

RAMBUS INC  
Form 10-Q  
November 07, 2007  
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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 September 30, 2007

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)

4440 El Camino Real, Los Altos, CA 94022

**94-3112828**  
(I.R.S. Employer

Identification No.)

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(Address of principal executive offices) (zip code)

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

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 103,820,383 as of October 15, 2007.

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**FORM 10-Q**

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**SPECIAL 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;

Resolution of the Federal Trade Commission (the FTC ) and European Commission matters involving us, including the implementation and resolution of the FTC mandated maximum allowable royalties for certain of our contracts;

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

Consequences of the derivative, class-action and other lawsuits related to the stock option investigation;

The actions of our Special Litigation Committee;

Actions of governmental authorities and other regulators, including Nasdaq, the SEC and the IRS;

Sources, amounts, timing and concentration of revenue, including royalties;

Product development;

Improvements in technology;

Engineering, marketing and general and administration expenses;

Litigation expenses;

Success in the markets of our or our licensees products;

Terms of our licenses;

Success in renewing license agreements;

Pricing policies of our licensees;

Sources of competition;

Protection of intellectual property;

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

Indemnification and technical support obligations;

Likelihood of paying dividends;

Cash and cash equivalents position;

Lease commitments;

Ability to attract and retain qualified personnel;

Internal control environment;

Adoption of new accounting pronouncements;

Trading price of our Common Stock;

Continued listing of our Common Stock on The Nasdaq Global Select Market;

Operating results;

Realization of deferred tax assets;

Accounting estimates and procedures;

The level and terms of our outstanding debt;

Interest and other income, net;

Effective tax rates;

Amortization of intangible assets; and

Planned remediation of the material weakness in internal control over financial reporting.

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

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Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II, 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.

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****RAMBUS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

| <i>(In thousands, except share amounts)</i>         | <b>September 30,<br/>2007</b> | <b>December 31,<br/>2006</b> |
|-----------------------------------------------------|-------------------------------|------------------------------|
| <b>ASSETS</b>                                       |                               |                              |
| Current assets:                                     |                               |                              |
| Cash and cash equivalents                           | \$ 269,258                    | \$ 73,304                    |
| Marketable securities                               | 175,733                       | 351,055                      |
| Accounts receivable                                 | 2,167                         | 846                          |
| Unbilled receivables                                | 1,014                         | 1,748                        |
| Deferred and prepaid taxes                          | 11,703                        | 11,388                       |
| Prepays and other current assets                    | 5,757                         | 4,403                        |
| <b>Total current assets</b>                         | <b>465,632</b>                | <b>442,744</b>               |
| Marketable securities, long-term                    |                               | 11,982                       |
| Restricted cash                                     | 2,231                         | 2,287                        |
| Deferred taxes, long-term                           | 110,648                       | 98,193                       |
| Intangible assets, net                              | 14,764                        | 18,697                       |
| Property and equipment, net                         | 24,140                        | 26,019                       |
| Goodwill                                            | 4,454                         | 3,315                        |
| Other assets                                        | 3,084                         | 1,380                        |
| <b>Total assets</b>                                 | <b>\$ 624,953</b>             | <b>\$ 604,617</b>            |
| <b>LIABILITIES</b>                                  |                               |                              |
| Current liabilities:                                |                               |                              |
| Accounts payable                                    | \$ 14,258                     | \$ 10,429                    |
| Accrued salaries and benefits                       | 9,564                         | 12,788                       |
| Accrued litigation expenses                         | 25,311                        | 23,143                       |
| Other accrued liabilities                           | 7,604                         | 5,878                        |
| Convertible notes                                   |                               | 160,000                      |
| Deferred revenue                                    | 5,510                         | 6,003                        |
| Income taxes payable                                | 433                           | 197                          |
| <b>Total current liabilities</b>                    | <b>62,680</b>                 | <b>218,438</b>               |
| Convertible notes                                   | 160,000                       |                              |
| Deferred revenue, less current portion              | 19                            | 1,554                        |
| Long-term income taxes payable                      | 3,136                         |                              |
| Other long-term liabilities                         | 1,276                         | 2,337                        |
| <b>Total liabilities</b>                            | <b>227,111</b>                | <b>222,329</b>               |
| Commitments and contingencies (see notes 13 and 14) |                               |                              |
| <b>STOCKHOLDERS EQUITY</b>                          |                               |                              |



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|                                                                                        |            |            |
|----------------------------------------------------------------------------------------|------------|------------|
| Convertible preferred stock, \$.001 par value:                                         |            |            |
| Authorized: 5,000,000 shares                                                           |            |            |
| Issued and outstanding: no shares at September 30, 2007 and December 31, 2006          |            |            |
| Common stock, \$.001 par value:                                                        |            |            |
| Authorized: 500,000,000 shares                                                         |            |            |
| Issued and outstanding: 103,820,383 shares at September 30, 2007 and December 31, 2006 | 104        | 104        |
| Additional paid-in capital                                                             | 577,856    | 550,210    |
| Accumulated deficit                                                                    | (180,170)  | (167,396)  |
| Accumulated other comprehensive income (loss)                                          | 52         | (630)      |
| <br>                                                                                   |            |            |
| Total stockholders' equity                                                             | 397,842    | 382,288    |
| <br>                                                                                   |            |            |
| Total liabilities and stockholders' equity                                             | \$ 624,953 | \$ 604,617 |

See Notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****RAMBUS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

| <i>(In thousands, except per share amounts)</i>                | <b>Three Months Ended<br/>September 30,</b> |                    | <b>Nine Months Ended<br/>September 30,</b> |                    |
|----------------------------------------------------------------|---------------------------------------------|--------------------|--------------------------------------------|--------------------|
|                                                                | <b>2007</b>                                 | <b>2006</b>        | <b>2007</b>                                | <b>2006</b>        |
| <b>Revenue:</b>                                                |                                             |                    |                                            |                    |
| Contract revenues                                              | \$ 6,388                                    | \$ 4,422           | \$ 21,145                                  | \$ 17,831          |
| Royalties                                                      | 35,327                                      | 41,523             | 118,263                                    | 124,903            |
| <b>Total revenues</b>                                          | <b>41,715</b>                               | <b>45,945</b>      | <b>139,408</b>                             | <b>142,734</b>     |
| <b>Costs and expenses:</b>                                     |                                             |                    |                                            |                    |
| Cost of contract revenues*                                     | 5,781                                       | 6,121              | 18,878                                     | 23,010             |
| Research and development*                                      | 18,312                                      | 17,695             | 60,339                                     | 51,553             |
| Marketing, general and administrative*                         | 29,914                                      | 24,114             | 79,657                                     | 81,869             |
| Costs of restatement and related legal activities              | 4,169                                       | 23,796             | 18,631                                     | 25,690             |
| <b>Total costs and expenses</b>                                | <b>58,176</b>                               | <b>71,726</b>      | <b>177,505</b>                             | <b>182,122</b>     |
| <b>Operating loss</b>                                          | <b>(16,461)</b>                             | <b>(25,781)</b>    | <b>(38,097)</b>                            | <b>(39,388)</b>    |
| Interest and other income, net                                 | 5,645                                       | 4,472              | 16,496                                     | 11,993             |
| <b>Loss before income taxes</b>                                | <b>(10,816)</b>                             | <b>(21,309)</b>    | <b>(21,601)</b>                            | <b>(27,395)</b>    |
| Provision for (benefit from) income taxes                      | (4,318)                                     | 1,337              | (8,495)                                    | (11,510)           |
| <b>Net loss</b>                                                | <b>\$ (6,498)</b>                           | <b>\$ (22,646)</b> | <b>\$ (13,106)</b>                         | <b>\$ (15,885)</b> |
| <b>Net loss per share:</b>                                     |                                             |                    |                                            |                    |
| Basic                                                          | \$ (0.06)                                   | \$ (0.22)          | \$ (0.13)                                  | \$ (0.15)          |
| Diluted                                                        | \$ (0.06)                                   | \$ (0.22)          | \$ (0.13)                                  | \$ (0.15)          |
| <b>Weighted average shares used in per share calculations:</b> |                                             |                    |                                            |                    |
| Basic                                                          | 103,820                                     | 103,792            | 103,820                                    | 102,792            |
| Diluted                                                        | 103,820                                     | 103,792            | 103,820                                    | 102,792            |
| <b>*Includes stock-based compensation:</b>                     |                                             |                    |                                            |                    |
| Cost of contract revenues                                      | \$ 1,333                                    | \$ 1,844           | \$ 4,069                                   | \$ 6,350           |
| Research and development                                       | \$ 3,190                                    | \$ 4,269           | \$ 9,821                                   | \$ 11,442          |
| Marketing, general and administrative                          | \$ 4,138                                    | \$ 4,366           | \$ 14,512                                  | \$ 13,045          |

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,**



**2004**

- 13 -

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**2004**

\$

\$

price of the Company's stock for the five last trading days of the prior month are greater than or equal to \$1.16 (110% of the fixed conversion price)

- 14 -

**2004**

\$

\$

- 15 -

**2004**

\$



March 18, 2005, and to have the registration statement declared effective within 90 days of its filing date (the Registration Default Da

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s of such amount. The escrow shares are also available to satisfy any indemnification claims which the Company may have und

ed to the development of our Virtual Negawatt Power Plan concept, which is essentially a negative power system which we market p

o purchase units for use in its locations outside of the ComEd territory. We expect to ship approximately 80 more Energy Savers under

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VNPP programs. We have been focusing on companies who represent significant load in the ComEd territory and can participate in other  
the contracts related to this project and anticipate revenue from this project during the third quarter of 2005. Revenue for this segment

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end the expiration date on warrants to purchase shares of our Series E Convertible Preferred stock from October 31, 2004 to December 31, 2004.

04. A significant portion of the increase in EnergySaver sales was due to a contract with a single customer who initially participated in the project. We are currently working to complete the contracts related to this project and anticipate revenue from this project to be significant.

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4. During the second quarter of 2005 we issued a warrant to purchase 400,000 shares of our common stock to Laurus in exchange for its shares of common stock at the market price of our common stock on the date of issuance of the dividend shares. No deemed dividend was recorded for the shares issued.

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were converted or redeemed. The Series E Preferred carries a 6% dividend that is payable at the Company's election in cash or additional



ed for working capital purposes. Our inventory has increased as we have built product for a recently awarded contract for EnergySaver. the payment of accrued California sales taxes which are paid in January of every year. Increases in deferred revenue and customer depo

- 25 -

months of 2005.

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as needed in an attempt to keep the projects on schedule.

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any s use of licensed technologies, risk of increased competition, risk that the Virtual Negawatt Power Plan concept does not succeed,  
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holders of MPG at the rate of 202 shares for every \$1,000 of revenue in excess of such amount. The escrow shares are also available to

by law, each holder of record of Series E Convertible Preferred Stock has the right to vote on an as-converted basis together with the h

**SIGNATURES**

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