

BUSINESS

Chris Kiper, left, and Bradley Vizi, two of Legion Partners Asset Management's co-founders, are shown at their Beverly Hills office.



ISAAC ARJONILLA, STAFF PHOTOGRAPHER

Broadcom calls an audible on wireless

Firm to explore options for cellular baseband unit, including a possible sale.

BLOOMBERG NEWS

Broadcom Corp., struggling to make a dent in Qualcomm's lead in chips that connect smartphones to mobile networks, said it's giving up on that business.

The Irvine-based company hired JPMorgan Chase to help explore options for its cellular baseband unit, including a possible sale. Exiting the business would reduce annual expenses by about \$700 million, Broadcom said Monday in a statement. The shares surged 9.3 percent, the biggest one-day gain since 2011.

Broadcom is the latest company to say it won't try to compete in baseband with Qualcomm, whose chips connect the majority of smartphones to high-speed, Internet-capable networks. Texas Instruments and Freescale Semiconductor Ltd. have already dropped out of the industry, and Intel's latest quarterly report showed that its losses exceeded revenue in the mobile-chip business.

"It's a tough decision, but it's the right decision," said Chris Rolland, an analyst at FBR Capital Markets in New York, who has the equivalent of a buy rating on Broadcom stock. "They were behind in their technology road map."

Broadcom's business is roughly divided into three segments: infrastructure (the plumbing of the Internet), home (anchored by cable box chips) and mobile

SEE MOBILE • PAGE 3



STAFF FILE PHOTO

Broadcom Corp.'s headquarters in Irvine. The company is rethinking its approach to mobile technology.

HIGH GAINS, LOW PROFILE

The co-founders of Legion Partners Asset Management avoid a reputation as corporate raiders, preferring to boost a company's bottom line.



MARNI USHEROFF
STAFF WRITER

Activist investors have garnered plenty of attention lately with the likes of Bill Ackman publicly partnering with Valeant Pharmaceuticals in an attempted hostile takeover of Allergan, and Carl Icahn tweeting about his stake in Apple.

Some see today's activist investors as heirs to Wall Street's corporate raiders of the 1980s. Others argue they provide much-needed oversight for companies

whose boards aren't doing their jobs.

But not all activist shareholders are media rock stars telegraphing their every move to the public. Some prefer to work behind the scenes.

Legion Partners Asset Management would characterize itself as the latter. The Beverly Hills-based investment firm focuses on small- and

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MORE INSIDE

PROXY FIGHT LOOMS

Activist investor Bill Ackman says he will move to replace most of the board of directors of Irvine-based Allergan as part of a continuing battle for control of the company. **Page 4**

STOCKS HIGHER AGAIN

The Dow and the Standard & Poor's 500 index set record highs for a second trading day after two reports showed manufacturing expansion in the world's two largest economies. **Page 5**

PYRAMID SCHEME RULING

BurnLounge, a digital music seller shut down by the FTC over its multilevel marketing, was found to be an illegal pyramid scheme in a case closely followed by Herbalife watchers. **Page 8**

Apple unveils new operating systems

Company's new services aim for more integration between Macs and mobile devices.

BY BRIAN X. CHEN
THE NEW YORK TIMES

SAN FRANCISCO • Apple on Monday introduced new operating systems for its Mac computers and mobile devices, including a series of changes intended to help Macs work more seamlessly with iPhones and iPads.

The new Mac system, called Yosemite, includes a new design that streamlines the toolbar for using the computer's calendar,



JUSTIN SULLIVAN, GETTY IMAGES

Apple executive Craig Federighi speaks during the Apple Worldwide Developers Conference on Monday in San Francisco.

clock and calculator. It also includes new icons. The new mobile system, iOS 8, adds functions like a smarter keyboard

and new features for emails and text messages.

The announcements were made at the company's annual

software developer conference here. Apple also introduced a system called Continuity, which makes it easier to juggle content across different devices. For example, a user can connect a Mac and an iPad, making it possible to compose an email on a Mac, and then swipe up on the iPad screen to resume writing the same email. A phone conversation on an iPhone can be transferred to a Mac, too.

The company's iCloud online storage service received some attention, too. The company said it was adding a new feature called iCloud Drive, which allows users to store files online and access them across differ-

SEE APPLE • PAGE 4

MARKET RECAP



Dow Industrials
Close: 16,743.63
Change: +26.46



Nasdaq Index
Close: 4,237.20
Change: -5.42



S&P 500 Index
Close: 1,924.97
Change: +1.40



10-year Treasury:
Close: 2.53%
Change: +0.05



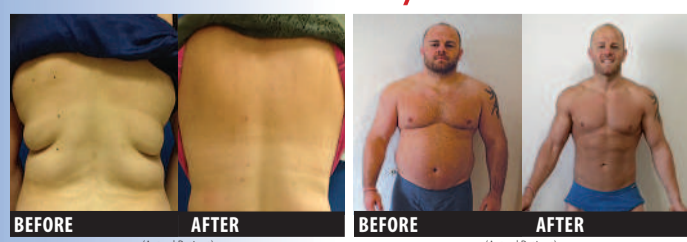
Oil per barrel:
Close: \$102.47
Change: -\$0.24



O.C. gas prices:
Gallon: \$4.135
Change: -\$0.001

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ACTIVIST INVESTORS SHARE TACTICS

FROM PAGE 1

mid-cap companies and recently launched a fund seeded by \$200 million from the California State Teachers' Retirement System with a long-term mandate.

Co-founders Christopher Kiper, Bradley Vizi and Ted White recently spoke about activist investing.

Q. What is shareholder activism?

A. Christopher Kiper:

Generally shareholder activism for us is involved with going out and doing deep research and really trying to find good companies that are undervalued. We're trying to figure out the reason why and see what we can do, utilizing the tools we have at our disposal, to make the shares become more fully and fairly valued. That work can take on a number of different steps. That could be capital allocation, a change in leadership. It could be that they need to go in a different direction, potentially sell the business.

A. Ted White:

Over time our capital markets have just morphed to a way that the shareholder base is really fragmented and dispersed. A significant holder like a mutual fund is 5 percent of a company on average, still pretty significant holders, but look at how they're structured. Their business is to aggregate funds from individual investors and to invest those. They aren't really in the traditional sense owners of a business. The elements that are missing is that interest of somebody that truly owns something and feels that responsibility and is going to be involved.

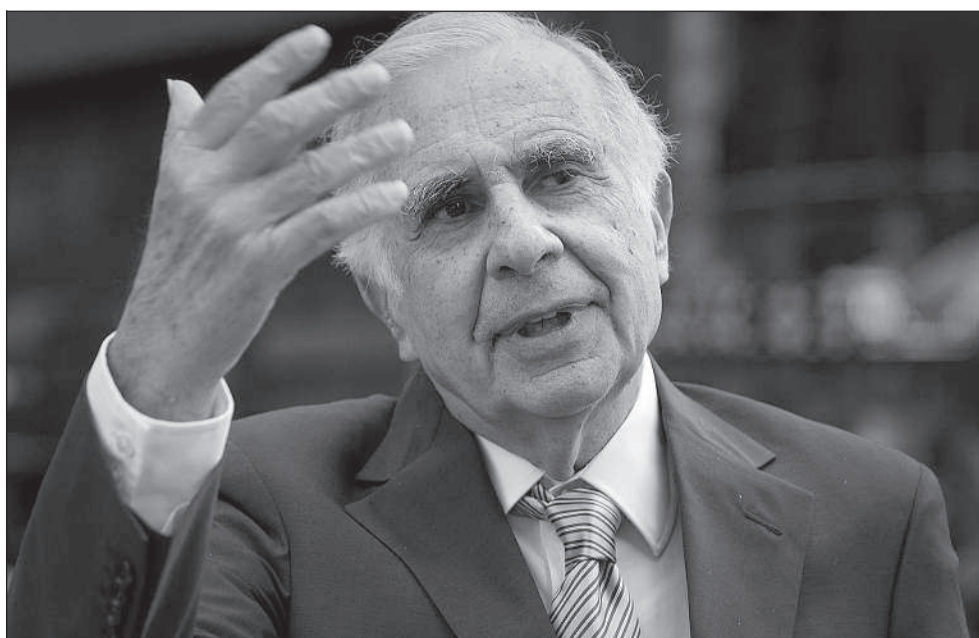
Q. What are the tactics you can use to effect change?

A. Kiper: We seek to change the things about the company that are leading to its undervaluation. And those vary for every single company.

A. Bradley Vizi: We start out very reasonable. We'll show up with pages and pages of presentation and data backing up our suggestions and try and have a productive discussion with the leadership, starting with the management team and then graduating to the board of directors. If we're unable to be successful, there's a process that you start to get other shareholders involved.

Eventually it could escalate to a proxy fight, which would be a bit more contentious. And when the proxy fight begins, it's a multiweek, multimonth process. There are multiple steps along the way in which you can settle or you can see it through to a vote.

Q. One criticism of activist investors is they focus on short-term profits at the



FILE PHOTO: BLOOMBERG

Investor Carl Icahn talks outside the Nasdaq MarketSite in New York in 2012. Icahn is one example of a businessman who's used social media to his advantage in investing.



FILE PHOTO: GETTY IMAGES

Hedge fund manager Bill Ackman speaks at the New York Film Festival in 2010. Ackman's dealings with Herbalife have drawn attention to activist investing.

expense of long-term gains. What would you say to that?

A. Kiper: I can't speak for all activists, but I can tell you from where we're at. Our largest investor is CalSTRS. And one of the things that they're very interested in, because they're going to be invested in the U.S. equity markets for literally decades, is to see companies run in a way that's sustainably better for well into the future. We're not targeting a short-term pop in the stock. We're targeting longer-term things that will structurally make the business a better business for shareholders. On the governance front - staggering the board so that all the directors stand for election every year, implementing majority votes. We're not talking about how do we make the stock go up 25 percent so that we can sell and make money and move on.

Q. Some activists like to embrace the media and broadcast what they're doing on social media, like Carl Icahn tweeting about Apple. How do you think this has affected shareholder activism?

A. Kiper: I think there's certainly a bunch of celebrity activists who seem to like that position in the media. That's not how we have tended to operate. I think typically what you'd see out of us and what we'd like to do is have a private dialogue. Because what we have found in the past if there's a bunch of public comments, generally it tends to get both sides sort of riled up and it makes it more difficult to come to a consensus about the best way to move things forward.

Q. If it makes it more difficult to come to a consensus, why would people want to do that?

A. Kiper: I think potentially maybe what you're seeing is activists taking on activist stakes in larger companies with very, very small percentages of ownership. And maybe they feel like embracing the media is a way to rally the shareholders around the position and bring more pressure to bear. I think there are a lot of public personalities that are out there who seem to like the attention, and quite frankly, it probably may be pretty

good in a lot of situations for fundraising.

A. Vizi: You're also seeing activists getting increasingly creative, particularly when you get into bigger companies. As a fund starts to get to the \$10 billion range, the universe of potential targets is much, much smaller. So naturally when you have a handful of activist funds fishing in ponds that are a lot smaller, I think you tend to see an increased level of creativity.

A. White: When there are hundreds if not thousands of shareholders, one of the ways you facilitate a debate about value or something going on with the company is through the use of media. It has a really quite legitimate and very powerful role to play in that ... sometimes (the exposure) is a little too much. Sometimes the stories get deeper into personal battles and personalities than they do into the real nub of the issue at a particular company, frankly because sometimes the personality conflicts are a lot more sexy than just the nitty-gritty about how a business could be run better.

Q. There's been so much more attention being paid to activist investors lately in the last two years or so. Are we returning to a 1980s "Barbarians at the Gate"-type mentality?

A. White: Activism may be getting defined a little too much by the tip of the iceberg. And by that, what I mean is, you have some high-profile cases you know, a relatively small number, but they get an awful lot of attention, and people start to view activism by some of the examples that they hear. But for the most part the majority of the companies that are engaged by activists probably stay behind the scenes.

A. Vizi: A lot of the critics like to tie what we do and activism today back to kind of the corporate raiders of the 1980s. And they try to paint a stigma

around it, and that just isn't accurate at all. I think the reality is we're perfectly aligned with other shareholders. We make money, we generate returns and we get paid the same way other shareholders do.

Q. Did the recession play a role in people being more vocal?

A. White: I've noticed over the years as you have these periods, the crises in the markets, there actually is an increased level of receptivity to activism following those events.

A. Vizi: Coming out of the downturn, when people lose money there's a higher level of scrutiny on the things that are being done at companies. As the economy starts to mature and become kind of slower growth generally, I think that's the type of environment that an activist strategy will flourish in. Because at the end of the day perhaps the biggest tool in our tool belt is essentially our active involvement. In other words, we don't rely on the market to go up in order to generate returns.

A. White: In raging bull markets it's really hard to get people to think rationally about governance structures. It's just the way people are, unfortunately. Markets are doing so well, who wants to rock the boat, right?

Q. What Bill Ackman has done with Herbalife, attacking the very nature of their business, does using a tactic like that pose a risk to activist investors themselves?

A. Kiper: It's not even the kind of activity that we engage in. If you sort of think about that, going short a stock, and then publicly making a case about why the business was a fraud and then it just going out of business, that's just not what we do ... and I would say more broadly I don't see that many activists engaging in that exact behavior.

Q. Ackman is working with Valeant to encourage Allergan to be acquired by Valeant. Is that an unusual move for an activist investor?

A. White: Some of the big institutions - look at like the Canadian funds - are pretty active investors. They're not real public about it, but there's some cases where they are involved in some publicity, replacing some board members and things like that. They're coming in as an active owner or just a big source of capital working with companies to either cause some mergers, providing some capital for acquisition or growth or things like that. It's not unheard of to have investors doing that.

CONTACT THE WRITER:
714-796-7920 or
musheroff@ocregister.com

MOBILE: Strategy changes

FROM PAGE 1

(anchored by Wi-Fi and Bluetooth chips in the most popular mobile phones and tablets). The decision represents abandoning an effort to expand in mobile from areas of strength in those short-range wireless chips to the cellular baseband, which communicate wirelessly over longer distances.

The company would be freed up to invest in and profit from its computer-networking chip business, Rolland said. Shares of Broadcom stock slipped 11 percent last year amid delays introducing baseband chips, hurting its ability to gain orders from smartphone makers such as Apple Inc. and Samsung Electronics Co.

Broadcom shares jumped 9.3 percent Monday to close at \$34.84.

"We've concluded the commercial and economic opportunity is not sufficient to justify the continued investment," CEO Scott McGregor said on a conference call Monday. "Should no buyer be found, we expect to wind down the baseband business and to exit."

Sales in Broadcom's mobile division slumped 15 percent to \$846 million in the first quarter. Qualcomm has more than 90 percent of the market for baseband chips that are built into processors to run phones connected to LTE networks, according to market researcher IDC.

Broadcom said it will probably record an impairment charge related to the sale or wind-down of the business, and it plans to reinvest about \$50 million of the savings on an annualized basis into projects in the broadband, infrastructure and connectivity businesses.

Last year, Broadcom announced to plans to cut as many as 1,150 jobs. A third of the cuts were among workers gained from its acquisition of a Renesas Electronics Corp. business unit.

Separately Monday, Broadcom reiterated its revenue forecast for the quarter ending June 30. Second-quarter revenue will be \$2 billion to \$2.1 billion, Broadcom said. Analysts on average predicted revenue of \$2.05 billion, according to data compiled by Bloomberg.

A Broadcom spokesperson declined to provide a figure on how many employees and which offices might be impacted by the decision to sell off or wind down the unit.

Staff writer Ian Hamilton contributed to this report.

The Top 5 Frequently Asked Questions About...

HOME LOANS

PURCHASE OR REFINANCE CASH-OUT

1 THINKING OF SELLING?

Before you list your home with just any licensed Realtor, call me 1st to confirm your next steps. Save time and money with confidence through a referral process of proven real estate experts that already know how to advertise your house/neighborhood. Interview for FREE a Real Estate Agent Team you can trust to GET YOU TOP DOLLAR in less time.

2 DO I HAVE ENOUGH EQUITY NOW TO DOWNSIZE INTO A LOWER AFFORDABLE FIXED MORTGAGE PAYMENT?

If you are looking for less space, or a single story without stairs, you have options and moving might be your best bet now when thinking ahead for your retirement years' monthly cash flow. Use your current equity from LISTING YOUR HOME to put CASH towards a new home if you are motivated to move in 2014.

3 THINKING OF BUYING AGAIN?

Have you outgrown your current home or condo and need more space? A bigger yard? A larger garage? We offer low Fixed-Rate purchase loans, FHA Loans, & VA Loans, for qualified buyers. We make it Easier to Shop and compare homes. We will give you FREE access to the MLS (Multiple Listing Service) Directly with A FREE Mobile App in Southern Ca upon referring you for a qualified REALTOR INTERVIEW!



4 WHICH LOCAL REALTOR IS YOUR BEST CHOICE?

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5 IS A CASH-OUT REFINANCE LOAN BETTER FOR ME VS. MOVING?

Only if you HAVE GOOD+ CREDIT, CONSISTENT INCOME, AND over 30% EQUITY RIGHT NOW...

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