $90 million of proceeds from the QLogic Transaction and $26 million in net proceeds of marketable securities, offset in part by $78 million of capital equipment purchases to support our research and development efforts.

Financing Activities

Our financing activities used $314 million in cash in the three months ended March 31, 2015, which was primarily the result of $335 million in repurchases of our Class A common stock, dividend payments of $84 million, and $43 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, or RSUs, offset in part by $148 million in proceeds received from issuances of common stock upon the exercise of stock options. Our financing activities used $47 million in cash in the three months ended March 31, 2014, which was primarily the result of dividend payments of $70 million and $31 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to RSUs, offset in part by $54 million in proceeds received from issuances of common stock upon the exercise of stock options.

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

Short and Long-Term Financing Arrangements

At March 31, 2015, 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.

Senior Notes

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

Date Issued	Maturity Date	Interest Rate	Effective Yield	Issuance Price	March 31, 2015	December 31, 2014
					(In millions)	
November 2011	November 2018	2.700%	2.762%	99.609%	$ 500	$ 500
August 2012	August 2022	2.500	2.585	99.255	500	500
July 2014	August 2024	3.500	3.546	99.615	350	350
July 2014	August 2034	4.500	4.546	99.400	250	250
					1,600	1,600
	Unaccreted discount				(7)	(7)
	Long-term debt				$ 1,593	$ 1,593

The outstanding Notes described above contain a number of restrictive covenants, including, but not limited to, restrictions on our ability to grant liens on assets; enter into sale and lease-back transactions; or merge, consolidate or sell assets. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued and unpaid interest on the Notes. We were in compliance with all senior unsecured notes debt covenants as of March 31, 2015.

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

Credit Facility

In November 2010 we entered into a credit facility with certain institutional lenders that provides for unsecured revolving facility loans, swing line loans and letters of credit in an aggregate amount of up to $500 million. We amended this credit facility in July 2014, primarily to extend the maturity date to July 31, 2019, at which time all outstanding revolving facility loans (if any) and accrued and unpaid interest must be repaid. Loans made under the credit facility (other than swing line loans) bear interest, at our option, at either a Base Rate plus a margin that varies from 0.000% to 0.250% or a Eurodollar Rate plus a margin that varies from 0.625% to 1.250%. Swing line loans under the credit facility bear interest applicable to Base Rate loans. We are also required to pay a commitment fee on any unused commitments at a rate that varies from 0.060% to 0.150% per annum. We have not drawn on the credit facility since its inception.

We may also, upon the agreement of the existing lenders, increase the commitments under the credit facility by up to an additional $100 million. The credit facility contains customary representations, warranties and covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00. We were in compliance with all credit facility covenants as of March 31, 2015.

Other Notes and Borrowings

We had no other significant notes or borrowings as of March 31, 2015.

Commitments and Other Contractual Obligations

There have been no material changes in the three months ended March 31, 2015, to the amounts presented in the table under the "Commitments and Other Contractual Obligations" section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" of our 2014 Annual Report.

Prospective Capital Needs

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

We earn a significant amount of our operating income outside the U.S., which is deemed to be permanently reinvested in foreign jurisdictions. For at least the next 12 months, we have sufficient cash in the U.S. and expect domestic cash flow to sustain our operating activities and cash commitments for investing and financing activities, such as acquisitions, quarterly dividends, share buy-backs and repayment of debt. In addition, we expect existing foreign cash, cash equivalents, short-term investments, and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as material capital expenditures, for at least the next 12 months. As of March 31, 2015 we have approximately $2.95 billion of cash, cash equivalents, and marketable securities held by our foreign subsidiaries. We do not expect that potential taxes on a repatriation of our foreign earnings, which are permanently reinvested, would have a material effect on our overall liquidity because such potential taxes would be substantially offset by our domestic net operating loss and tax credit carryforwards. Nevertheless, some of a repatriation would be subject to US federal income taxes, less foreign tax credits. In addition, a repatriation of our foreign earnings could result in higher and more volatile income tax rates and could be dilutive to our earnings.

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

Off-Balance Sheet Arrangements

At March 31, 2015, we had no material off-balance sheet arrangements, other than our facility operating leases.

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

Interest Rate Risk

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

To assess the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of March 31, 2015, a 100 basis point increase in interest rates across all maturities would result in a $36 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

Actual future gains and losses associated with our investments may differ from the sensitivity analysis performed as of March 31, 2015 due to the inherent limitations associated with predicting the changes in the timing and level of interest rates and our actual exposures and positions.

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

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

Exchange Rate Risk

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

Item 4. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

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

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, 2015, the end of the period covered by this Report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of management override or improper acts, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to management override, error or improper acts may occur and not be detected. Any resulting misstatement or loss may have an adverse and material effect on our business, financial condition and results of operations.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

The information set forth under Note 8 of Notes to Unaudited Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Report, is incorporated herein by reference. For an additional discussion of certain risks associated with legal proceedings, see “Risk Factors” immediately below.

Item 1A. *Risk Factors*

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other information contained in this Report and in our other filings with the SEC, including our 2014 Annual Report and subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on Broadcom, our business, financial condition, results of operations and/or liquidity could be seriously harmed. In that event, the market price for our Class A common stock will likely decline, and you may lose all or part of your investment.

Our quarterly operating results may fluctuate significantly.

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

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

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

We derive a substantial portion of our revenue from sales to a relatively small number of customers. Sales to our five largest customers represented 42.1%, and 45.5% of our total net revenue in the three months ended March 31, 2015 and 2014, respectively. Sales to two significant customers represented 26.9% and 30.2% of our total net revenue in the three months ended March 31, 2015 and 2014, respectively. We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. The loss of any significant customer could materially and adversely affect our financial condition and results of operations. Also, as our significant customers become larger relative to our business and the industry, they may be able to leverage pricing pressure through the supply chain, vertical integration or other avenues, thereby adversely affecting our gross margins. In addition, we may face onerous remedies to one or more of our largest customers if we fail to meet our supply commitments or otherwise fail to perform our contractual obligations.

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

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

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

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

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

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

During other periods, our growth has placed a significant strain on our management personnel, systems and resources. To respond to such periods of increased demand, we would need to expand, train, manage and motivate our workforce, and to upgrade or enhance our existing IT systems. For example, in response to prior periods of growth, we began upgrading our enterprise resource planning system and expect to continue to do so during 2015. We may not be successful in implementing new systems, including our new enterprise resource planning system, which could involve business disruptions, including impeding the shipment of our products, short-term impacts to working capital and cash flow, and potential increases to excess and obsolete inventory. If we are unable to effectively manage expanding operations during growth periods, we may be unable to adjust our business quickly enough to meet competitive challenges or exploit potential market opportunities.

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

We face intense competition.

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

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

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

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

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

We expect that a high percentage of our future sales will come from sales of new products. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions and sometimes short product life cycles. The markets for some of these products are new to us and may be immature and/or unpredictable. These markets may not develop into profitable opportunities and we have in the past invested substantial resources in emerging technologies that did not achieve the market acceptance or commercial success 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. Such costs increase with the advancement of technologies and manufacturing in smaller geometry processes, which can adversely affect our operating margin. The development of new silicon devices is highly complex, and due to supply chain cross-dependencies and other issues, we may experience delays in completing the development, production and introduction of our new products. We may choose to discontinue one or more products or product development programs to dedicate more resources to other products. The discontinuation of an existing or planned product may adversely affect our relationship with one or more of our customers and/or cause other negative consequences.

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

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

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

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

We 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 destinations outside the United States, primarily in Asia, represented 95.4% and 95.7% of our product revenue in the three months ended March 31, 2015 and 2014, respectively. Substantially all of our products are shipped through our logistical facilities in Singapore. An increasing portion of our product sales is made through distributors, which increases our exposure to the risks described below. In addition, we undertake various sales and marketing activities through regional offices in a number of countries. We intend to continue expanding our business activities outside the United States and to open other design and operational centers abroad.

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

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

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

Economic conditions in our primary markets, particularly in Asia, may negatively impact the demand for our products in those geographies. Also, all of our 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 foreign 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 business activities.

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

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

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

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

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, 2012 through March 31, 2015 our Class A common stock has traded at prices as low as $23.25 and as high as $46.31 per share. Fluctuations have occurred and may continue to occur in response to various factors, many of which we cannot control.

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

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

Our 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, the imposition of new or changed tax laws or regulations or new related interpretations by taxing authorities in the U.S. or foreign jurisdictions, or changes in our tax planning strategies could adversely affect our results of operations and could lead to volatility with respect to tax expenses and liabilities from period to period. 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.

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

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

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

We face risks associated with our acquisition strategy.

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

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

- lower revenue, gross margins and operating income than originally anticipated at the time of acquisition and other financial challenges;
- delays in the timing and successful integration of an acquired company’s technologies and/or launch of products;
- the loss of key personnel;
- challenges in obtaining necessary transition services; and
- becoming subject to intellectual property or other litigation.

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

We are subject to order and shipment uncertainties.

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

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

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

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

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

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

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

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

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

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

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

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

Government regulation may adversely affect our business.

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

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

Our product or manufacturing standards could also be impacted by new or revised environmental rules and regulations or other social initiatives. For instance, the SEC requires disclosures relating to the sourcing of certain minerals from the Democratic Republic of Congo and adjoining countries. Those rules, or similar rules that may be adopted in other jurisdictions, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

Our future ability to return capital to shareholders in the form of dividends or share repurchases may be impacted by the availability of U.S. cash.

Given that the majority of our cash is generated overseas, we may be limited in our ability to consistently increase or maintain the level of capital return in the form of dividends or share repurchases. In January 2010, our Board of Directors adopted a dividend policy pursuant to which Broadcom would pay quarterly dividends on our common stock. From 2011 through 2014 and again in 2015 our Board of Directors increased the quarterly dividend payment. We cannot provide assurance that we will continue to increase our dividend payment or declare dividends in any particular amounts or at all.

Our Board has also approved various share repurchase programs, including a program authorizing the repurchase of up to $1 billion in 2015.

Future dividends and the amount of share repurchases may be affected by, among other factors:

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

A reduction in our dividend payments or amount of shares repurchased could have a negative effect on our stock price.

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

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

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

As of March 31, 2015 our co-founders, directors, executive officers and their respective affiliates beneficially owned 8.7% of our outstanding common stock and held 47.3% of the total voting power held by our shareholders. As a result, the voting power of these shareholders may strongly influence the outcome of matters that require the approval of our shareholders, including the election of our Board of Directors and certain significant corporate transactions. In particular, as of March 31, 2015 our two founders, Dr. Henry T. Nicholas III and Dr. Henry Samueli, beneficially owned a total of 8.2% of our outstanding common stock and held 47.1% of the total voting power held by our shareholders. Because of their significant voting stock ownership, we may not be able to engage in certain transactions, and our shareholders may not be able to effect certain actions or transactions, without the approval of one or both of these shareholders. In addition, repurchases of shares of our Class A common stock under our share repurchase program would result in an increase in the total voting power of our co-founders, directors, executive officers and their affiliates, as well as other continuing shareholders.

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

In the three months ended March 31, 2015, we issued approximately 120,000 shares of Class A common stock upon conversion of a like number of shares of Class B common stock in connection with their disposition. Each share of Class B common stock is convertible at any time into one share of Class A common stock at the option of the holder. The offers and sales of those securities were effected without registration in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

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

In November 2014 our Board of Directors authorized an additional share repurchase program for the repurchase of such number of shares incremental to the number allowed under the evergreen program that would yield a total share repurchase for 2015 of up to $1 billion.

The following table presents details of our various repurchases during the three months ended March 31, 2015:

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares That May yet be Purchased under the Plans
	(In millions, except per share data)			
January 2015	—	$ —	—	
February 2015	5.0	44.56	5.0	
March 2015	3.0	43.81	3.0	
Total	8.0	$ 44.28	8.0	$—

Table of Contents

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

Item 3. *Defaults upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

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

Exhibit Number	Description
31.1	Certifications of the Chief Executive Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certifications of the Chief Financial Officer, as required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of the Chief Executive Officer and Chief Financial Officer, as required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and furnished herewith pursuant to SEC Release No. 33-8238
101. INS	XBRL Instance Document
101. SCH	XBRL Taxonomy Extension Schema Document
101. CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Taxonomy Extension Label Linkbase Document
101. PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

SIGNATURES

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

BROADCOM CORPORATION,
a California corporation
(Registrant)

/S/ ERIC K. BRANDT
Eric K. Brandt

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

/S/ CINDY A. FIORILLO

Cindy A. Fiorillo
Senior Vice President, Finance and Corporate Controller
(Principal Accounting Officer)

April 21, 2015