Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read the following discussion and analysis in conjunction with our Consolidated Financial Statements and related Notes thereto included in Part IV, Item 15 of this Report and the "Risk Factors" included in Part I, Item 1A of this Report, as well as other cautionary statements and risks described elsewhere in this Report, before deciding to purchase, hold or sell our common stock.

Overview

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

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

Operating Results for the Year Ended December 31, 2012

In 2012 our net income was $719 million as compared to net income of $927 million in 2011. The decrease in profitability was primarily related to (i) lower gross margins due to the amortization of purchased intangible assets and inventory valuation step-up from our acquisition of NetLogic Microsystems, Inc., or NetLogic, in February 2012, (ii) an increase in research and development expenses associated with the acquisitions of NetLogic and BroadLight Inc., or Broadlight and (iii) organic hiring, principally in research and development. In addition, we recorded varying charges related to settlement costs, impairment of certain purchased intangible assets, charitable contributions and non-recurring income tax benefits.

The consolidated financial statements include the results of operations of NetLogic commencing as of the acquisition date and are included in our Infrastructure and Networking reportable segment. In connection with this acquisition, our results of operations in 2012 included: (i) stock-based compensation of $89 million, of which $17 million related to the accelerated vesting of equity awards upon the termination of certain employees with change in control agreements, (ii) the amortization of purchased intangibles of $190 million, and (iii) the amortization of acquired inventory valuation step-up of $63 million.

Other highlights during 2012 include the following:

- Our cash and cash equivalents and marketable securities were $3.72 billion at December 31, 2012, compared with $5.21 billion at December 31, 2011. This significant decrease was primarily the result of our acquisitions of NetLogic and BroadLight. We generated cash flow from operations of $1.93 billion during 2012 as compared to $1.84 billion in 2011.
- In January 2012 our Board of Directors adopted an amendment to the existing dividend policy pursuant to which we increased our quarterly cash dividend by 11.1% to $0.10 per share ($0.40 per share on an annual basis) payable to holders of our common stock.
- In February 2012 we completed our acquisition of NetLogic, a publicly traded company that was a provider of high-performance intelligent semiconductor solutions for next generation networks. In connection with the acquisition, we paid $3.61 billion, exclusive of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of NetLogic. The purchase price was paid in cash, except for a portion attributable to certain equity awards which were paid in the form of Broadcom equity awards. The equity awards had a fair value of $349 million, of which $137 million was considered part of the purchase price, and the remaining $212 million was and will be recognized as stock-based compensation expense primarily over the nexttwo to three years from the acquisition date.
- In February 2012 we recorded a favorable adjustment to the provision for income taxes of $46 million relating to the reversal of our valuation allowance. This was directly related to the establishment of a deferred tax liability associated with the step-up of NetLogic acquired identifiable intangible assets allocated to jurisdictions in which the statutory tax rate is above zero.
- In March 2012 we recorded settlement costs of $86 million related to the settlement of patent infringement claims.
- In March 2012 we recorded purchased intangible impairment charges of $28 million primarily related to our acquisitions of Dune Networks, Inc. and Percello Ltd.

- In April 2012 we completed our acquisition of BroadLight, a privately held provider of networking and fiber access passive optical network processors. We paid $200 million, exclusive of cash assumed, to acquire all of the outstanding shares of capital stock and other equity rights of BroadLight. The consideration also included Broadcom restricted stock units issued in exchange for certain unvested employee stock options valued at $3 million. Additional consideration of up to $10 million in cash may be paid to the former holders of BroadLight capital stock and other rights upon satisfaction of certain future performance goals.
- In August 2012 we completed a private offering of $500 million aggregate principal amount of 2.500% Senior Notes due 2022.
- In September 2012 we recorded purchased intangible impairment charges of $48 million primarily related to our acquisition of Provigent, Inc.

See Note 12 of Notes to Consolidated Financial Statements for details of our quarterly financial data.

Our product revenue consists principally of sales of semiconductor devices and, to a lesser extent, software licenses and royalties, development, support and maintenance agreements, data services and cancellation fees. The majority of our product sales occur through the efforts of our direct sales force. The remaining balance of our product sales occurs through distributors. Our licensing revenue and income is generated from the licensing of our intellectual property, of which the vast majority to date has been derived from our agreement with Qualcomm. The income from the Qualcomm Agreement is non-recurring and will terminate in April 2013. There can be no assurances that we will be able to enter into similar arrangements of this magnitude in the future.

The following table details the amount of income from the Qualcomm Agreement that was recognized or is scheduled to be recognized from 2009 to 2013:

	Recognized				Scheduled to be Recognized		
	2009	2010	2011	2012	2013	Thereafter	Total
	(In millions)						
Income from Qualcomm Agreement	$ 171	$ 206	$ 207	$ 186	$ 86	$ —	$ 856

Product Cycles. The cycle for test, evaluation and adoption of our products by customers can range from three to more than nine months, with an additional three to more than twelve months before a customer commences volume production of equipment or devices incorporating our products. Due to this lengthy sales cycle, we may experience significant delays from the time we incur expenses for research and development, selling, general and administrative efforts, and investments in inventory, to the time we generate corresponding revenue, if any. The rate of new orders may vary significantly from month to month and quarter to quarter. If anticipated sales or shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our results of operations for that quarter, and potentially for future quarters, would be materially and adversely affected.

Acquisition Strategy. An element of our business strategy involves the acquisition of businesses, assets, products or technologies that allow us to reduce the time or costs required to develop new technologies and products and bring them to market, incorporate enhanced functionality into and complement our existing product offerings, augment our engineering workforce, and enhance our technological capabilities. Since our initial public offering in 1998, we have acquired over 50 companies. From 2010 through 2012, we made acquisitions totaling $4.53 billion in net cash consideration, of which $340 million, $391 million and $3.80 billion related to our Broadband Communications, Mobile and Wireless, and Infrastructure and Networking reportable segments, respectively. We plan to continue to evaluate strategic opportunities as they arise, including acquisitions and other business combination transactions, strategic relationships, capital infusions and the purchase or sale of assets.

The accompanying Consolidated Financial Statements include the results of operations of our acquired companies commencing on their respective acquisition dates. See Note 3 of Notes to Consolidated Financial Statements for additional information related to these acquisitions.

Business Enterprise Segments.

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

	Reportable Segments				
	Broadband Communications	Mobile and Wireless	Infrastructure and Networking	All Other	Consolidated
			(In millions)		
Year Ended December 31, 2012					
Net revenue	$ 2,156	$ 3,810	$ 1,853	$ 187	$ 8,006
Operating income (loss)	504	562	483	(873)	676
Year Ended December 31, 2011					
Net revenue	$ 2,039	$ 3,483	$ 1,659	$ 208	$ 7,389
Operating income (loss)	391	572	544	(554)	953
Year Ended December 31, 2010					
Net revenue	$ 2,134	$ 2,889	$ 1,588	$ 207	$ 6,818
Operating income (loss)	446	526	579	(469)	1,082

For additional information about our business enterprise segments and "All Other" category (including revenue and expense items reported under the "All Other" category), see further discussion in Note 11 of Notes to Consolidated Financial Statements.

Factors That May Impact Net Income

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

- our product mix and volume of product sales and corresponding gross margin (see further discussion below under "*Factors That May Impact Net Revenue*" and "*Factors That May Impact Product Gross Margin*");
- levels of research and development and other operating costs (organic or acquired);
- stock-based compensation expense;
- licensing and income from intellectual property;
- impairment of goodwill and other long-lived assets;
- deferral of revenue and costs under multiple-element arrangements;
- amortization of purchased intangible assets;
- settlement costs or gains;
- cash-based incentive compensation expense;
- litigation costs and insurance recoveries;
- changes in tax laws, adjustments to tax reserves and the results of income tax audits;
- the loss of interest income resulting from lower average interest rates and investment balance reductions resulting from expenditures on repurchases of our Class A common stock, dividends and acquisitions of businesses;
- restructuring costs;
- other-than-temporary impairment of marketable securities; and
- charitable contributions.

Critical Accounting Policies and Estimates

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

We believe the following are critical accounting policies that require us to make significant estimates, assumptions or judgments:

- *Net Revenue.* We recognize product revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) our price to the customer is fixed or determinable and (iv) collection of the resulting accounts receivable is reasonably assured. These criteria are usually met at the time of product shipment. However, we do not recognize revenue when any future performance obligations remain. Customer purchase orders and/or contracts are generally used to determine the existence of an arrangement. Shipping documents are used to verify product delivery. We assess whether a price is fixed or determinable based upon the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment. We assess the collectibility of our accounts receivable based primarily upon the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

  In arrangements that include a combination of semiconductor products and other elements, judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. We allocate the arrangement consideration based on each element's relative fair value using vendor-specific objective evidence, or VSOE, third-party evidence, or estimated selling prices, as the basis of fair value. Revenue is recognized for the accounting units when the basic revenue recognition criteria are met.

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

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

- *Income from the Qualcomm Agreement.* On April 26, 2009 we entered into a four-year Settlement and Patent License and Non-Assert Agreement, or the Qualcomm Agreement, with Qualcomm. The Qualcomm Agreement is a multiple element arrangement. We allocated the amount to be received under the Qualcomm Agreement amongst several elements. A gain from the settlement of litigation was immediately recognized and approximated the value of awards determined by the United States District Court for the Central District of California. The remaining consideration was predominantly associated with the transfer of current and future intellectual property rights, as well as the settlement of all other outstanding litigation, and is being recognized over the four year performance period as a single unit of accounting.

  The value associated with the transfer of intellectual property rights and other elements was treated as a single unit of accounting and, based on the predominant nature of these elements, recognized within net revenue over the contractual performance period of four years, beginning in 2009 and extending through April 2013. The elements included: (i) an exchange of intellectual property rights, including in certain circumstances, a series of covenants not to assert claims of patent infringement under future patents issued within one to four years of the execution date of the agreement, (ii) the assignment of certain existing patents by Broadcom to Qualcomm with Broadcom retaining a royalty-free license under these patents, and (iii) the settlement of all outstanding litigation and claims between us and Qualcomm.

  We consider the Qualcomm Agreement as predominantly related to the transfer of current and future intellectual property rights. This conclusion was based on (a) the amounts specifically awarded by the courts for the patents that were the subject of litigation for which appeals had been substantially exhausted and (b) the extensive nature of the rights transferred to Qualcomm, both for our existing patent portfolio and for the patents we would develop during the next one to four years. In addition, we obtained a third party valuation of the intellectual property rights. The inputs and assumptions we used in this valuation were from a market participant perspective and included projected revenue, royalty rates, estimated discount rates, useful lives and income tax rates, among others. The development of a number of these inputs and assumptions in our model requires a significant amount of management judgment and is based upon a number of factors including the selection of industry comparables, market growth rates and other relevant factors. Changes in any number of these assumptions would have substantially changed the fair value assigned to the intellectual property rights. These inputs and assumptions represent management's best estimates at the time of the transaction.

- *Sales Returns, Pricing Adjustments and Allowance for Doubtful Accounts.* We record reductions of revenue for estimated product returns and pricing adjustments, such as competitive pricing programs and rebates, in the same period that the related revenue is recorded. The amount of these reductions is based on historical sales returns, analysis of credit memo data, specific criteria included in rebate agreements, and other factors known at the time. We accrue 100% of potential rebates at the time of sale and do not apply a breakage factor. We reverse the accrual of unclaimed rebate amounts as specific rebate programs contractually end and when we believe unclaimed rebates are no longer subject to payment and will not be paid. Thus the reversal of unclaimed rebates may have a positive impact on our net revenue and net income in subsequent periods. Additional reductions of revenue would result if actual product returns or pricing adjustments exceed our estimates. We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of any customer were to deteriorate, resulting in an impairment of its ability to make payments, additional allowances could be required.

- *Inventory Write-Downs and Warranty Reserves.* We write down the carrying value of our inventory to net realizable value for estimated obsolescence or unmarketable inventory in an amount equal to the difference between the cost of inventory and its estimated realizable value based upon assumptions about future demand and market conditions. If actual demand and market conditions are less favorable than those projected by management, additional inventory write-downs could be required. Under the hubbing arrangements that we maintain with certain customers, we own inventory that is physically located in a customer's or third party's warehouse. As a result, our ability to effectively manage inventory levels may be impaired, which would cause our total inventory turns to decrease. In that event, our expenses associated with excess and obsolete inventory could increase and our cash flow could be negatively impacted. Our products typically carry a one to three year warranty. We establish reserves for estimated product warranty costs at the time revenue is recognized. Although we engage in extensive product quality programs and processes, our warranty obligation has been and may in the future be affected by product failure rates, product recalls, repair or field replacement costs and additional development costs incurred in correcting any product failure, as well as possible claims for consequential costs. Should actual product failure rates, use of materials or service delivery costs differ from our estimates, additional warranty reserves could be required. In that event, our product gross margins would be reduced.

- *Stock-Based Compensation Expense.* All share-based payments, including grants of stock options, restricted stock units and employee stock purchase rights, are recognized in our financial statements based upon their respective grant date fair values. The fair value of each employee stock option and employee stock purchase right is estimated on the date of grant using an option pricing model that meets certain requirements. We currently use the Black-Scholes option pricing model to estimate the fair value of our stock options and stock purchase rights. Although we utilize the Black-Scholes model, which meets established requirements, the fair values generated by the model may not be indicative of the actual fair values of our equity awards as it does not consider certain factors important to those awards to employees, such as continued employment and periodic vesting requirements as well as limited transferability. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We use the implied volatility for traded options on our stock as the expected volatility assumption required in the Black-Scholes model. Our selection of the implied volatility approach is based on the availability of data regarding actively traded options on our stock as we believe that implied volatility is more representative of fair value than historical volatility. The expected life of the stock options is based on historical and other economic data trended into the future. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected terms of our stock options and stock purchase rights. Prior to 2010, our dividend yield assumption excluded dividend payouts. In 2010 we began to pay quarterly dividends and included that assumption in our fair value calculations. The fair value of our restricted stock units is based on the closing market price of our Class A common stock on the date of grant less our expected dividend yield. We evaluate the assumptions used to value stock awards on a quarterly basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that we grant additional equity securities to employees or we assume unvested securities in connection with any acquisitions, our stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions.

- *Goodwill and Purchased Intangible Assets.* The value of our goodwill and purchased intangible assets could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) a significant slowdown in the worldwide economy or the semiconductor industry, (iv) any failure to meet the performance projections included in our forecasts of future operating results or (v) the abandonment of any of our acquired in-process research and development, or IPR&D, projects.

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the acquired net tangible and intangible assets. We evaluate goodwill by reporting unit on an annual basis in the fourth quarter or more frequently if we believe indicators of impairment exist. We have identified three reporting units consistent with our reporting segments identified in Note 11 of Notes to the Consolidated Financial Statements: (i) Broadband Communications, (ii) Mobile and Wireless, and (iii) Infrastructure and Networking. In 2011 we early adopted the new provisions issued by the Financial Accounting Standards Board, or FASB, that intended to simplify goodwill impairment testing. The updated guidance permits us to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting units is less than its carrying amount, we conduct a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair values of the applicable reporting units with their carrying values. We estimate the fair values of our reporting units using a combination of the income and market approach. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, we perform the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss.

In 2010 we performed the first step of the quantitative goodwill impairment assessment for each of our reporting units and determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value. In 2011 we made a qualitative assessment of whether goodwill impairment exists and determined that it was more likely than not that the fair value of our reporting units exceeded their carrying values. Therefore, we did not perform the quantitative two-step goodwill impairment test. In 2012 we performed the first step of the quantitative goodwill impairment assessment for each of our reporting units and determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value. As a result of our NetLogic acquisition in February 2012, we added $1.81 billion of additional goodwill, resulting in our Infrastructure and Networking reporting unit having an allocated goodwill balance of $2.49 billion at December 31, 2012. Based on our asset impairment testing and the increased balance of goodwill due to our acquisition of NetLogic and a number of other companies over the last several years, at December 31, 2012 we determined there was a risk of our Infrastructure and Networking reporting unit failing the first step of the goodwill impairment test in future periods. The level of excess fair value over carrying value for this reporting unit was approximately 19% as of October 1, 2012. For this reporting unit, declines in our stock price or our peers' stock price, relatively small declines in the future performance and cash flows of the reporting unit or small changes in other key assumptions, such as revenue growth rates and discount rates, may result in the recognition of significant impairment charges.

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

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

Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation. It is possible, however, that the plans may change and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges.

- *Deferred Taxes and Uncertain Tax Positions.* We utilize the asset and liability method of accounting for income taxes. We record a valuation allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. In assessing the need for a valuation allowance, we consider all positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our cumulative losses in the U.S. and certain foreign jurisdictions, our U.S. tax losses after tax deductions for stock-based compensation, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance against our net deferred tax assets is appropriate in the U.S. and certain foreign jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we record valuation allowances to reduce our net deferred tax assets to the amount we believe is more likely than not to be realized. In the future, if we realize a deferred tax asset that currently carries a valuation allowance, we may record a reduction of income tax expense in the period of such realization. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Income tax positions that previously failed to meet the more-likely-than-not threshold are recognized in the first subsequent financial reporting period in which that threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met. As a multinational corporation, we are subject to taxation in many jurisdictions, and the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in various taxing jurisdictions. If we ultimately determine that the payment of these liabilities will be unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine the liability no longer applies. Conversely, we record additional tax charges in a period in which we determine that a recorded tax liability is less than we expect the ultimate assessment to be. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws and regulations themselves are subject to change as a result of changes in fiscal policy, changes in legislation, the evolution of regulations and court rulings. Therefore, the actual liability for U.S. or foreign taxes may be materially different from our estimates, which could result in the need to record additional tax liabilities or potentially reverse previously recorded tax liabilities.

- *Litigation and Settlement Costs.* We are involved in disputes, litigation and other legal proceedings. We prosecute and defend these matters aggressively. However, there are many uncertainties associated with any litigation, and we cannot assure you that these actions or other third party claims against us will be resolved without costly litigation and/or substantial settlement costs. In addition, the resolution of intellectual property litigation may require us to pay damages for past alleged infringement or to obtain a license under the other party's intellectual property rights that could require one-time license fees or running royalties, which could adversely impact product gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees involved in such litigation may perform for Broadcom. If any of those events were to occur, our business, financial condition and results of operations could be materially and adversely affected.

  We account for settlement agreements as multiple element arrangements and allocate the consideration to the identifiable elements based on relative fair value. Generally the identifiable elements are (i) the licensing of intellectual property for future use and (ii) payments related to alleged prior infringement. We continually evaluate the uncertainties associated with litigation and record a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether a liability can be reasonably estimated. Accordingly, the outcomes of legal proceedings and/or our ability to settle disputes on terms acceptable to us are subject to significant uncertainty. Should we choose to pay significant sums in settling a dispute or should material legal matters be resolved against us, the operating results of a particular reporting period could be materially adversely affected. Given the complexity of evaluating the probability and range of potential litigation losses, and with appropriately allocating the consideration in multiple element arrangements relating to settlements of intellectual property litigation, we frequently use third-party valuation and law firms to assist us in this regard.

Results of Operations

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

	Year Ended December 31,		
	2012	2011	2010
Net revenue:			
Product revenue	97.4 %	96.9 %	96.7%
Income from Qualcomm Agreement	2.3	2.8	3.0
Licensing revenue	0.3	0.3	0.3
Total net revenue	100.0	100.0	100.0
Costs and expenses:			
Cost of product revenue	50.3	49.1	48.2
Research and development	29.0	26.8	25.9
Selling, general and administrative	8.7	9.2	8.5
Amortization of purchased intangible assets	1.4	0.4	0.4
Impairments of long-lived assets	1.1	1.2	0.3
Restructuring costs, net	0.1	0.2	—
Settlement costs (gains), net	1.0	(0.1)	0.8
Charitable contribution	—	0.3	—
Total operating costs and expenses	91.6	87.1	84.1
Income from operations	8.4	12.9	15.9
Interest income (expense), net	(0.4)	(0.1)	0.1
Other income, net	0.2	0.1	0.1
Income before income taxes	8.2	12.9	16.1
Provision for (benefit of) income taxes	(0.8)	0.4	0.2
Net income	9.0 %	12.5 %	15.9%

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

	Year Ended December 31,		
	2012	2011	2010
Product gross margin	48.3%	49.4%	50.2%
Total gross margin	49.7	50.9	51.8

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

	Year Ended December 31,		
	2012	2011	2010
Cost of product revenue	0.3%	0.3%	0.3%
Research and development	4.6	4.9	5.0
Selling, general and administrative	1.8	1.7	1.7

Net Revenue By Reportable Segments

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

	2012	2011	2010	2012 vs 2011 $ Change	2012 vs 2011 % Change	2011 vs 2010 $ Change	2011 vs 2010 % Change
	(In millions, except percentages)						
Broadband Communications	$ 2,156	$ 2,039	$ 2,134	$ 117	5.7 %	$ (95)	(4.5)%
Mobile and Wireless	3,810	3,483	2,889	327	9.4	594	20.6
Infrastructure and Networking	1,853	1,659	1,588	194	11.7	71	4.5
All other[(1)]	187	208	207	(21)	(10.1)	1	0.5
Total net revenue	$ 8,006	$ 7,389	$ 6,818	$ 617	8.4	$ 571	8.4

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

Broadband Communications. The increase in 2012 net revenue resulted primarily from an increase in sales of our broadband modems and set-top box, or STB, solutions of $196 million partially offset by a reduction in sales of our digital television and Blu-ray Disc products of $79 million. The decrease in 2011 net revenue resulted primarily from a decrease in sales of our digital television and Blu-ray Disc product lines of $71 million. Broadband modem and STB growth is generally driven by an increase in the number of global subscribers for broadband access and pay-TV services, as well as the adoption of faster modems and the roll-out of more highly integrated STB platforms by global service providers. For example, the STB market will be transitioning to UltraHD over the next several years. UltraHD roughly quadruples the resolution of traditional high definition broadcasts, providing a much richer customer experience, and requiring more highly-integrated SoC solutions in a STB. In broadband access, the market is transitioning to higher speed DOCSIS, PON and DSL. These transitions generally demand more advanced semiconductor content. The decrease in sales of our digital television and Blu-ray Disc products was the result of our decision to exit from those particular consumer electronic markets and reallocate funding to more attractive opportunities.

Mobile and Wireless. The increase in 2012 net revenue resulted primarily from an increase in sales of our cellular SoCs and wireless connectivity products of $304 million and other wireless technology products of $149 million, partially offset by a decrease in sales of our multimedia co-processors of $126 million. The increase in 2011 net revenue resulted primarily from an increase in sales of our wireless connectivity and cellular SoC solutions of $393 million, multimedia co-processors of $96 million and other wireless technology products of $105 million. Growth in our cellular SoCs and wireless connectivity businesses has been driven by increased demand for our 3G SoC solutions and higher-end end-devices which require Wi-Fi and Bluetooth connectivity. Growth is also driven by the ramp up of faster cellular modems, new connectivity technologies, and richer connectivity features. For example, we have transitioned our cellular SoC business from EDGE to 3G and now HSPA+ modem standards and from single-core integrated application processing to multi-core. In connectivity, we are seeing the transition from single-band to dual-band WiFi and to 802.11n to 802.11ac. We are also ramping new connectivity technologies, including near field communication (NFC). The multimedia co-processor business has declined due to the end of life of certain customer products and the integration of multi-media co-processor into our 3G SoC solutions.

Infrastructure and Networking. The increase in 2012 net revenue resulted primarily from sales of our communication processors of $270 million, partially offset by softness in sales of Ethernet switches, PHYs and controller products of $76 million. The increase in 2012 net revenue for our communication processors was the result of our acquisition of NetLogic in February 2012. The decrease in Ethernet switches, PHYs and controller products was primarily due to softness in service provider spending as compared to the corresponding periods in 2011. The increase in 2011 net revenue resulted primarily from an increase in sales of our Ethernet switches and PHYs of $83 million. Ethernet Switch and PHY growth is driven by increases in network traffic driven by the proliferation of mobile devices and an increase in hosted services and cloud computing. Growth is also driven by the ramp of increased networking speeds and new features, including deep packet inspection. For example, in the data center market, we have benefited from the ramp up of 10G networking in top-of-rack implementations. We have also benefited from meaningfully expanding the addressable market for our infrastructure and networking products. For example, the acquisition of NetLogic expanded the company into multi-core embedded processing and knowledge-based processing. The acquisition of Provigent expanded our infrastructure portfolio into microwave backhaul.

Concentration of Net Revenue

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

	Year Ended December 31,		
	2012	2011	2010
Samsung	17.3%	10.0%	10.0%
Apple	14.6	13.1	10.9
Five largest customers as a group	47.2	42.6	38.6

No other customer represented more than 10% of our annual net revenue in these years.

We expect that our largest customers will continue to account for a substantial portion of our total net revenue for the foreseeable future. Contributions to our net revenue by these customers have increased over the last several years. For additional information about geographical information of our net revenue, see further discussion in Note 11 of Notes to Consolidated Financial Statements.

Factors That May Impact Net Revenue

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

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

Rebates. We recorded rebates to certain customers of$727 million, or 9.1% of net revenue, $643 million, or 8.7% of net revenue and $526 million, or 7.7% of net revenue, in 2012, 2011 and 2010, respectively. The increase in rebates as a percent of net revenue was attributable to a change in the mix of sales to customers that participate in rebate programs, primarily in the Mobile and Wireless 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 $18 million, $13 million and $4 million, in 2012, 2011 and 2010, 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.

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

For these and other reasons, our total net revenue and results of operations for the year endedDecember 31, 2012 and prior periods may not necessarily be indicative of future net revenue and results of operations.

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

	2012	2011	2010	2012 vs 2011 $ Change	2012 vs 2011 % Change	2011 vs 2010 $ Change	2011 vs 2010 % Change
	(In millions, except percentages)						
Product revenue	$ 7,793	$ 7,159	$ 6,589	$ 634	8.9 %	$ 570	8.7%
Income from Qualcomm Agreement	186	207	206	(21)	(10.1)	1	0.5
Licensing revenue	27	23	23	4	17.4	—	—
Total net revenue	$ 8,006	$ 7,389	$ 6,818	$ 617	8.4	$ 571	8.4
Cost of product revenue	$ 4,027	$ 3,626	$ 3,284	$ 401	11.1	$ 342	10.4
Product gross margin	48.3%	49.4%	50.2%				
Total gross margin	49.7%	50.9%	51.8%				

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

Product gross margin in 2012 decreased to 48.3% primarily because of increases in amortization of purchased intangibles and inventory valuation step-up of $144 million and $48 million, respectively, offset in part by revenue generated by our acquisition of NetLogic (which business generally has higher product gross margins), and increases in cancellation fees received of $11 million. The increase in the amortization of purchased intangibles and inventory valuation step-up were primarily the result of our acquisitions of NetLogic and BroadLight. Product gross margin in 2011 decreased to 49.4% primarily as a result of (i) an increase in amortization of purchased intangibles and inventory valuation step-up of $23 million and $14 million, respectively, primarily due to our acquisitions completed in 2011, and (ii) a shift in the mix of our product revenues, with more revenues attributable to Mobile and Wireless products, which generally have lower gross margins. Product gross margin also includes $27 million and $8 million of licensing costs related to NPEs in 2012 and 2011, respectively.

Factors That May Impact Product Gross Margin

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

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

- amortization of acquired inventory valuation step-up.

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

Research and Development Expense

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

The following table presents details of research and development expense:

				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Salaries and benefits	$ 1,293	$ 1,096	$ 929	$ 197	18.0%	$ 167	18.0%
Stock-based compensation	368	363	342	5	1.4	21	6.1
Development and design costs	351	278	274	73	26.3	4	1.5
Other	306	246	218	60	24.4	28	12.8
Research and development	$ 2,318	$ 1,983	$ 1,763	$ 335	16.9%	$ 220	12.5%

The increase in 2012 salaries and benefits was primarily attributable to an increase in headcount of approximately1,450 personnel, bringing headcount to over 8,700 at December 31, 2012, which represents a 20.0% increase from our December 31, 2011 levels. Approximately 40% of the increase in headcount was the result of our acquisitions of NetLogic and BroadLight. See below for discussion of stock-based compensation. Development and design costs increased in 2012 due to increases in prototyping costs, engineering design tool expenses and licensing fees. The increase in 2011 salaries and benefits and stock-based compensation were primarily attributable to an increase in headcount of approximately 450 personnel, bringing headcount to approximately 7,250 at December 31, 2011, which represents a 6.6% increase from our December 31, 2010 levels. Development and design costs vary from period to period depending on the timing development and tape-out of various products. As we transition to 40 nanometers and 28 nanometers products, tape-out costs could increase. The increase in the *Other* line item in the above table is primarily attributable to an increase in depreciation and facility expenses.

We remain committed to significant research and development efforts to extend our technology leadership in the wired and wireless communications markets in which we operate. We expect research and development costs to increase as a result of growth in, and the diversification of, the markets we serve, new product opportunities, the number of design wins that go into production, changes in our compensation policies, and any expansion into new markets and technologies, including acquisitions. Approximately 60% of our products are currently manufactured in 65 nanometers (with an increasing number of products being manufactured in 40 nanometers). We are designing most new products in 40 nanometers, 28 nanometers and 20 nanometers and are beginning to evaluate FinFET technologies. We currently hold more than 7,800 U.S. and more than 3,100 foreign patents and more than 7,700 additional U.S. and foreign pending patent applications. We maintain an active program of filing for and acquiring additional U.S. and foreign patents in wired and wireless communications and other fields.

Selling, General and Administrative Expense

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

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

				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Salaries and benefits	$ 344	$ 293	$ 240	$ 51	17.4 %	$ 53	22.1%
Stock-based compensation	148	126	119	22	17.5	7	5.9
Legal and accounting fees	84	149	140	(65)	(43.6)	9	6.4
Other	120	114	90	6	5.3	24	26.7
Selling, general and administrative	$ 696	$ 682	$ 589	$ 14	2.1 %	$ 93	15.8%

The increase in 2012 salaries and benefits was primarily attributable to an increase in headcount of approximately150 personnel, bringing headcount to over 1,900 at December 31, 2012, which represents a 8.6% increase from our December 31, 2011 levels. Approximately 90% of the increase in headcount was the result of our acquisitions of NetLogic and BroadLight. See below for discussion of stock-based compensation. The decreases in 2012 legal and accounting fees was primarily driven by the conclusion of several outstanding legal matters, including the settlement of a shareholder derivative action in the three months ended June 30, 2011 and certain patent infringement claims. The increase in 2011 salaries and benefits and stock-based compensation were primarily attributable to an increase in headcount of approximately 140 personnel, bringing headcount to approximately 1,750 at December 31, 2011, which represents an 8.9% increase from our December 31, 2010 levels. The increase in 2011 legal and accounting fees primarily related to legal fees associated with the settlement of a federal consolidated shareholder derivative action, which included a final $25 million payment to the plaintiffs' counsel for attorneys' fees, expenses and costs. Legal fees consist primarily of attorneys' fees and expenses related to our outstanding intellectual property and prior years' securities litigation, patent prosecution and filings and various other transactions. Legal fees fluctuate from period to period due to the nature, scope, timing and costs of the matters in litigation. See Note 9 of Notes to the Consolidated Financial Statements for further information. The increase in the *Other* line item in the above table is primarily attributable to an increase in travel and facilities expense.

Stock-Based Compensation Expense

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

				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Cost of product revenue	$ 27	$ 24	$ 23	$ 3	12.5%	$ 1	4.3%
Research and development	368	363	342	5	1.4	21	6.1
Selling, general and administrative	148	126	119	22	17.5	7	5.9
	$ 543	$ 513	$ 484	$ 30	5.8%	$ 29	6.0%

In 2012 we (i) granted equity awards with a fair value of$453 million, primarily related to our regular annual equity compensation review program, which will be expensed over the next four years, and (ii) assumed NetLogic and BroadLight equity awards with a fair value of $215 million, which will be expensed primarily over the next two to three years.

The following table presents details of unearned stock-based compensation currently estimated to be expensed in2013 through 2017 related to unvested share-based payment awards:

	2013	2014	2015	2016	2017	Total
	(In millions)					
Unearned stock-based compensation	$ 434	$ 272	$ 133	$ 24	$ 1	$ 864

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

It is our long-term objective that total stock-based compensation approximates 5% of total net revenue. See Note 8 of Notes to Consolidated Financial Statements for a discussion of activity related to share-based awards.

Amortization of Purchased Intangible Assets

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

				2012 vs 2011		2011 vs 2010	
	2012	2011	2010	$ Change	% Change	$ Change	% Change
	(In millions, except percentages)						
Cost of product revenue	$ 198	$ 54	$ 31	$ 144	266.7%	$ 23	74.2%
Other operating expenses	113	30	28	83	276.7	2	7.1
	$ 311	$ 84	$ 59	$ 227	270.2	$ 25	42.4

In 2012 we recorded purchased intangible assets of $1.78 billion primarily related to our acquisitions of NetLogic and BroadLight. The increase in 2012 amortization of purchased intangible assets primarily related to our acquisitions of NetLogic and BroadLight in 2012 and Provigent in 2011. The increase in amortization of purchased intangible assets in 2011 was primarily related to our acquisitions of Beceem Communications, Inc., or Beceem, in late 2010 and Provigent in 2011.

The following table presents details of the amortization of existing purchased intangible assets (including IPR&D), which is currently estimated to be expensed in 2013 and thereafter:

	Purchased Intangible Asset Amortization by Year						
	2013	2014	2015	2016	2017	Thereafter	Total
	(In millions)						
Cost of product revenue	$ 174	$ 221	$ 218	$ 200	$ 188	$ 615	$ 1,616
Other operating expenses	57	64	32	9	3	5	170
	$ 231	$ 285	$ 250	$ 209	$ 191	$ 620	$ 1,786

We amortize our intangible assets with definitive lives over periods ranging fromone to fourteen years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used. In addition, based on our current assumptions, IPR&D assets will be reclassified to development technology through 2016 and amortized over their estimated useful lives. If we acquire additional purchased intangible assets in the future, our cost of product revenue or operating expenses will be increased by the amortization of those assets.

In-Process Research and Development

In 2012 we capitalized IPR&D of $267 million related to our acquisition of NetLogic. In2011 and 2010 we capitalized IPR&D of $45 million and $55 million, respectively, for various acquisitions. For a description of our valuation techniques and significant assumptions underlying the valuation of the ongoing development projects that were in process at the date of acquisition and were capitalized as IPR&D, see the discussion in Note 3 of Notes to the Consolidated Financial Statements. In addition, in 2012, 2011 and 2010 we reclassified $1 million, $3 million and $51 million, respectively, of IPR&D costs to developed technology, primarily related to our acquisition of Dune Networks, which will now be amortized to cost of product revenue.

Impairment of Goodwill and Other Long-Lived Assets

We performed annual impairment assessments of the carrying value of goodwill in October 2012,2011 and 2010. Upon completion of these assessments, we determined no impairment was indicated as the estimated fair value of each of the reporting units exceeded its respective carrying value.

In 2012 we recorded a purchased intangible impairment charge of $49 million related to our 2011 acquisition of Provigent included in our Infrastructure and Networking reportable segment and other impairment charges of $38 million related to six other acquisitions. The primary factor contributing to Provigent impairment charge was the reduction of forecasted cash flows related to certain legacy microwave technology products. The primary factor contributing to the other impairment charges was the reduction in the revenue outlook for certain products and the resulting decrease to the estimated cash flows identified with the impaired assets. Additionally, we recorded an impairment charge of $3 million related to certain computer software and equipment in June 2012.

In 2011 we recorded a purchased intangible impairment charge of $74 million related to our 2010 acquisition of Beceem, included in our Mobile and Wireless reportable segment, and other impairment charges of $18 million. The primary factor contributing to the Beceem impairment charge was the continued reduction in the forecasted cash flows derived from the acquired WiMAX products as wireless service providers have accelerated their adoption of Long Term Evolution, or LTE, products.

In 2010 we recorded an impairment charge of $19 million, primarily related to a technology license that was acquired in 2008 from Sunext Design, Inc. The primary factor contributing to this impairment charge was the continued reduction in our revenue outlook for our Blu-ray product line, which were ultimately discontinued, and the related decrease to the estimated cash flows identified with the impaired assets.

For the carrying balances of our goodwill by reporting segment and a description of our valuation techniques and significant assumptions as well as details of our other long-lived assets and related impairment charges taken, see the discussions in Notes 2 and 10 of Notes to the Consolidated Financial Statements.

Settlement Costs (Gains)

In 2012 we recorded net settlement costs of $79 million, which was comprised of $88 million of settlement costs related to patent infringement claims, offset by settlement gains of $9 million (primarily related to the resolution of certain employment tax matters). In 2011 we recorded net settlement gains of $18 million, which was comprised of $55 million of settlement gains (primarily related to the settlement of a shareholder derivative action), offset by settlement costs of $37 million (related to the settlement of patent infringement claims). Upon the occurrence of certain events, we may be required to record additional settlement costs of up to $20 million related to a patent infringement case that settled in 2011. In 2010 we recorded settlement costs of $53 million primarily related to licensing and settlement agreements and certain employment tax items. For a further discussion of our settlement costs and litigation matters, see Note 9 of Notes to the Consolidated Financial Statements.

Restructuring Costs

As part of our regular portfolio management review process and in light of our decision to significantly reduce our investment in our digital television and Blu-ray Disc product lines within our Broadband Communications operating segment, in September 2011 we implemented a restructuring plan to reduce our worldwide headcount by approximately 300 employees. In connection with this plan, in 2011 we recorded $16 million in net restructuring costs, of which $12 million was related to severance and other charges associated with our reduction in workforce across multiple locations and functions, and $4 million was related to the closure of three of our facilities. We do not expect any net cost savings from this restructuring plan as we plan to reallocate funding to higher return opportunities. In 2012 we incurred $7 million in restructuring costs primarily associated with additional costs for retention bonuses and facilities relating to the restructuring plan noted above, and severance and facility charges associated with synergies identified during the integration of our acquisition of NetLogic. These restructuring plans were completed in 2012.

Charitable Contribution

In April 2009 we established the Broadcom Foundation, or the Foundation, to support science, technology, engineering and mathematics programs, as well as a broad range of community services. In June 2011 we contributed an additional $25 million to the Foundation. Approximately $2 million of the $25 million contribution came from Dr. Henry Samueli, our Chief Technical Officer and Chairman of the Board of Directors, who made such payment to Broadcom in connection with the settlement of a shareholder derivative action as further described in Note 9 of Notes to the Consolidated Financial Statements. This payment was recorded as an operating expense in consolidated statement of income in 2011.

Interest and Other Income (Expense), Net

The following table presents interest and other income, net:

	2012	2011	2010	2012 vs 2011 $ Change	2011 vs 2010 $ Change
			(In millions)		
Interest income (expense), net	$ (30)	$ (5)	$ 9	$ (25)	$ (14)
Other income, net	10	8	7	2	1
	$ (20)	$ 3	$ 16	$ (23)	$ (13)

Interest income (expense), net, reflects interest expense on our senior unsecured notes totaling$1.70 billion, offset by interest income earned on cash, cash equivalents and marketable securities balances. Other income, net, primarily includes gains and losses on foreign currency transactions, asset disposals and strategic investments.

The increases in interest expense from 2010 through 2012 was driven primarily by interest expense related to our senior unsecured notes of $700 million issued in November 2010, $500 million issued in November 2011, and $500 million issued in August 2012.

Provision for (Benefit of) Income Taxes

The federal statutory rate was 35% for2012, 2011 and 2010. Our effective tax rates were (9.6%), 3.0% and 1.4% for 2012, 2011 and 2010, respectively. The differences between our effective tax rates and the federal statutory tax rate, primarily relate to foreign earnings taxed at substantially lower rates than the federal statutory rate due principally to our tax holiday in Singapore and domestic tax losses recorded without tax benefits. During 2012, we recorded tax benefits resulting from the reduction of certain foreign deferred tax liabilities of $12 million and tax benefits resulting from reductions in our U.S. valuation allowance on certain deferred tax assets due to recording net deferred tax liabilities for identifiable intangible assets under purchasing accounting of $51 million for our acquisitions of NetLogic and BroadLight. We realized tax benefits resulting from the reversal of certain prior period tax accruals of $13 million and $9 million in 2012 and 2011, respectively. These reversals resulted primarily from the expiration of the statutes of limitation for the assessment of taxes related to certain foreign subsidiaries. We recorded a tax provision of $13 million in 2011 resulting from legislation enacted in Israel on December 5, 2011, which increased tax rates for 2012 and later years applicable to our Israel net deferred tax liabilities, principally related to purchased intangible assets.

We utilize the asset and liability method of accounting for income taxes. We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial performance. Forming a conclusion that a valuation allowance is not required is difficult when there is negative evidence such as cumulative losses in recent years. As a result of our recent cumulative tax losses in the U.S. and certain foreign jurisdictions, and the full utilization of our loss carryback opportunities, we have concluded that a full valuation allowance should be recorded in such jurisdictions. In certain other foreign jurisdictions where we do not have cumulative losses, we had net deferred tax liabilities of $29 million and $62 million at December 31, 2012 and December 31, 2011, respectively.

We operate under tax holidays in Singapore, which are effective through March 2014. The tax holidays are conditional upon our meeting certain employment and investment thresholds. The impact of the Singapore tax holidays decreased Singapore taxes by $399 million, $368 million and $330 million for 2012, 2011 and 2010, respectively. The benefit of the tax holidays on net income per share (diluted) was $0.69, $0.65 and $0.61 for 2012, 2011 and 2010, respectively. We are in discussions with the Singapore Economic Development Board with respect to tax incentives for periods after March 31, 2014.

Subsequent Events

In January 2013 our Board of Directors adopted an amendment to our existing dividend policy pursuant to which we intend to increase the quarterly cash dividend by 10% to $0.11 per share ($0.44 per share on an annual basis) and declared a quarterly cash dividend of $0.11 per share payable to holders of our common stock.

Liquidity and Capital Resources

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

	December 31,		
	2012	2011	$ Change
	(In millions)		
Working capital	$ 2,099	$ 4,653	$ (2,554)
Cash and cash equivalents	$ 1,617	$ 4,146	(2,529)
Short-term marketable securities	757	383	374
Long-term marketable securities	1,348	676	672
Total cash and cash equivalents and marketable securities	$ 3,722	$ 5,205	$ (1,483)

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 7A. *Quantitative and Qualitative Disclosures about Market Risk.*

Cash Provided and Used in 2012 and 2011

Cash and cash equivalents decreased to $1.62 billion at December 31, 2012 from $4.15 billion at December 31, 2011 as a result of cash used to fund our acquisitions of NetLogic and BroadLight, our quarterly dividend payments and net purchases of marketable securities and purchases of property and equipment, offset by cash provided by operating activities and proceeds from the issuance of long-term debt.

	Year Ended December 31,		
	2012	2011	2010
	(In millions)		
Net cash provided by operating activities	$ 1,931	$ 1,838	$ 1,371
Net cash provided by (used in) investing activities	(4,796)	863	(2,179)
Net cash provided by (used in) financing activities	336	(177)	1,033
Increase (decrease) in cash and cash equivalents	(2,529)	2,524	225
Cash and cash equivalents at beginning of period	4,146	1,622	1,397
Cash and cash equivalents at end of period	$ 1,617	$ 4,146	$ 1,622

Operating Activities

In 2012 our operating activities provided $1.93 billion in cash. This was primarily the result of net income of $719 million, net non-cash operating expenses of $1.06 billion and changes in operating assets and liabilities of $152 million. In 2011 our operating activities provided $1.84 billion in cash. This was primarily the result of net income of $927 million, net non-cash operating expenses of $782 million and changes in operating assets and liabilities of $129 million. In 2010 our operating activities provided $1.37 billion in cash. This was primarily the result of net income of $1.08 billion and net non-cash operating expenses of $638 million, offset in part by changes in operating assets and liabilities of $349 million, which includes our $161 million payment of previously accrued securities litigation settlement costs.

Our days sales outstanding decreased from 34 days at December 31, 2011 to 32 days at December 31, 2012 due to revenue linearity (meaning a percentage of sales occurring in the final month of the quarter) and the increase in total net revenue as compared to the three months ended December 31, 2011. We typically bill customers on an open account basis subject to our standard net thirty day payment terms. If, in the longer term, our revenue increases, it is likely that our accounts receivable balance will also increase. Our accounts receivable could also increase if customers delay their payments or if we grant extended payment terms to customers, both of which are more likely to occur during challenging economic times when our customers may have difficulty gaining access to sufficient credit on a timely basis.

Our inventory days on hand increased from 43 days at December 31, 2011 to 47 days at December 31, 2012. 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 $4.80 billion in cash in 2012, which was primarily the result of $3.58 billion in net cash paid for our acquisitions, primarily NetLogic and BroadLight, $244 million of capital equipment purchases to support our research and development efforts and $997 million in net purchases from sales and maturities of marketable securities, offset in part by $27 million of proceeds from the sale of strategic investments. Investing activities provided $863 million in cash in 2011, which was primarily the result of $1.38 billion in net proceeds from sales and maturities of marketable securities, offset in part by $347 million in net cash paid for our acquisitions of Provigent and SC Square Ltd. and $163 million of capital equipment purchases to support our research and development efforts.

Investing activities used $2.18 billion in cash in 2010, which was primarily the result of $1.47 billion in net purchases of marketable securities, $599 million in net cash paid primarily for the acquisitions of Teknovus, Inc., Innovision Research & Technology PLC, Percello, Beceem and Gigle Networks, Inc., and $109 million of capital equipment purchases, mostly to support our research and development efforts.

Financing Activities

Our financing activities provided $336 million in cash in 2012, which was primarily the result of the net proceeds from the issuance of long-term debt of $492 million and $311 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan, offset in part by the payment of contingent consideration and debt assumed from our recent acquisitions of $57 million, dividends paid of $224 million, repurchases of our Class A common stock of $33 million and $153 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units. Our financing activities used $177 million in cash in 2011, which was primarily the result of $670 million in repurchases of shares of our Class A common stock, dividends paid of $194 million, and $155 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units, offset in part by $494 million in proceeds from the issuance of long-term debt and $348 million in proceeds received from issuances of common stock upon the exercise of stock options and pursuant to our employee stock purchase plan.

Our financing activities provided $1.03 billion in cash in 2010, which was primarily the result of net proceeds of $936 million in proceeds received from issuances of common stock upon exercise of stock options and pursuant to our employee stock purchase plan and $691 million in proceeds from the issuance of our long-term debt, offset in part by $280 million in repurchases of shares of our Class A common stock, dividends paid of $164 million, repayment of debt assumed in our Teknovus acquisition of $14 million, and $136 million in minimum tax withholding paid on behalf of employees for shares issued pursuant to restricted stock units.

The timing and number of stock option exercises and employee stock purchases and the amount of cash proceeds we receive from these equity awards are not within our control. As it is now our general practice to issue 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 December 31, 2012, we had the following resources available to obtain short-term or long-term financings if we need additional liquidity:

Registration Statements

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

Credit Facility

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

The credit facility contains customary representations, warranties and covenants. Financial covenants require us to maintain a consolidated leverage ratio of no more than 3.25 to 1.00 and a consolidated interest coverage ratio of no less than 3.00 to 1.00. We were in compliance with all debt covenants as of December 31, 2012.

Senior Notes

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

	December 31, 2012	December 31, 2011	$ Change
	(In millions)		
1.500% fixed-rate notes, due 2013	$ 300	$ 300	$ —
2.375% fixed-rate notes, due 2015	400	400	—
2.700% fixed-rate notes, due 2018	500	500	—
2.500% fixed-rate notes, due 2022	500	—	500
	$ 1,700	$ 1,200	$ 500
Unaccreted discount	(7)	(4)	(3)
Less current portion of long-term debt	(300)	—	(300)
	$ 1,393	$ 1,196	$ 197

In August 2012 we issued senior unsecured notes in an aggregate principal amount of$500 million which mature in August 2022 and bear interest at a fixed rate of 2.500% per annum, or the 2022 Notes. Interest is payable in cash semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2013. Proceeds from the issuance of the 2022 notes will be utilized for general corporate purposes, which may include repayment of Broadcom's 1.500% Senior Notes due in November 2013.

In connection with the 2022 Notes, we entered into a registration rights agreement pursuant to which we agreed to use our reasonable commercial efforts to file with the SEC an exchange offer registration statement to issue registered notes with substantially identical terms as the 2022 Notes in exchange for any outstanding 2022 Notes, or, under certain circumstances, a shelf registration statement to register the 2022 Notes. We agreed to use our commercially reasonable efforts to consummate the exchange offer on or prior to 365 days after the closing of the 2022 Notes offering. If we are required to file a shelf registration statement because one or more conditions set forth in the registration rights agreement is satisfied, we will be required to use our commercially reasonable efforts to cause such registration statement to be declared effective by the SEC on or prior to 365 days after the date we become obligated to file the shelf registration statement. If we are unable to timely complete our registration obligation, we will be subject to interest penalties.

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

In November 2010 we issued senior unsecured notes in an aggregate principal amount of $700 million. These notes consist of $300 million aggregate principal amount which mature in November 2013, or the 2013 Notes, and bear interest at a fixed rate of 1.500% per annum, and $400 million aggregate principal amount which mature in November 2015, or the 2015 Notes, and bear interest at a fixed rate of 2.375% per annum. Proceeds from the issuance of the 2013 Notes and the 2015 Notes were utilized for general corporate purposes.

Our senior unsecured notes described above contain a number of restrictive covenants, including, but not limited to, restrictions on our ability to grant liens on assets; enter into sale and lease-back transactions; or merge, consolidate or sell assets. Failure to comply with these covenants, or any other event of default, could result in acceleration of the principal amount and accrued and unpaid interest on the Notes. We were in compliance with all debt covenants as of December 31, 2012.

Other Notes and Borrowings

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

Commitments and Other Contractual Obligations

The following table presents details of our commitments and other contractual obligations, which are currently estimated to be paid in2013 and thereafter:

	Payment Obligations by Year						
	2013	2014	2015	2016	2017	Thereafter	Total
	(In millions)						
Operating leases	$ 144	$ 109	$ 85	$ 77	$ 55	$ 81	$ 551
Inventory and related purchase obligations	609	—	—	—	—	—	609
Other obligations	196	78	36	23	3	—	336
Long-term debt and related interest	340	35	436	26	26	1,076	1,939
	$ 1,289	$ 222	$ 557	$ 126	$ 84	$ 1,157	$ 3,435

We lease our facilities and certain engineering design tools and information systems equipment under operating lease agreements. Our leased facilities comprise an aggregate of 3.9 million square feet. Our principal facilities in Irvine have lease terms that expire at various dates through 2017 with an aggregate rent of $110 million (included in the table above).

Inventory and related purchase obligations represent purchase commitments for silicon wafers and assembly and test services. We depend upon third party subcontractors to manufacture our silicon wafers and provide assembly and test services. Due to lengthy subcontractor lead times, we must order these materials and services from subcontractors well in advance. We expect to receive and pay for these materials and services within the ensuing six months. Our subcontractor relationships typically allow for the cancellation of outstanding purchase orders, but require payment of all expenses incurred through the date of cancellation.

Other obligations represent purchase commitments for lab test equipment, computer hardware, information systems infrastructure, mask and prototyping costs, intellectual property licensing arrangements and other commitments made in the ordinary course of business.

For purposes of the table above, obligations for the purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based on current manufacturing needs and are typically fulfilled by our vendors within a relatively short time horizon. We have additional purchase orders (not included in the table above) that represent authorizations to purchase rather than binding agreements. We do not have significant agreements for the purchase of inventories or other goods specifying minimum quantities or set prices that exceed our expected requirements.

Unrecognized tax benefits were $331 million, of which $49 million would result in potential cash payment of taxes and $282 million would result in a reduction in net operating loss and tax credit carryforwards. We are not including any amount related to uncertain tax positions in the table presented above because of the difficulty in making reasonably reliable estimates of the timing of settlements with the respective taxing authorities. In addition to the unrecognized tax benefits, we have also recorded a liability for potential tax penalties and interest of $31 million and $5 million, respectively, at December 31, 2012.

Prospective Capital Needs

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

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

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

As of December 31, 2012 we have approximately $1.61 billion of cash, cash equivalents, and marketable securities held by our foreign subsidiaries. Any potential additional income, which could result if we were to repatriate our remaining foreign cash, cash equivalents and marketable securities would be offset by existing net operating loss and research and development tax credit carryforwards and should not have a material effect on our tax liabilities. Our net operating loss and research and development tax credit carryforwards are currently subject to a full valuation allowance.

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

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

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

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

Off-Balance Sheet Arrangements

At December 31, 2012 we had no material off-balance sheet arrangements, other than our facility operating leases.

Item 7A. 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 December 31, 2012, a 100 basis point increase in interest rates across all maturities would result in a $23 million incremental decline in the fair market value of the portfolio. As of December 31, 2011, a similar 100 basis point increase in interest rates across all maturities would also result in a $9 million incremental decline in the fair market value of the portfolio. Such losses would only be realized if we sold the investments prior to maturity.

Actual future gains and losses associated with our investments may differ from the sensitivity analysis performed as of December 31, 2012 due to the inherent limitations associated with predicting the changes in the timing and level of interest rates and our actual exposures and positions.

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

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