

COPY

1 MOLLY WHITE, Cal. Bar No. 171448
 E-mail: whitem@sec.gov
 2 FINOLA H. MANVELIAN, Cal. Bar No. 180681
 E-mail: manvelianf@sec.gov
 3 MARSHALL SPRUNG, Cal. Bar No. 188253
 E-mail: sprungm@sec.gov
 4 JUNLING MA, Cal. Bar No. 213241
 E-mail: maj@sec.gov

5
 6 Attorneys for Plaintiff
 Securities and Exchange Commission
 Rosalind Tyson, Acting Regional Director
 7 Michele Wein Layne, Associate Regional Director
 5670 Wilshire Boulevard, 11th Floor
 8 Los Angeles, California 90036-3648
 Telephone: (323) 965-3998
 9 Facsimile: (323) 965-3908

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 CLERK U.S. DISTRICT COURT
 CENTRAL DISTRICT OF CALIF.
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 12 UNITED STATES DISTRICT COURT
 13 CENTRAL DISTRICT OF CALIFORNIA
 14 SOUTHERN DIVISION

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 16 SECURITIES AND EXCHANGE
 17 COMMISSION,

Case No. SACV 08 - 0242 AG (MLGx)

COMPLAINT

18 Plaintiff,

19 vs.

20 NANCY M. TULLOS,

21 Defendant.
 22
 23

24 1. This matter involves improper stock option backdating at Broadcom
 25 Corporation ("Broadcom" or the "Company"), which resulted in the Company's
 26 issuance of false financial statements that concealed billions of stock-based
 27 compensation expenses from shareholders. From June 1998 through May 2003,
 28

1 Broadcom systematically backdated employee and officer stock options to coincide
2 with the dates of low closing prices for the Company's common stock without
3 properly recording the compensation expenses associated with such options. In
4 January 2007, Broadcom restated its financial results for the years 1998 through
5 2005 and reported an additional \$2.22 billion in compensation expenses.

6 2. From August 1998 through 2003, defendant Nancy M. Tullos
7 ("Tullos") was Broadcom's vice-president of human resources. Tullos knew about
8 and participated in the scheme to backdate options at Broadcom. She
9 communicated false grant dates selected by others within the Company, and
10 administered allocations of options to particular employees well after a retroactive
11 grant date had been selected. She also assembled and provided spreadsheets of
12 stock option allocations for the backdated grants to finance and shareholder
13 services employees at Broadcom, with the knowledge that these employees would
14 use such information to prepare Broadcom's books and records and public filings.
15 In addition, Tullos backdated employee records to conceal the grant of backdated
16 options to at least one new employee. Tullos personally benefited from the
17 scheme, in that she received and exercised backdated stock options that were in the
18 money by approximately \$1.26 million.

19 3. By engaging in the acts alleged in this Complaint, Tullos, among
20 other things, violated Section 17(a)(3) of the Securities Act of 1933 ("Securities
21 Act"), an antifraud provision, falsified books and records, and aided Broadcom's
22 filing of false financial results. The Securities and Exchange Commission
23 ("Commission") seeks an order enjoining Tullos from future violations of the
24 securities laws, requiring her to disgorge ill-gotten gains, pay prejudgment interest,
25 and pay a civil monetary penalty.

26 JURISDICTION AND VENUE

27 4. This Court has jurisdiction over this action pursuant to Sections 20(b),
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1 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and
2 77v(a), and Sections 21(d), 21(e), and 27 of the Securities Exchange Act of 1934
3 (“Exchange Act”), 15 U.S.C. §§ 78u(d), 78u(e), and 78aa. Defendant Tullos,
4 directly or indirectly, made use of the means or instrumentalities of interstate
5 commerce, of the mails, or of the facilities of a national securities exchange in
6 connection with the transactions, acts, practices, and courses of business alleged in
7 this Complaint.

8 5. Venue is proper in this district pursuant to Section 22(a) of the
9 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.
10 § 78aa, because defendant Tullos resided within this district during the relevant
11 time period and certain of the transactions, acts, practices, and courses of conduct
12 constituting violations of the laws alleged in this Complaint occurred within this
13 district.

14 THE DEFENDANT

15 6. Nancy M. Tullos, 56, is a resident of Dana Point, California. She
16 served as Broadcom’s vice-president of human resources from August 1998 to
17 June 2003, when she left Broadcom.

18 RELEVANT ENTITY

19 7. Broadcom is a California corporation headquartered in Irvine,
20 California. It designs, develops, and supplies semiconductors for wired and
21 wireless communications markets. At all relevant times, Broadcom’s common
22 stock was registered under Section 12(g) of the Exchange Act, 15 U.S.C. §78l(g),
23 and was traded on the Nasdaq National Market under the symbol “BRCM.”

24 FACTS

25 A. Stock Options at Broadcom

26 8. After Broadcom went public in April 1998, it experienced tremendous
27 growth, expanding from approximately 300 employees in 1998 to about 3000
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1 employees in 2002. Broadcom operated in the highly competitive high-tech
2 market, where retaining talented employees was a top priority. Another priority, as
3 set forth by Broadcom's former CEO, was to preserve cash. In order to preserve
4 cash, Broadcom maintained a ceiling of \$110,000 annual cash salary for almost all
5 employees and officers during the relevant period. As a result, Broadcom relied
6 heavily on stock options to recruit and retain employees.

7 9. Each stock option gave the grantee the right to buy one share of
8 Broadcom's stock from the Company at a set price, called the "exercise" price or
9 "strike" price, on a future date, after the option had vested. The option was "in-
10 the-money" whenever the trading price of Broadcom's common stock exceeded
11 the option's exercise price. The option was "at-the-money" whenever the trading
12 price of Broadcom's common stock and the exercise price were the same. The
13 option was "underwater" or "out-of-money" whenever the trading price of
14 Broadcom's common stock was less than the exercise price.

15 10. From June 1998 through May 2003, Broadcom granted both annual
16 and periodic options to its employees and officers under its stock option plans.
17 The annual option award to all eligible employees was called a "focal" grant.
18 Before 2000, focal grants were awarded to employees on or about the anniversary
19 date of their employment. Periodic options were awarded to selected employees.
20 These options included new hire grants, performance and promotion grants, patent
21 grants, and "top-up" grants that were made in connection with acquisitions.

22 11. During the relevant period, the primary plan pursuant to which
23 Broadcom granted employee stock options required that incentive options (defined
24 by Section 422 of the Internal Revenue Code), which received favorable tax
25 treatment, be priced at no less than "the fair market value of the company's
26 common stock on the date of the grant," while non-qualified options (defined as
27 any option that is not an incentive option) could be granted at no less than 85% of
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1 the fair market value on the date of the grant. Notwithstanding these provisions,
2 Broadcom's practice was to grant all stock options with an exercise price that
3 purportedly matched the fair market value of the Company's stock on the grant
4 date.

5 **B. Accounting For Employee Stock Options**

6 12. Throughout the relevant period, Broadcom accounted for stock
7 options pursuant to Accounting Principles Board Opinion No. 25, *Accounting for*
8 *Stock Issued to Employees* ("APB 25"). Under APB 25, a public company is
9 allowed to grant stock options to employees without recording an expense so long
10 as the options are granted at-the-money. However, if a company grants "in-the-
11 money" options, the company is required to record as an expense the difference
12 between the exercise price and the quoted market price on the "measurement date"
13 over the vesting period of the options on its financial statements. The
14 measurement date, as defined by APB 25, is the first date on which the following
15 information is known: (i) the number of options that an individual employee is
16 entitled to receive, and (ii) the exercise price. The stock options Broadcom granted
17 to its employees typically had a vesting period of four years, during which a
18 proportion of the option shares became exercisable periodically. Consequently,
19 granting in-the-money options to employees could have had a significant impact on
20 the expense and income (or loss) reported to Broadcom's shareholders.

21 **C. Backdating Scheme At Broadcom**

22 13. During the relevant period, Broadcom granted stock options to its
23 employees and officers, including executives who fell within the definition of
24 "officer" under Rule 16a-1(f) of the Securities Exchange Act of 1934, 17 C.F.R. §
25 240.16a-1(f) ("Section 16 officers"). Option grants to employees and non-Section
26 16 officers were supposed to be approved by a two-member option committee
27 comprised of the Company's two co-founders (its former CEO and its current
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1 chairman of the board of directors and chief technical officer), while grants to
2 Section 16 officers were supposed to be approved by a compensation committee
3 comprised of two outside directors. Notwithstanding the distinction between the
4 two committees, the two co-founders determined option grants for all officers,
5 including Section 16 officers.

6 14. Option committee and compensation committee approval of option
7 grants was documented by unanimous written consents (“UWCs”) approving
8 grants “effective as of” a specified date. The UWCs, however, were prepared
9 weeks or months after the “as of” date. The UWCs typically referred to an
10 attached schedule that listed the names of the grantees and the number of shares
11 subject to each option. During the relevant period, many of the UWCs lacked
12 schedules. Even when schedules were attached to the UWCs, they were prepared
13 long after the “as of” date, and were frequently changed after that date.

14 15. For the periodic grants and focal grants Broadcom made in 1998 and
15 1999, the human resources and shareholder services departments maintained
16 schedules of employees who were eligible to receive options. Beginning in 2000,
17 for annual company-wide focal grants, Broadcom’s senior management first
18 established a pool of options, which was then subdivided and distributed to all of
19 the business units for allocation to their respective employees. Supervisors for
20 business units then submitted their grant recommendations to Tullos, who
21 assembled the master grant list for final approval by the Company’s co-founders.

22 16. From June 1998 through May 2003, the option committee purportedly
23 approved as many as 88 option grants. However, for most if not all of these grants,
24 there were no option committee “meetings” or decisions made on the purported
25 grant dates. Instead, Broadcom’s then-CFO determined the grant dates
26 retroactively, after reviewing a list of closing stock prices for several Fridays (the
27 days the option committee purportedly held meetings) and selecting a Friday with
28

1 the lowest closing price.

2 17. In addition to selecting grant dates after the fact, Broadcom, through
3 its senior officers, including Tullos, systematically allocated options to individual
4 employees after the grant date had been determined. Tullos and her staff routinely
5 added or deleted option awards after the grant date at the request of others under
6 the guise of "administrative errors."

7 18. In June 1999, in an effort to recruit one engineer, the former CEO
8 offered him backdated and thus in-the-money options to acquire 120,000 shares of
9 Broadcom stock at an exercise price of \$88.375, which was the closing price on
10 May 25, 1999. Yet the engineer did not begin working at Broadcom until June 28,
11 1999, and on that date Broadcom's stock closed at \$118. Tullos prepared a
12 backdated offer letter and backdated personnel action notice for the engineer to
13 reflect the backdated hire date of May 25, 1999. When a colleague inquired about
14 whether the engineer's options should be priced from his "exploratory employment
15 date 5/25/99" or six months later and commented that "there was such an issue
16 made about making his start date 5/25/99 (most likely to lock in a particular
17 price)," Tullos replied in a one line email that same day: "pls. delete this message."

18 **D. May 26, 2000 Focal Grant**

19 19. Broadcom made its first company-wide focal grant purportedly on
20 May 26, 2000 at an exercise price of \$118.38 per share, the lowest price for
21 Broadcom stock between October 1999 and November 2000. However, that grant
22 date was selected on or about May 30, 2000. Weeks after the purported grant date,
23 in early July, Tullos distributed pools of options to Broadcom's business units for
24 allocation to individual employees, a process that was not completed until early to
25 mid-September. After that, Tullos and her staff recorded numerous changes to the
26 allocations requested by others throughout January 2001 under the guise of
27 "administrative errors."

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1 20. The delay caught the attention of Broadcom's auditors in late July
2 2000, when Broadcom's stock price had risen from \$118 to well over \$200. Senior
3 management at Broadcom, including Tullos, feared that the Company would need
4 to change the grant date or record a \$700 million compensation charge to reflect
5 the difference between the May and July stock price. While the Company's
6 finance department conducted intense discussions with the auditors, on July 28,
7 2000, Tullos sent an email to the then director of compensation stating that
8 "[c]hanging the strike price now or taking compensation changes [sic] are both
9 unacceptable to me."

10 21. In the end, the auditors signed off on the May 26, 2000 grant without
11 insisting on a compensation charge. In a September 11, 2000 email to Tullos and
12 others, Broadcom's then director of financial reporting warned that:

13 Going forward, we can expect much greater scrutiny by [the audit firm] on
14 our option granting process. I strongly recommend for next year's focal
15 grant that we have all the names and numbers ready before we select a price
16 date. I do not believe that [the audit firm] will grant us any flexibility on this
in the future.

17 As a result, by September 2000 Tullos knew or should have known that allocating
18 options to individual employees after a grant date had been determined would
19 trigger accounting consequences.

20 22. Tullos received options to purchase 45,000 shares of Broadcom stock
21 from the May 26, 2000 grant.

22 **E. The 2001 Grants**

23 23. In late 2000, Broadcom's stock price began declining steadily, along
24 with other technology companies, and was trading at the \$30 level in March 2001.
25 As a result, many employees' stock options became "underwater." The underwater
26 options had a huge impact on employee morale, because at the time Broadcom
27 paid below-the-market cash salaries and relied heavily on stock options to make its
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1 compensation package competitive. To address employee concerns, Broadcom
2 commenced a tender offer in May 2001. The tender offer would allow employees
3 to exchange their underwater options for new options, which could only be issued
4 six months and a day after the close of the tender offer period. The tender offer
5 period closed on June 23, 2001. For those employees who declined to participate
6 in the tender offer, Broadcom granted focal and other options on Sunday, June 24,
7 2001 with the exercise price of \$33.68, which was the close price on the previous
8 Friday, June 22, 2001. Afterwards, Broadcom made two additional focal grants to
9 employees and officers who declined to participate in the tender offer with
10 purported grant dates of October 1 and October 19, 2001. Purportedly on
11 December 24, 2001, Broadcom granted replacement options to those who
12 participated in the tender offer.

13 24. At the time of the June 24, 2001 grant, the former CEO had not
14 completed allocations of options to officers/employees who reported directly to
15 him, including several Section 16 officers. However, consistent with prior
16 practices, Tullos processed the grant assuming that the allocation for the former
17 CEO's "direct reports" would be provided later. However, in September 2001,
18 when these allocations had still not been provided and Broadcom's stock price
19 dropped below the June 24 price of \$33.68, that grant date was abandoned.

20 25. On November 2, 2001, a grant date of October 1, 2001 was selected at
21 the strike price of \$18.77, the lowest price of Broadcom stock in 2001. Later, the
22 former CEO decided to seize the low \$18.77 price to grant additional stock options
23 to two groups of employees: (i) top performers, and (ii) those employees whose
24 existing options would be fully vested in the next two years. From mid-November
25 to early December 2001, Tullos analyzed the status of employee options and
26 worked with the business units to identify the recipients of such grants.

27 26. The former CEO did not submit allocations for his "direct reports" on
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1 the purported October grant until January 2, 2002. Because of the former CEO's
2 delay, Tullos worried that employees would resent officers receiving the lower
3 strike price of \$18.77 when the rank and file received the June 24 price of \$33.68.
4 She therefore proposed to grant options to Section 16 officers at the above-the-
5 market price of \$33.68 price, but the former CEO disagreed.

6 27. On January 3, 2002, Tullos emailed several senior officers, including
7 one of the two option committee members, the former CFO, and the general
8 counsel, stating that the CEO "would like to find another opportunistic date, say
9 \$25.55 on 10/5 or \$29.25 on 10/19." This was the first mention of October 19,
10 2001 as a possible grant date. Upon receipt of Tullos's January 3, 2002 email, the
11 option committee member immediately approved the use of the October 19, 2001
12 price. The next day, Tullos confirmed to the in-house counsel responsible for
13 preparing the UWC for the compensation committee, who was also on the previous
14 email, that Section 16 officers had been granted options on October 19, 2001.
15 However, the senior officers, including Tullos, knew, or should have known, that
16 one member of the two-member compensation committee had died in July 2001
17 and had not been replaced.

18 28. Meanwhile, the tender offer's six-month-and-a-day waiting period
19 ended. Broadcom had from December 24, 2001 to January 31, 2002 to re-grant
20 options to those employees who participated in the tender offer. At the end of
21 December 2001, the senior officers, including Tullos, deliberated on when to grant
22 the options. On January 4, 2002, the former CFO sent an email to the two option
23 committee members copying, among others, the general counsel and Tullos:

24 I VERY strongly recommend that these options be priced as of Dec 24 (\$39
25 & change). The absolute drop dead for this decision is Friday Jan 4. If there
26 are no objections I would like to go ahead and price as of that date.... Given
27 the recent market performance, I think that we should grab the Dec 24 price.

28 Later that day, Tullos confirmed to the two option committee members, the former

1 CFO and the in-house counsel that the option and compensation committees had
2 approved the re-grant on December 24, 2001, even though all senior officers,
3 including Tullos, knew, or should have known, that the date was selected
4 retroactively, and that a member of the compensation committee had died in July
5 2001 and had not been replaced. The December 24, 2001 price of \$39.75 was the
6 lowest during the entire re-grant window.

7 29. Tullos did not participate in the 2001 tender offer. Tullos received
8 options to purchase 17,452 and 60,000 shares of Broadcom stock from the June 24,
9 2001 and October 1, 2001 grants, respectively.

10 **F. The 2002/2003 Focal Grants**

11 30. In March 2002, Broadcom's stock price began a steady decline.
12 Tullos began preparing the 2002 focal grant in the spring of 2002. On or about
13 May 17, 2002, Tullos announced the option committee approval of the grant on
14 May 10, 2002 at an exercise price of \$24.54. She later was instructed to abandon
15 that date when the price of Broadcom's stock fell even further. Toward late June
16 2002, Tullos had to answer numerous inquiries daily from anxious employees
17 waiting for their focal grants. For example, on June 26, 2002, in response to an
18 employee email inquiry, Tullos wrote, "I really do not understand why I keep
19 getting these questions, particularly from people that have been at [Broadcom] a
20 long time. I cannot respond fully in writing, but in case you haven't noticed, the
21 stock continues to drop." In another email communication on the same date, she
22 said "[t]he problem is that I cannot tell you what we are doing (post-Enron, now
23 Worldcom)."

24 31. In mid-June, one member of the option committee suggested that
25 Broadcom take advantage of "a favorable strike price" and grant 2003 focal
26 options at the same time as the 2002 grant, hence making it a "double focal" grant.
27 The former CFO, however, rejected the proposal in early July because of the huge
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1 dilution impact (of more than 31 million shares). Tullos then appealed to the
2 option committee member, and he revived the double focal grant.

3 32. Broadcom awarded the “double focal” option grant on a purported
4 grant date of July 3, 2002 at an exercise price of \$15.74, although it appears that
5 the former CFO selected the date retroactively around mid-July 2002. At the time,
6 the allocation for the 2002 portion of the grant was completed. Tullos rolled out
7 the allocation for the 2003 portion of the focal grant to business units on or about
8 July 16. Except for a few units and the former CEO, Tullos assembled individual
9 allocation recommendations during the last week of July, although she and her
10 staff continued to make changes through at least August 7, 2002. In an email dated
11 July 19, 2002, Tullos complained that she had to meet with members of all of the
12 business units in person in order to complete the allocation for the 2003 portion of
13 the focal grant, because the former CFO did not want her to “communicate
14 anything in writing since it would leave an email trail of unfavorable dates.” The
15 July 3, 2002 price of \$15.74 was the second lowest stock price in 2002 until
16 September 5, 2002.

17 33. The July 3, 2002 grant did not include the former CEO’s “direct
18 reports” because the former CEO did not submit his allocation until July 26, 2002.
19 By July 26, 2002, however, the July 3 grant date had been surrendered. On August
20 5, 2002, Broadcom’s stock price closed at \$15.74, exactly the same closing price as
21 July 3. The next day, the former CFO priced the grant for the former CEO’s
22 “direct reports,” including several Section 16 officers, at August 5’s price of
23 \$15.74. Tullos knew or should have known that the option and compensation
24 committees did not approve any stock option grant on August 5, 2002.

25 34. Tullos received options to purchase 140,000 shares of Broadcom
26 stock from the August 5, 2002 grant.

1 **G. The May 19, 2003 Focal Grant**

2 35. Broadcom granted focal options to newly hired employees who did
3 not participate in the 2002/2003 double focal grant with a purported grant date of
4 May 19, 2003 at an exercise price of \$20.00. Tullos knew that the option
5 committee did not approve the grant on May 19, 2003, because she personally
6 sought the committee's approval of the grant on June 5, 2003, when Broadcom's
7 stock price closed at \$26.66.

8 **H. Tullos Benefited From the Scheme**

9 36. During the relevant period, Tullos received backdated options on at
10 least four occasions, including options granted as of October 22, 1999, May 26,
11 2000, October 1, 2001, and August 5, 2002. Collectively, those options were in-
12 the-money by approximately \$11 million. Tullos exercised options from the
13 October 1, 2001 and August 5, 2002 grants and sold shares of Broadcom stock. In
14 doing so, she received an "in-the-money" benefit of \$1,260,455.40.

15 **I. Broadcom's Materially False And Misleading Forms 10-K And 10-Q**

16 37. At all relevant times, Broadcom's public filings affirmatively stated
17 that the Company accounted for its employee stock options in accordance with
18 APB 25, which requires that compensation expense be recorded when in-the-
19 money options are granted.

20 38. From June 1998 through May 2003, in contravention of the
21 Company's 1998 Stock Option Plan and practice of granting only at-the-money
22 options, Broadcom backdated stock option grants to award in-the-money options to
23 employees. In so doing, Broadcom never recorded any compensation expense as
24 required by APB 25. As a result, each of Broadcom's Forms 10-K for fiscal years
25 1998 through 2005, and each of its Forms 10-Q during the same period, materially
26 understated Broadcom's compensation expenses and materially overstated its net
27 income and/or understated its loss. In fact, Broadcom's January 2007 restatement
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1 of its financial statements disclosed that its compensation expense was understated
2 by approximately \$2.2 billion from 1998 through 2005.

3 39. Although Tullos did not prepare or review Broadcom's Forms 10-K
4 and 10-Q, she provided stock option allocation information to Broadcom's finance
5 and shareholder services departments, with the knowledge that the schedules she
6 provided would be incorporated in the Company's documentation of option grants
7 and used in preparing Broadcom's filings with the Commission. Tullos also knew
8 that the stock option numbers were reflected in the public filings on at least a
9 quarterly basis. Tullos also participated in communicating false grant dates within
10 the company. By participating in the backdating scheme, Tullos contributed to
11 Broadcom's preparation of false and misleading periodic reports that were filed
12 with the Commission.

13 **J. Broadcom's False Books and Records and Accounting Controls**

14 40. By virtue of Tullos's conduct, Broadcom's books and records falsely
15 and inaccurately reflected, among other things, option grant dates, exercise prices,
16 schedules of employee stock option allocations for particular grants, stock-based
17 compensation expenses, operating results, and employee hiring dates. For
18 example, on occasions Tullos knowingly communicated false grant dates. She
19 provided option allocation spreadsheets knowing that such information would be
20 incorporated in the Company's documentation of option grants and used in
21 preparing Broadcom's filings with the Commission. She and her staff made
22 frequent changes to option allocations requested by others under the guise of
23 "administrative errors." Tullos also backdated an employee's personnel records in
24 order to provide backdated options to that employee.

25 41. As director of Broadcom's human resources department, Tullos
26 administered Broadcom's process for preparing option allocation schedules
27 attached to board committee UWCs, and in numerous instances was responsible
28

1 for the preparation of these schedules.

2 42. Tullos failed to maintain Broadcom's system of controls by, among
3 other things, participating in communicating false grant dates and/or providing
4 option allocations for backdated option grants that were included in UWCs
5 approving those grants.

6 **FIRST CLAIM FOR RELIEF**

7 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

8 **Violations of Section 17(a)(3) of the Securities Act**

9 43. The Commission realleges and incorporates by reference ¶¶ 1 through
10 42 above.

11 44. Defendant Tullos, by engaging in the conduct described above,
12 directly or indirectly, in the offer or sale of securities by the use of means or
13 instruments of transportation or communication in interstate commerce or by the
14 use of the mails, engaged in transactions, practices, or courses of business which
15 operated or would operate as a fraud or deceit upon the purchaser.

16 45. By engaging in the conduct described above, Defendant Tullos
17 violated, and unless restrained and enjoined will continue to violate, Section
18 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3).

19 **SECOND CLAIM FOR RELIEF**

20 **FALSIFICATION OF RECORDS**

21 **Violations of Sections 13(b)(5) of the Exchange Act**

22 **and Rule 13b2-1 thereunder**

23 46. The Commission realleges and incorporates by reference ¶¶ 1 through
24 42 above.

25 47. Defendant Tullos, by engaging in the conduct described above,
26 directly or indirectly, falsified or caused to be falsified Broadcom's books, records
27 and accounts subject to Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §
28

1 78m(b)(2)(A).

2 48. By engaging in the conduct alleged above, Defendant Tullos violated
3 Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Exchange Act
4 Rule 13b2-1, 17 C.F.R. § 240.13b2-1, which prohibits any person from
5 circumventing or failing to implement a system of internal accounting controls, or
6 from knowingly falsifying any book, record, or account described in Section
7 13(b)(2) of the Exchange Act, 15 U.S.C. § 78m(b)(2). Unless restrained and
8 enjoined, defendant Tullos will continue to violate Section 13(b)(5) of the
9 Exchange Act, 15 U.S.C. § 78m(b)(5), and Exchange Act Rule 13b2-1, 17 C.F.R. §
10 240.13b2-1.

11 **THIRD CLAIM FOR RELIEF**

12 **VIOLATIONS OF COMMISSION PERIODIC**

13 **REPORTING REQUIREMENTS**

14 **Aiding and Abetting Broadcom's Violations of Section 13(a) of the Exchange**
15 **Act, and Rules 12b-20, 13a-1, and 13a-13 thereunder**

16 49. The Commission realleges and incorporates by reference ¶¶ 1 through
17 42 above.

18 50. Broadcom violated Section 13(a) of the Exchange Act, 15 U.S.C. §
19 78m(a), and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-
20 1, and 240.13a-13, thereunder, by filing with the Commission materially false and
21 misleading annual reports on Forms 10-K for the fiscal years 1998 through 2005,
22 and by filing with the Commission materially false and misleading quarterly
23 reports on Forms 10-Q for the same period.

24 51. Defendant Tullos knowingly provided substantial assistance to
25 Broadcom's violation of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a),
26 and Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and
27 240.13a-13, thereunder.

1 52. By engaging in the conduct described above and pursuant to Section
2 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Defendant Tullos aided and abetted
3 Broadcom's violations, and unless restrained and enjoined will continue to aid and
4 abet violations, of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and
5 Rules 12b-20, 13a-1, and 13a-13, 17 C.F.R. §§ 240.12b-20, 240.13a-1, and
6 240.13a-13, thereunder.

7 **FOURTH CLAIM FOR RELIEF**

8 **RECORD-KEEPING VIOLATIONS**

9 **Aiding and Abetting Violations of Section 13(b)(2)(A) of the Exchange Act**

10 53. The Commission realleges and incorporates by reference ¶¶ 1 through
11 42 above.

12 54. Broadcom violated Section 13(b)(2)(A) of the Exchange Act, 15
13 U.S.C. § 78m(b)(2)(A), by failing to make or keep books, records, and accounts
14 that in reasonable detail accurately and fairly reflected its transactions and
15 disposition of its assets.

16 55. Defendant Tullos knowingly provided substantial assistance to
17 Broadcom's violation of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §
18 78m(b)(2)(A).

19 56. By engaging in the conduct described above and pursuant to Section
20 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Defendant Tullos aided and abetted
21 Broadcom's violations, and unless restrained and enjoined will continue to aid and
22 abet violations, of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. §
23 78m(b)(2)(A).

24 **FIFTH CLAIM FOR RELIEF**

25 **INTERNAL CONTROLS VIOLATIONS**

26 **Aiding and Abetting Violations of Sections 13(b)(2)(B) of the Exchange Act**

27 57. The Commission realleges and incorporates by reference ¶¶ 1 through
28

1 42 above.

2 58. Broadcom violated Section 13(b)(2)(B) of the Exchange Act, 15
3 U.S.C. § 78m(b)(2)(B), by failing to devise and maintain a system of internal
4 accounting controls sufficient to provide reasonable assurances that transactions
5 were recorded as necessary to permit preparation of financial statements in
6 conformity with GAAP and to maintain the accountability for assets. -

7 59. Defendant Tullos knowingly provided substantial assistance to
8 Broadcom's violation of Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §
9 78m(b)(2)(B).

10 60. By engaging in the conduct described above and pursuant to Section
11 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Defendant Tullos aided and abetted
12 defendant Broadcom's violations, and unless restrained and enjoined will continue
13 to aid and abet violations, of Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §
14 78m(b)(2)(B).

15 **PRAYER FOR RELIEF**

16 WHEREFORE, the Commission respectfully requests that the Court:

17 (a) Issue findings of fact and conclusions of law that Defendant Tullos
18 committed the violations alleged and charged herein.

19 (b) Issue judgments, in a form consistent with Rule 65(d) of the Federal
20 Rules of Civil Procedures, permanently enjoining Defendant Tullos, her agents,
21 servants, employees, attorneys, and those persons in active concert or participation
22 with her, who receive actual notice of the order by personal service or otherwise,
23 from violating Section 17(a)(3) of the Securities Act, 15 U.S.C. § 77q(a)(3),
24 Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and Rule 13b2-1, 17
25 C.F.R. § 240.13b2-1, thereunder, and from aiding and abetting violations of
26 Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, 15 U.S.C. §§
27 78m(a), 78m(b)(2)(A), and 78m(b)(2)(B), and Rules 12b-20, 13a-1, and 13a-13, 17
28

1 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13, thereunder.

2 (c) Order Defendant Tullos to disgorge all ill-gotten gains from her illegal
3 conduct, together with prejudgment interest thereon.


4 (d) Order Defendant Tullos to pay civil penalties under Section 20(d) of
5 the Securities Act, 15 U.S.C. § 77t(d), and/or Section 21(d)(3) of the Exchange
6 Act, 15 U.S.C. § 78u(d)(3).

7 (e) Retain jurisdiction of this action in accordance with the principles of
8 equity and the Federal Rules of Civil Procedure in order to implement and carry
9 out the terms of all orders and decrees that may be entered, or to entertain any
10 suitable application or motion for additional relief within the jurisdiction of this
11 Court.

12 (f) Grant such other and further relief as this Court may determine to be
13 just and necessary.

14 DATED: March 4, 2008

Respectfully submitted,

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18 _____
19 JUNLING MA
20 Attorneys for Plaintiff
21 Securities and Exchange Commission
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