

RAMBUS INC
Form 10-Q
April 30, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

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

RAMBUS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

4440 El Camino Real, Los Altos, CA 94022

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (650) 947-5000

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 Smaller reporting
filer (Do not check if a smaller reporting company) 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 104,466,738 as of March 31, 2009.

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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:

Outcome and effect of current and potential future intellectual property litigation;

Litigation expenses;

Resolution of the European Commission matters involving us;

Protection of intellectual property;

Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;

Amounts owed under licensing agreements;

Terms of our licenses;

Indemnification and technical support obligations;

Success in the markets of our or our licensees products;

Research and development costs and improvements in technology;

Sources, amounts and concentration of revenue, including royalties;

Effective tax rates;

Realization of deferred tax assets/release of deferred tax valuation allowance;

Product development;

Sources of competition;

Pricing policies of our licensees;

Success in renewing license agreements;

Operating results;

International licenses and operations, including our design facility in Bangalore, India;

Methods, estimates and judgments in accounting policies;

Growth in our business;

Acquisitions, mergers or strategic transactions;

Ability to identify, attract, motivate and retain qualified personnel;

Trading price of our Common Stock;

Internal control environment;

Corporate governance;

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Accounting, tax, regulatory, legal and other outcomes and effects of the stock option investigation;

Consequences of the lawsuits related to the stock option investigation;

The level and terms of our outstanding debt;

Engineering, marketing and general and administration expenses;

Contract revenue;

Interest and other income, net;

Adoption of new accounting pronouncements;

Likelihood of paying dividends;

Effects of changes in the economy and credit market on our industry and business; and

Restructuring activities.

You can identify these and other forward-looking statements by the use of words such as may, future, shall, should, expects, plans, anticipates, believes, estimates, predicts, intends, potential, continue, or the negative 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)

	March 31, 2009	December 31, 2008 (1)
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,838	\$ 116,241
Marketable securities	222,090	229,612
Accounts receivable	1,187	1,503
Prepays and other current assets	7,765	8,486
Deferred taxes	209	88
Total current assets	357,089	355,930
Restricted cash	637	632
Deferred taxes, long-term	1,641	1,857
Intangible assets, net	7,988	7,244
Property and equipment, net	19,734	22,290
Goodwill	4,454	4,454
Other assets	3,749	4,963
Total assets	\$ 395,292	\$ 397,370
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 15,054	\$ 6,374
Accrued salaries and benefits	9,340	9,859
Accrued litigation expenses	7,295	14,265
Income taxes payable	462	638
Other accrued liabilities	2,541	3,178
Convertible notes	128,034	
Deferred revenue	1,745	1,787
Total current liabilities	164,471	36,101
Deferred revenue, less current portion	90	90
Convertible notes		125,474
Long-term income taxes payable	1,850	1,953
Other long-term liabilities	634	811
Total liabilities	167,045	164,429
Commitments and contingencies (Note 7 and 13)		
STOCKHOLDERS EQUITY		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares		

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Issued and outstanding: no shares at March 31, 2009 and December 31, 2008

Common stock, \$.001 par value:

Authorized: 500,000,000 shares

Issued and outstanding: 104,466,738 shares at March 31, 2009 and
103,803,006 shares at December 31, 2008

Additional paid-in capital

Accumulated deficit

Accumulated other comprehensive income

Total stockholders' equity

Total liabilities and stockholders' equity

104	104
716,908	703,640
(489,098)	(471,672)
333	869
228,247	232,941
\$ 395,292	\$ 397,370

(1) Convertible
notes have been
adjusted as a
result of the
retrospective
adoption of FSP
APB 14-1

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31,	
	2009	2008
	(In thousands, except per share amounts)	
Revenue:		
Royalties	\$ 26,169	\$ 33,093
Contract revenue	1,165	6,645
Total revenue	27,334	39,738
Costs and expenses:		
Cost of contract revenue*	2,183	7,233
Research and development*	17,837	21,502
Marketing, general and administrative*	37,156	33,321
Costs (recovery) of restatement and related legal activities	(13,639)	912
Total costs and expenses	43,537	62,968
Operating loss	(16,203)	(23,230)
Interest income and other income (expense), net	1,440	4,595
Interest expense (1)	(2,670)	(2,888)
Interest and other income (expense), net	(1,230)	1,707
Loss before income taxes	(17,433)	(21,523)
Benefit from income taxes	(7)	(7,169)
Net loss	\$ (17,426)	\$ (14,354)
Net loss per share:		
Basic	\$ (0.17)	\$ (0.14)
Diluted	\$ (0.17)	\$ (0.14)
Weighted average shares used in per share calculation:		
Basic	104,376	104,683
Diluted	104,376	104,683
* Includes stock-based compensation:		
Cost of contract revenue	\$ 390	\$ 1,918

Research and development	\$ 2,740	\$ 3,904
Marketing, general and administrative	\$ 5,289	\$ 4,707

(1) Non-cash
interest expense
is a result of the
adoption of FSP
APB 14-1.

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net loss	\$ (17,426)	\$ (14,354)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	8,419	10,529
Depreciation	2,807	2,702
Impairment of investments	164	
Amortization of intangible assets	806	1,360
Non-cash interest expense and amortization of convertible debt issuance costs	2,670	2,888
Deferred tax provision (benefit)	95	(7,281)
Change in operating assets and liabilities:		
Accounts receivable	316	(5,476)
Prepays and other assets	1,185	(3,472)
Accounts payable	8,647	1,317
Accrued salaries and benefits and other accrued liabilities	(1,024)	581
Accrued litigation expenses	(6,970)	(2,137)
Income taxes payable	(279)	(20)
Increases in deferred revenue	650	3,078
Decreases in deferred revenue	(692)	(2,035)
Increase in restricted cash	(5)	(18,475)
Net cash used in operating activities	(637)	(30,795)
Cash flows from investing activities:		
Purchases of property and equipment	(708)	(3,126)
Acquisition of intangible assets	(1,550)	(300)
Purchases of marketable securities	(83,508)	(97,164)
Maturities of marketable securities	90,493	153,118
Proceeds from sale of marketable securities		9,134
Net cash provided by investing activities	4,727	61,662
Cash flows from financing activities:		
Proceeds received from issuance of common stock under employee stock plans	5,507	629
Payments under installment payment arrangement		(1,250)
Repurchase and retirement of common stock		(24,921)
Net cash provided by (used in) financing activities	5,507	(25,542)
Effect of exchange rates on cash and cash equivalents		145
Net increase in cash and cash equivalents	9,597	5,470

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Cash and cash equivalents at beginning of period	116,241	119,391
Cash and cash equivalents at end of period	\$ 125,838	\$ 124,861

Supplemental disclosure of cash flow information:

Property and equipment received and accrued in accounts payable and other accrued liabilities	\$ 173	\$ 4,838
Proceeds receivable from issuance of common stock under employee stock plans	\$	\$ 4,237

See Notes to Unaudited Condensed Consolidated Financial Statements

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The accompanying unaudited condensed consolidated financial statements include the accounts of Rambus Inc. (Rambus or the Company) and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership and in which Rambus does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring items) necessary to state fairly the financial position and results of operations for each interim period shown. Interim results are not necessarily indicative of results for a full year.

The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC) applicable to interim financial information. Certain information and Note disclosures included in financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in Form 10-K for the year ended December 31, 2008, except as noted below.

In accordance with the adoption of FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1) as of January 1, 2009 as noted below, the Company has changed its accounting for its convertible notes and has retrospectively adjusted the prior year financial statements. See Note 15 Convertible Notes for the impact of the adoption of FSP APB 14-1.

We have reclassified certain prior year balances to conform to the current year's presentation in the condensed consolidated statements of cash flows. None of these reclassifications had an impact on reported net loss for any of the periods presented.

2. Recent Accounting Pronouncements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 (FSP FAS 107-1) and APB 28-1 (APB 28-1), which amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments and APB Opinion NO. 28, Interim Financial Reporting, to require disclosures about the fair value of financial instruments for interim reporting periods. FSP FAS 107-1 and APB 28-1 will be effective for interim reporting periods ending after June 15, 2009. The adoption of this staff position will not have a material impact on the Company's financial statements.

In April 2009, the FASB issued FASB Staff Position No. 157-4 (FSP FAS 157-4), which provides additional guidance in accordance with FASB No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability has significantly decreased. FSP FAS 157-4 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently evaluating the potential impact the adoption of this staff position will have on its financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 (FSP FAS 115-2) and FASB Staff Position No. 124-2 (FSP FAS 124-2), which amends the other-than-temporary impairment guidance for debt and equity securities. FSP FAS 115-2 and FSP FAS 124-2 shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company is currently evaluating the potential impact the adoption of this staff position will have on its financial statements.

In May 2008, the FASB issued FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) , which clarifies the accounting for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. FSP APB 14-1 specifies that an issuer of such instruments should separately account for the liability and equity components of the instruments in a manner that reflect the issuer's non-convertible debt borrowing rate when interest costs are recognized in subsequent periods. FSP APB 14-1 is effective for the Company's fiscal year beginning January 1, 2009, and retrospective application is required for all periods presented. The impact of adopting FSP APB 14-1 is included in Note 15 Convertible Notes.

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In April 2008, the FASB issued FSP FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, *Goodwill and Other Intangible Assets*. FSP FAS 142-3 also requires expanded disclosure related to the determination of intangible asset useful lives. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. The adoption of this pronouncement did not have a material impact on the Company's financial statements.

In April 2008, the FASB issued Emerging Issues Task Force (EITF) 07-05, *Determining whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock*, (EITF 07-05). EITF 07-05 provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in paragraph 11(a) of SFAS 133. EITF 07-05 is effective for the Company's fiscal year beginning January 1, 2009. The Company currently believes that the adoption of this pronouncement will not have a material impact on its financial statements.

In February 2008, the FASB issued FASB Staff Position 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (FSP 157-1) and FSP 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-1 amends SFAS No. 157 to remove certain leasing transactions from its scope. FSP 157-2 delays the effective date to January 1, 2009 of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. These nonfinancial items include assets and liabilities such as reporting units measured at fair value in a goodwill impairment test and nonfinancial assets acquired and liabilities assumed in a business combination. The provisions of SFAS No. 157 were adopted by the Company, as it applies to its financial instruments, effective beginning January 1, 2008 and FSP 157-2, as it applies to nonfinancial investments, effective beginning January 1, 2009. The impact of adoption of SFAS No. 157 is discussed in Note 14, *Fair Value of Financial Instruments*.

3. Revenue Recognition***Overview***

Rambus recognizes revenue when persuasive evidence of an arrangement exists, Rambus has delivered the product or performed the service, the fee is fixed or determinable and collection is reasonably assured. If any of these criteria are not met, Rambus defers recognizing the revenue until such time as all criteria are met. Determination of whether or not these criteria have been met may require the Company to make judgments, assumptions and estimates based upon current information and historical experience.

Rambus' revenue consists of royalty revenue and contract revenue generated from agreements with semiconductor companies, system companies and certain reseller arrangements. Royalty revenue consists of patent license and technology license royalties. Contract revenue consist of fixed license fees, fixed engineering fees and service fees associated with integration of Rambus' chip interface products into its customers' products. Contract revenue may also include support or maintenance. Reseller arrangements generally provide for the pass-through of a percentage of the fees paid to the reseller by the reseller's customer for use of Rambus' patent and technology licenses. Rambus does not recognize revenue for these arrangements until it has received notice of revenue earned by and paid to the reseller, accompanied by the pass-through payment from the reseller. Rambus does not pay commissions to the reseller for these arrangements.

Many of Rambus' licensees have the right to cancel their licenses. In such arrangements, revenue is only recognized to the extent that is consistent with the cancellation provisions. Cancellation provisions within such contracts generally provide for a prospective cancellation with no refund of fees already remitted by customers for products provided and payment for services rendered prior to the date of cancellation. Unbilled receivables represent enforceable claims and are deemed collectible in connection with the Company's revenue recognition policy.

Royalty Revenue

Rambus recognizes royalty revenue upon notification by its licensees and when deemed collectible. The terms of the royalty agreements generally either require licensees to give Rambus notification and to pay the royalties within 60 days of the end of the quarter during which the sales occur or are based on a fixed royalty that is due within 45 days of the end of the quarter. Rambus has two types of royalty revenue: (1) patent license royalties and

(2) technology license royalties.

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Patent licenses. Rambus licenses its broad portfolio of patented inventions to semiconductor and systems companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of Rambus' patent portfolio. Rambus generally recognizes revenue from these arrangements as amounts become due. The contractual terms of the agreements generally provide for payments over an extended period of time.

Technology licenses. Rambus develops proprietary and industry-standard chip interface products, such as RDRAM and XDR that Rambus provides to its customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. Rambus recognizes revenue from these arrangements (except for those royalties subject to the Federal Trade Commission (the "FTC") order through the third quarter of 2008; see the Form 10-K for the year ended December 31, 2008 for further discussion on the FTC order) upon notification from the licensee of the royalties earned and when collectability is deemed reasonably assured.

Contract Revenue

Rambus generally recognizes revenue using percentage of completion for development contracts related to licenses of its interface solutions, such as XDR and FlexIO that involve significant engineering and integration services. For all license and service agreements accounted for using the percentage-of-completion method, Rambus determines progress to completion using input measures based upon contract costs incurred. Part of these contract fees may be due upon the achievement of certain milestones, such as provision of certain deliverables by Rambus or production of chips by the licensee. The remaining fees may be due on pre-determined dates and include significant up-front fees.

A provision for estimated losses on fixed price contracts is made, if necessary, in the period in which the loss becomes probable and can be reasonably estimated. If Rambus determines that it is necessary to revise the estimates of the total costs required to complete a contract, the total amount of revenue recognized over the life of the contract would not be affected. However, to the extent the new assumptions regarding the total efforts necessary to complete a project were less than the original assumptions, the contract fees would be recognized sooner than originally expected. Conversely, if the newly estimated total efforts necessary to complete a project were longer than the original assumptions, the contract fees will be recognized over a longer period. As of March 31, 2009, we have accrued a liability of approximately \$0.3 million related to estimated loss contracts.

If application of the percentage-of-completion method results in recognizable revenue prior to an invoicing event under a customer contract, the Company will recognize the revenue and record an unbilled receivable. Amounts invoiced to Rambus' customers in excess of recognizable revenue are recorded as deferred revenue. The timing and amounts invoiced to customers can vary significantly depending on specific contract terms and can therefore have a significant impact on deferred revenue or unbilled receivables in any given period.

Rambus also recognizes revenue in accordance with SOP 97-2, SOP 98-4 and SOP 98-9 for development contracts related to licenses of its chip interface products that involve non-essential engineering services and post contract support ("PCS"). These SOPs apply to all entities that earn revenue on products containing software, where software is not incidental to the product as a whole. Contract fees for the products and services provided under these arrangements are comprised of license fees and engineering service fees which are not essential to the functionality of the product. Rambus' rates for PCS and for engineering services are specific to each development contract and not standardized in terms of rates or length. Because of these characteristics, the Company does not have a sufficient population of contracts from which to derive vendor specific objective evidence for each of the elements.

Therefore, as required by SOP 97-2, after Rambus delivers the product, if the only undelivered element is PCS, Rambus will recognize all revenue ratably over either the contractual PCS period or the period during which PCS is expected to be provided. Rambus reviews assumptions regarding the PCS periods on a regular basis. If Rambus determines that it is necessary to revise the estimates of the support periods, the total amount of revenue to be recognized over the life of the contract would not be affected.

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Rambus' comprehensive loss consists of its net loss plus other comprehensive income (loss) consisting of foreign currency translation adjustments and unrealized gains and losses on marketable securities, net of taxes.

The components of comprehensive loss, net of tax, are as follows:

(In thousands)	Three Months Ended	
	March 31,	
	2009	2008
Net loss	\$ (17,426)	\$ (14,354)
Other comprehensive income (loss):		
Foreign currency translation adjustments		145
Unrealized gain (loss) on marketable securities, net of tax	(537)	454
Total comprehensive loss	\$ (17,963)	\$ (13,755)

As a result of providing a full valuation allowance of the net deferred tax assets in the U.S., the Company reversed \$0.4 million of unrealized gain (loss) previously recorded in other comprehensive income (loss) during 2008.

5. Equity Incentive Plans and Stock-Based Compensation***Stock Option Plans***

As of March 31, 2009, 1,081,712 shares of the 8,400,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is now Rambus' only plan for providing stock-based incentive compensation to eligible employees, executive officers and non-employee directors and consultants.

A summary of shares available for grant under the Company's plans is as follows:

	Shares Available for Grant
Shares available as of December 31, 2008	2,556,984
Stock options granted	(1,349,769)
Stock options forfeited	1,239,186
Stock options expired under former plans	(1,094,827)
Nonvested equity stock and stock units granted (1)	(269,862)
Total available for grant as of March 31, 2009	1,081,712

- (1) For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum number of shares authorized, each restricted stock granted reduces

the number of
shares available
for grant by 1.5
shares and each
restricted stock
forfeited
increases shares
available for
grant by 1.5
shares.

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The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the three months ended March 31, 2009 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of March 31, 2009.

	Options Outstanding		Weighted Average Remaining	Aggregate
	Number of Shares	Weighted Average Exercise Price Per Share	Contractual Term	Intrinsic Value
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2008	16,573,739	\$ 21.19		
Options granted	1,349,769	8.60		
Options exercised	(615,290)	8.16		
Options forfeited	(1,239,186)	27.22		
Outstanding as of March 31, 2009	16,069,032	20.17	5.71	\$10,517
Vested or expected to vest at March 31, 2009	14,685,250	21.04	5.71	6,546
Options exercisable at March 31, 2009	9,772,239	22.62	4.56	5,556

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at March 31, 2009, based on the \$9.45 closing stock price of Rambus Common Stock on March 31, 2009 on the Nasdaq Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of March 31, 2009 was 3,131,946 and 1,266,259, respectively.

As of March 31, 2009, there was \$50.4 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 3.1 years. The total fair value of shares vested as of March 31, 2009 was \$186.6 million.

Employee Stock Purchase Plans

No purchases were made under the Employee Stock Purchase Plans during the three months ended March 31, 2009 and 2008 respectively. As of March 31, 2009, 1,265,071 shares under the 2006 Purchase Plan remain available for issuance. For the three months ended March 31, 2009 and 2008, the Company recorded compensation expense related to the Employee Stock Purchase Plan of \$0.5 million and \$0.5 million, respectively. As of March 31, 2009, there was \$0.2 million of total unrecognized compensation cost related to share-based compensation arrangements granted under the Employee Stock Purchase Plan. That cost is expected to be recognized over one month.

*Stock-Based Compensation**Stock Options*

For the three months ended March 31, 2009 and 2008, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an ESPP, whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

During the three months ended March 31, 2009 and 2008, Rambus granted 1,349,769 and 1,671,960 stock options, respectively, with an estimated total grant-date fair value of \$8.6 million and \$18.9 million, respectively. During the three months ended March 31, 2009 and 2008, Rambus recorded stock-based compensation related to stock options of \$6.6 million and \$9.2 million, respectively.

The total intrinsic value of options exercised was \$4.1 million and \$5.5 million for the three months ended March 31, 2009 and 2008, respectively. Intrinsic value is the total value of exercised shares based on the price of the Company's common stock at the time of exercise less the cash received from the employees to exercise the options.

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During the three months ended March 31, 2009, proceeds from employee stock option exercises totaled approximately \$5.0 million.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2009 and 2008 calculated in accordance with SFAS No. 123(R).

Valuation Assumptions

The fair value of stock awards is estimated as of the grant date using the Black-Scholes-Merton (BSM) option-pricing model assuming a dividend yield of 0% and the additional weighted-average assumptions as listed in the following tables:

	Three Months Ended	
	March 31,	
	2009	2008
Stock Option Plans		
Exp		