

RAMBUS INC  
Form 10-Q  
October 31, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-22339

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**RAMBUS INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**94-3112828**  
(I.R.S. Employer  
Identification No.)

**1050 Enterprise Way, Suite 700, Sunnyvale, CA 94089**

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: **(408) 462-8000**

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares outstanding of the registrant's Common Stock, par value \$.001 per share, was 109,961,324 as of September 30, 2011.

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**NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q ( Quarterly Report ) contains forward-looking statements. These forward-looking statements include, without limitation, predictions regarding the following aspects of our future:

- Success in the markets of our or our licensees' products;
- Sources of competition;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Success in renewing license agreements;
- Technology product development;
- Acquisitions, mergers or strategic transactions and our related integration efforts;
- Pricing policies of our licensees;
- Engineering, marketing and general and administration expenses;
- Contract revenue;

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- Operating results;
- International licenses and operations;
- Issuances of our securities, which could involve restrictive covenants or be dilutive to our existing stockholders;
- Interest and other income, net;
- Effects of changes in the economy and credit market on our industry and business;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Ability to identify, attract, motivate and retain qualified personnel;
- Restructuring activities;
- Growth in our business;
- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Effective tax rates;
- Realization of deferred tax assets/release of deferred tax valuation allowance;



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- Repurchases of our Common Stock pursuant to share repurchase programs, contingently redeemable Common Stock (which we are required contractually to repurchase) or other repurchases;
  
- Trading price of our Common Stock;
  
- Internal control environment;
  
- Corporate governance;
  
- Consequences of the lawsuits related to the stock option investigation;
  
- The level and terms of our outstanding debt;
  
- Outcome and effect of current and potential future intellectual property litigation and other significant litigation;
  
- Resolution of the governmental agency matters involving us;
  
- Litigation expenses;
  
- Protection of intellectual property;
  
- Terms of our licenses;
  
- Amounts owed under licensing agreements;

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- Indemnification and technical support obligations; and
- Likelihood of paying dividends or repurchasing stock.

You can identify these and other forward-looking statements by the use of words such as may, future, shall, should, expects, plans, anticipate, believes, estimates, predicts, intends, potential, continue, or the negative of such terms, or other comparable terminology. Forward-looking statements also include the assumptions underlying or relating to any of the foregoing statements.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Item 1A, Risk Factors. All forward-looking statements included in this document are based on our assessment of information available to us at this time. We assume no obligation to update any forward-looking statements.



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**RAMBUS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**

	September 30, 2011	December 31, 2010
	(In thousands, except shares and par value)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 160,844	\$ 215,262
Marketable securities	131,909	296,747
Accounts receivable	917	2,600
Prepaid expenses and other current assets	10,101	10,898
Deferred taxes	1,863	2,420
Total current assets	305,634	527,927
Deferred taxes, long term	7,190	2,974
Intangible assets, net	189,363	40,986
Goodwill	115,148	18,154
Property, plant and equipment, net	72,494	67,770
Other assets	5,640	5,361
Total assets	\$ 695,469	\$ 663,172
<b>LIABILITIES, CONTINGENTLY REDEEMABLE COMMON STOCK &amp; STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 18,117	\$ 5,952
Accrued salaries and benefits	27,488	31,634
Accrued litigation expenses	9,830	4,060
Deferred revenue	762	2,482
Other accrued liabilities	10,132	11,683
Total current liabilities	66,329	55,811
Convertible notes, long-term	130,354	121,500
Long-term imputed financing obligation	36,386	27,899
Long-term income taxes payable	8,032	4,577
Other long-term liabilities	5,408	5,102
Total liabilities	246,509	214,889
Commitments and contingencies		
Contingently redeemable common stock:		
Issued and outstanding: no shares at September 30, 2011 and 4,788,125 shares at December 31, 2010		113,500
Stockholders equity:		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares		
Issued and outstanding: no shares at September 30, 2011 and December 31, 2010		
Common stock, \$.001 par value:		
Authorized: 500,000,000 shares		
	110	103

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Issued and outstanding: 109,961,324 shares at September 30, 2011 and 102,676,544 shares at December 31, 2010				
Additional paid-in capital		1,040,185		911,632
Accumulated deficit		(590,927)		(576,590)
Accumulated other comprehensive loss, net		(408)		(362)
Total stockholders' equity		448,960		334,783
Total liabilities, contingently redeemable common stock and stockholders' equity	\$	695,469	\$	663,172

See Notes to Unaudited Condensed Consolidated Financial Statements

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## RAMBUS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(In thousands, except per share amounts)			
Revenue:				
Royalties	\$ 96,216	\$ 31,179	\$ 216,421	\$ 229,913
Contract revenue	4,047	564	12,583	2,556
Total revenue	100,263	31,743	229,004	232,469
Operating costs and expenses:				
Cost of revenue*	7,425	1,368	16,632	5,026
Research and development*	32,318	23,002	79,855	67,678
Marketing, general and administrative*	48,952	27,938	119,416	88,873
Costs of restatement and related legal activities	832	1,229	2,703	3,393
Gain from settlement		(10,300)	(6,200)	(116,500)
Total operating costs and expenses	89,527	43,237	212,406	48,470
Operating income (loss)	10,736	(11,494)	16,598	183,999
Interest income and other income (expense), net	(768)	312	(2,197)	1,053
Interest expense on convertible notes	(5,410)	(4,953)	(15,794)	(14,709)
Interest and other income (expense), net	(6,178)	(4,641)	(17,991)	(13,656)
Income (loss) before income taxes	4,558	(16,135)	(1,393)	170,343
Provision for income taxes	4,080	4,441	12,944	52,510
Net income (loss)	\$ 478	\$ (20,576)	\$ (14,337)	\$ 117,833
Net income (loss) per share:				
Basic	\$ 0.00	\$ (0.18)	\$ (0.13)	\$ 1.04
Diluted	\$ 0.00	\$ (0.18)	\$ (0.13)	\$ 1.01
Weighted average shares used in per share calculation:				
Basic	112,334	111,866	109,997	112,768
Diluted	115,552	111,866	109,997	116,347

\* Includes stock-based compensation:

Cost of revenue	\$ 90	\$ 17	\$ 499	\$ 146
Research and development	\$ 2,775	\$ 2,470	\$ 7,777	\$ 7,742
Marketing, general and administrative	\$ 4,354	\$ 4,976	\$ 13,262	\$ 15,340

See Notes to Unaudited Condensed Consolidated Financial Statements



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## RAMBUS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30,	
	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ (14,337)	\$ 117,833
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	21,538	23,228
Depreciation	8,588	7,233
Amortization of intangible assets	12,908	3,587
Non-cash interest expense and amortization of convertible debt issuance costs	9,326	8,241
Deferred tax benefit	(3,413)	(98)
Non-cash acquisition of patents	(3,000)	
Loss on sale of marketable security		83
Change in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	2,823	794
Prepaid expenses and other assets	5,550	1,597
Accounts payable	12,559	(2,445)
Accrued salaries and benefits and other accrued liabilities	(7,755)	20,251
Accrued litigation expenses	5,770	(1,257)
Income taxes payable	2,174	247
Deferred revenue	(1,720)	87
Net cash provided by operating activities	51,011	179,381
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(167,381)	(2,000)
Purchases of marketable securities	(94,189)	(319,111)
Maturities of marketable securities	254,322	218,481
Purchases of property, plant and equipment	(14,950)	(13,100)
Acquisition of intangible assets	(210)	(5,500)
Proceeds from sale of marketable security		