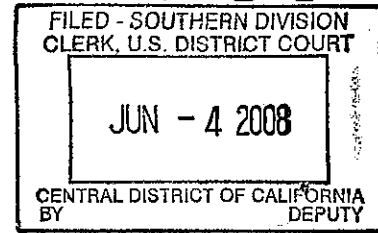


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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

October 2007 Grand Jury

12 UNITED STATES OF AMERICA, )  
13 Plaintiff, )  
14 v. )  
15 HENRY T. NICHOLAS, III, and )  
16 WILLIAM J. RUEHLE, )  
17 Defendants. )

SA CR 08 - 00139

I N D I C T M E N T

[18 U.S.C. § 371: Conspiracy;  
18 U.S.C. § 1348: Securities  
Fraud; 18 U.S.C. § 1350(c)(1):  
False Certification of Financial  
Reports; 15 U.S.C. §§ 78m(a)(2),  
78ff, and 17 C.F.R. §§ 240.12b-  
20, 240.13a-13: False Statements  
in Reports Filed with the SEC;  
15 U.S.C. §§ 78m(b)(2)(B), 78ff  
and 17 C.F.R. § 240.13b2-2:  
Lying to Accountants; 15 U.S.C.  
§§ 78m(b)(2)(A), 78m(b)(5),  
78ff, and 17 C.F.R. § 240.13b2-  
1: Falsification of Corporate  
Books and Records; 18 U.S.C.  
§§ 1341, 1343, 1346: Honest  
Services Mail and Wire Fraud;  
and 18 U.S.C. § 2: Aiding and  
Abetting and Causing an Act To  
Be Done]

UNDER SEAL

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1 The Grand Jury charges:

2 COUNT ONE

3 [18 U.S.C. § 371]

4 [Conspiracy]

5 I. INTRODUCTION AND OVERVIEW

6 A. Defendants and Co-conspirators

7 1. At all times relevant to this Indictment, Broadcom  
8 Corporation ("Broadcom") was a corporation organized under the laws  
9 of the State of California and headquartered in Irvine, California,  
10 within the Central District of California. Broadcom's common stock  
11 was listed on the NASDAQ National Market under the symbol "BRCM."

12 2. Defendant DR. HENRY T. NICHOLAS, III, ("NICHOLAS") was  
13 Broadcom's co-founder. Beginning in or before 1998 and continuing  
14 until he left the company in January 2003, NICHOLAS was Broadcom's  
15 Chief Executive Officer ("CEO"). Beginning in or before 1998 and  
16 continuing until in or around May 2003, NICHOLAS was co-chairman of  
17 the board of directors at Broadcom. While he was Broadcom's CEO,  
18 NICHOLAS was a corporate officer governed by Section 16 of the  
19 Securities Exchange Act of 1934 (a "Section 16 officer").

20 3. At all times relevant to this Indictment, defendant  
21 WILLIAM J. RUEHLE ("RUEHLE") was Broadcom's Chief Financial Officer  
22 ("CFO"), Assistant Corporate Secretary, and a Section 16 officer.

23 4. At all times relevant to this Indictment, unindicted co-  
24 conspirator H.S. was Broadcom's co-founder, Chief Technical Officer,  
25 and a Section 16 officer. H.S. was co-chairman of Broadcom's board  
26 of directors beginning in or before 1998 and continuing to in or  
27 around May 2003, when he became the sole chairman of the board.

1           5.    At all times relevant to this Indictment, co-conspirator  
2 Nancy Tullos ("Tullos") was Broadcom's Vice-President of Human  
3 Resources.

4           6.    As Section 16 officers and, in the case of NICHOLAS, a  
5 member of the board of directors, defendants NICHOLAS and RUEHLE  
6 occupied positions of trust and confidence at Broadcom and owed a  
7 duty to provide honest services to Broadcom and all of its  
8 shareholders. This duty included, among other things, obligations  
9 to be honest with Broadcom's shareholders and board of directors and  
10 to avoid self-dealing.

11           B.    Broadcom's Use of Stock Options to Increase Compensation

12           7.    Stock options give employees the right to buy a share of  
13 stock on a future date at a set price, known as the "exercise" or  
14 "strike" price. Typically, when a company grants stock options to  
15 an employee, the employee cannot exercise the options until they  
16 "vest." The "vesting period" is the period of time over which all  
17 options granted would vest and become exercisable. When the holder  
18 of an option exercises it, he or she purchases the stock from the  
19 company at the predetermined exercise price. Options that have an  
20 exercise price equal to the price at which the stock currently is  
21 trading in the market (the stock's fair market value) are commonly  
22 referred to as being "at-the-money." Options that have an exercise  
23 price below the current trading price are commonly referred to as  
24 being "in-the-money." Options that have an exercise price higher  
25 than the current trading price are commonly referred to as being  
26 "underwater."

27           8.    Broadcom designed computer chips that it would usually  
28 outsource for manufacture and then sell to its customers. To design

1 these computer chips, Broadcom hired and retained highly skilled  
2 engineers, many with advanced and specialized degrees. Hiring and  
3 retaining these skilled engineers was critical to Broadcom's  
4 business model. Broadcom paid less cash compensation than its  
5 competitors did for these engineers. Instead, to attract and retain  
6 these employees, Broadcom offered them more stock options than did  
7 its competitors. As such, stock option grants were central to  
8 Broadcom's compensation philosophy and its hiring and retention of  
9 employees.

10 C. Broadcom's Shareholder-Approved Options Granting Policies

11 9. In or around early 1998, Broadcom's board of directors and  
12 shareholders approved Broadcom's stock option plan. The stock  
13 option plan became effective in 1998, and was later amended by the  
14 shareholders to increase the number of options available to be  
15 granted. The stock option plan authorized two separate committees  
16 of Broadcom's board of directors to grant stock options. One  
17 committee, known as the Compensation Committee, had "sole and  
18 exclusive authority" to grant options to Section 16 officers. This  
19 committee was to be composed of independent non-employee directors.  
20 The other committee, known as the Option Committee, was responsible  
21 for granting options to all Broadcom employees who were not Section  
22 16 officers.

23 10. The board of directors placed two independent directors on  
24 the Compensation Committee and placed defendant NICHOLAS and H.S. on  
25 the Option Committee. NICHOLAS and H.S., as officers and employees  
26 of Broadcom, were not eligible to serve on the Compensation  
27 Committee and had no authority to grant options to Section 16  
28 officers.

1           D.    Reporting Requirements And Accounting Principles

2           11.  As a company whose stock was publicly traded and  
3 registered with the Securities and Exchange Commission ("SEC")  
4 pursuant to Section 12 of the Securities Exchange Act of 1934,  
5 Broadcom was required to comply with federal laws, regulations, and  
6 rules governing the purchase and sale of publicly traded stock and  
7 the public reporting of information about the company.  These laws,  
8 regulations, and rules are designed to protect members of the  
9 investing public by, among other things, ensuring that a company's  
10 financial information is accurately recorded and disclosed to the  
11 public.

12           12.  Broadcom was required to file with the SEC quarterly  
13 reports on Form 10-Q, annual reports on Form 10-K, and proxy  
14 statements.  These reports were required to include financial  
15 statements that accurately presented the company's financial  
16 condition and results of its business operations.

17           13.  Under the federal securities laws, Broadcom was required  
18 to have an outside auditor conduct an annual audit of Broadcom's  
19 financial statements.  At all times relevant to this Indictment,  
20 Broadcom's outside auditor was Ernst & Young ("EY").  As Broadcom's  
21 outside auditor, EY conducted annual audits and quarterly reviews of  
22 Broadcom's financial statements, and assisted Broadcom in preparing  
23 its quarterly and annual filings with the SEC.  As part of EY's  
24 quarterly reviews and annual audits, EY's auditors regularly  
25 reviewed Broadcom's books and records.

26           14.  In accounting for stock option grants to its employees,  
27 Broadcom was not required to, and did not, recognize any  
28 compensation expenses for option grants made "at-the-money," that

1 is, with an exercise price equal to the fair market value of the  
2 stock on the grant date. On the other hand, Broadcom was required  
3 to recognize compensation expenses for option grants made "in-the-  
4 money," that is, with an exercise price below the fair market value  
5 on the date of the grant. Similarly, when Broadcom lowered the  
6 strike price of options already granted, it was required to  
7 recognize compensation expenses. Broadcom was required to report  
8 option-related compensation expenses as a charge against earnings.  
9 Such charges reduce Broadcom's publicly reported net income on its  
10 financial statements.

11 E. Overview of Fraudulent Scheme

12 15. Beginning in or around 1999 and continuing until at least  
13 in or around 2005, defendants NICHOLAS and RUEHLE (collectively  
14 "defendants"), together with others known and unknown to the Grand  
15 Jury, engaged in a fraudulent scheme and conspiracy to disguise,  
16 conceal, understate, and mischaracterize compensation expenses  
17 Broadcom was required to recognize in connection with its stock  
18 options. In particular:

19 a. Defendants and their co-conspirators backdated stock  
20 option grants by selecting option grant dates in the past when the  
21 stock had a price lower than the current market price. Defendants  
22 and their co-conspirators falsely claimed to Broadcom's auditors and  
23 shareholders that the option grants were made "as of" the earlier  
24 date so that the strike price appeared to be set at fair market  
25 value on the date of the grant. (Hereinafter referred to as  
26 "backdated options").

27 b. When Broadcom's stock price declined over time,  
28 defendants and their co-conspirators caused previously-granted

1 options to be repriced. Defendants and their co-conspirators  
2 pretended the earlier grants and subsequent repricing had not  
3 occurred, falsely claiming to Broadcom's auditors and shareholders  
4 that the option grants were made, for the first time, "as of" the  
5 repricing date. (Hereinafter referred to as "repriced options").

6 c. As a result of these fraudulent and deceptive  
7 practices and others, defendants and their co-conspirators caused  
8 Broadcom to grant tens of millions of backdated in-the-money and  
9 repriced options to Broadcom employees and Section 16 officers  
10 without publicly reporting the required compensation expense. To  
11 facilitate this scheme, defendants and their co-conspirators falsely  
12 claimed to Broadcom's investors and auditors that these options were  
13 not backdated or repriced, and were granted in real-time and at-the-  
14 money.

15 d. By fraudulently backdating and repricing option  
16 grants, defendants and their co-conspirators deceived Broadcom's  
17 shareholders, potential shareholders, and auditors as to the nature  
18 and amount Broadcom truly was compensating its employees and  
19 officers.

20 16. During the time period of the fraudulent scheme, defendant  
21 NICHOLAS sold more than \$1 billion of his Broadcom stock. As part  
22 of the scheme, defendant RUEHLE was granted Broadcom options that  
23 were millions of dollars in-the-money at the time of their grant.

24 17. As a consequence of defendants' fraudulent scheme, in or  
25 around January 2007, Broadcom restated its financial reports for  
26 1998 to 2005, to recognize, for the first time, over \$2.2 billion in  
27 additional stock-based compensation expense.

28

1 II. OBJECTS OF THE CONSPIRACY

2 18. Beginning on a date unknown to the Grand Jury but as early  
3 as in or around January 1999, and continuing to at least in or  
4 around 2005, within the Central District of California and  
5 elsewhere, defendants NICHOLAS and RUEHLE, together with others  
6 known and unknown to the Grand Jury, knowingly combined, conspired,  
7 and agreed to commit the following offenses:

8 a. securities fraud, by knowingly and willfully,  
9 directly and indirectly, in connection with the purchase and sale of  
10 Broadcom securities, (1) employing a device, scheme, and artifice to  
11 defraud; (2) making and causing others to make untrue statements of  
12 material fact, and omitting and causing others to omit to state  
13 material facts necessary in order to make statements made, in light  
14 of the circumstances under which they were made, not misleading; and  
15 (3) engaging in acts, practices, and courses of business that  
16 operated and would operate as a fraud and deceit upon the purchasers  
17 or Broadcom securities, and using the means and instrumentalities of  
18 interstate commerce in furtherance of such acts and omissions, in  
19 violation of Title 15, United States Code, Sections 78j(b) and 78ff,  
20 and Title 17, Code of Federal Regulations, Section 240.10b-5;

21 b. filing false reports with the SEC, by knowingly and  
22 willfully making untrue, false, and misleading statements of  
23 material fact in annual reports on SEC Form 10-K, quarterly reports  
24 on SEC Form 10-Q, and proxy statements, which were required to be  
25 filed under the Securities Exchange Act of 1934 and the rules and  
26 regulations thereunder, in violation of Title 15, United States  
27 Code, Sections 78m(a)(2), 78n, and 78ff, and Title 17, Code of  
28



1 Federal Regulations, Sections 240.12b-20, 240.13a-1, 240.13a-13, and  
2 240.14a-9;

3 c. accounting fraud, by knowingly and willfully  
4 falsifying Broadcom's books and records, in violation of Title 15,  
5 United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and 78ff, and  
6 Title 17, Code of Federal Regulations, Section 240.13b2-1;

7 d. lying to Broadcom's outside auditor, EY, by knowingly  
8 and willfully making and causing to be made materially false and  
9 misleading statements to EY in connection with its audits of  
10 Broadcom's financial statements and the preparation of the annual  
11 reports required to be filed with the SEC on Forms 10-K and  
12 quarterly reports required to be filed with the SEC on Forms 10-Q,  
13 in violation of Title 15, United States Code, Sections 78m(b)(2)(B)  
14 and 78ff, and Title 17, Code of Federal Regulations, Section  
15 240.13b2-2; and

16 e. honest services mail and wire fraud, by using the  
17 United States Postal Service or commercial interstate carrier and  
18 interstate wires to knowingly and intentionally deprive Broadcom and  
19 its shareholders of the honest services of defendants by  
20 transferring shareholder value and granting backdated and repriced  
21 in-the-money options to defendant RUEHLE and others, which was not  
22 disclosed as required to Broadcom's shareholders, in violation of  
23 Title 18, United States Code, Sections 1341, 1343, 1346, and 2.

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1 III. MANNER AND MEANS OF THE CONSPIRACY

2 19. The objects of the conspiracy were carried out, and were  
3 to be carried out, in part, as follows:

4 A. General Fraudulent Options Practices From 1999 to 2002

5 20. Defendants NICHOLAS and RUEHLE, and others, set strike  
6 prices for option grants by looking at the past closing prices of  
7 Broadcom's stock and selecting a price lower than the current stock  
8 price. Defendants and others then granted in-the-money options with  
9 these lower strike prices. To make it appear that these in-the-  
10 money grants were made at-the-money, defendants and others falsely  
11 claimed that the Option Committee met on these past dates and  
12 granted at-the-money options. In particular:

13 a. Defendant RUEHLE had a subordinate send him a list of  
14 the past closing prices for Broadcom's stock, typically closing  
15 prices on Fridays, the day the Option Committee ordinarily was  
16 supposed to meet;

17 b. Defendant RUEHLE selected a favorable past date and  
18 stock price from the list that was provided to him;

19 c. Defendant RUEHLE directed a subordinate to create  
20 fraudulent corporate records for the signature of the Option  
21 Committee members memorializing the grant; and

22 d. the fraudulent corporate records were signed by  
23 defendant NICHOLAS and H.S. as the Option Committee.

24 21. Defendants NICHOLAS and RUEHLE, and others known and  
25 unknown to the Grand Jury, also repriced options to more favorable  
26 strike prices without taking required compensation expenses.

27 22. Defendants NICHOLAS and RUEHLE, and others known and  
28 unknown to the Grand Jury, circumvented Broadcom's Compensation

1 Committee to backdate and reprice options without obtaining the  
2 Compensation Committee's contemporaneous permission. Because  
3 Broadcom's Compensation Committee was unwilling to backdate and  
4 reprice options, NICHOLAS, RUEHLE, and others determined the numbers  
5 of options to grant to Section 16 officers, selected the grant dates  
6 after the fact based on favorable strike prices, and caused the  
7 Compensation Committee members to be provided with corporate  
8 documents fraudulently reflecting that the Compensation Committee  
9 had authorized the grants "as of" the retroactively selected grant  
10 dates.

11 23. Defendants NICHOLAS and RUEHLE, and others known and  
12 unknown to the Grand Jury, circumvented Broadcom's option plan and  
13 fraudulently concealed and mischaracterized expenses relating to  
14 option grants made to newly hired Broadcom employees by falsely  
15 making it appear that the employees were hired to work at a company  
16 that Broadcom was acquiring.

17 24. Using the procedures described above, defendants NICHOLAS  
18 and RUEHLE, and others known and unknown to the Grand Jury,  
19 knowingly created and caused to be created fraudulent corporate  
20 records that made it appear as though Broadcom's Option Committee  
21 had met and granted non-repriced, at-the-money, options on March 5,  
22 1999, April 23, 1999, May 7, 1999, May 14, 1999, May 25, 1999, May  
23 28, 1999, June 1, 1999, June 4, 1999, September 30, 1999, October  
24 22, 1999, December 3, 1999, December 10, 1999, December 17, 1999,  
25 December 23, 1999, January 28, 2000, March 1, 2000, April 14, 2000,  
26 June 16, 2000, June 23, 2000, July 28, 2000, December, 21, 2000,  
27 October 1, 2001, October 19, 2001, December 24, 2001, July 3, 2002;  
28

1 August 5, 2002, October 18, 2002, November 8, 2002, and December 27,  
2 2002.

3 25. Using the procedures described above, defendants NICHOLAS  
4 and RUEHLE, and others known and unknown to the Grand Jury,  
5 knowingly created and caused to be created fraudulent corporate  
6 records that made it appear as though Broadcom's Compensation  
7 Committee had met and granted at-the-money options on October 19,  
8 2001, December 24, 2001, and August 5, 2002.

9 B. Specific Fraudulent Option Practices in 1999

10 1. The M.N. New Hire Grant

11 26. On or about May 26, 1999, H.S. emailed co-conspirator  
12 Tullos and another Broadcom senior executive asking whether Broadcom  
13 should make an offer of employment to engineer M.N. On or about May  
14 27, 1999, Tullos responded, informing H.S. she was going to set up  
15 an interview between M.N. and defendant NICHOLAS.

16 27. In or around June 1999, after interviewing M.N., defendant  
17 NICHOLAS hired M.N. and agreed with M.N. that he would receive a  
18 grant of options with a strike price of \$88.375, equal to Broadcom's  
19 closing stock price on May 25, 1999.

20 28. In or around July 1999, after he began working for  
21 Broadcom, M.N. discovered that his new hire options were shown by  
22 Broadcom's online option system as having a grant date of Friday,  
23 May 28, 1999, with a strike price of \$95.75, the closing stock price  
24 on that day.

25 29. On or about July 15, 1999, M.N. sent an email to complain  
26 about his option's strike price. M.N. demanded that the strike  
27 price for his new hire options be altered to reflect the more  
28

1 favorable May 25, 1999 grant date and strike price, in accordance  
2 with his agreement with defendant NICHOLAS.

3 30. On or about July 15, 1999, a Broadcom employee responsible  
4 for documenting options emailed a number of Broadcom executives,  
5 including defendant RUEHLE and Tullos, that RUEHLE had instructed  
6 that M.N.'s "5/28 grant date is not to be changed" because options  
7 were granted "only as of the Friday close for employees who began  
8 work that week. We do not single out individuals to be granted  
9 options on their hire dates."

10 31. On or after July 19, 1999, after further discussion  
11 between defendant RUEHLE, Tullos, and others, RUEHLE and others  
12 repriced M.N.'s new hire options to reflect the earlier and more  
13 favorable grant date of May 25, 1999 with a strike price of \$88.375,  
14 the closing stock price on that day.

15 32. On or after July 19, 1999, defendant NICHOLAS and H.S.  
16 signed Broadcom corporate records fraudulently reflecting that the  
17 new hire grant of 120,000 options to M.N. had been made on May 25,  
18 1999, with a strike price of \$88.375. In fact, these options were  
19 granted by NICHOLAS, RUEHLE, and others after May 25, 1999, and were  
20 in-the-money at the time of their actual grant as well as when they  
21 were repriced. With respect to this backdated, in-the-money, and  
22 repriced grant, despite rules requiring the recognition and  
23 reporting of compensation expenses, NICHOLAS, RUEHLE, and others  
24 caused Broadcom not to recognize or report compensation expenses.

25 2. The Maverick, Epigram, and Armedia "Top Up" Grants

26 33. Broadcom grew by acquiring other companies that had  
27 developed, or were developing, technology of interest to Broadcom.  
28 It was important for Broadcom to retain the senior executives of the

1 companies it acquired. To accomplish this, Broadcom granted its  
2 options to senior executives and other employees of the acquired  
3 companies who became Broadcom employees. These grants of options  
4 were referred to as "top up" grants because they were intended to  
5 make the equity positions of employees who came to Broadcom through  
6 acquisitions comparable to those of existing Broadcom employees of  
7 the same level. Defendant NICHOLAS personally determined the number  
8 of top up options Broadcom granted to senior executives of most  
9 companies Broadcom acquired.

10 34. In or around the end of May 1999, Broadcom acquired  
11 companies named "Maverick," "Epigram," and "Armedia." After  
12 Broadcom acquired Maverick, Epigram, and Armedia, it made top up  
13 grants of Broadcom options to employees of those companies who  
14 became Broadcom employees.

15 35. As of June 18, 1999, defendant NICHOLAS still had not  
16 approved the top up options that Broadcom was going to grant to  
17 former Maverick, Epigram, and Armedia employees.

18 36. On or after June 18, 1999, defendant NICHOLAS and H.S.  
19 signed corporate records reflecting a June 1, 1999, grant of  
20 3,279,428 options, all with a strike price of \$93.0625, Broadcom's  
21 closing stock price on that day. This grant included the top up  
22 grants for former Armedia, Epigram, and Maverick employees. These  
23 top up grants purportedly made at-the-money on June 1, 1999, were,  
24 in fact, backdated by NICHOLAS, RUEHLE, and others, and were in-the-  
25 money at the time they were granted. With respect to these  
26 backdated in-the-money grants, despite rules requiring the  
27 recognition and reporting of compensation expenses, NICHOLAS,  
28

1 RUEHLE, and others caused Broadcom not to recognize or report  
2 compensation expenses.

3 3. The Altocom and Hot Haus "Top Up" Grants

4 37. On or about August 31, 1999, Broadcom completed its  
5 acquisition of companies called "Altocom" and "Hot Haus." On or  
6 about September 8, 1999, defendant RUEHLE told a subordinate  
7 responsible for documenting options that the Option Committee had  
8 met on September 2, 1999, and granted top up options to former Hot  
9 Haus and Altocom employees

10 38. After September 8, 1999, Broadcom's share price fell. On  
11 or about October 6, 1999, defendant RUEHLE informed a subordinate  
12 responsible for documenting options that the Option Committee had  
13 "met and approved" option grants, which included the top up grants  
14 to former Hot Haus and Altocom employees, "effective" September 30,  
15 1999, with a strike price corresponding to Broadcom's closing price  
16 on September 30, 1999, which was the lowest closing price of the  
17 third quarter of 1999.

18 39. Although defendant RUEHLE backdated the grant to October  
19 6, 1999, NICHOLAS had still not determined the number of top up  
20 options that Broadcom was going to grant to former Altocom and  
21 HotHaus employees.

22 40. On or after October 7, 1999, defendant NICHOLAS and H.S.  
23 signed corporate records reflecting a September 30, 1999, grant of  
24 1,605,127 options, all with a strike price of \$109, Broadcom's  
25 closing price on that day. This grant included the top up grants  
26 for former Altocom and Hot Haus employees. These top up grants  
27 purportedly made on September 30, 1999, were, in fact, backdated  
28 NICHOLAS, RUEHLE, and others, had been repriced, and were in-the-

1 money at the time they were granted. With respect to these  
2 backdated, repriced in-the-money grants, despite rules requiring the  
3 recognition and reporting of compensation expenses, NICHOLAS,  
4 RUEHLE, and others caused Broadcom not to recognize or report  
5 compensation expenses.

6 4. The October 22, 1999 Special Grant

7 41. On October 22, 1999, Broadcom's share price closed at  
8 \$113.25. On November 4, 1999, Broadcom's share price closed at  
9 \$150.63. On December 31, 1999, the end of the quarter and the end  
10 of Broadcom's fiscal year, Broadcom's closing share price was  
11 \$272.38 - more than double the October 22, 1999 closing price.

12 42. On or about November 4, 1999, defendant RUEHLE determined  
13 that October 22, 1999, would be the claimed grant date for an option  
14 grant, due to the low closing price on that date. Because October  
15 22, 1999, was such a favorable strike price, NICHOLAS, RUEHLE, and  
16 H.S. continued to increase the number of options purportedly granted  
17 on October 22, 1999, into the next year.

18 43. On or about January 10, 2000, defendant RUEHLE provided  
19 defendant NICHOLAS with a spreadsheet of the option positions of  
20 Broadcom's "directors & above" so that NICHOLAS could grant them  
21 additional options at the favorable October 22, 1999 strike price.  
22 RUEHLE cautioned NICHOLAS that he had to "act quickly" if he wished  
23 to make additional grants at this favorable strike price.

24 44. On or after January 10, 2000, defendant NICHOLAS and H.S.  
25 signed corporate records reflecting an October 22, 1999, grant of  
26 1,362,600 options, all with a strike price \$113.25, Broadcom's  
27 closing stock price on that day. Some or all of the options  
28 purportedly granted on this date were, in fact, granted by NICHOLAS,



1 RUEHLE and others after that date, and were in-the-money at the time  
2 of their actual grant. With respect to these in-the-money grants,  
3 despite rules requiring the recognition and reporting of  
4 compensation expenses, NICHOLAS, RUEHLE, and others caused Broadcom  
5 not to recognize or report compensation expenses.

6 5. The Preparation and Filing of a Materially False 10-K

7 45. On or about January 18, 2000, defendants NICHOLAS and  
8 RUEHLE, and others known and unknown to the Grand Jury, made  
9 representations to EY in connection with Broadcom's 1999 audit and  
10 10-K. NICHOLAS, RUEHLE, and others represented and caused to be  
11 represented to EY that Broadcom had "no material transactions that  
12 have not been properly recorded in the accounting records underlying  
13 the financial statements" and that Broadcom's financial statements  
14 were in compliance with generally accepted accounting principles.  
15 NICHOLAS, RUEHLE, and others also represented and caused to be  
16 represented to EY that Broadcom had "no material weaknesses in  
17 internal control" and that there was "no fraud involving management  
18 or employees who have significant roles in internal control." In  
19 fact, as NICHOLAS, RUEHLE, and others knew, these representations  
20 were false and materially misleading in that NICHOLAS, RUEHLE, and  
21 others had caused options to be granted in-the-money by  
22 retroactively selecting grant dates, had repriced options after the  
23 fact to reduce their previously-designated strike prices, and had  
24 caused Broadcom to fail to recognize or report compensation expenses  
25 that should have been recognized and reported as the result of these  
26 option practices.

27 46. On or about March 30, 2000, Broadcom filed its 1999 10-K  
28 with the SEC. The SEC filing, approved by defendants NICHOLAS and

1 RUEHLE, and others known and unknown to the Grand Jury, materially  
2 understated the amount of compensation expenses that Broadcom was  
3 required to take for grants of backdated in-the-money and repriced  
4 options during 1999.

5 C. Specific Fraudulent Option Practices in 2000

6 1. The March 1, 2000 Grant

7 47. On or about March 16, 2000, defendant RUEHLE told a  
8 Broadcom employee responsible for documenting options that he was  
9 going to wait to see what Broadcom's closing stock price would be on  
10 March 17, 2000, and that if Broadcom's closing stock price on March  
11 17, 2000, was higher than the closing price on March 1, 2000, then  
12 Broadcom would select an options grant date of March 1, 2000.

13 48. Broadcom's closing stock price on March 17, 2000, was  
14 higher than the closing price on March 1, 2000.

15 49. On or after March 17, 2000, defendant NICHOLAS and H.S.  
16 signed corporate records reflecting a March 1, 2000 grant of  
17 3,134,564 options, all with a strike price of \$206, Broadcom's  
18 closing stock price on that day. Some or all of the options  
19 purportedly granted on this date were, in fact, granted by NICHOLAS,  
20 RUEHLE, and others, after that date, and were in-the-money at the  
21 time of their actual grant. With respect to these backdated in-the-  
22 money grants, despite rules requiring the recognition and reporting  
23 of compensation expenses, NICHOLAS, RUEHLE, and others caused  
24 Broadcom not to recognize or report compensation expenses.

25 2. The May 26, 2000 Focal Grant

26 50. In 2000, Broadcom changed its procedure for granting  
27 options to existing employees. Instead of granting options to  
28 existing employees on the anniversary dates of their hire, Broadcom

1 adopted what was known as a "focal" grant process under which  
2 Broadcom granted options to all existing employees at the same time  
3 based on their performance.

4 51. Broadcom's first company-wide focal grant of options was  
5 purportedly made on May 26, 2000. This grant ultimately included  
6 7,098,811 options granted to employees by the Option Committee and  
7 550,000 options granted to section 16 officers by the Compensation  
8 Committee. All of these options were granted with a strike price of  
9 \$118.375, which was Broadcom's closing stock price on May 26, 2000.

10 52. During the summer of 2000, EY expressed concerns to  
11 Broadcom that the May 26, 2000 grant was not properly handled.

12 53. Defendants NICHOLAS and RUEHLE were alerted to EY's  
13 concerns and informed that Broadcom might have to take a \$700  
14 million compensation charge for the May 26, 2000 grant. RUEHLE  
15 informed NICHOLAS that he was not "about to let that happen" and  
16 instructed his finance staff that Broadcom had to "win this one"  
17 with EY.

18 54. In order to "win this one" with EY, defendant RUEHLE and  
19 others at Broadcom falsely told EY that on May 26, 2000, Broadcom's  
20 Option Committee had (a) authorized a fixed number of options to be  
21 granted and (b) approved a "program" or "plan" establishing a set  
22 "Guideline Matrix" by which individual employees were subsequently  
23 granted specific numbers of these available options based on a  
24 formula.

25 55. To support these false claims to EY, RUEHLE directed his  
26 finance staff to create a set of false documents that purported to  
27 provide contemporaneous evidence of the May 26, 2000 grant, as well  
28 as the purported "program" or "plan." These false documents

1 included false minutes of an Option Committee meeting that  
2 purportedly took place on May 26, 2000, and approved a grant of 7  
3 million options and a "Guideline Matrix" for distributing these  
4 options to individual employees, as well as other false documents.

5           3.    The Pivotal "Top Up" Grant

6           56. On or about July 10, 2000, defendant RUEHLE informed a  
7 subordinate that the grant date for a portion of the top up grants  
8 connected with Broadcom's acquisition of a company called "Pivotal"  
9 would be June 1, 2000, with a strike price of \$144.63, the closing  
10 stock price for Broadcom on that date. Defendant NICHOLAS, however,  
11 instructed Tullos that four key Pivotal executives were to be issued  
12 options with a grant date of May 26, 2000, and a strike price of  
13 \$118.37, the closing stock price for Broadcom on that date.

14           57. A Broadcom employee responsible for documenting options  
15 raised concerns with defendant RUEHLE and others that a May 26, 2000  
16 grant date for the four Pivotal executives would be problematic  
17 because it pre-dated the acquisition of Pivotal.

18           58. On or about July 13, 2000, defendant RUEHLE caused  
19 Broadcom to abandon the June 1, 2000 grant date, and instead issue  
20 these four Pivotal executives options with a June 16, 2000 grant  
21 date, and a strike price of \$144.00, Broadcom's closing stock price  
22 on that date.

23           59. Because the June 16, 2000 strike price was inferior to the  
24 May 26, 2000 strike price the Pivotal executives expected, defendant  
25 NICHOLAS agreed to make up the difference by granting additional in-  
26 the-money options to these four executives backdated to the June 16,  
27 2000, strike price.

1           60. On or after July 16, 2000, defendant NICHOLAS and H.S.  
2 signed corporate records reflecting a June 16, 2000, grant of  
3 2,173,650 options, all with a strike price of \$144, Broadcom's  
4 closing stock price on that day. This grant included the top up  
5 grants for former Pivotal employees. These top up grants  
6 purportedly made on June 16, 2000, were, in fact, backdated by  
7 NICHOLAS, RUEHLE, and others, and were in-the-money at the time they  
8 were granted. With respect to these backdated in-the-money options,  
9 despite rules requiring the recognition and reporting of  
10 compensation expenses, NICHOLAS, RUEHLE, and others caused Broadcom  
11 not to recognize or report compensation expenses.

12           4.    The U.E. Grant

13           61. On or after September 18, 2000, defendant NICHOLAS and  
14 H.S. signed corporate records reflecting a July 28, 2000, grant of  
15 725,400 options, all with a strike price of \$213.063, Broadcom's  
16 closing price on that day. These grants were backdated by NICHOLAS,  
17 RUEHLE, and others and were already in-the-money at the time they  
18 were made. With respect to these backdated in-the-money grants,  
19 despite rules requiring the recognition and reporting of  
20 compensation expenses, NICHOLAS, RUEHLE, and others caused Broadcom  
21 not to recognize or report compensation expenses.

22           62. The options purportedly granted on July 28, 2000,  
23 originally included 35,000 new hire options issued to U.E. On July  
24 28, 2000, U.E. was not yet employed by Broadcom. Broadcom was  
25 required to recognize compensation expense for options granted to  
26 non-employees like U.E., whether or not they were made at-the-money.

27           63. By December 2000, Broadcom's share price had declined over  
28 thirty percent since July, leaving options with a July 28, 2000

1 strike price "underwater." At the request of other Broadcom  
2 executives, after the end of 2000, defendant RUEHLE and others  
3 removed U.E. from the July 28, 2000 grant of options and added him  
4 to the December 21, 2000 grant of options so that his options would  
5 be in-the-money. Despite rules requiring the recognition and  
6 reporting of compensation expenses, at RUEHLE's direction, Broadcom  
7 took no compensation expense for granting U.E. in-the-money and  
8 repriced options.

9 **5. The M.N. Payoff**

10 64. In late October 2000, Broadcom terminated M.N.'s  
11 employment. According to the terms of M.N.'s option agreement, the  
12 termination of his employment caused his Broadcom options to cease  
13 to vest.

14 65. In or around November 2000, M.N.'s attorney provided  
15 defendants NICHOLAS and RUEHLE, and others, with a draft complaint  
16 that alleged, among other things, that Broadcom backdated M.N.'s  
17 employment documents to enable it to issue him in-the-money options,  
18 concealed from EY its practice of backdating and issuing in-the-  
19 money options, artificially inflated its earnings by backdating and  
20 issuing in-the-money options without taking compensation expenses,  
21 and failed to disclose this information in its periodic filings with  
22 the SEC.

23 66. On or about January 17, 2001, after receiving this draft  
24 complaint, defendant NICHOLAS met personally with M.N. at a hotel in  
25 Orange County. NICHOLAS pleaded with M.N. not to come forward with  
26 his allegations, and offered to have Broadcom vest approximately 85%  
27 of M.N.'s outstanding options. At the time of the meeting with  
28

1 NICHOLAS, this settlement offer was worth over \$7 million dollars to  
2 M.N.

3 67. M.N. accepted defendant NICHOLAS's offer and agreed to  
4 keep his allegations of backdating and issuing in-the-money options,  
5 as well as the other allegations in his draft complaint,  
6 confidential.

7 68. Defendants NICHOLAS and RUEHLE, and others, did not  
8 disclose M.N.'s allegations regarding backdating and issuance of in-  
9 the-money options to EY or to Broadcom's outside directors.

10 6. The K.V. Hiring Grant

11 69. On or about August 6, 2000, Broadcom entered into an  
12 agreement to acquire a company called Newport Communications,  
13 located in Newport Beach, California.

14 70. In or around this same time period, Broadcom was seeking  
15 to hire a Chief Information Officer ("CIO"), a senior position at  
16 Broadcom. Defendants NICHOLAS and RUEHLE interviewed K.V. for the  
17 position and decided to hire him. To induce K.V. into accepting  
18 Broadcom's employment offer, RUEHLE offered K.V. options that were  
19 approximately \$10 million in-the-money. K.V. accepted the offer and  
20 came to work at Broadcom in September 2000.

21 71. Defendant RUEHLE and others created and caused to be  
22 created false documents stating that K.V. had been hired as an  
23 employee of Newport Communications, when in truth and in fact, as  
24 RUEHLE and others knew, K.V. was hired solely to be the CIO at  
25 Broadcom and never worked at Newport Communications. In connection  
26 with K.V.'s purported hiring by Newport Communications, RUEHLE and  
27 others caused Newport Communications to grant K.V. 600,000 Newport  
28 Communications stock options, which ultimately converted to in-the-

1 money Broadcom options once the companies merged. At the time  
2 Broadcom completed its acquisition of Newport Communications, K.V.'s  
3 options converted to Broadcom options that were approximately \$10  
4 million in-the-money.

5 72. When Broadcom converted the outstanding Newport  
6 Communications options, such as the options issued to K.V., to  
7 Broadcom options, Broadcom took a one-time acquisition-related  
8 compensation expense for the amount the Newport options were in-the-  
9 money at the time the acquisition closed. Acquisition-related  
10 expenses, in contrast to expenses relating to hiring and retaining  
11 employees, were non-recurring, and discounted by some investors and  
12 analysts.

13 73. Defendant RUEHLE and others knew that falsely claiming  
14 that K.V. was hired by Newport Communications, and then causing  
15 Newport Communications, instead of Broadcom, to grant him options,  
16 would circumvent Broadcom's shareholder-approved option plan and  
17 would fraudulently recharacterize compensation expense from those  
18 options as a non-recurring acquisition expense.

19 7. The Preparation and Filing of a Materially False 10-K

20 74. On or about March 30, 2001, defendants NICHOLAS and  
21 RUEHLE, and others, made representations to EY in connection with  
22 Broadcom's 2000 audit and 10-K. NICHOLAS, RUEHLE, and others  
23 falsely told EY that Broadcom had "no material transactions that  
24 have not been properly recorded in the accounting records underlying  
25 the financial statements" and that Broadcom's financials were in  
26 compliance with generally accepted accounting principles. NICHOLAS,  
27 RUEHLE, and others also falsely represented to EY that Broadcom had  
28 "no material weaknesses in internal control" and that there was "no



1 fraud involving management or employees who have significant roles  
2 in internal control." In fact, as NICHOLAS, RUEHLE, and others  
3 knew, these representations were false and materially misleading in  
4 that NICHOLAS, RUEHLE, and others had caused options to be granted  
5 in-the-money by retroactively selecting grant dates, had repriced  
6 options to reduce their strike prices, had fraudulently issued an  
7 employee hired by Broadcom options in a company acquired by Broadcom  
8 despite the fact that this employee had never been hired by or  
9 worked for that acquired company, and had caused Broadcom to fail to  
10 recognize or report compensation expenses that should have been  
11 recognized and reported as the result of these option practices.

12 75. On or about April 2, 2001, Broadcom filed its 10-K with  
13 the SEC for 2000. The SEC filing, approved by defendants NICHOLAS  
14 and RUEHLE, and others, materially understated the amount of  
15 compensation expenses that Broadcom was required to take for grants  
16 of in-the-money, repriced, and otherwise fraudulent options during  
17 2000.

18 D. Specific Fraudulent Option Practices in 2001

19 1. The Abandoned January 2, 2001, "Top Up" Grant and  
20 "Double-Up and Cancel" Proposal

21 76. By late 2000 and into 2001, Broadcom's stock price was in  
22 decline. This decline left many Broadcom employees with options  
23 that were underwater. As a result, certain employees whose options  
24 no longer provided an incentive to remain at Broadcom considered  
25 leaving their positions at Broadcom.

26 77. On or about January 29, 2001, defendants NICHOLAS and  
27 RUEHLE, and others, agreed to provide a top up grant to many of  
28 those Broadcom employees whose options were underwater. The top up

1 grant was to be backdated to January 2, 2001, which had a more  
2 favorable strike price (\$76.12) than January 29, 2001 (\$110.25).

3 78. In addition to doing a top up grant, defendant NICHOLAS  
4 wished to provide special compensation to certain senior managers  
5 whose options were underwater. NICHOLAS directed Tullos to identify  
6 candidates for a "double-up and cancel" of options, wherein  
7 executives would be granted additional Broadcom options in exchange  
8 for an undocumented, oral side agreement that they would not  
9 exercise certain options that had already been granted. The  
10 agreement was to be undocumented so that EY did not learn of it and  
11 force Broadcom to recognize a compensation expense for  
12 constructively repricing the options the executives agreed not to  
13 exercise.

14 79. On or about January 30, 2001, defendant RUEHLE instructed  
15 Tullos to inform defendant NICHOLAS that the "double-up and cancel"  
16 proposal was not a good idea. RUEHLE stated: "If we get too cute  
17 E&Y will blow the whistle on our whole program." RUEHLE expressed  
18 his concern over the possibility that an executive might disclose or  
19 threaten to disclose the undocumented side agreement necessary to  
20 accomplish the "double-up and cancel" program, stating: "in the  
21 unlikely event we have someone in our midst with [M.N.]-like  
22 tendencies, we're screwed." RUEHLE instructed Tullos to convey to  
23 NICHOLAS his "serious reservations about killing the golden goose."

24 80. Broadcom then abandoned the "double-up and cancel"  
25 proposal.

26 81. Throughout February 2001, Broadcom's stock price continued  
27 to decline, in mid-February reaching a price below the January 2,  
28 2001, price. As a result, in mid-February 2001, defendant RUEHLE

1 abandoned the plan for doing a top up grant backdated to January 2,  
2 2001.

3 2. The June 24, 2001 Grant and Tender Offer

4 82. Faced with a stock price that continued to decline,  
5 defendants NICHOLAS and RUEHLE, and others, continued to search for  
6 a way to address the issue of underwater options. Ultimately, after  
7 consulting with both EY and accounting firm Arthur Andersen to  
8 determine that Broadcom would not be required to recognize  
9 compensation expenses as a result, NICHOLAS and RUEHLE decided that  
10 Broadcom would conduct a tender offer. The tender offer allowed  
11 employees to elect to tender their existing options to Broadcom in  
12 exchange for the promise that Broadcom would grant them the same  
13 number of options between six months and a day and seven months  
14 later with a strike price set at Broadcom's closing share price on  
15 the date they received their new options. Because the tendering  
16 employees would bear the market risk that during the six to seven  
17 month period between their tender and the subsequent grant  
18 Broadcom's shares could either continue to decline in price  
19 (resulting in their new options having a more favorable strike  
20 price) or might increase in price (resulting in their new options  
21 having a less favorable strike price), the tender and subsequent  
22 grant was not considered a repricing and would not require Broadcom  
23 to recognize compensation expenses.

24 83. In conjunction with the June 24, 2001 tender offer,  
25 defendants NICHOLAS and RUEHLE determined that Broadcom would  
26 conduct a focal grant of options that employees could then either  
27 tender or retain. Employees who elected not to tender would receive  
28 a supplemental grant of options. This grant was made "as of"

1 Sunday, June 24, 2001 with a strike price of \$33.83, the closing  
2 price on the previous Friday, June 22, 2001.

3 84. As of the end of August 2001, defendant NICHOLAS had not  
4 yet determined the option grants for employees who reported to him  
5 who were supposed to receive the June 22, 2001 strike price. On  
6 August 24, 2001, Tullos told NICHOLAS, "We are totally out of time  
7 for shareholder services to hold the \$33.83 stock price for the  
8 focal grants to your staff . . . ." NICHOLAS wanted more time to  
9 make his determination, and asked Tullos if Broadcom could set aside  
10 options and later determine the specific employees to receive those  
11 options. Tullos responded: "Bill R. left me voice mail that we  
12 cannot hold aside an aggregate number of options with the optionees  
13 to be defined later. So I really need the CABU [a business unit  
14 reporting directly to NICHOLAS] and Executive staff numbers if they  
15 are going to be included in the June 22<sup>nd</sup> grant at \$33.68. We have  
16 not had a Friday since June 22<sup>nd</sup> where the stock has closed lower."

17 85. By mid-September 2001, defendant NICHOLAS still had not  
18 determined which employees who reported to him would be granted  
19 options with the June 22, 2001 strike price. Broadcom's stock price  
20 had continued to decline and had reached a price below the June 22,  
21 2001 strike price. As a result, NICHOLAS abandoned the plan for  
22 granting these employees options with the June 22, 2001 strike  
23 price.

### 24 3. The October 1, 2001 Grant

25 86. By October 1, 2001, after continuing to decline,  
26 Broadcom's stock price hit \$18.77, which was Broadcom's lowest stock  
27 price during all of 2001.

1 87. On November 1, 2001, a senior Broadcom executive who  
2 reported to defendant NICHOLAS wrote him to complain that he had  
3 "never seen anything from you on focal grants." NICHOLAS responded,  
4 falsely claiming that the Option Committee had met and granted  
5 options on October 1, 2001: "I had shares set aside to be granted,  
6 however, since I saw the stock going down, and, since I knew you  
7 were not going to exercise the regrant option, I decided to keep our  
8 'powder dry.' The stock option committee met on October 1<sup>st</sup>, the  
9 first day of this quarter. Our stock closed at \$18.77 on that day.  
10 I need to check my notes to see what was granted to You, Ed, and  
11 Jack."

12 88. In fact, no grants were granted by the Option Committee on  
13 October 1, 2001, as defendant NICHOLAS falsely claimed. On November  
14 12, 2001, H.S. advised NICHOLAS and Tullos that "we are about to do  
15 some additional stock grants for key people" and requested that  
16 Tullos provide him with "the spreadsheet you are working on for Nick  
17 as soon as it is ready." (At Broadcom, NICHOLAS was often referred  
18 to as "Nick.") The spreadsheet to which H.S. referred was a  
19 spreadsheet showing proposed grants to the employees for which  
20 NICHOLAS was responsible, which included "Ed" and "Jack," two of the  
21 individuals referenced in NICHOLAS's November 1, 2001 email.  
22 Thereafter, on November 28, 2001, Tullos advised RUEHLE that she and  
23 H.S. "spent 4.5 hours on his jet last night working on the option  
24 grants while flying to Delaware. We spent another hour on the  
25 tarmac, but we finished!"

26 89. On November 14, 2001, Tullos had advised defendant  
27 NICHOLAS that she had "unofficially 'reserved' 2M options, including  
28 focal grants for your direct reports" to be granted with an October

1 1, 2001 strike price. On November 30, 2001, however, RUEHLE advised  
2 NICHOLAS that he add one million additional shares to the October 1,  
3 2001 grant, stating "It's ok to go to 3M shares for the option  
4 grants."

5 90. Throughout November and December 2001, defendant RUEHLE,  
6 H.S., Tullos, and others continued to work on determining which  
7 employees would be granted options with the October 1, 2001 strike  
8 price, and how many options each of these employees would receive.  
9 They also continued to seek NICHOLAS's approval for their various  
10 proposals, which were set forth in spreadsheets. In an email sent  
11 on December 27, 2001, and copied to H.S. and RUEHLE, Tullos advised  
12 NICHOLAS that "Bill said today that tomorrow (Friday, the 28<sup>th</sup>) is  
13 the absolute deadline to get these options granted at the \$18.77  
14 strike price."

15 91. Defendant NICHOLAS did not approve the proposals for  
16 October 1, 2001 grants provided to him by H.S. and Tullos until  
17 January 2002. On January 1, 2002, Tullos advised RUEHLE that  
18 NICHOLAS "called me on Saturday night [and] promised me that he  
19 would send me the final 10/1 list by today. I guess we still have a  
20 few hours!!" NICHOLAS provided Tullos with the promised list on  
21 January 2, 2002, in an email, copied to H.S., with the subject line  
22 "I found my old share grant spreadsheet from before October" which  
23 falsely stated, "Attached is the spreadsheet that I developed at the  
24 option meeting months ago." In fact, the attached spreadsheet could  
25 not have been created "before October" as NICHOLAS claimed. The  
26 attached spreadsheet also increased the total number of options to  
27 be granted to slightly in excess of 3 million and added new  
28 grantees.

1           92. After receiving defendant NICHOLAS's revisions to the  
2 October 1, 2001 grant, H.S. met with NICHOLAS and they made  
3 additional changes to the list. H.S. then forwarded the purportedly  
4 "Final option grant list" for the October 1, 2001 grants to Tullos  
5 as an attachment to an email dated January 2, 2002, that was copied  
6 to RUEHLE and NICHOLAS.

7           93. After receiving the revised list from H.S., Tullos had  
8 additional questions that were resolved in a telephone call with  
9 defendant NICHOLAS and H.S. on January 7, 2002. Thereafter, on  
10 January 23, 2002, Tullos circulated to NICHOLAS and H.S. the final  
11 list of options to be granted with an October 1, 2001, strike price.  
12 In this email, Tullos falsely stated, "Nick, I wanted to confirm  
13 that I did find the attached option spreadsheets that you sent to me  
14 a few months ago. Bill Ruehle is also aware that I found these."  
15 In fact, as NICHOLAS, RUEHLE, H.S., and Tullos knew, the attached  
16 spreadsheets were modifications to the spreadsheets that Tullos had  
17 been discussing and modifying with NICHOLAS and H.S. throughout  
18 December 2001 and January 2002. In fact, between the beginning of  
19 2002 and January 23, 2002, NICHOLAS, RUEHLE, and others added  
20 hundreds of thousands options, backdating them to an October 1, 2001  
21 grant date and corresponding strike price.

22           94. Defendant NICHOLAS and H.S. signed corporate records  
23 fraudulently reflecting a grant of 5,624,080 options as of October  
24 1, 2001, with a strike price of \$18.77, Broadcom's closing price on  
25 that day and its lowest closing price during 2001. Significant  
26 numbers of these options purportedly granted on October 1, 2001,  
27 were, in fact, backdated by NICHOLAS, RUEHLE, and others, and were  
28 in-the-money at the time they were granted. With respect to these

1 backdated in-the-money grants, despite rules requiring the  
2 recognition and reporting of compensation expenses, NICHOLAS,  
3 RUEHLE, and others caused Broadcom not to recognize or report  
4 compensation expenses.

5           4.    The October 19, 2001 Grant

6           95. As described above, in early 2002, defendants NICHOLAS and  
7 RUEHLE, and others, were debating what dates, with their  
8 corresponding strike prices, should be used for option grants in the  
9 prior year. This debate included the dates and strike prices to be  
10 used for grants to Section 16 officers. These grants, unlike other  
11 grants that Broadcom made, would have their grant date, strike  
12 price, and other information publically disclosed.

13           96. The debate over options to be granted to Section 16  
14 officers focused in part on where these officers should receive  
15 grants at the June 24, 2001 focal grant strike price afforded most  
16 employees (\$33.68), the much more favorable October 1, 2001 strike  
17 price given to a shorter list of favored employees (\$18.77), or  
18 somewhere in between. On or about January 3, 2002, Tullos sent an  
19 email to defendant RUEHLE, H.S., and others regarding the  
20 appropriate price for the Compensation Committee grant to non-  
21 tendering Section 16 officers. Section 16 officers who tendered  
22 were not eligible for an option grant until at least December 24,  
23 2001. Tullos wrote: "Just spoke with Nick. He does NOT want to  
24 grant above market options on October 1<sup>st</sup>. He would like to find  
25 another opportunistic date, say \$25.55 on 10/5 or \$29.25 on 10/19.  
26 He does not see a need to get as close to the \$33.68 number as I do.  
27 He is clearly not as sensitive to the employee reaction as I am and  
28 I can't really speak to outside shareholder reaction."



1 97. On or about January 3, 2002, H.S. responded, in an email  
2 to defendant RUEHLE, Tullos, and others: "OK, then go with the 10/19  
3 price."

4 98. Between January 4, 2002, and January 23, 2002, Tullos  
5 circulated to defendant NICHOLAS and H.S. for approval a series of  
6 spreadsheets reflecting the options to be granted to Section 16  
7 officers with the October 19, 2001 strike price. Tullos's January  
8 23, 2002 email falsely represented that she had found spreadsheets,  
9 including one addressing the October 19, 2001 grant to Section 16  
10 officers, that NICHOLAS sent to her "a few months ago." In fact, as  
11 NICHOLAS, RUEHLE, H.S., Tullos, and others knew, the attached  
12 spreadsheet addressing the October 19, 2001 grant to Section 16  
13 officers was a modification of the spreadsheets that Tullos had been  
14 discussing and modifying with NICHOLAS and H.S. throughout January  
15 2002.

16 99. Pursuant to Broadcom's authorized options plan, grants to  
17 Section 16 officers were to be approved by the Compensation  
18 Committee, which consisted of two independent directors. In July  
19 2001, one of the two members of the Compensation Committee died. As  
20 of November 4, 2001, no one had yet been appointed to replace the  
21 deceased Compensation Committee member. On November 4, 2001,  
22 defendants NICHOLAS and RUEHLE, H.S., and Tullos were sent an email  
23 reminding them that "The Comp Ctte has exclusive jurisdiction for  
24 option grants to Section 16 officers. Accordingly, we cannot make  
25 those grants until it is in a position to act." The replacement  
26 member for the Compensation Committee necessary to enable it to act  
27 was not formally appointed until some time after January 3, 2002.  
28

1 100. Defendants NICHOLAS and RUEHLE, and others, caused false  
2 corporate documents to be provided to Broadcom's Compensation  
3 Committee reflecting a grant of 450,000 options to three Section 16  
4 officers "as of" October 19, 2001 with a strike price of \$29.25,  
5 Broadcom's closing price on that day. These options purportedly  
6 granted on October 19, 2001 by the Compensation Committee, were, in  
7 fact, granted by NICHOLAS, RUEHLE, and others, and ultimately  
8 approved by the Compensation Committee, after October 19, 2001, and  
9 were in-the-money at the time they were granted and approved. With  
10 respect to these in-the-money grants, despite rules requiring the  
11 recognition and reporting of compensation expenses, NICHOLAS,  
12 RUEHLE, and others caused Broadcom not to recognize or report  
13 compensation expenses.

14 5. The December 24, 2001 Grant and Tender Offer Re-Grant

15 101. Under the terms of the tender offer, December 24, 2001,  
16 was the first day that Broadcom was permitted to grant options to  
17 employees, including Section 16 officers, who had tendered their  
18 options back to Broadcom. The last day for granting options to  
19 tendering employees was January 31, 2002.

20 102. Defendant RUEHLE and others were told that if grants to  
21 tendering employees were made in December 2001, EY would have to be  
22 advised of the grants by January 5, 2002. If grants to tendering  
23 employees were made in January 2002, Broadcom anticipated that EY  
24 would require notice that the grants had been made within five to  
25 seven business days of the grants.

26 103. On December 24, 2001, Broadcom's closing stock price was  
27 \$39.75. After December 24, 2001, Broadcom's stock price increased,  
28 with the result that December 24, 2001, had the lowest closing stock

1 price within the window for granting options to tendering employees  
2 but before year's end.

3 104. As of January 1, 2002, no grants to tendering employees  
4 had been made. On that date, Tullos sent an email to defendant  
5 NICHOLAS, with a copy to defendant RUEHLE, which stated: "Nick, I  
6 just got an email from Bill. He said that the deadline for grabbing  
7 the 12/24 stock price for the cancel and re-grant program is Jan  
8 5<sup>th</sup>. The 12/24 closing price was \$39.75." That same date, H.S.  
9 sent an email to NICHOLAS and Tullos that "we will be repricing the  
10 cancelled grants very shortly."

11 105. By January 4, 2002, the options cancelled as part of the  
12 tender offer had not yet been regranted. Defendant RUEHLE sent an  
13 email to defendant NICHOLAS, H.S., Tullos, and others, in which he  
14 stated: "I VERY strongly recommend that these options be priced as  
15 of Dec 24 (\$39 & change). The absolute drop dead date for this  
16 decision is Friday Jan 4. If there are no objections I would like  
17 to go ahead and price as of that date. Under the terms of the  
18 [tender offer] we have until Jan 31 to price. Given the recent  
19 market performance, I think we should grab the Dec 24 price. If we  
20 wait beyond Friday we will have missed the deadline and will be  
21 subject to market risk."

22 106. On January 4, 2002, H.S. responded to defendants RUEHLE  
23 and NICHOLAS, Tullos, and others: "I agree. We may not see the  
24 \$39.75 price again before Jan 31. It would be far too risky to wait  
25 and see."

26 107. On January 13, 2002, H.S. advised Tullos that he had not  
27 yet "reviewed the New Grant list for those that cancelled yet with  
28 Nick. Hold off on putting it officially in place." On January 21,

1 2002, Tullos was still waiting for defendant NICHOLAS to provide  
2 defendant RUEHLE with a list of which employees should receive which  
3 numbers of options.

4 108. Defendants NICHOLAS and RUEHLE, and others, caused false  
5 corporate documents to be provided to Broadcom's Compensation  
6 Committee reflecting a grant of 800,000 options to three Section 16  
7 officers not eligible for an October grant, including RUEHLE, "as  
8 of" December 24, 2001 with a strike price of \$39.75, Broadcom's  
9 closing stock price on that day. These options purportedly granted  
10 on December 24, 2001, were, in fact, granted by NICHOLAS, RUEHLE,  
11 and others, and ultimately approved by the Compensation Committee,  
12 after December 24, 2001, and were in-the-money at the time they were  
13 granted and approved. In particular, the options granted to RUEHLE  
14 were more than \$2 million in-the-money at the time they were  
15 granted. With respect to these in-the-money grants, despite rules  
16 requiring the recognition and reporting of compensation expenses,  
17 NICHOLAS, RUEHLE, and others caused Broadcom not to recognize or  
18 report compensation expenses.

19 109. Defendant NICHOLAS and H.S. signed corporate records  
20 fraudulently reflecting a grant of 25,573,971 options on December  
21 24, 2001, with a strike price of \$39.75, Broadcom's closing stock  
22 price on that day. Significant numbers of these options purportedly  
23 granted on December 24, 2001, were, in fact, backdated by NICHOLAS,  
24 RUEHLE, and others, and were in-the-money at the time they were  
25 granted. Despite rules requiring the recognition and reporting of  
26 compensation expenses, NICHOLAS, RUEHLE, and others caused Broadcom  
27 not to recognize or report compensation expenses for these grants.  
28

1           6.    The Preparation and Filing of a Materially False 10-K

2           110. On or about March 15, 2002, defendants NICHOLAS and  
3 RUEHLE, and others, made representations to EY in connection with  
4 Broadcom's 2001 audit and 10-K. NICHOLAS, RUEHLE, and others,  
5 falsely told EY that Broadcom had "no material transactions that  
6 have not been properly recorded in the accounting records underlying  
7 the financial statements" and that Broadcom's financials were in  
8 compliance with generally accepted accounting principles. NICHOLAS,  
9 RUEHLE, and others, also falsely represented to EY that Broadcom had  
10 "no material weaknesses in internal control" and that there was "no  
11 fraud involving management or employees who have significant roles  
12 in internal control." In fact, as NICHOLAS, RUEHLE, and others  
13 knew, these representations were false and materially misleading in  
14 that NICHOLAS, RUEHLE, and others had caused options to be granted  
15 in-the-money by retroactively selecting grant dates, and had caused  
16 Broadcom to fail to recognize or report compensation expenses that  
17 should have been recognized and reported as the result of these in-  
18 the-money grants.

19           111. On or about March 19, 2002, Broadcom filed its 10-K with  
20 the SEC for 2001. The SEC filing, approved by defendants NICHOLAS  
21 and RUEHLE, and others, materially understated the amount of  
22 compensation expenses that Broadcom was required to take for the in-  
23 the-money grants of options in 2001.

24           E.    Fraudulent Option Practices in 2002

25           1.    The July 3, 2002 Double-Focal Grant

26           112. By the summer of 2002, a large number of Broadcom employee  
27 options were underwater because Broadcom's stock price had lost most  
28 of its value. These underwater options, coupled with the low-cash

1 compensation, created concerns among Broadcom's senior managers  
2 about employee morale and retention.

3 113. To assist in remedying these problems, defendants NICHOLAS  
4 and RUEHLE, and others, decided to double the size of the 2002 focal  
5 grant in lieu of Broadcom granting focal options in 2003  
6 (hereinafter referred to as the "double focal"). Defendants and  
7 others wanted to make this larger grant to take advantage of what  
8 they believed to be Broadcom's low stock price at the time. In  
9 addition to granting more shares, NICHOLAS, RUEHLE and others wanted  
10 employees to be able to redeem a portion of the double focal options  
11 for cash. To achieve this goal, NICHOLAS, RUEHLE, and others agreed

12 that a portion of the options granted in the double focal would vest  
13 immediately so that recipients of the option grant would be able to  
14 immediately redeem their options for cash. To assure the options  
15 could be redeemed for cash, defendants and others backdated the  
16 double focal to be in-the-money at the time of the grant.

17 114. On or about July 16, 2002, defendant RUEHLE, H.S., and  
18 Tullos met to discuss whether Broadcom would conduct a double focal  
19 grant. At this meeting, RUEHLE instructed Tullos not to communicate  
20 anything in writing about the backdated double focal grant, in order  
21 to avoid a trail of unfavorable dates.

22 115. Defendant NICHOLAS and H.S. signed corporate records  
23 fraudulently reflecting a July 3, 2002 grant of 31,562,475 options  
24 with a strike price of \$15.74, Broadcom's closing stock price on  
25 that date. A portion of this grant immediately vested to its  
26 recipients. Significant numbers of these options purportedly  
27 granted on July 3, 2002, were, in fact, backdated by NICHOLAS,  
28 RUEHLE, and others, and were in-the-money at the time they were

1 granted. Despite rules requiring the recognition and reporting of  
2 compensation expenses, NICHOLAS, RUEHLE, and others caused Broadcom  
3 not to recognize or report compensation expenses for these grants.

4 2. The August 5, 2002 Double-Focal Grant

5 116. Defendant NICHOLAS continued to make modifications to the  
6 options to be granted to employees who reported to him, including  
7 officers and Section 16 officers, until well after July 3, 2002. As  
8 a result of the delay, defendant RUEHLE determined that they could  
9 no longer take advantage of the July 3, 2002 grant date and strike  
10 price for these grants.

11 117. On or about July 27 and 28, 2002, defendant NICHOLAS  
12 completed his revisions to the options to be granted to Section 16  
13 officers. Tullos then sought Compensation Committee approval for  
14 the grants. On July 29, 2002, when Broadcom's stock price closed at  
15 \$19.11, Tullos sent an email to NICHOLAS and the two members of the  
16 Compensation Committee requesting that they "confirm that the  
17 Compensation Committee of the Board of Directors has met and  
18 approved the attached Section 16 Officer Grants."

19 118. On July 30, 2002, one of the two members of the  
20 Compensation Committee sent an email to defendant NICHOLAS and  
21 Tullos indicating his approval of the Section 16 officer grants.  
22 The other Compensation Committee member was on an Alaskan cruise,  
23 was not in contact with Broadcom, and did not approve the Section 16  
24 officer grants at this time.

25 119. On July 31, 2002, Tullos advised defendant RUEHLE and  
26 others that she had received approval from only one member of the  
27 Compensation Committee. Tullos asked whether she could "submit  
28 these as having been approved last Friday." On Friday, July 26,

1 2002, Broadcom's closing stock price was \$17.38, a more favorable  
2 strike price than the \$19.11 closing stock price on Monday, July 29,  
3 2002; the \$19.65 closing stock price on Tuesday, July 30, 2002; or  
4 the \$18.76 closing stock price on Wednesday, July 31, 2002.

5 120. On July 31, 2002, defendant RUEHLE emailed Tullos that his  
6 "understanding is that the comp committee approved them as of last  
7 Friday." Moving the grant date back to Friday, July 26, 2002, from  
8 Monday, July 29, 2002, would have put the value of the options  
9 RUEHLE was to be granted \$519,000 in-the-money.

10 121. On or after July 31, 2002, defendant NICHOLAS continued to  
11 make changes to the number of options to be granted to employees who  
12 reported to him. In the meantime, Broadcom's stock price continued  
13 to decline, and on August 5, 2002, hit a closing price of \$15.74,  
14 the same as the July 3, 2002 closing price. Defendant RUEHLE  
15 therefore again moved the grant date, this time to August 5, 2002.  
16 By doing so, RUEHLE put his options \$1,011,000 in-the-money compared  
17 to the July 29, 2002, price.

18 122. Defendant NICHOLAS and others continued to make changes  
19 and additions to the August 5, 2002 grant, but the time to do so was  
20 limited by EY's demand that Broadcom provide it with "all  
21 resolutions of the Option and Compensation Committees adopted  
22 through the date of their rep letter to us (it will either be dated  
23 today or Mon.) In connection with the filing of our forthcoming 10-  
24 Q." EY's demand required that all changes be completed by August 9,  
25 2002, or August 12, 2002. On August 8, 2002, NICHOLAS increased the  
26 size August 5, 2002 Option Committee grant, falsely characterizing  
27 this increase as errors made by Tullos.

28



1 123. Defendants NICHOLAS and RUEHLE, and others, caused false  
2 corporate documents to be provided to Broadcom's Compensation  
3 Committee reflecting a grant of 850,000 options to Section 16  
4 officers "as of" August 5, 2002, with a strike price of \$15.74,  
5 Broadcom's closing stock price on that day. This grant included  
6 stock options for RUEHLE. These options purportedly granted on  
7 August 5, 2002, were, in fact, twice repriced and approved by the  
8 Compensation Committee after August 5, 2002. With respect to these  
9 repriced grants, despite rules requiring the recognition and  
10 reporting of compensation expenses, NICHOLAS, RUEHLE, and others  
11 caused Broadcom not to recognize or report compensation expenses.

12 124. Defendant NICHOLAS and H.S. signed corporate records  
13 fraudulently reflecting a grant of 2,112,262 options as of August 5,  
14 2002, with a strike price of \$15.74, Broadcom's closing price on  
15 that day. Significant numbers of these options purportedly granted  
16 on August 5, 2002, were, in fact, backdated by NICHOLAS, RUEHLE, and  
17 others, and were in-the-money at the time they were granted. With  
18 respect to these in-the-money grants, despite rules requiring the  
19 recognition and reporting of compensation expenses, NICHOLAS,  
20 RUEHLE, and others caused Broadcom not to recognize or report  
21 compensation expenses.

22 125. On or about August 14, 2002, Broadcom filed its 10-Q for  
23 the quarter ending June 30, 2002. In this filing's "subsequent  
24 events" section Broadcom falsely claimed that the July 3 and August  
25 5 focal grants were made at "the fair market value on the date of  
26 grant." This 10-Q was signed by defendant RUEHLE and was certified  
27 by defendants NICHOLAS and RUEHLE as being true and correct under  
28 the Sarbanes-Oxley Act enacted on July 30, 2002.

1           126. On or about November 14, 2002, Broadcom filed its 10-Q for  
2 the quarter ending September 30, 2002. In this filing, Broadcom  
3 again falsely claimed that the July 3 and August 5 focal grants were  
4 made at "the fair market value on the date of grant." This 10-Q was  
5 certified under the Sarbanes-Oxley Act as true and correct by both  
6 defendants NICHOLAS and RUEHLE.

7           3.    The Preparation and Filing of a Materially False 10-K

8           127. On or about January 23, 2003, defendant RUEHLE and others  
9 made representations to EY in connection with Broadcom's 2002 audit  
10 and 10-K. RUEHLE and others falsely told EY that Broadcom had "no  
11 material transactions that have not been properly recorded in the  
12 accounting records underlying the financial statements" and that  
13 Broadcom's financials were in compliance with generally accepted  
14 accounting principles. RUEHLE and others also falsely represented  
15 to EY that Broadcom had "no material weaknesses in internal control"  
16 and that there was "no fraud involving management of employees who  
17 have significant roles in internal control." In fact, as RUEHLE and  
18 others knew, these representations were false and materially  
19 misleading in that defendants NICHOLAS and RUEHLE, and others, had  
20 caused options to be granted in-the-money by retroactively selecting  
21 grant dates, had repriced options, and had caused Broadcom to fail  
22 to recognize or report compensation expenses that should have been  
23 recognized and reported as the result of these options practices.

24           128. On or about March 31, 2003, Broadcom filed its 10-K with  
25 the SEC for 2002. The SEC filing, approved by defendant RUEHLE and  
26 others, materially understated the amount of expense that Broadcom  
27 was required to take for the in-the-money grants. This 10-K was  
28

1 certified as true and correct by RUEHLE pursuant to the Sarbanes-  
2 Oxley Act.

3 F. Fraudulent 2003 and 2004 10-Ks

4 129. Because option-related compensation expenses are spread  
5 over the vesting period of the options, the fraudulent backdating of  
6 in-the-money options by defendants NICHOLAS and RUEHLE, and others,  
7 resulted in Broadcom materially understating compensation expense in  
8 the years after Broadcom ceased backdating stock-options.

9 130. On or about March 15, 2004, Broadcom filed its 10-K for  
10 2003. The SEC filing, approved by defendant RUEHLE and others,  
11 materially understated the amount of expense that Broadcom was  
12 required to take for the in-the-money and repriced grants.

13 131. On or about March 1, 2005, Broadcom filed its 10-K for  
14 2004. The SEC filing, approved by defendant RUEHLE and others,  
15 materially understated the amount of expense that Broadcom was  
16 required to take for the in-the-money and repriced grants.

17 IV. OVERT ACTS

18 132. In furtherance of the conspiracy, and to accomplish its  
19 objects, defendants NICHOLAS and RUEHLE, together with co-  
20 conspirators known and unknown to the Grand Jury, committed and  
21 caused others to commit the following overt acts, among others; in  
22 the Central District of California, and elsewhere:

23 OVERT ACT NO. 1: On or about May 4, 1999, defendant RUEHLE  
24 instructed a subordinate to hold off setting Broadcom option grants  
25 for April 1999 until Broadcom was due for another filing with the  
26 SEC.

1        OVERT ACT NO. 2: In or after May 1999, defendant NICHOLAS and  
2 H.S. signed a corporate record called a "unanimous written consent"  
3 ("UWC") dated "as of" April 23, 1999.

4        OVERT ACT NO. 3: On or about June 23, 1999, Tullos instructed a  
5 subordinate to delete an email relating to the date and price of  
6 options to be granted to M.N.

7        OVERT ACT NO. 4: In or after July 1999, defendant NICHOLAS and  
8 H.S. signed a UWC dated "as of" May 25, 1999.

9        OVERT ACT NO. 5: In or after July 1999, defendant NICHOLAS and  
10 H.S. signed a UWC dated "as of" June 1, 1999..

11       OVERT ACT NO. 6: In or after July 1999, defendant NICHOLAS and  
12 H.S. signed a UWC dated "as of" June 4, 1999:

13       OVERT ACT NO. 7: In or after October 1999, defendant NICHOLAS  
14 and H.S. signed a UWC dated "as of" September 30, 1999.

15       OVERT ACT NO. 8: On or after November 4, 1999, defendant RUEHLE  
16 directed that Broadcom employee E.S. be added to the list to receive  
17 a grant of options with the October 22, 1999 strike price.

18       OVERT ACT NO. 9: On or about November 18, 1999, defendant  
19 RUEHLE directed that Tullos and Broadcom employee G.J. be granted  
20 additional options with the October 22, 1999 strike price.

21       OVERT ACT NO. 10: On or after January 10, 2000, defendant  
22 NICHOLAS handwrote his approvals of grants to several Broadcom  
23 employees of additional options with the October 22, 1999 strike  
24 price.

25       OVERT ACT NO. 11: On or after January 10, 2000, defendant  
26 NICHOLAS and H.S. signed a UWC dated "as of" October 22, 1999.

27       OVERT ACT NO. 12: On or about March 1, 2000, in connection with  
28 Broadcom's acquisition of a company known as "Blue Steel,"

1 defendants NICHOLAS and RUEHLE falsely represented to EY that the  
2 options Broadcom had granted "from January 1, 2000 to March 1, 2000"  
3 were "granted at the fair market value of the Company's common stock  
4 at the date of grant."

5 OVERT ACT NO. 13: On or about March 16, 2000, defendant RUEHLE  
6 told a subordinate that he would like to wait until the end of the  
7 day on Friday, March 17, 2000, to make a decision on whether to  
8 grant options on March 1, 2001. RUEHLE explained that if the  
9 Broadcom's stock price was higher at the close of the day on March  
10 17, 2000 than it was at the close of the day on March 1, 2000, then  
11 the March 1, 2000 grant date would be selected.

12 OVERT ACT NO. 14: On or after March 17, 2000, defendant  
13 NICHOLAS and H.S. signed a UWC dated "as of" March 1, 2000.

14 OVERT ACT NO. 15: On or about March 30, 2000, defendants  
15 NICHOLAS and RUEHLE, and others, caused to be filed with the SEC  
16 Broadcom's 10-K for the year 1999, which understated compensation  
17 expenses related to stock options.

18 OVERT ACT NO. 16: On or about April 18, 2000, in response to an  
19 inquiry whether the Option Committee "met to approve any grants" on  
20 either April 7 or April 14, defendant RUEHLE sent an email to Tullos  
21 and others stating, "I think the option committee probably met last  
22 Friday. When do I have to let you know for sure?"

23 OVERT ACT NO. 17: In or after May 2000, defendant NICHOLAS and  
24 H.S. signed a UWC dated "as of" April 14, 2000.

25 OVERT ACT NO. 18: On or about May 31, 2000, in a representation  
26 letter provided in connection with Broadcom's acquisition of a  
27 company known as "Pivotal," defendants NICHOLAS and RUEHLE falsely  
28 represented to EY that the options Broadcom had granted "from

1 January 1, 2000 to May 31, 2000" were "granted at the fair market  
2 value of the Company's common stock at the date of grant."

3 OVERT ACT NO. 19: On or after July 16, 2000, defendant NICHOLAS  
4 and H.S. signed a UWC dated "as of" June 16, 2000.

5 OVERT ACT NO. 20: On or about July 20, 2000, defendant RUEHLE  
6 sent an email to defendant NICHOLAS in which he asked NICHOLAS to  
7 make a final decision regarding grants of options with a May 26,  
8 2000 strike price to Section 16 officers and executives. To  
9 encourage NICHOLAS to quickly make a decision, RUEHLE wrote: "We  
10 need to give to E&Y a list of approved option grants for the 5/26  
11 focal reviews. They are making noises that we will have to take a  
12 compensation hit for the difference between the 5/26 price (\$118)  
13 and the current price because we have not yet 'completed' the  
14 grants. This would result in a charge of over \$700M! Obviously we  
15 are not about to let this happen."

16 OVERT ACT NO. 21: On or about July 24, 2000, defendant RUEHLE  
17 falsely claimed to EY that on May 26, 2000, Broadcom had authorized  
18 the grant of a fixed number of options constituting its initial  
19 focal grant.

20 OVERT ACT NO. 22: On or about July 25, 2000, defendant RUEHLE  
21 caused a subordinate to create false corporate minutes of a May 26,  
22 2000 Option Committee meeting that included approval of a fixed  
23 number of options to be granted with a May 26, 2000 strike price and  
24 a "Guideline Matrix" for allocating these options to individual  
25 employees.

26 OVERT ACT NO. 23: On or about August 15, 2000, regarding a  
27 final decision on grants of options with a May 26, 2000 strike price  
28 to Section 16 officers, defendant RUEHLE sent defendant NICHOLAS an

1 email stating: "You keep threatening to give this to me. You said  
2 there was some additional information you needed. What is it? We  
3 are going to lose our opportunity to price at \$118 if we don't get  
4 this in!"

5 OVERT ACT NO. 24: On or about August 21, 2000, H.S. sent to  
6 defendant NICHOLAS and Tullos an email commenting on NICHOLAS's  
7 proposals for grants of options with a May 26, 2000 strike price to  
8 Section 16 officers and executives.

9 OVERT ACT NO. 25: On or about August 22, 2000, defendant  
10 NICHOLAS sent to defendant RUEHLE, H.S., and Tullos, an email  
11 setting out the final determination of grants of options with a May  
12 26, 2000 strike price to Section 16 officers and executives under  
13 NICHOLAS's direct supervision, falsely stating, "These are the  
14 grants that were made many months ago. Sorry for the poor record  
15 keeping."

16 ~~OVERT ACT NO. 26~~: On or about September 11, 2000, defendant  
17 RUEHLE received from a subordinate an email setting forth a list of  
18 closing prices for Broadcom's stock on Fridays from July 7 through  
19 September 8, 2000, with the request that RUEHLE, "Please advise if  
20 the Option Committee met and approved option grants on any of these  
21 dates."

22 OVERT ACT NO. 27: On or after September 13, 2000, defendant  
23 NICHOLAS and H.S. signed a UWC dated "as of" July 28, 2000.

24 OVERT ACT NO. 28: On or after December 20, 2000, defendant  
25 RUEHLE directed his subordinates to remove U.E. from the July 28,  
26 2000 grant of options so that U.E. could be granted options with a  
27 more favorable strike price.  
28

1           OVERT ACT NO. 29: On or about January 17, 2001, defendant  
2 NICHOLAS met with M.N. to discuss M.N.'s allegations regarding  
3 Broadcom's employment and options granting practices, including  
4 M.N.'s allegation that "[Broadcom] has engaged in a pattern and  
5 practice of falsifying the dates on employment contracts with the  
6 intent of taking advantage of fluctuations in stock and option  
7 prices to provide compensation to employees in the form of  
8 artificially priced options rather than pay salaries in the form of  
9 cash to artificially inflate [Broadcom] earnings and then failed to  
10 report such transactions in its 10Q, 10K or any other public  
11 disclosure filings with the United States Securities and Exchange  
12 Commission and concealed such transactions from its auditors."

13           OVERT ACT NO. 30: On or about January 29, 2001, defendant  
14 NICHOLAS directed Tullos to identify candidates for a "double-up and  
15 cancel" of options.

16           OVERT ACT NO. 31: On or about January 30, 2001, defendant  
17 RUEHLE sent an email to Tullos explaining, "The more I think about  
18 the 'double-up and cancel' alternative the less I like it. If we  
19 get too cute E&Y will blow the whistle on our whole program. And in  
20 the unlikely event we learn we have someone in our midst with  
21 [M.N.]-like tendencies, we're screwed."

22           OVERT ACT NO. 32: On or about January 30, 2001, defendant  
23 RUEHLE sent an email to Tullos instructing her to convey to  
24 defendant NICHOLAS his "serious reservations about killing the  
25 golden goose."

26           OVERT ACT NO. 33: On or about April 2, 2001, defendants  
27 NICHOLAS and RUEHLE, and others, caused to be filed with the SEC  
28



1 Broadcom's 10-K for the year 2000, which understated Broadcom's  
2 compensation expenses related to stock options.

3 OVERT ACT NO. 34: On or about November 30, 2001, defendant  
4 RUEHLE informed defendant NICHOLAS that it was acceptable to  
5 increase the number of options granted with the October 1, 2001  
6 strike price of \$18.77 from approximately two million to  
7 approximately three million.

8 OVERT ACT NO. 35: On or about December 10, 2001, Tullos sent  
9 an email to defendants NICHOLAS and RUEHLE, and H.S., attaching a  
10 spreadsheet of proposed stock option grants with the October 1, 2001  
11 strike price of \$18.77, entitled "18.77 Proposal\_v.2.xls." In her  
12 email, Tullos explained: "[H.S.] and I met for several hours and  
13 went through the detailed employee option list that I gave you. We  
14 came up with the attached list as a proposal to you."

15 OVERT ACT NO. 36: On or about December 13, 2001, Tullos sent  
16 an email to defendants NICHOLAS and RUEHLE, and H.S., attaching a  
17 revised spreadsheet of proposed stock option grants with the October  
18 1, 2001 strike price of \$18.77, entitled "18.77 Proposal\_v.3.xls."  
19 In her email, Tullos explained: "Attached is version 3 of the report  
20 sent earlier this week. I added two more names ([H.] and [H.]). We  
21 are still just short of the 2M [million]."

22 OVERT ACT NO. 37: On or about December 19, 2001, Tullos sent  
23 an email to defendants NICHOLAS and RUEHLE, and H.S., attaching a  
24 revised spreadsheet of proposed stock option grants with the October  
25 1, 2001 strike price of \$18.77, entitled "18.77 Proposal\_v.4.xls."  
26 In her email, Tullos explained: "We need to lock these in ASAP."

27 OVERT ACT NO. 38: On or about December 21, 2001, Tullos sent  
28 an email to defendants NICHOLAS and RUEHLE, and H.S., attaching a

1 revised spreadsheet of proposed stock option grants with the October  
2 1, 2001 strike price of \$18.77, entitled "18.77 Proposal\_v.5.xls".  
3 In the email, Tullos explained: "Attached is the latest version (#5)  
4 of the \$18.77 stock option proposal. The change to this list  
5 includes the addition of [N.S]."

6 OVERT ACT NO. 39: On or about January 1, 2002, Tullos sent an  
7 email to defendant NICHOLAS, with a copy to defendant RUEHLE, in  
8 which she stated: I just got an email from Bill. He said that the  
9 deadline for grabbing the 12/24 stock price for the cancel and re-  
10 grant program is Jan 5<sup>th</sup>. The 12/24 closing price was \$39.75. [¶]  
11 Any update on the \$18.77 list?"

12 OVERT ACT NO. 40: On or about January 2, 2002, defendant  
13 NICHOLAS sent an email to Tullos and H.S., which had the subject  
14 title, "I found my old share grant spreadsheet from before October,"  
15 to which was attached a spreadsheet entitled "Nick's Final Grant  
16 Proposal.xls," and in which NICHOLAS falsely claimed that the  
17 attached spreadsheet was "the spreadsheet I developed at the option  
18 meeting months ago."

19 OVERT ACT NO. 41: On or about January 3, 2002, Tullos sent an  
20 email to defendant RUEHLE, H.S., and others explaining that  
21 defendant NICHOLAS did not want to grant options for Section 16  
22 officers at the October 1, 2001 strike price and "would like to find  
23 another opportunistic date, say \$25.55 on 10/5 or \$29.25 on 10/19."

24 OVERT ACT NO. 42: On or about January 3, 2002, H.S. sent an  
25 email to defendant RUEHLE, Tullos, and others, responding to  
26 Tullos's earlier email, which was titled "RE: Section 16 Grants,"  
27 and which stated: "OK, then go with the 10/19 price."  
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1        OVERT ACT NO. 43: On or about January 4, 2002, defendant RUEHLE  
2 sent an email to defendant NICHOLAS, H.S., Tullos, and others  
3 regarding the "Pricing of Cancel & Regrant Options," in which he  
4 stated, "I VERY strongly recommend that these options be priced as  
5 of Dec 24 (\$39 & change). The absolute drop dead date for this  
6 decision is Friday, Jan 4."

7        OVERT ACT NO. 44: On or about January 4, 2002, H.S. sent an  
8 email to defendants NICHOLAS and RUEHLE, Tullos, and others,  
9 responding to RUEHLE's recommendation for using the December 24,  
10 2001 grant date, stating, "I agree. We may not see the \$39.75 price  
11 again before Jan 31. It would be far too risky to wait and see."

12        OVERT ACT NO. 45: On or about January 9, 2002, defendant  
13 RUEHLE authorized Broadcom to file with the SEC a Form 8-K that  
14 falsely claimed that employees who tendered their options were re-  
15 granted options on December 24, 2001.

16        OVERT ACT NO. 46: On or about January 22, 2002, Tullos sent  
17 defendant NICHOLAS and H.S. an email to which were attached the  
18 following: a revised spreadsheet of proposed stock option grants  
19 with the October 1, 2001 strike price of \$18.77, entitled "18.77  
20 Proposal\_v.6.xls"; a spreadsheet of proposed stock option grants to  
21 Section 16 officers with the October 19, 2001 strike price of  
22 \$29.25, entitled "\$29.25 Grants.xls"; and a spreadsheet of proposed  
23 stock option grants to those who had tendered options with the  
24 December 24, 2001 strike price of \$39.75, entitled "\$39.75  
25 Grants.xls."

26        OVERT ACT NO. 47: On or about January 23, 2002, Tullos sent  
27 defendant NICHOLAS and H.S. an email to which were attached the  
28 following: a revised spreadsheet of proposed stock option grants

1 with the October 1, 2001 strike price of \$18.77, entitled "18.77  
2 Proposal\_v.7.xls"; a revised spreadsheet of proposed stock option  
3 grants to Section 16 officers with the October 19, 2001 strike price  
4 of \$29.25, entitled "\$29.25 Grants\_v.2.xls"; and a revised  
5 spreadsheet of proposed stock option grants to those who had  
6 tendered options with the December 24, 2001 strike price of \$39.75,  
7 entitled "\$39.75 Grants\_v.2.xls." In the email, Tullos falsely  
8 stated: "I wanted to confirm that I did find the attached option  
9 spreadsheets that you sent to me a few months ago. Bill Ruehle is  
10 also aware that I found these."

11 OVERT ACT NO. 48: On or after January 23, 2002, defendant

12 NICHOLAS and H.S. signed a UWC dated "as of" October 1, 2001.

13 OVERT ACT NO. 49: On or after January 23, 2002, defendant

14 NICHOLAS and H.S. signed a UWC dated "as of" December 24, 2001.

15 OVERT ACT NO. 50: On or about March 19, 2002, defendants

16 NICHOLAS and RUEHLE, and others, caused to be filed with the SEC  
17 Broadcom's 10-K for the year 2001, which understated Broadcom's  
18 compensation expenses related to stock options.

19 OVERT ACT NO. 51: On or about March 25, 2002, defendants

20 NICHOLAS and RUEHLE, and others, caused to be filed with the SEC a  
21 proxy statement that falsely claimed to Broadcom's shareholders that  
22 the Compensation Committee, as opposed to NICHOLAS, RUEHLE, H.S.,  
23 and others, were granting options to Section 16 officers.

24 OVERT ACT NO. 52: On or before May 17, 2002, defendants

25 NICHOLAS and RUEHLE, and others, determined that May 11, 2002, would  
26 be the grant date for Broadcom's 2002 focal grant, with a strike  
27 price corresponding to the closing price on that date.

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1        OVERT ACT NO. 53: On or about May 23, 2002, defendants NICHOLAS  
2 and RUEHLE, and others, abandoned the May 11, 2002 grant date.

3        OVERT ACT NO. 54: On or about July 16, 2002, defendant RUEHLE,  
4 H.S., and Tullos met to discuss a double focal grant.

5        OVERT ACT NO. 55: On or after July 16, 2002, defendant NICHOLAS  
6 and H.S. signed a UWC dated "as of" July 3, 2002.

7        OVERT ACT NO. 56: On or about July 31, 2002, after learning  
8 that one of the two Compensation Committee members had, on July 30,  
9 2002, approved a grant to Section 16 officers with a July 29, 2002  
10 grant date, defendant RUEHLE directed Tullos to move the grant date  
11 back to July 26, 2002, a date that had a more favorable closing

12 price.

13        OVERT ACT NO. 57: On or about August 5, 2002, defendant RUEHLE  
14 cancelled the July 26, 2002 Compensation Committee grant and moved  
15 it to August 5, 2002, which had a more favorable strike price.

16        OVERT ACT NO. 58: On or after August 12, 2002, defendant  
17 NICHOLAS and H.S. signed a UWC dated "as of" August 5, 2002.

18        OVERT ACT NO. 59: On or after August 12, 2002, defendants  
19 NICHOLAS and RUEHLE, and others, caused the two members of the  
20 Compensation Committee to execute a UWC dated "as of" August 5,  
21 2002.

22        OVERT ACT NO. 60: On or about August 14, 2002, defendants  
23 NICHOLAS and RUEHLE caused to be filed with the SEC a form 10-Q that  
24 falsely claimed that Broadcom's July 3, 2002, and August 5, 2002,  
25 option grants were made at fair market value on the date of grant.

26        OVERT ACT NO. 61: On or about November 14, 2002, defendants  
27 NICHOLAS and RUEHLE caused to be filed with the SEC a form 10-Q that  
28

1 falsely claimed that Broadcom's July 3, 2002, and August 5, 2002,  
2 option grants were made at fair market value on the date of grant.

3 OVERT ACT NO. 62: In or after November 2002, defendant  
4 NICHOLAS and H.S. signed a UWC dated "as of" October 18, 2002.

5 OVERT ACT NO. 63: In or after January 2003, defendant NICHOLAS  
6 and H.S. signed a UWC dated "as of" November 8, 2002.

7 OVERT ACT NO. 64: In or after January 2003, defendant NICHOLAS  
8 and H.S. signed a UWC dated "as of" December 27, 2002.

9 OVERT ACT NO. 65: On or about March 31, 2003, defendant RUEHLE  
10 and others caused to be filed with the SEC Broadcom's 10-K for the  
11 year 2002, which understated Broadcom's compensation expenses

12 related to stock options.

13 OVERT ACT NO. 66: On or about March 15, 2004, defendant RUEHLE  
14 and others caused to be filed with the SEC Broadcom's 10-K for the  
15 year 2003, which understated Broadcom's compensation expenses  
16 related to stock options.

17 OVERT ACT NO. 67: On or about March 1, 2005, defendant RUEHLE  
18 and others caused to be filed with the SEC Broadcom's 10-K for the  
19 year 2004, which understated Broadcom's compensation expenses  
20 related to stock options.

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COUNT TWO

[18 U.S.C. § 1348]

[Securities Fraud]

133. Paragraphs 1 through 131 of this Indictment are realleged and incorporated by reference as though set forth here in full.

134. Beginning no later than on or about July 30, 2002, and continuing until at least on or about March 1, 2005, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, together with others known and unknown to the Grand Jury, aiding and abetting each other, knowingly and with the intent to defraud, devised, executed, and participated

in a scheme to defraud as to material matters and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and the concealment and non-disclosure of material facts, in connection with the purchase and sale of Broadcom stock.

COUNTS THREE THROUGH SEVEN

[18 U.S.C. §§ 1350 (c) (1) and 2]

[False Certification of Financial Reports]

135. Paragraphs 1 through 131 of this Indictment are realleged and incorporated by reference as though set forth here in full.

136. On or about the dates set forth below, in Orange County, within the Central District of California and elsewhere, the defendants set forth below, aiding and abetting each other, falsely certified that the form set forth below that was filed with the SEC fairly presented, in all material respects, the financial condition and results of operations of Broadcom, when in truth and in fact, defendants NICHOLAS and RUEHLE knew the form set forth below was false in the following material respects:

<u>COUNT</u>	<u>DEFENDANT</u>	<u>DATE</u>	<u>FORM</u>	<u>FALSE REPRESENTATION</u>
THREE	NICHOLAS RUEHLE	8/14/2002	2002 Second Quarter 10-Q	1) 10-Q understated Broadcom's stock-based compensation expense; and 2) 10-Q claimed that the strike prices for Broadcom's July 3, 2002 and August 5, 2002 option grants were set at fair market value on the day of the grant.



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<u>COUNT</u>	<u>DEFENDANT</u>	<u>DATE</u>	<u>FORM</u>	<u>FALSE REPRESENTATION</u>
FOUR	NICHOLAS RUEHLE	11/14/2002	2002 Third Quarter 10-Q	1) 10-Q understated Broadcom's stock-based compensation expense; and 2) 10-Q claimed that the strike prices for Broadcom's July 3, 2002 and August 5, 2002 option grants were set at fair market value on the day of the grant. 3) Sarbanes-Oxley certification claimed Broadcom disclosed "any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls."
FIVE	RUEHLE	3/31/2003	2002 10-K	1) 10-K understated Broadcom's stock-based compensation expense; and 2) Sarbanes-Oxley certification claimed Broadcom disclosed "any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls."
SIX	RUEHLE	3/15/04	2003 10-K	10-K understated Broadcom's stock-based compensation expense.
SEVEN	RUEHLE	3/1/05	2004 10-k	10-K understated Broadcom's stock-based compensation expense.

COUNT EIGHT

[15 U.S.C. §§ 78m(a)(2) and 78ff; 17 C.F.R. §§ 240.12b-20 and 240.13a-13; and 18 U.S.C. § 2]

[False Statements in Reports Filed with the SEC]

137. Paragraphs 1 through 125 of this Indictment are realleged and incorporated by reference as though set forth here in full.

138. On or about August 14, 2002, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, aiding and abetting each other, knowingly and willfully made and caused to be made materially false and misleading statements, and omitted and caused to be omitted material facts

necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading, in a report and document that was required to be filed with the SEC, namely, Broadcom's quarterly report on Form 10-Q for the second quarter of 2002.

139. Specifically, in relation to options to purchase Broadcom stock purportedly granted on July 3, 2002, and August 5, 2002, defendants NICHOLAS and RUEHLE caused Broadcom's Form 10-Q quarterly report to state that the "weighted average exercise price per share for the options is \$15.74, the fair market value on the date of grant," when, in truth and in fact, as defendants NICHOLAS and RUEHLE knew, \$15.74 was not the average strike price on the date of the actual grants of these options.

COUNT NINE

[15 U.S.C. §§ 78m(a)(2) and 78ff; 17 C.F.R. §§ 240.12b-20 and 240.13a-13; and 18 U.S.C. § 2]

[False Statements in Reports Filed with the SEC]

140. Paragraphs 1 through 126 of this Indictment are realleged and incorporated by reference as though set forth here in full.

141. On or about November 14, 2002, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, aiding and abetting each other, knowingly and willfully made and caused to be made materially false and misleading statements, and omitted and caused to be omitted material facts

necessary to make the statements made, in light of the circumstances under which the statements were made, not misleading, in a report and document that was required to be filed with the SEC, namely, Broadcom's quarterly report on Form 10-Q for the third quarter of 2002.

142. Specifically, in relation to options to purchase Broadcom stock purportedly granted on July 3, 2002, and August 5, 2002, defendants NICHOLAS and RUEHLE caused Broadcom's Form 10-Q quarterly report to state that the "weighted average exercise price per share for the options is \$15.74, the fair market value on the date of grant," when, in truth and in fact, as defendants NICHOLAS and RUEHLE knew, \$15.74 was not the average strike price on the date of the actual grants of these options.

COUNTS TEN THROUGH TWELVE

[15 U.S.C. §§ 78m(b)(2)(B) and 78ff;  
17 C.F.R. § 240.13b2-2; and 18 U.S.C. § 2]

[Lying to Accountants]

143. Paragraphs 1 through 127 of this Indictment are realleged and incorporated by reference as though set forth here in full.

144. On or about the dates listed below, in Orange County, within the Central District of California, and elsewhere, the following defendants, acting as officers of Broadcom, aiding and abetting each other, knowingly and willfully, directly and indirectly, made and caused others to make the following materially

false and misleading statements to EY, and omitted to state and caused others to omit to state to EY, material facts necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading, in connection with EY's review, examination, and audits of the financial statements of Broadcom:

COUNT	DEFENDANT	DATE	False and Misleading Statements
TEN	NICHOLAS RUEHLE	8/13/2002	1) "All material transactions have been properly recorded in the accounting records underlying the financial statements." 2) Broadcom's financial statements were in compliance with generally accepted accounting principles.

<u>COUNT</u>	<u>DEFENDANT</u>	<u>DATE</u>	<u>False and Misleading Statements</u>
ELEVEN	NICHOLAS RUEHLE	11/14/2002	1) "All material transactions have been properly recorded in the accounting records underlying the financial statements." 2) Broadcom's financial statements were in compliance with generally accepted accounting principles.
TWELVE	RUEHLE	1/23/2003	1) Broadcom had "no material transactions that have not been properly recorded in the accounting records underlying the financial statements." 2) Broadcom's financial statements were in compliance with generally accepted accounting principles.
			3) Broadcom had "no material weaknesses in internal control." 4) There was "no fraud involving management of employees who have significant roles in internal control."

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COUNTS THIRTEEN THROUGH SEVENTEEN

[15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(5), and 78ff;

17 C.F.R. § 240.13b2-1; and 18 U.S.C. § 2]

[Falsification of Corporate Books and Records]

145. Paragraphs 1 through 126 of this Indictment are realleged and incorporated by reference as though set forth here in full.

146. On or after the dates listed below, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, and others known and unknown to the Grand Jury, aiding and abetting each other, knowingly and willfully, directly and indirectly, falsified and caused others to falsify books,

records, and accounts that Broadcom was required to make and keep, and that were required, in reasonable detail, to accurately and fairly reflect the transactions of Broadcom. Specifically, on or after the dates listed below, defendants knowingly and willfully caused to be created UWCs which claimed that Broadcom's Option Committee or Compensation Committee granted on options on the date contained on the UWC when, in truth and in fact, as defendants knew, the Broadcom's Option Committee or Compensation Committee did not take action on the dates identified on the UWC:

COUNT	DATE	UWC DATE	UWC TYPE
THIRTEEN	August 12, 2002	August 5, 2002	Option Committee
FOURTEEN	August 12, 2002	August 5, 2002	Compensation Committee
FIFTEEN	November 2002	October 18, 2002	Option Committee
SIXTEEN	January 2003	November 8, 2002	Option Committee
SEVENTEEN	January 2003	December 27, 2002	Option Committee

COUNT EIGHTEEN

[18 U.S.C. §§ 1341, 1346, and 2]

[Honest Services Mail Fraud]

147. Paragraphs 1 through 125 of this Indictment are realleged and incorporated by reference as though set forth here in full.

148. Beginning in at least in or around 2001 and continuing until at least 2003, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, and others known and unknown to the Grand Jury, aiding and abetting each other, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud Broadcom's shareholders and its board of directors of their right to honest services by means of materially false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

149. On or about the date set forth below, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, for the purpose of executing and attempting to execute the above-described scheme to defraud, caused the following item to be placed in an authorized depository for mail matter to be sent and delivered by the United States Postal Service or to be deposited with and delivered by a commercial interstate carrier, according to the directions thereon:

<u>COUNT</u>	<u>DATE</u>	<u>MAILING</u>
EIGHTEEN	8/14/2002	SEC Form 4, sent from Irvine, California, to Washington, DC

COUNTS NINETEEN THROUGH TWENTY-ONE

[18 U.S.C. §§ 1343, 1346, and 2]

[Honest Services Wire Fraud]

150. Paragraphs 1 through 128 of this Indictment are realleged and incorporated by reference as though set forth in full.

151. Beginning in at least in or around 2001 and continuing until at least 2003, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, and others known and unknown to the Grand Jury, aiding and abetting each other, knowingly and with intent to defraud, devised, participated in, and executed a scheme to defraud Broadcom's shareholders and its board of directors of their right to honest services by means of materially false and fraudulent pretenses, representations, and promises, and the concealment of material facts.

152. On or about the dates set forth below, in Orange County, within the Central District of California, and elsewhere, defendants NICHOLAS and RUEHLE, for the purpose of executing and attempting to execute the above-described scheme to defraud, caused the following to be transmitted by means of wire communication in interstate commerce:

<u>COUNT</u>	<u>DATE</u>	<u>WIRING</u>
NINETEEN	11/14/2002	Wiring of a Broadcom Form 8-K from Irvine, California, to the SEC in Virginia
TWENTY	3/27/2003	Wiring of a preliminary Broadcom proxy statement from California to the SEC in Virginia



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<u>COUNT</u>	<u>DATE</u>	<u>WIRING</u>
2 TWENTY-ONE	4/17/2003	Wiring of a Broadcom proxy statement from California to the SEC in Virginia.

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5 A TRUE BILL

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Foreperson

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10 THOMAS P. O'BRIEN  
United States Attorney

11 ~~GEORGE S. CARDONA~~  
Chief Assistant United States Attorney

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13 CHRISTINE C. EWELL  
Assistant United States Attorney  
Chief, Criminal Division

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16 ROBB C. ADKINS  
Assistant United States Attorney  
Chief, Southern Division

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18 ANDREW STOLPER  
Assistant United States Attorney

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