GOODRICH CORP
Form 424B3
September 08, 2010

Table of Contents

Information in this preliminary prospectus supplement is subject to completion or amendment. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale of these securities is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-154778

SUBJECT TO COMPLETION, DATED SEPTEMBER 8, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 28, 2008)

$

Goodrich Corporation

% Senior Notes due

The notes will bear interest at the rate of % per year. Interest on the notes is payable on and of each year, beginning on , 2011. The notes will mature on . Prior to maturity, we may redeem all or some of the notes at any time at the redemption prices discussed under the caption Description of the Notes Optional Redemption . If a change of control triggering event (as defined herein) occurs, each holder of notes may require us to repurchase some or all of its notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued interest.

The notes will be senior unsecured obligations of our company and will rank equally with all of our other senior unsecured indebtedness from time to time outstanding. The notes will not be entitled to the benefit of any sinking fund. We do not intend to apply for listing of the notes on any national securities exchange. Currently, there is no public market for the notes.

Investing in our notes involves risks that are described in the Risk factors section beginning on page 5 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Public Offering Price	**Underwriting Discount**	**Proceeds Before Expenses, to Goodrich**
Per note(1)	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from September , 2010.

The underwriters expect to deliver the notes through the book-entry delivery system of The Depository Trust Company and its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, to the purchasers on or about September , 2010.

Joint Book-Running Managers

BofA Merrill Lynch

Citi

UBS Investment Bank

Wells Fargo Securities

September , 2010

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

TABLE OF CONTENTS

Prospectus Supplement

	Page
The Offering	S-3
Use of Proceeds	S-5
Ratio of Earnings to Fixed Charges	S-5
Capitalization	S-6
Description of the Notes	S-7
Certain Material United States Federal Income Tax Consequences	S-13
Underwriting	S-16
Legal Matters	S-17
Experts	S-17
Where You Can Find More Information	S-18

Prospectus

	Page
About this prospectus	3
Where you can find more information	3
Risk factors	5
Forward-looking statements	5
The company	6
Use of proceeds	7
Ratio of earnings to fixed charges	7
Description of debt securities	8
Description of series preferred stock	17
Description of common stock	20
Description of stock purchase contracts and stock purchase units	24
Plan of distribution	25

Legal opinions	27
Experts	27

THE OFFERING

This summary of the terms of the offering highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the terms of the offering, which are set forth in this prospectus supplement and the accompanying prospectus.

Issuer	Goodrich Corporation
Securities offered	$ million principal amount of % notes due (the notes)
Maturity date	,
Interest	Interest will accrue on the notes from September , 2010 and will be payable on and of each year, beginning on , 2011.
Optional redemption	We may redeem the notes at any time at our option, in whole or in part, at the redemption prices described under Description of the Notes Optional Redemption in this prospectus supplement.
Offer to repurchase upon change of control triggering event	Upon the occurrence of a change of control triggering event (as defined herein), unless we have exercised our right to redeem the notes, we will be required to make an offer to each holder of notes to repurchase all or any part (equal to $2,000 and any integral multiples of $1,000 in excess thereof) of that holder s notes at a repurchase price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. See Description of the Notes Offer to Repurchase upon a Change of Control Triggering Event .
Ranking	The notes are unsecured and rank equally with our existing and future senior unsecured indebtedness. The notes will be effectively subordinated to all our existing and future secured indebtedness to the extent of the assets securing that indebtedness. The notes will also be structurally subordinated to the indebtedness and other liabilities of our subsidiaries.
Covenants	We will issue the notes under an indenture containing covenants for your benefit. These covenants restrict our ability, with certain exceptions, to: incur debt secured by liens, engage in sale/leaseback transactions, and merge or consolidate with another entity, or sell substantially all of our assets to another person.
Use of proceeds	We expect to use the net proceeds to fund the retirement of the outstanding $257,460,000 aggregate principal amount of our 7.625% Notes due 2012, to fund contributions to our defined benefit

	pension plans in the U.S., U.K. and/or Canada and for other general corporate purposes. See Use of Proceeds .
Further issues	The notes will be limited initially to $ million in aggregate principal amount. We may, however, reopen the notes and issue an unlimited principal amount of additional notes of the same series in the future without the consent of the holders.

Form and Denomination	The notes will be represented by one or more global notes, deposited with the trustee as custodian for The Depository Trust Company and registered in the name of Cede & Co., The Depository Trust Company s nominee. We will issue the notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof.
Governing Law	The State of New York

S-4

Table of Contents

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the notes (estimated at $ million, after deducting the underwriting discount and estimated expenses of this offering) to fund the retirement of the outstanding $257,460,000 aggregate principal amount of our 7.625% Notes due 2012 (the 2012 Notes), to fund contributions to our defined benefit pension plans in the U.S., U.K. and/or Canada and for other general corporate purposes. The 2012 Notes are scheduled to mature on December 15, 2012 and bear interest at an annual rate of 7.625%. Pending such application, we intend to invest the net proceeds in investment grade instruments with maturities of less than one year.

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges for each of the periods indicated is as follows:

Six Months Ended June 30, 2010	Twelve Months Ended December 31, 2009	2008	2007	2006	2005
6.57	6.75	8.43	6.10	4.23	3.48

For these ratios, earnings consist of income from continuing operations before

- income taxes,
- fixed charges (excluding capitalized interest and distributions on trust preferred securities), and
- earnings (losses) of affiliated companies which are accounted for on the equity method.

For these ratios, fixed charges consist of

- interest on all indebtedness (including capitalized interest and interest costs on company-owned life insurance policies),
- amortization of debt discount or premium or capitalized expenses related to debt,
- an interest factor attributable to rentals, and
- distributions on trust preferred securities.

There were no shares of preferred stock outstanding during any of the periods indicated. Therefore, the ratio of earnings to fixed charges and preferred stock dividends would have been the same as the ratio of earnings to fixed charges for each period indicated.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2010 and as adjusted to give effect to the offering and the application of a portion of the net proceeds therefrom as described under Use of Proceeds .

This table should be read in conjunction with our consolidated financial statements at and for the period ended June 30, 2010 incorporated by reference in this prospectus supplement and the accompanying prospectus.

	June 30, 2010	
	Actual	As Adjusted
	(Dollars in millions, except share amounts)	
Current maturities of long-term debt and capital lease obligations	$ 1.3	$ 1.3
Long-term debt and capital lease obligations, excluding current maturities:		
% senior notes due offered hereby		
Medium-term notes payable (interest rates from 6.8% to 8.7%)	598.1	598.1
7.625% senior notes due 2012	260.8	
6.29% senior notes due 2016	295.4	295.4
6.125% senior notes due 2019	298.0	298.0
4.875% senior notes due 2020	299.3	299.3
6.80% senior notes due 2036	233.3	233.3
Other debt, maturing through 2020 (interest rates from 1.0% to 4.3%)	16.5	16.5
Capital lease obligations	6.5	6.5
Total long-term debt and capital lease obligations, including current maturities	$ 2,009.2	$
Equity:		
Common stock $5 par value per share		
Authorized 200,000,000 shares; issued 147,233,266 shares		
(excluding 14,000,000 shares held by a wholly owned subsidiary)	$ 736.2	$ 736.2
Additional paid-in capital	1,679.7	1,679.7
Income retained in the business	2,289.8	2,289.8
Accumulated other comprehensive income (loss)	(844.7)	(844.7)
Common stock held in treasury, at cost (21,950,768 shares)	(889.6)	(889.6)
Total shareholders equity	2,971.4	2,971.4
Noncontrolling interests	40.3	40.3
Total equity	3,011.7	3,011.7
Total capitalization	$ 5,020.9	$

Table of Contents

DESCRIPTION OF THE NOTES

The following discussion supplements and, to the extent inconsistent, replaces the description of the general terms and provisions of our debt securities in the accompanying prospectus, which you should also read. The following summary of certain terms of our notes and the indenture is not intended to be complete and is qualified in its entirety by reference to the actual provisions of the notes and the indenture. Certain terms used but not defined herein are intended to have the meanings given to them in the accompanying prospectus, the indenture, or the notes, as the case may be.

General

The notes will mature on . Interest on the notes will accrue from September , 2010 at the rate per annum shown on the cover of this prospectus supplement and will be payable semi-annually, in arrears, on and , beginning , 2011, to the persons in whose names the notes are registered at the close of business on the or preceding the respective interest payment dates, except that interest payable at maturity will be paid to the same persons to whom principal of the notes is payable. Interest will be computed on the notes on the basis of a 360-day year of twelve 30-day months.

Any payment otherwise required to be made in respect of the notes on a date that is not a business day may be made on the next succeeding business day with the same force and effect as if made on the original due date. No additional interest will accrue as a result of a delayed payment in this case. A business day is defined in the indenture as a day other than a Saturday, Sunday or other day on which banking institutions in New York City are authorized or required by law or executive order to close.

The notes will constitute a series of debt securities to be issued under an indenture dated as of May 1, 1991 between Goodrich and The Bank of New York Mellon Trust Company, N.A., as successor to Harris Trust and Savings Bank, as trustee. The terms of the indenture are more fully described in the accompanying prospectus. The notes will be senior unsecured obligations of Goodrich and will rank equally with all our other unsecured and unsubordinated indebtedness. The notes will be effectively subordinated to all liabilities of our subsidiaries, including trade payables. We conduct a substantial portion of our operations through our subsidiaries, and our right to participate in any distribution of the assets of a subsidiary when it winds up its business is subject to the prior claims of the creditors of the subsidiary. This means that your right as a holder of our notes will also be subject to the prior claims of these creditors if a subsidiary liquidates or reorganizes or otherwise winds up its business.

The indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder and provides that debt securities may be issued thereunder from time to time in one or more additional series. The indenture does not limit our ability to incur additional indebtedness.

The notes will be issued in fully registered form in denominations of $2,000 and integral multiples of $1,000. The notes will be limited initially to $ million in aggregate principal amount. We may, without the consent of the holders, reopen the notes and issue an unlimited principal amount of additional notes having the same ranking, interest rate, maturity and other terms as the notes. We may reopen the notes only if the additional notes issued will be fungible with the original notes for United States federal income tax purposes.

The notes will not be subject to any sinking fund.

Optional Redemption

At any time before months prior to the maturity date, the notes will be redeemable, in whole or in part, at our option at any time from time to time at a redemption price equal to the greater of:

- 100% of the principal amount of the notes being redeemed, and

- the sum of the present values of the remaining scheduled payments of principal and interest on the notes being redeemed (not including any portion of any payments of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of

twelve 30-day months) at the Treasury Rate (as defined below) plus basis points plus, in each case, accrued and unpaid interest on the notes to the redemption date.

At any time on or after months prior to the maturity date, the notes will be redeemable as a whole or in part, at our option, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest on the notes to be redeemed to the date of redemption.

For purposes of these redemption provisions, the following terms have the following meanings:

Comparable Treasury Issue means the United States Treasury security selected by the Reference Treasury Dealer as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of those notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the trustee is provided with fewer than four Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations.

Reference Treasury Dealer means Banc of America Securities LLC, Citigroup Global Markets Inc. and UBS Securities LLC (or their respective affiliates which are Primary Treasury Dealers (as defined below)) and their respective successors and one additional Primary Treasury Dealer selected by Goodrich; provided, however, that if any of the foregoing cease to be a primary U.S. Government securities dealer in the United States of America (a Primary Treasury Dealer), Goodrich will substitute another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by that Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding that redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that redemption date. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the indenture.

Holders of notes to be redeemed will receive notice by first-class mail at least 30 days but not more than 60 days before the date of redemption. If fewer than all of the notes are to be redeemed, DTC, in the case of notes represented by a global security, or the trustee, will select, not more than 60 days prior to the redemption date, the particular notes or portions thereof for redemption from the outstanding notes not previously called by such method as DTC or the trustee, as the case may be, deems fair and appropriate. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the notes or portions thereof called for redemption.

Offer to Repurchase upon a Change of Control Triggering Event

If a change of control triggering event occurs, unless we have exercised our option to redeem the notes as described above, we will be required to make an offer (the change of control offer) to each holder of the notes to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that holder s notes on the terms set

forth in the notes. In the change of control offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased to the date of repurchase (the change of control payment). Within 30 days following any change of control triggering event or, at our option, prior to any change of

Table of Contents

control, but after public announcement of the transaction that constitutes or may constitute the change of control, a notice will be mailed to holders of the notes describing the transaction that constitutes or may constitute the change of control triggering event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the change of control payment date).

The notice will, if mailed prior to the date of consummation of the change of control, state that the offer to purchase is conditioned on the change of control triggering event occurring on or prior to the change of control payment date.

On the change of control payment date, we will, to the extent lawful:

- accept for payment all notes or portions of notes properly tendered pursuant to the change of control offer;

- deposit with the paying agent an amount equal to the change of control payment in respect of all notes or portions of notes properly tendered; and

- deliver or cause to be delivered to the trustee the notes properly accepted together with an officers certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

We will not be required to make a change of control offer upon the occurrence of a change of control triggering event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us and the third party repurchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the change of control payment date an event of default under the indenture, other than a default in the payment of the change of control payment upon a change of control triggering event.

We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a change of control triggering event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

For purposes of the change of control offer provisions of the notes, the following terms will be applicable:

Change of control means the occurrence of any of the following: (1) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person (as that term is used in Section 13(d)(3) of the Exchange Act) (other than Goodrich or one of our subsidiaries) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our voting stock or other voting stock into which our voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares; (2) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to one or more persons (as that term is defined in the indenture other than Goodrich or one of our subsidiaries); or (3) the first day on which a majority of the members of our Board of Directors are not continuing directors. Notwithstanding the foregoing, a transaction will not be deemed to involve a change of control if (1) we become a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the voting stock of such holding company immediately following that transaction are substantially the same as the holders of our voting stock immediately prior to that transaction or (B) immediately following that

transaction no person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the voting stock of such holding company.

The definition of change of control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of our and our subsidiaries properties or assets taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase such holder s notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of our and our subsidiaries assets taken as a whole to another person or group may be uncertain.

Change of control triggering event means the occurrence of both a change of control and a rating event.

Continuing directors means, as of any date of determination, any member of our Board of Directors who (1) was a member of such Board of Directors on the date the notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

Investment grade rating means a rating equal to or higher than Baa3 (or the equivalent) by Moody s and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by us.

Moody s means Moody s Investors Service Inc.

Rating agencies means (1) each of Moody s and S&P; and (2) if either of Moody s or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Moody s or S&P, or both of them, as the case may be.

Rating event means the rating on the notes is lowered by each of the rating agencies and the notes are rated below an investment grade rating by each of the rating agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of the notes is under publicly announced consideration for a possible downgrade by any of the rating agencies) after the earlier of (1) the occurrence of a change of control and (2) public notice of the occurrence of a change of control or our intention to effect a change of control; provided, however, that a rating event otherwise arising by virtue of a particular reduction in rating will not be deemed to have occurred in respect of a particular change of control (and thus will not be deemed a rating event for purposes of the definition of change of control triggering event) if the rating agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform the trustee in writing at our or its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable change of control (whether or not the applicable change of control has occurred at the time of the rating event).

S&P means Standard & Poor s Rating Services, a division of The McGraw-Hill Companies, Inc.

Voting stock means, with respect to any specified person (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Concerning the Trustee

The Bank of New York Mellon Trust Company, N.A. (The Bank of New York Mellon) will be the trustee under the indenture. The trustee will also be the paying agent and registrar of the notes. We maintain deposit accounts and conduct other banking transactions with The Bank of New York Mellon in the ordinary

course of our business and an affiliate of The Bank of New York Mellon is a lender to us under our revolving credit facility. The Bank of New York Mellon also serves as the stock transfer agent for our common stock and as the master trustee for the Goodrich defined benefit pension plans in the United States and the United Kingdom. From time to time, we may enter into other banking relationships with the trustee or its affiliates.

Book-Entry Notes

The Depositary, Clearstream and Euroclear. Upon issuance, the notes will be represented by one or more fully registered global securities. Each global security will be deposited with The Depository Trust Company, as depositary, and registered in the name of Cede & Co. Unless and until it is exchanged in whole or in part for notes in definitive form, no global security may be transferred except as a whole by the depositary to a nominee of such depositary. Investors may elect to hold interests in the global securities through:

- the depositary in the United States; or

- in Europe, (i) Clearstream Banking, société anonyme, referred to in this prospectus supplement as Clearstream, or (ii) Euroclear Bank S.A./N.V., as operator of the Euroclear System, referred to in this prospectus supplement as Euroclear,

if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream and Euroclear will hold interests on behalf of their participants through customers securities accounts in Clearstream s and Euroclear s names on the books of their respective depositaries, which in turn will hold such interests in customers securities accounts in the depositaries names on the books of the depositary. Citibank, N.A. will act as depositary for Clearstream and JP Morgan Chase Bank will act as depositary for Euroclear, and in such capacities are referred to in this prospectus supplement as the U.S. depositaries.

Clearstream has advised us that it is a limited liability company organized under Luxembourg law. Clearstream holds securities for its participating organizations, referred to in this prospectus supplement as Clearstream participants, and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is available to other institutions that clear through or maintain a custodial relationship with a Clearstream participant.

Distributions with respect to the notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream.

Euroclear advises that it was created in 1968 to hold securities for participants of Euroclear, referred to in this prospectus supplement as Euroclear participants, and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries.

Euroclear is operated by Euroclear Bank S.A./N.V., referred to in this prospectus supplement in such role as the Euroclear operator, under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation, referred to in this prospectus supplement as the cooperative. All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the cooperative. The cooperative establishes policy for Euroclear on behalf of

Table of Contents

Euroclear participants. Euroclear participants include banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is regulated and examined by Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, collectively referred to in this prospectus supplement as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions of Euroclear, to the extent received by the U.S. depositary for Euroclear.

Global Clearance and Settlement Procedures. Initial settlement for the notes will be made in immediately available funds. Secondary market trading between the depositary participants will occur in the ordinary way in accordance with the depositary s rules and will be settled in immediately available funds using the depositary s Same-Day Funds Settlement System. Secondary market trading between Clearstream participants or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the depositary, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other hand, will be effected in the depositary in accordance with the depositary s rules on behalf of the relevant European international clearing system by its U.S. depositary. However, these cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). If the transaction meets its settlement requirements, the relevant European international clearing system will deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving notes in the depositary and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the depositary. Clearstream participants and Euroclear participants may not deliver instructions directly to the depositary.

Because of time-zone differences, credits of notes received in Clearstream or Euroclear as a result of a transaction with a depositary participant will be made during subsequent securities settlement processing and will be credited the business day following the depositary settlement date. Such credits or any transactions in such notes settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of notes by or through a Clearstream participant or a Euroclear participant to a depositary participant will be received with value on the depositary settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in the depositary.

Although the depositary, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of notes among participants of the depositary, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Table of Contents

CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

General

The following is a summary of certain material United States federal income tax consequences of the ownership, sale or other disposition of the notes by a holder of the notes on original issuance at the price indicated on the cover of this prospectus supplement. This summary is based upon existing United States federal income tax law, which is subject to change or differing interpretations, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, broker-dealers and tax-exempt organizations) or to persons that will hold the notes as a part of a straddle, hedge, conversion, constructive sale or other integrated transaction for United States federal income tax purposes, partnerships or U.S. Holders (as defined below) who have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ materially from those summarized below. In addition, this summary does not discuss any foreign, state or local tax considerations. This summary is written for investors who will hold their notes as capital assets under the Internal Revenue Code of 1986, as amended (the Code). Each prospective investor is urged to consult its tax advisor regarding the United States federal, state, local and foreign income and other tax consequences of the ownership, sale or other disposition of the notes.

For purposes of this summary, a U.S. Holder is a beneficial owner of a note who is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation for United States federal income tax purposes, created in or organized under the law of the United States or any state or political subdivision thereof, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and with respect to which one or more United States persons have the authority to control all substantial decisions of the trust, or (B) that has in effect a valid election under applicable United States Treasury regulations to be treated as a United States person. A beneficial owner of a note that is not a U.S. Holder or a partnership is referred to herein as a Non-U.S. Holder. If a partnership (including any entity or arrangement treated as a partnership for United States federal income tax purposes) is a beneficial owner of notes, the treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A holder of notes that is a partnership and partners in such a partnership are urged to consult their tax advisors about the United States federal income tax consequences of holding and disposing of notes.

U.S. Holders

Interest Income. Generally, qualified stated interest on a note will be taxable to a U.S. Holder as ordinary interest income (in accordance with the holder s regular method of tax accounting) at the time such payments are accrued or received. The stated interest payments on the note are qualified stated interest.

Sale, Exchange, Retirement or Other Disposition of the Notes. Upon a sale or other taxable disposition of notes, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between the amount realized on the disposition (other than an amount attributable to accrued but unpaid qualified stated interest, which will be taxable as ordinary income to the extent not previously included in income) and the U.S. Holder s adjusted tax basis in such notes. A U.S. Holder s adjusted tax basis in a note generally will be equal to the cost of the note to such holder, increased by any original issue discount included in the U.S. Holder s income prior to the disposition of the note (if any) and decreased by any payments received on the note other than qualified stated interest. Any such gain or loss

generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder s holding period for the notes is more than one year at the time of disposition. For non-corporate U.S. Holders, long-term capital gains generally will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Table of Contents

Non-U.S. Holders

The following discussion of the United States federal income and withholding tax considerations of the purchase, ownership, or disposition of notes by a Non-U.S. Holder assumes that the holder is not engaged in a U.S. trade or business. For a discussion of certain U.S. federal income tax considerations for Non-U.S. Holders that are engaged in a U.S. trade or business, please see the discussion set forth under the heading Income Effectively Connected with a U.S. Trade or Business below.

Interest Income. All payments of interest on the notes made to a Non-U.S. Holder will be exempt from United States federal withholding tax, provided that: (i) such Non-U.S. Holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote, (ii) such Non-U.S. Holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership, (iii) such Non-U.S. Holder is not a bank receiving certain types of interest, and (iv) the beneficial owner of the notes certifies, under penalties of perjury, to us or our paying agent on Internal Revenue Service Form W-8BEN (or appropriate substitute form) that it is not a United States person and provides its name, address and certain other required information or certain other certification requirements are satisfied.

If a Non-U.S. Holder cannot satisfy the requirements described above, payments of interest will be subject to the 30% United States federal withholding tax, unless such Non-U.S. Holder provides us with a properly executed (i) Internal Revenue Service Form W-8BEN (or appropriate substitute form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (ii) Internal Revenue Service Form W-8ECI (or appropriate substitute form) stating that interest paid or accrued on the notes is not subject to withholding tax because it is effectively connected with the conduct of a trade or business in the United States.

Sale, exchange, retirement or other disposition of the notes. Subject to the discussion below concerning backup withholding and except with respect to accrued but unpaid interest, which will be taxable as described above under Interest Income, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on the receipt of payments of principal on a note, or on any gain recognized upon the sale, exchange, retirement or other disposition of a note, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States and, if a treaty applies (and the holder complies with applicable certification and other requirements to claim treaty benefits), is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States or (ii) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met.

Income effectively connected with a United States trade or business. If a Non-U.S. Holder of notes is engaged in a trade or business in the United States, and if interest on the notes or gain realized on the sale, exchange, conversion, or other disposition of the notes is effectively connected with the conduct of such trade or business, the Non-U.S. Holder generally will be subject to regular United States federal income tax on such income or gain in the same manner as if the non-U.S. Holder were a U.S. Holder. If the Non-U.S. Holder is eligible for the benefits of an income tax treaty between the United States and the holder s country of residence, any effectively connected income or gain generally will be subject to United States federal income tax only if it is attributable to a permanent establishment or fixed base maintained by the holder in the United States. Payments of interest that are effectively connected with a U.S. trade or business (and, if an income tax treaty applies, attributable to a permanent establishment or fixed base), and therefore included in the gross income of a Non-U.S. Holder, will not be subject to the 30% withholding tax provided that the holder claims exemption from withholding. To claim exemption from withholding, the holder must certify its qualification, which can be done by filing a properly executed IRS Form W-8ECI. In addition, if such a Non-U.S. Holder is a foreign corporation, such holder may also be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

Information Reporting and Backup Withholding

U.S. holders. Payments of interest on, or the proceeds of the sale or other disposition of, a note are generally subject to information reporting unless the U.S. Holder is an exempt recipient (such as a corporation). Such payments may also be subject to United States federal backup withholding tax at the applicable rate if the recipient of such payment fails to supply a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise fails to establish an exemption from backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against that U.S. Holder s United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Non-U.S. holders. A Non-U.S. Holder may be required to comply with certain certification procedures to establish that the holder is not a U.S. person to avoid backup withholding tax with respect to our payment of principal and interest on, or the proceeds of the sale or other disposition of, a note. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against that Non-U.S. Holder s United States federal income tax liability provided the required information is furnished to the Internal Revenue Service. In certain circumstances, the name and address of the beneficial owner and the amount of interest paid on a note, as well as the amount, if any, of tax withheld, may be reported to the Internal Revenue Service. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides.

Table of Contents

UNDERWRITING

Banc of America Securities LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wells Fargo Securities, LLC are acting as the representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to severally purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter s name.

Underwriter	Principal Amount of the Notes
Banc of America Securities LLC	$
Citigroup Global Markets Inc.	
UBS Securities LLC	
Wells Fargo Securities, LLC	
Total	$

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes. The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed % of the principal amount of the notes. The underwriters may allow, and dealers may reallow, a concession not to exceed % of the principal amount of the notes on sales to other dealers. After the initial offering of the notes to the public, the representatives may change the public offering price and concessions.

We are to pay % per note of underwriting discounts and commissions to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

In connection with the offering of the notes, Banc of America Securities LLC, Citigroup Global Markets Inc., UBS Securities LLC and Wells Fargo Securities, LLC may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the underwriters may overallot in connection with the offering of the notes, creating a syndicate short position. In addition, the underwriters may bid for, and purchase, notes in the open market to cover syndicate short positions or to stabilize the price of the notes. Finally, the underwriting syndicate may reclaim selling concessions allowed for distributing the notes in the offering of the notes, if the syndicate repurchases previously distributed notes in syndicate covering transactions, stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the notes above independent market levels. The underwriters are not required to engage in any of these activities, and may end any of them at any time.

We estimate that our total expenses for this offering will be approximately $900,000.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The underwriters and their affiliates have, directly and indirectly, provided various investment and commercial banking services to us and our affiliates for which they received customary fees and commissions. The underwriters and their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business.

Offering Restrictions

European Economic Area. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in

Table of Contents

that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in the Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any company which has two or more of (1) an average of over 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom. Each underwriter has represented and agreed that it and each of its affiliates:

(a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of FSMA does not apply to Goodrich; and

(b) has complied with, and will comply with, all applicable provisions of FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

LEGAL MATTERS

The validity of the notes offered by this prospectus supplement will be passed upon for us by Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina. Certain legal matters will be passed upon for the underwriters by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The consolidated financial statements of Goodrich Corporation appearing in the Goodrich Corporation s Annual Report on Form 10-K for the year ended December 31, 2009 and the effectiveness of Goodrich Corporation s internal control over financial reporting as of December 31, 2009 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, and incorporated herein by reference. Such

consolidated financial statements are incorporated by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information of Goodrich Corporation for the three-month periods ended March 31, 2010 and March 31, 2009 and the three- and six-month periods ended June 30, 2010 and June 30, 2009, incorporated by reference in this prospectus supplement,

Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate reports dated April 22, 2010 and July 29, 2010, included in Goodrich Corporation s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010, respectively, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 (the Act) for their reports on the unaudited interim financial information because those reports are not a report or a part of the registration statement, of which this prospectus supplement is a part, prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Act.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet from the SEC s web site at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and their copy charges.

The SEC allows us to incorporate by reference in this prospectus the information in documents filed with it. This means that we can disclose important information to you by referring you to these documents. The information incorporated by reference is considered to be a part of this prospectus, and information in documents that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus or any prospectus supplement.

We incorporate by reference in this prospectus the documents listed below and any future filings that we may make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the offering is completed:

Our Annual Report on Form 10-K for the year ended December 31, 2009.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

Our Current Report on Form 8-K filed April 22, 2010 (other than information submitted under Items 2.02 and 9.01 thereof).

You may request a copy of these documents, except exhibits to such documents unless those exhibits are specifically incorporated by reference in such documents, at no cost to you, by writing or telephoning us at the following address:

Goodrich Corporation
Four Coliseum Centre
2730 West Tyvola Road
Charlotte, North Carolina 28217
Attention: Secretary
(704) 423-7000

In reviewing any agreements filed as exhibits to the documents incorporated by reference, please remember that they are included to provide you with information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information about us. The agreements may contain representations and warranties by us, which have been made solely for the benefit of the parties to those agreements. The form of such representations

and warranties should be viewed as a way of allocating the risk to one of the parties if those statements prove to be inaccurate. The representations and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments.

Table of Contents

Prospectus

Goodrich Corporation

Debt Securities
Series Preferred Stock
Common Stock
Stock Purchase Contracts
Stock Purchase Units

We may offer from time to time debt securities, series preferred stock, common stock, stock purchase contracts and stock purchase units pursuant to this prospectus. We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest.

Our common stock is listed in the United States on the New York Stock Exchange under the trading symbol GR.

We may sell the securities offered by this prospectus on a continuous or delayed basis directly, through agents, dealers or underwriters or through direct sales or auctions performed by utilizing the internet or a bidding or ordering system as designated from time to time by us, or through any combination of these methods. If any agents, dealers or underwriters are involved in the sale of any securities offered by this prospectus, the applicable prospectus supplement will set forth any applicable commissions or discounts between or among them. Our net proceeds from the sale of securities also will be set forth in the applicable prospectus supplement.

Investment in any securities offered by this prospectus involves risk. See Risk Factors beginning on page 5 of this prospectus, in our periodic reports filed from time to time with the Securities and Exchange Commission and in the applicable prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated October 28, 2008.

Table of Contents

Table of contents

	Page
Prospectus	
About this prospectus	3
Where you can find more information	3
Risk factors	5
Forward-looking statements	5
The company	6
Use of proceeds	7
Ratio of earnings to fixed charges	7
Description of debt securities	8
Description of series preferred stock	17
Description of common stock	20
Description of stock purchase contracts and stock purchase units	24
Plan of distribution	25
Legal opinions	27
Experts	27

Table of Contents

About this prospectus

This prospectus is part of a registration statement that we, Goodrich Corporation, filed with the SEC using a shelf registration process. Under this shelf process, we may sell in one or more offerings any combination of the following securities:

- debt securities,
- series preferred stock,
- common stock,
- stock purchase contracts, and
- stock purchase units.

This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of the securities offered. Each prospectus supplement may also add to, update or change the information contained or incorporated by reference in this prospectus. You should read both this prospectus and the applicable prospectus supplement together with the information described under the heading Where You Can Find More Information directly below. In addition, a number of the documents and agreements that we refer to or summarize in this prospectus, like our restated certificate of incorporation, have been filed with the SEC as exhibits to the registration statement. Before you invest in any of our securities, you should read the relevant documents and agreements.

References to Goodrich refer to Goodrich Corporation. Unless the context otherwise requires, references to we, us or our refer collectively to Goodrich Corporation and its subsidiaries.

You should rely only on the information contained or incorporated by reference in this prospectus or any prospectus supplement. We have not authorized anyone else to provide you with different information. Neither we, nor any other person on our behalf, is making an offer to sell or soliciting an offer to buy any of the securities described in this prospectus or in any prospectus supplement in any state where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of these documents. There may have been changes in our affairs since the date of the prospectus or any prospectus supplement.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet from the SEC s web site at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and their copy charges.

The SEC allows us to incorporate by reference in this prospectus the information in documents filed with it. This means that we can disclose important information to you by referring you to these documents. The information incorporated by reference is considered to be a part of this prospectus, and information in documents that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus or any prospectus supplement.

Table of Contents

We incorporate by reference in this prospectus the documents listed below and any future filings that we may make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we, or our agents, sell all of the securities that may be offered by this prospectus:

Our Annual Report on Form 10-K for the year ended December 31, 2007.

Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008.

Our Current Reports on Form 8-K filed April 28, 2008, April 29, 2008 and May 29, 2008.

Our Registration Statement on Form 8-A/A filed on August 11, 2003 (description of our common stock).

You may request a copy of these documents, except exhibits to such documents unless those exhibits are specifically incorporated by reference in such documents, at no cost to you, by writing or telephoning us at the following address:

Goodrich Corporation
Four Coliseum Centre
2730 West Tyvola Road
Charlotte, North Carolina 28217
Attention: Secretary
(704) 423-7000

You may also find additional information about us, including the documents mentioned above, on our website at http://www.goodrich.com. The information included on or linked to this website or any website referred to in any document incorporated by reference into this prospectus is not a part of this prospectus.

Any statement made in this prospectus or any prospectus supplement concerning the contents of any contract, agreement or other document is only a summary of the actual document. You may obtain a copy of any document summarized in this prospectus or any prospectus supplement at no cost by writing to or telephoning us at the address and telephone number given above. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

Table of Contents

Risk factors

Investment in any securities offered pursuant to this prospectus involves risks. You should carefully consider the risk factors incorporated by reference to our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q and the other information contained in this prospectus, as updated by our subsequent filings under the Securities Exchange Act of 1934, as amended, and the risk factors and other information contained in the applicable prospectus supplement before acquiring any of such securities.

Forward-looking statements

We believe that some of the information contained or incorporated by reference in this prospectus constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding our future plans, objectives and expected performance. Specifically, statements that are not historical facts, including statements accompanied by words such as may, will, would, could, should, believes, estimates, projects, expects, plans, seeks, intends, evaluates, pursues, anticipates, continues, designs, impacts, forec initiative, objective, designed, priorities, goal or the negative of those words or other similar expressions, are int to identify forward-looking statements and convey the uncertainty of future events or outcomes that represent our current judgment about possible future events. All statements in this prospectus and any accompanying prospectus supplement, and in related comments by our management, other than statements of historical facts, including without limitation, statements about future events or financial performance, are forward-looking statements that involve certain risks and uncertainties.

These statements are based on certain assumptions and analyses made in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate in the circumstances. While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results. Whether actual future results and developments will conform with our expectations and predictions is subject to a number of risks and uncertainties, including the risks and uncertainties discussed in the documents referred to under the caption Risk Factors, in documents incorporated by reference into this prospectus and in any applicable prospectus supplement, and other factors, many of which are beyond our control.

Consequently, all of the forward-looking statements made in this prospectus and any prospectus supplement are qualified by these cautionary statements and there can be no assurance that the actual results or developments that we anticipate will be realized or, even if realized, that they will have the expected consequences to or effects on us and our subsidiaries or our businesses or operations. We caution investors not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events, or other such factors that affect the subject of these statements, except where we are expressly required to do so by law.

Table of Contents

The company

We are one of the largest worldwide suppliers of components, systems and services to the commercial and general aviation airplane markets. We are also a leading supplier of systems and products to the global defense and space markets. Our business is conducted on a global basis with manufacturing, service and sales undertaken in various locations throughout the world. Our products and services are principally sold to customers in North America, Europe and Asia.

We provide products and services for the entire life cycle of airplane and defense programs, including a significant amount of aftermarket support for our key products. Our key products include:

Nacelles the structure surrounding an aircraft engine. Components that make up a nacelle include thrust reversers, inlet and fan cowls, nozzle assemblies, exhaust systems and other structural components. Our aerostructures business is one of a few businesses that is a nacelle integrator, which means that we have the capabilities to design and manufacture all components of a nacelle, dress the engine systems and coordinate the installation of the engine and nacelle to the aircraft.

Actuation systems equipment that utilizes linear, rotary or fly-by-wire actuation to control movement. We manufacture a wide-range of actuators including primary and secondary flight controls, helicopter main and tail rotor actuation, engine and nacelle actuation, utility actuation, precision weapon actuation and land vehicle actuation.

Landing gear complete landing gear systems for commercial, general aviation and defense aircraft.

Aircraft wheels and brakes aircraft wheels and brakes for a variety of commercial, general aviation and defense applications.

Engine control systems applications for commercial engines, large and small, helicopters and all forms of military aircraft. Our products include fuel metering controls, fuel pumping systems, electronic controls (software and hardware), variable geometry actuation controls and engine health monitoring systems.

Intelligence surveillance and reconnaissance systems high performance custom engineered electronics, optics, shortwave infrared cameras and arrays, and electro-optical products and services for sophisticated defense, scientific and commercial applications.

Sensor systems aircraft and engine sensors that provide critical measurements for flight control, cockpit information and engine control systems.

Power systems aircraft electrical power systems for large commercial airplanes, business jets and helicopters. We supply these systems to defense and civil customers around the globe.

Our principal executive offices are located at Four Coliseum Centre, 2730 West Tyvola Road, Charlotte, North Carolina 28217, and our telephone number is 704-423-7000. We were incorporated under the laws of the State of New York on May 2, 1912 as the successor to a business founded in 1870.

Table of Contents

Use of proceeds

Unless we indicate otherwise in a prospectus supplement, we expect to use the net proceeds from the sale of the securities for general corporate purposes, which may include, among other things, working capital, financing acquisitions, capital expenditures and the repayment of short-term and long-term borrowings. Further details relating to the uses of the net proceeds of any securities will be set forth in the applicable prospectus supplement.

Ratio of earnings to fixed charges

Our ratio of earnings to fixed charges for each of the periods indicated is as follows:

Nine months ended September 30,		Twelve months ended December 31,				
2008	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**
8.50	5.92	6.10	4.23	3.48	2.39	1.50

For these ratios, earnings consist of income from continuing operations before

- income taxes,
- fixed charges (excluding capitalized interest and distributions on trust preferred securities), and
- minority interest and earnings (losses) of affiliated companies which are accounted for on the equity method.

For these ratios, fixed charges consist of

- interest on all indebtedness (including capitalized interest and interest costs on company-owned life insurance policies),
- amortization of debt discount or premium or capitalized expenses related to debt,
- an interest factor attributable to rentals, and
- distributions on trust preferred securities.

There were no shares of preferred stock outstanding during any of the periods indicated. Therefore, the ratio of earnings to fixed charges and preferred stock dividends would have been the same as the ratio of earnings to fixed charges for each period indicated.

Table of Contents

Description of debt securities

The following description sets forth certain general terms and provisions of the debt securities to which any prospectus supplement may relate. A prospectus supplement will describe the particular terms and provisions of, and the extent to which the general terms and provisions described below may apply to, a series of debt securities.

We will issue the debt securities under an indenture between us and The Bank of New York Mellon Trust Company, N.A., as successor to Harris Trust and Savings Bank, as trustee, dated as of May 1, 1991. If we use another trustee for a series of debt securities, we will provide the details in a prospectus supplement.

We have summarized below selected provisions of the indenture and the Trust Indenture Act of 1939. The summary does not contain all the provisions that you may want to consider as an investor in our debt securities. You may wish to review the indenture. We have filed a copy of the indenture with the SEC, and the summary below includes references to the relevant sections of the indenture so that you can locate them easily.

General

The indenture does not limit the amount of debt securities that we may issue. Unless we state otherwise in a prospectus supplement, the debt securities that we issue under this prospectus will not limit the amount of other debt that we can issue.

The indenture allows us to issue debt securities in one or more series. The prospectus supplement for a series of debt securities being offered will include the specific terms of the debt securities. These terms will include all or some of the following:

- the title of the debt securities;
- the principal amount and the permitted denominations of the debt securities;
- the price or prices at which the debt securities will be issued;
- the currency or currencies in which the principal of and any interest on the debt securities will be payable;
- the dates on which principal and interest on the debt securities will be payable;
- the interest rate, if any, for the debt securities or the method that will be used to determine the interest rate;
- the places where principal and interest will be payable;
- any mandatory or optional repayment or redemption provisions; and
- any other terms of the debt securities.

We are permitted under the indenture to issue debt securities of a single series at various times, with different maturity dates and redemption and repayment provisions, if any, and different interest rates. (Section 2.5) We will specify in the applicable prospectus supplement the persons to whom and the manner in which any interest will be payable.

8

Table of Contents

The debt securities will be unsecured, unsubordinated indebtedness of Goodrich. The debt securities will rank equally with all our other unsecured and unsubordinated indebtedness.

The debt securities will be issued in the denominations set forth in the applicable prospectus supplement. The trustee will maintain a register of the names of the holders of the debt securities. (Section 2.10) We will maintain an office or agency where the debt securities may be presented for payment and may be transferred or exchanged. (Section 3.2) We will not make any service charges for any transfer or exchange of the debt securities, but we may require a payment sufficient to cover any tax or other governmental charge payable on the debt securities. (Section 2.10)

We may sell debt securities at a substantial discount below their stated principal amount, and we may provide for the payment of no interest or interest at a rate which at the time of issuance is below market rates. We will describe the U.S. federal income tax consequences and other special considerations applicable to any discounted debt securities in the prospectus supplement relating to the discounted debt securities.

Book-entry procedures

We may issue debt securities in the form of one or more global certificates registered in the name of a depositary or a nominee of a depositary. Unless we state otherwise in the applicable prospectus supplement, the depositary will be The Depository Trust Company. The Depository Trust Company has informed us that its nominee will be Cede & Co., who will be the initial registered holder of any series of debt securities that are issued in book-entry form.

If we use the book-entry only form for any series of debt securities, we will not issue certificates to individual holders of the debt securities, except as set forth below or in the applicable prospectus supplement. The Depository Trust Company and its participating organizations will only show beneficial interests in, and transfers of, book-entry securities on the records that it and its participating organizations maintain. In addition, if any holder of debt securities issued in book-entry form wants to take any action, it must instruct the participating organization through which it holds the debt securities. The participating organization must then instruct The Depository Trust Company or Cede & Co., as the registered holder of the debt securities, to take action.

The Depository Trust Company is a limited purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the United States Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under Section 17A of the Securities Exchange Act of 1934. The Depository Trust Company holds securities that its participating organizations, or direct participants, deposit with it. The Depository Trust Company also facilitates the clearance and settlement of securities transactions among direct participants through electronic book-entries, thereby eliminating the need for physical exchange of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Other organizations, including banks, brokers, dealers and trust companies that work with a direct participant, also use The Depository Trust Company s book-entry system. These organizations are referred to as indirect participants. The rules that apply to The Depository Trust Company and its participants are on file with the SEC.

If anyone wishes to purchase, sell or otherwise transfer debt securities in book-entry form, they must do so through a direct or indirect participant. Under a book-entry format, holders of debt securities may experience some delay in their receipt of payments. Holders will not be recognized as registered holders of the debt securities and, thus, will be permitted to exercise their rights only indirectly through and subject to the procedures of direct participants and, if applicable, indirect participants.

The absence of physical certificates may limit the ability of a holder to pledge debt securities issued in book-entry form to persons or entities that do not participate in The Depository Trust Company system, or to otherwise act with respect to the debt securities.

The Depository Trust Company has advised us that it will only take any action permitted to be taken by a registered holder of any debt securities at the direction of a direct participant.

Debt securities represented by a book-entry security will be exchangeable for the debt securities in registered form with the same terms only if:

The Depository Trust Company notifies us that it is unwilling or unable to continue as depositary or The Depository Trust Company ceases to be a clearing agency registered under applicable law and we do not appoint a new depositary within 90 days; or

we determine that the global security is exchangeable.

Except as we describe in this section, a book-entry security may not be transferred except as a whole by The Depository Trust Company to its nominee or by its nominee to The Depository Trust Company or another of its nominees or to a successor depositary appointed by us.

The information in this section about The Depository Trust Company and the book-entry system has been obtained from sources that we believe to be accurate, but we assume no responsibility for its accuracy. We have no responsibility for the performance by The Depository Trust Company or its participants of their obligations as described in this prospectus or under the rules and procedures governing their operations.

Certain covenants

We must comply with the restrictive covenants in the indenture that are described below.

Definitions

Attributable Debt with respect to any lease under which we are liable is defined as the lesser of (1) the fair value of the property subject to that lease as determined by certain of our officers or (2) the present value of the total net amount of rent we must pay under that lease until it expires, calculated using a discount rate determined by certain of our officers and compounded semiannually. The net amount of rent we must pay under any lease for any period is the amount of rent payable for the period, excluding payments for maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. For any lease that we may terminate by paying a penalty, the net amount of rent includes the penalty, but no rent is included after the first date upon which the lease may be terminated.

Consolidated Net Tangible Assets is defined as the total amount of assets (minus applicable reserves and properly deductible items) minus (1) all current liabilities, excluding (a) those which are extendible or renewable to more than 12 months after the time as of which the amount of

the liability is being computed, (b) current maturities of long-term indebtedness and (c) capital lease obligations, and (2) all goodwill, in each case as shown on our audited financial statements.

Debt is defined as indebtedness for money borrowed or any other indebtedness evidenced by notes, bonds, debentures or other similar documents.

Funded Debt is defined as all indebtedness for money borrowed (1) with a maturity of more than 12 months after the date on which the amount of indebtedness is determined or (2) with a maturity that is less than 12 months from that date but which is renewable or extendible beyond 12 months from that date at the borrower s option.

Principal Property is defined as any building, structure or other facility, the land upon which it stands and the fixtures that are a part of it, (1) that is used primarily for manufacturing and is located in the United States and (2) the net book value of which exceeds 3% of Consolidated Net Tangible Assets. Principal Property does not include (1) any building, structure or facility that, in the opinion of our board of directors, is not of material importance to our total business or (2) any portion of a particular building, structure or facility that, in the opinion of our board of directors, is not of material importance to the use or operation of that building, structure or facility.

Restricted Subsidiary is defined as any Subsidiary (1) with substantially all its property located in the United States or carrying on substantially all its business within the United States and (2) which owns a Principal Property. Restricted Subsidiary, however, does not include any Subsidiary whose primary business (1) consists of financing operations in connection with leasing and conditional sales transactions on behalf of Goodrich, (2) consists of purchasing accounts receivable or making loans secured by accounts receivable or inventory or (3) is that of a finance company.

Subsidiary is defined as any company in which we and/or one or more of our subsidiaries own, directly or indirectly, at least a majority of the outstanding voting stock.

Limitation on liens

The indenture prohibits us and our Restricted Subsidiaries from incurring, issuing, assuming or guaranteeing any Debt secured by any sort of lien on

(1) any Principal Property owned by us or a Restricted Subsidiary,

(2) any stock in any Restricted Subsidiary, or

(3) any Debt of any Restricted Subsidiary,

without securing all outstanding series of debt securities equally and ratably with (or prior to) the secured Debt to be incurred, issued, assumed or guaranteed, unless the aggregate principal amount of that secured Debt together with (1) all secured Debt that would otherwise be prohibited, and (2) all of our and our Restricted Subsidiaries Attributable Debt in respect of sale and leaseback transactions that would otherwise be prohibited by the covenant limiting sale and leaseback transactions described below, would not exceed 10% of Consolidated Net Tangible Assets. The restriction described above does not apply to guarantees related to the sale, discount, guarantee or pledge of notes, chattel mortgages, leases, accounts receivable, trade acceptances and other paper arising in the ordinary course of business out of installment

or conditional sales of merchandise, equipment or services to distributors, dealers or other customers and similar transactions involving retention of title.

In addition, the restriction described above will not apply to Debt secured by the following:

liens on property, stock or Debt of any corporation existing at the time it becomes a Restricted Subsidiary;

liens to secure indebtedness of a Restricted Subsidiary to us or to another Restricted Subsidiary;

liens for taxes, assessments or governmental charges or levies (a) that are not yet due and delinquent or (b) the validity of which we are contesting, or deposits to obtain the release of these liens;

liens of materialmen, mechanics, carriers, workmen, repairmen, landlords or other similar liens, or deposits to obtain the release of these liens;

liens arising under legal process the execution or enforcement of which is stayed and which are being contested in good faith;

liens (a) to secure public or statutory obligations, (b) to secure payment of workmen s compensation, (c) to secure performance in connection with tenders, leases of real property, bids or contracts or (d) to secure (or in lieu of) surety or appeal bonds, and liens made in the ordinary course of business for similar purposes;

liens in favor of the United States, any state in the United States, or any agency, department, instrumentality or political subdivision thereof or of any other country or political subdivision thereof, to secure payments pursuant to any contract or statute or to secure any debt incurred to finance the purchase price or the cost of construction of the property subject to the lien;

liens on property, stock or Debt of a corporation (a) existing at the time we acquired the corporation (including corporations with which we merged or consolidated or purchased substantially all the properties of), (b) that secure the payment of the purchase price, construction cost or improvement cost thereof or (c) that secure any Debt incurred prior to, at the time of, or within one year after we acquired the property, shares or Debt, or completed the construction on or commenced commercial operation of the property, whichever is later, for the purpose of financing the purchase price or construction cost;

liens existing at the date of the indenture; and

any extension, renewal or replacement of any of the foregoing liens that does not increase the Debt secured by such lien and that is limited to all or a part of the same property, stock or Debt that secured the original lien. (Section 3.4)

Limitation on sales and leasebacks

The indenture provides that neither we nor any Restricted Subsidiary may enter into any sale and leaseback transaction with any bank, insurance company or other lender or investor where we or the Restricted Subsidiary would lease a Principal Property for a period totaling more than three years if that Principal Property has been or will be sold by us or a Restricted Subsidiary

within one year after acquisition, completion of construction or commencement of full operations thereof to that investor or lender or to any person to whom that lender or investor has made funds available on the security of that Principal Property, unless either:

we or the Restricted Subsidiary could create Debt secured by a lien on the Principal Property to be leased back in an amount equal to the Attributable Debt with respect to that sale and leaseback transaction without equally and ratably securing the debt securities of all series pursuant to the provisions of the covenant on limitation on liens described above; or

we apply within 270 days after the sale or transfer by us or the Restricted Subsidiary an amount equal to the greater of (1) the net proceeds of the sale of the Principal Property sold and leased back pursuant to the arrangement and (2) the fair market value of the Principal Property (as determined by certain of our officers) so sold and leased back at the time of entering into the arrangement to

the purchase of different property, facilities or equipment that has a value at least equal to the net proceeds of the sale or

the retirement of our Funded Debt.

The amount to be applied to the retirement of our Funded Debt will, however, be reduced by (1) the principal amount of any debt securities issued under the indenture (or, if any of those debt securities are original issue discount debt securities, the portion of the principal amount that is due and payable with respect to those debt securities pursuant to a declaration in accordance with Section 4.1 of the indenture) delivered within 270 days after the relevant sale to the trustee for retirement and cancellation and (2) the principal amount of Funded Debt, other than the debt securities issued under the indenture, voluntarily retired by us within 270 days after the relevant sale. We may not effect any retirement of Funded Debt referred to above by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision. (Section 3.5)

Absence of other restrictions

The indenture does not contain:

any restrictions on the declaration of dividends;
any requirements concerning the maintenance of any asset ratio; or
any requirement for the creation or maintenance of reserves.

Consolidation, merger, sale, conveyance and lease

The indenture permits us to consolidate or merge with or into another entity, and to sell, convey or lease all or substantially all our property to another entity, only if certain conditions in the indenture are met including:

the successor entity, purchaser or lessee expressly assumes our obligations on the debt securities and under the indenture; and

we are not, or our successor is not, as the case may be, in default under any covenant or condition in the indenture immediately after giving effect to the consolidation, merger, sale, conveyance or lease. (Article Eight)

Events of default, waiver and notice

Event of Default when used with respect to a series of debt securities issued under the indenture will mean any of the following:

our failure to pay any interest on the debt securities of that series for a period of 10 days after the interest was due;

our failure to pay the principal on the debt securities of that series;

our failure to deposit any sinking fund payment on the debt securities of that series;

our failure to perform any other covenant or agreement in the indenture with respect to that series of debt securities, and the continuance of that failure for 90 days after the trustee or the holders of at least 25% of the aggregate principal amount of the debt securities of that series have given notice to us (and, in the case of a notice from the holders, the trustee) of such failure;

acceleration of any indebtedness of ours (1) with a principal amount of more than $50,000,000, or (2) under any mortgage, indenture or other instrument that permits the incurrence by us of more than $50,000,000 of indebtedness, in either case that is not discharged, rescinded or annulled within 10 days after the trustee or the holders of at least 25% of the debt securities of such series have given to us (and, in the case of a notice of the holders, the trustee) written notice of this default;

various events involving our bankruptcy, insolvency or reorganization; and

any other Event of Default established with respect to debt securities of that series. (Sections 2.5 and 4.1)

Within 90 days after the occurrence of a default, the trustee will give all holders of debt securities of the affected series notice of all defaults known to it. Except in the case of a default in the payment of principal, interest or any sinking fund installment, the trustee may withhold notice if and so long as it in good faith determines that withholding notice is in the interests of the holders. (Trust Indenture Act)

If an Event of Default with respect to any series of debt securities occurs and is continuing, either the trustee or the holders of at least 25% of the aggregate principal amount of the debt securities of that series may by written notice to us declare the principal (or, in the case of original issue discount debt securities, the portion specified in the applicable prospectus supplement) of the debt securities of that series and any accrued interest to be due and payable immediately. Once this has happened, subject to various conditions, the holders of a majority of the aggregate principal amount of the debt securities of that series can annul the declaration of acceleration and waive the past defaults, except that they cannot waive uncured defaults in the payment of principal, any premium or any interest. (Sections 4.1 and 4.9)

We must file on an annual basis with the trustee, among other things, a written statement of one of our officers regarding his knowledge of our compliance with all conditions and covenants under the indenture. (Trust Indenture Act)

The holders of at least a majority in aggregate principal amount of the debt securities of each series affected (with each series voting separately as a class) may direct the time, method and

Table of Contents

place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power given under the indenture to the trustee. (Section 4.8)

The trustee does not have to exercise any of its rights or powers at the direction of the holders of debt securities unless the holders offer the trustee reasonable security or indemnity against expenses and liabilities. (Section 5.1(d))

Defeasance

Defeasance and discharge. The indenture provides that we will be discharged from any and all obligations with respect to the debt securities of any series (other than various obligations regarding transfer, exchange, cancellation of debt securities, destroyed, lost or stolen debt securities, temporary securities, offices for payment, paying agents and obligations with respect to the trustee) if we deposit with the trustee in trust money and/or U.S. government obligations that will provide enough money to pay the principal of, each installment of interest on, and any mandatory sinking fund payments with respect to, the debt securities of that series on the stated maturity of those payments in accordance with the terms of the indenture and those debt securities. (Section 12.2 and 12.4)

We may only establish this kind of trust if, among other things, we have delivered to the trustee an opinion of counsel stating that, due to an Internal Revenue Service ruling or a change in federal income tax law, holders of those debt securities will not recognize income, gain or loss for federal income tax purposes as a result of that deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times, as would have been the case if that deposit, defeasance and discharge had not occurred. (Section 12.4)

11

1,682

Net cash used in investing activities

(22,397

)

(119,548

)

Cash flows from financing activities:

Payment to redeem contingently redeemable common stock

(100,000

)

Proceeds received from issuance of contingently redeemable common stock and common stock pursuant to the settlement agreement with Samsung

192,000

Proceeds received from issuance of common stock under employee stock plans

9,482

10,899

Proceeds from landlord for tenant improvements

8,800

Payments under installment payment arrangement

(861

)

(1,550

)

Principal payments against financing lease obligation

(453

)

Prepayment under share purchase contract

(90,000

)

Repayment of convertible senior notes

(136,950

)

Repurchase and retirement of common stock

	(105,108)
Net cash used in financing activities	
	(83,032)
	(130,709)
Net decrease in cash and cash equivalents	
	(54,418)
	(70,876)
Cash and cash equivalents at beginning of period	
	215,262
	289,073
Cash and cash equivalents at end of period	
$	
	160,844

$	218,197
Non-cash investing and financing activities:	
Common stock issued pursuant to acquisition	
$	88,438
$	
Property, plant and equipment received and accrued in accounts payable and other accrued liabilities	
$	1,194

$	5,869
Non-cash obligation for property, plant and equipment	
$	
$	800
Intangible assets acquired under installment payment arrangement	
$	
$	331

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

RAMBUS INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

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 or in which the Company 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 presented. 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 the 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, 2010.

2. Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) amended its guidance to simplify how an entity tests goodwill for impairment. The amendment will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer will be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendment becomes effective for the Company s interim period ending March 31, 2012 and early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its consolidated financial statements position.

In June 2011, the FASB amended its guidance on the presentation of comprehensive income. Under the amended guidance, an entity has the option to present comprehensive income in either one continuous statement or two consecutive financial statements. A single statement must present the components of net income and total net income, the components of other comprehensive income and total other comprehensive income, and a total for comprehensive income. In a two-statement approach, an entity must present the components of net income and total net income in the first statement. That statement must be immediately followed by a financial statement that presents the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income. The option under current guidance that permits the presentation of components of other comprehensive income as part of the statement of changes in stockholders equity has been

eliminated. The amendment becomes effective retrospectively for the Company s interim period ending March 31, 2012. Early adoption is permitted. The Company does not expect that this guidance will have an impact on its financial position, results of operations or cash flows as it is disclosure-only in nature.

In May 2011, the FASB amended its guidance to converge fair value measurement and disclosure guidance about fair value measurement under U.S. Generally Accepted Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the International Accounting Standards Board. The amendment changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendment to result in a change in the application of the requirements in the current authoritative guidance. The amendment becomes effective prospectively for the Company s interim period ending March 31, 2012. Early adoption is not permitted. The Company does not expect the amendment to have a material impact on its financial position, results of operations or cash flows.

Table of Contents

3. Settlement Agreement with Samsung

On January 19, 2010, the Company, Samsung and certain related entities of Samsung entered into a Settlement Agreement (the Settlement Agreement) to release all claims against each other with respect to all outstanding litigation between them and certain other potential claims. Pursuant to the Settlement Agreement, the Company and Samsung entered into a Semiconductor Patent License Agreement on January 19, 2010 (the License Agreement), under which Samsung licenses from the Company non-exclusive rights to certain Rambus patents over the next five years. In addition, as part of the Settlement Agreement, Samsung purchased approximately 9.6 million shares of common stock of Rambus for cash pursuant to the terms of a Stock Purchase Agreement dated January 19, 2010 (the Stock Purchase Agreement). The Stock Purchase Agreement provided Samsung a one-time put right, beginning 18 months after the date of the Stock Purchase Agreement and extending to 19 months after the date of the Stock Purchase Agreement, to elect to sell back to the Company up to 4.8 million of the shares at the original issue price of $20.885 per share. On July 20, 2011, the Company received notice from Samsung exercising their option to put back to the Company approximately 4.8 million shares of the Company s common stock for cash of $100.0 million. In August 2011, the Company paid $100.0 million to Samsung in exchange for the shares which were retired. The difference between the amount recorded as contingently redeemable common stock and the cash paid was recorded in additional paid-in capital. See Note 8, Stockholders Equity and Contingently Redeemable Common Stock, for further discussion. Finally, pursuant to the Settlement Agreement, the Company and Samsung signed a non-binding memorandum of understanding relating to discussions around a new generation of memory technologies.

The Samsung settlement is a multiple element arrangement for accounting purposes. For the multiple element arrangement, the Company identified each element of the arrangement and determined when those elements should be recognized. Using the accounting guidance from multiple element revenue arrangements, the Company allocated the consideration to each element using the estimated fair value of the elements. The Company considered several factors in determining the accounting fair value of the elements of the Samsung settlement which included a third party valuation using an income approach, the Black-Scholes-Merton (BSM) option pricing model and a residual approach (collectively the Fair Value). The inputs and assumptions used in this valuation were from a market participant perspective and included projected revenue, royalty rates, estimated discount rates, useful lives and income tax rates, among others. The development of a number of these inputs and assumptions in the model requires a significant amount of management judgment and is based upon a number of factors, including the selection of industry comparables, market growth rates and other relevant factors. Changes in any number of these assumptions may have had a substantial impact on the Fair Value as assigned to each element. These inputs and assumptions represent management s best estimates at the time of the transaction.

During the first three quarters of 2011, the Company received cash consideration of $74.4 million from Samsung. The amount was allocated between revenue ($68.2 million) and gain from settlement ($6.2 million) based on the estimated Fair Value for the remaining elements. The remaining $325.0 million is expected to be paid in successive quarterly payments of approximately $25.0 million (subject to adjustments per the terms of the License Agreement), concluding in the last quarter of 2014.

The cash receipts through September 30, 2011 and the remaining future cash receipts from the agreements with Samsung are expected to be recognized as follows assuming no adjustments to the payments under the terms of the agreements in the future periods:

(in millions)	Received in 2010	Nine months Ended September 30, 2011	Remainder of 2011	2012	2013	2014	Estimated Fair Value
Revenue	$ 181.2	$ 68.2	$ 25.0	$ 100.0	$ 100.0	$ 100.0	$ 574.4
Gain from settlement	126.8	6.2					133.0

Purchase of Rambus Common Stock	192.0						192.0
Total	$ 500.0	$ 74.4	$ 25.0	$ 100.0	$ 100.0	$ 100.0	$ 899.4

4. Comprehensive Income (Loss)

Rambus comprehensive income (loss) consists of its net income (loss) plus other comprehensive income (loss) consisting of unrealized gains (losses), net, on marketable securities, net of taxes.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Net income (loss)	$ 478	$ (20,576)	$ (14,337)	$ 117,833
Other comprehensive loss:				
Unrealized loss, net, on marketable securities, net of tax	(79)	(117)	(46)	(378)
Total comprehensive income (loss)	$ 399	$ (20,693)	$ (14,383)	$ 117,455

9

Table of Contents

5. Equity Incentive Plans and Stock-Based Compensation

Stock Option Plans

As of September 30, 2011, 3,029,461 shares of the 14,900,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is the Company s only plan for providing stock-based incentive compensation to eligible employees, executive officers, 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, 2010	5,348,162
Stock options granted	(2,199,761)
Stock options forfeited	770,903
Stock options expired under former plans	(471,913)
Nonvested equity stock and stock units granted (1)	(440,331)
Nonvested equity stock and stock units forfeited (1)	22,401
Total available for grant as of September 30, 2011	3,029,461

(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.

General Stock Option Information

The following table summarizes stock option activity under the 1997, 1999 and 2006 Plans for the nine months ended September 30, 2011 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of September 30, 2011.

	Options Outstanding		Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
	Number of Shares	Weighted Average Exercise Price Per Share		
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2010	13,969,383	$ 18.85		
Options granted	2,199,761	19.27		

Options exercised	(757,888)	8.50			
Options forfeited	(770,903)	13.42			
Outstanding as of September 30, 2011	14,640,353	19.74	5.67	$	10,378
Vested or expected to vest at September 30, 2011	14,098,821	19.77	5.55		10,063
Options exercisable at September 30, 2011	10,196,979	20.22	4.47		6,990

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at September 30, 2011, based on the $14.00 closing stock price of Rambus Common Stock on September 30, 2011 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 September 30, 2011 was 2,112,007 and 1,364,081, respectively.

Employee Stock Purchase Plans

Under the 2006 Employee Stock Purchase Plan (ESPP), the Company issued 146,034 shares at a price of $16.50 per share during the nine months ended September 30, 2011. The Company issued 161,293 shares at a price of $13.56 per share during the nine months ended September 30, 2010. As of September 30, 2011, 439,734 shares under the 2006 ESPP remained available for issuance.

Table of Contents

Stock-Based Compensation

For the nine months ended September 30, 2011 and 2010, 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 certain specified dates.

Stock Options

During the three and nine months ended September 30, 2011, Rambus granted 487,550 and 2,199,761 stock options, respectively, with an estimated total grant-date fair value of $4.6 million and $22.9 million, respectively. During the three and nine months ended September 30, 2011, Rambus recorded stock-based compensation expense related to stock options of $5.0 million and $15.2 million, respectively.

During the three and nine months ended September 30, 2010, Rambus granted 93,300 and 1,818,623 stock options, respectively, with an estimated total grant-date fair value of $1.0 million and $23.9 million, respectively. During the three and nine months ended September 30, 2010, Rambus recorded stock-based compensation expense related to stock options of $5.6 million and $17.3 million, respectively.

As of September 30, 2011, there was $39.3 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 3.4 years. The total fair value of shares vested as of September 30, 2011 was $142.0 million.

The total intrinsic value of options exercised was $1.7 million and $5.7 million for the three and nine months ended September 30, 2011, respectively. The total intrinsic value of options exercised was $1.9 million and $7.1 million for the three and nine months ended September 30, 2010, 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.

During the nine months ended September 30, 2011, net proceeds from employee stock option exercises totaled approximately $6.4 million.

Employee Stock Purchase Plans

For the three and nine months ended September 30, 2011, the Company recorded compensation expense related to the ESPP of $0.5 million and $1.3 million, respectively. For the three and nine months ended September 30, 2010, the Company recorded compensation expense related to the ESPP of $0.4 million and $1.3 million, respectively. As of September 30, 2011, there was $0.1 million of total unrecognized compensation cost related to stock-based compensation arrangements granted under the ESPP. That cost is expected to be recognized over one month.

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 and nine months ended September 30, 2011 and 2010 calculated in accordance with accounting for share-based payments.

Valuation Assumptions

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

	Stock Option Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Stock Option Plans				
Expected stock price volatility	75%	60%	50-75%	60-69%
Risk free interest rate	2.3%	2.3%	2.3-2.8%	2.3-3.2%
Expected term (in years)	6.1	6.1	6.0 - 6.1	5.9 6.1
Weighted-average fair value of stock options granted	$ 9.48	$ 10.88	$10.43	$13.15

Table of Contents

	Employee Stock Purchase Plan			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011*	2010*	2011	2010
Employee Stock Purchase Plan				
Expected stock price volatility			56%	54%
Risk free interest rate			0.1%	0.3%
Expected term (in years)			0.5	0.5
Weighted-average fair value of purchase rights granted under the purchase plan			$ 5.96	$ 7.46

* No shares were issued under the Employee Stock Purchase Plans during the three months ended September 30, 2011 and 2010, respectively.

Nonvested Equity Stock and Stock Units

The Company grants nonvested equity stock units to certain officers, employees and directors. During the three months and nine months ended September 30, 2011, the Company granted nonvested equity stock units totaling 80,000 shares and 293,554 shares under the 2006 Plan, respectively. These awards have a service condition, generally a service period of four years, except in the case of grants to directors, for which the service period is one year. The nonvested equity stock units were valued at the date of grant giving them a fair value of approximately $1.1 million and $5.6 million, respectively. The Company occasionally grants nonvested equity stock units to its employees with vesting subject to the achievement of certain performance conditions. During the three and nine months ended September 30, 2011, the achievement of certain performance conditions for certain performance equity stock units was considered probable, and as a result, the Company recognized an insignificant amount of stock-based compensation expense related to these performance stock units for both periods.

For the three and nine months ended September 30, 2011, the Company recorded stock-based compensation expense of approximately $1.8 million and $5.1 million, respectively, related to all outstanding unvested equity stock grants. For the three and nine months ended September 30, 2010, the Company recorded stock-based compensation expense of approximately $1.5 million and $4.6 million, respectively, related to all outstanding unvested equity stock grants. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of estimated forfeitures, was approximately $9.0 million at September 30, 2011. This is expected to be recognized over a weighted average period of 2.0 years.

The following table reflects the activity related to nonvested equity stock and stock units for the nine months ended September 30, 2011:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2010	718,007	$ 18.23
Granted	293,554	18.99
Vested	(245,697)	17.59
Forfeited	(14,934)	21.76
Nonvested at September 30, 2011	750,930	18.67

6. Marketable Securities

Rambus invests its excess cash and cash equivalents primarily in U.S. government sponsored obligations, commercial paper, corporate notes and bonds, money market funds and municipal notes and bonds that mature within three years.

All cash equivalents and marketable securities are classified as available-for-sale. Total cash, cash equivalents and marketable securities are summarized as follows:

	September 30, 2011				
(Dollars in thousands)	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money market funds	$ 132,721	$ 132,721	$	$	0.01%
U.S. government sponsored obligations	35,668	35,668	3	(3)	0.25%
Corporate notes, bonds and commercial paper	96,241	96,359		(118)	0.43%
Total cash equivalents and marketable securities	264,630	264,748	3	(121)	
Cash	28,123	28,123			
Total cash, cash equivalents and marketable securities	$ 292,753	$ 292,871	$ 3	$ (121)	

	December 31, 2010				
(Dollars in thousands)	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money market funds	$ 132,364	$ 132,364	$	$	0.04%
U.S. government sponsored obligations	266,817	266,840	29	(52)	0.26%
Corporate notes, bonds and commercial paper	95,724	95,773	8	(57)	0.39%
Total cash equivalents and marketable securities	494,905	494,977	37	(109)	
Cash	17,104	17,104			
Total cash, cash equivalents and marketable securities	$ 512,009	$ 512,081	$ 37	$ (109)	

Table of Contents

Available-for-sale securities are reported at fair value on the balance sheets and classified as follows:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Cash equivalents	$ 132,721	$ 198,158
Short term marketable securities	131,909	296,747
Total cash equivalents and marketable securities	264,630	494,905
Cash	28,123	17,104
Total cash, cash equivalents and marketable securities	$ 292,753	$ 512,009

The Company continues to invest in high quality, highly liquid debt securities that mature within three years. The Company holds all of its marketable securities as available-for-sale, marks them to market, and regularly reviews its portfolio to ensure adherence to its investment policy and to monitor individual investments for risk analysis, proper valuation, and unrealized losses that may be other than temporary. As of September 30, 2011, certain marketable debt securities with a fair value of $115.4 million, which mature within one year, had insignificant unrealized losses. The unrealized loss, net, at September 30, 2011 was insignificant in relation to the Company s total available-for-sale portfolio. The unrealized loss, net, can be primarily attributed to a combination of market conditions as well as the demand for and duration of the Company s U.S. government sponsored obligations. The Company has no intent to sell, there is no requirement to sell and the Company believes that it can recover the amortized cost of these investments. The Company has found no evidence of impairment due to credit losses in its portfolio. Therefore, these unrealized losses were recorded in other comprehensive income (loss). However, the Company cannot provide any assurance that its portfolio of cash, cash equivalents and marketable securities will not be impacted by adverse conditions in the financial markets, which may require the Company in the future to record an impairment charge for credit losses which could adversely impact its financial results.

The estimated fair value of cash equivalents and marketable securities classified by date of contractual maturity and the associated unrealized loss, net, at September 30, 2011 and December 31, 2010 are as follows:

	As of		Unrealized Loss, net	
(Dollars in thousands)	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Contractual maturity:				
Due within one year	$ 264,630	$ 494,905	$ (118)	$ (72)

See Note 14, Fair Value of Financial Instruments, for fair value discussion regarding the Company s cash equivalents and marketable securities.

7. Commitments and Contingencies

On December 15, 2009, the Company entered into a definitive triple net space lease agreement with MT SPE, LLC (the Landlord) whereby it leases approximately 125,000 square feet of office space located at 1050 Enterprise Way in Sunnyvale, California (the Sunnyvale Lease). The office space is used for the Company s corporate headquarters, as well as engineering, marketing and administrative operations and activities. The Company moved to the new premises in the fourth quarter of 2010 following substantial completion of leasehold improvements. The Sunnyvale Lease has a term of 120 months from the commencement date. The initial annual base rent is $3.7 million, subject to a full abatement of rent for the first six months of the Sunnyvale Lease term, but with the rent for the seventh month paid in December 2009 in order to gain

access to the building. The annual base rent increases each year to certain fixed amounts over the course of the term as set forth in the Sunnyvale Lease and will be $4.8 million in the tenth year. In addition to the base rent, the Company also pays operating expenses, insurance expenses, real estate taxes and a management fee. The Company has two options to extend the Sunnyvale Lease for a period of 60 months each and a one-time option to terminate the Sunnyvale Lease after 84 months in exchange for an early termination fee.

Since certain improvements to be constructed by the Company are considered structural in nature and the Company is responsible for any cost overruns, for accounting purposes, the Company is treated in substance as the owner of the construction project during the construction period. Accordingly, as of December 31, 2009, the Company had capitalized $25.1 million in property, plant and equipment based on the estimated fair value of the portion of the unfinished building along with a corresponding financing obligation for the same amount.

Following substantial completion of construction in the fourth quarter of 2010, the Company occupied the building. At completion, the Company concluded that it retained sufficient continuing involvement to preclude de-recognition of the building under the FASB authoritative guidance applicable to the sale leasebacks of real estate. As such, the Company continues to account for the building as owned real estate and to record an imputed financing obligation for its obligation to the legal owner. In addition, the Company capitalized $1.5 million of interest on the building with a corresponding imputed financing obligation for the same amount.

Pursuant to the terms of the Sunnyvale Lease, the landlord has agreed to reimburse the Company approximately $9.1 million, of which $0.3 million was received in 2010 and $8.8 million was received during the nine months ended September 30, 2011. The Company recognized the reimbursement as an additional imputed financing obligation under the FASB authoritative guidance as such payment from the landlord is deemed to be an imputed financing obligation. Monthly lease payments on the facility are allocated between the land element of the lease (which is accounted for as an operating lease) and the imputed financing obligation. The imputed financing obligation is amortized using the effective interest method and the interest rate determined in accordance with the requirements of sale leaseback accounting. For the three and nine months ended September 30, 2011, the Company recognized in its statement of operations $0.8 million and $2.3 million, respectively, of interest expense in connection with the imputed financing obligation. At September 30, 2011, the imputed financing obligation balance in connection with the new facility was $35.6 million which was classified under long-term imputed financing obligation. At the end of the initial ten year lease term, should the Company decide not to renew the lease, the Company would reverse the equal amounts of the net book value of the building and the corresponding imputed financing obligation.

In connection with the June 3, 2011 acquisition of Cryptography Research, Inc. (CRI), the Company is obligated to pay a retention bonus to certain CRI employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment, in cash for the first retention milestone and in cash or stock at the Company s election for the following two payments. The three payments are to be equal amounts of approximately $16.7 million, on June 3, 2012, 2013 and 2014, respectively. The total retention bonus commitment is $50.0 million and may be forfeited in part or whole by the covered employees and contractors upon voluntary departure from employment or discontinuation of services. Any amounts forfeited will be accelerated and paid by the Company to a designated charity. See Note 16, Acquisition, for additional information regarding the acquisition of CRI.

On September 29, 2011, effective October 1, 2011, the Company amended its lease with Fogg-Brecksville Development Co. (the Ohio Landlord) to expand its facility in Brecksville, Ohio by 25,730 square feet to 50,545 total square feet (the Amended Ohio Lease), consisting of two extensions to be constructed by the Ohio Landlord (Expansion A and Expansion B) and to modify the outstanding imputed financing obligation. Expansion A will consist of 10,858 square feet of space and Expansion B will consist of 14,872 square feet of space. The Amended Ohio Lease has a term of 84 months from the First Extended Term Commencement Date as defined below. The First Extended Term Commencement Date is the first day of the month following substantial completion of Expansion B. Upon substantial completion of Expansion A, the annual base rent will be increased to $587,000. Upon substantial completion of Expansion B, the annual base rent will be increased to $831,000. The annual base rent increases each year on the annual anniversary date of the First Extended Term Commencement Date by 2% over the course of the term as set forth in the Amended Ohio Lease. The Company has an option to extend the Lease for a period of 60 months.

During the fourth quarter of 2011, the Ohio Landlord began the construction of the building extensions. Since certain improvements constructed by the Ohio Landlord are considered structural in nature and the Company is responsible for any cost overruns, for accounting purposes, the Company is treated in substance as the owner of the construction project during the construction period. As the construction of the extensions of

the building had not begun as of September 30, 2011, the Company did not record an asset for the construction in progress or the corresponding liability for construction in progress in the third quarter of 2011.

Table of Contents

As of September 30, 2011, the Company s material contractual obligations are (in thousands):

	Total	Remainder of 2011	2012	2013	2014	2015	Thereafter
Contractual obligations (1)							
Imputed financing obligation (2)	$ 52,151	$ 1,214	$ 5,470	$ 5,739	$ 5,876	$ 6,014	$ 27,838
Leases	3,944	811	2,083	372	357	321	
Software licenses (3)	4,895	2,108	2,348	359	80		
CRI retention bonus	50,000		16,667	16,667	16,666		
Convertible notes	172,500				172,500		
Interest payments related to convertible notes	25,876	4,313	8,625	8,625	4,313		
Total	$ 309,366	$ 8,446	$ 35,193	$ 31,762	$ 199,792	$ 6,335	$ 27,838

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately $16.6 million including $8.6 million recorded as a reduction of long-term deferred tax assets and $8.0 million in long-term income taxes payable, as of September 30, 2011. As noted below in Note 9, Income Taxes, although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

(2) With respect to the imputed financing obligation, the main components of the difference between the amount reflected in the contractual obligations table and the amount reflected on the condensed consolidated balance sheets are the interest on the imputed financing obligation and the estimated common area expenses over the future periods. Additionally, the amount includes the Amended Ohio Lease.

(3) The Company has commitments with various software vendors for non-cancellable license agreements generally having terms longer than one year. The above table summarizes those contractual obligations as of September 30, 2011 which are also presented on the Company s consolidated balance sheet under current and other long-term liabilities.

Rent expense was approximately $0.7 million and $2.0 million for the three and nine months ended September 30, 2011, respectively. Rent expense was approximately $1.9 million and $5.5 million for the three and nine months ended September 30, 2010, respectively.

Deferred rent of $0.5 million as of September 30, 2011 and $0.5 million as of December 31, 2010 was included primarily in other long-term liabilities.

Indemnifications

The Company enters into standard license agreements in the ordinary course of business. Although the Company does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to the Company s products. The maximum amount of indemnification the Company could be required to make under these agreements is generally limited to fees received by the Company.

Several securities fraud class actions, private lawsuits and shareholder derivative actions were filed in state and federal courts against certain of the Company s current and former officers and directors related to the stock option granting actions. As permitted under Delaware law, the Company has agreements whereby its officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at the Company s request in such capacity. The term of the indemnification period is for the officer s or director s term in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company has a director and officer insurance policy that reduces the Company s exposure and enables the Company to recover a portion of future amounts to be paid. As a result of these indemnification agreements, the Company continues to make payments on behalf of current and former officers. As of September 30, 2011, the Company had made cumulative payments of approximately $18.4 million on their behalf, including $0.8 million in the quarter ended September 30, 2011. As of September 30, 2010, the Company had made cumulative payments of approximately $14.9 million on their behalf, including $1.2 million in the quarter ended September 30, 2010. These payments were recorded under costs of restatement and related legal activities in the condensed consolidated statements of operations.

Table of Contents

8. Stockholders Equity and Contingently Redeemable Common Stock

During the second quarter of 2011, the Company acquired CRI. As part of the acquisition, the Company issued approximately 6.4 million shares of the Company s common stock, of which approximately 161 thousand shares were used to satisfy tax withholding obligations for certain former CRI employees and consultants. See Note 16, Acquisition, for additional information regarding the acquisition of CRI.

Contingently Redeemable Common Stock

On January 19, 2010, pursuant to the terms of the Stock Purchase Agreement, Samsung purchased for cash from the Company 9.6 million shares of the Company (the Shares) with certain restrictions and put rights. The issuance of the Shares by the Company to Samsung was made through a private transaction. The Stock Purchase Agreement provided Samsung a one-time put right, beginning 18 months after the date of the Stock Purchase Agreement and extending to 19 months after the date of the Stock Purchase Agreement, to elect to sell back to the Company up to 4.8 million of the Shares at the original issue price of $20.885 per share (for an aggregate purchase price of up to $100.0 million). The 4.8 million shares have been recorded as contingently redeemable common stock on the condensed consolidated balance sheet as of December 31, 2010.

The Stock Purchase Agreement prohibits the transfer of the Shares by Samsung for 18 months after the date of the Stock Purchase Agreement, subject to certain exceptions. After expiration of the transfer restriction period on July 18, 2011, the Stock Purchase Agreement provides that Samsung may transfer a limited number of shares on a daily basis, provides the Company with a right of first offer for proposed transfers above such daily limits, and, if no sale occurs to the Company under the right of first offer, allows Samsung to transfer the Shares. Under the Stock Purchase Agreement, the Company has also agreed that after the transfer restriction period, Samsung will have certain rights to register the Shares for sale under the securities laws of the United States, subject to customary terms and conditions.

On July 20, 2011, the Company received notice from Samsung exercising their option to put back to the Company approximately 4.8 million of the Shares for cash of $100.0 million. In August 2011, the Company paid $100.0 million to Samsung in exchange for the Shares which were retired. The difference between the amount recorded as contingently redeemable common stock and the cash paid was recorded in additional paid-in capital.

Share Repurchase Program

During the nine months ended September 30, 2011, the Company did not repurchase any shares of its Common Stock under its share repurchase program. As of September 30, 2011, the Company had repurchased a cumulative total of approximately 26.3 million shares of its Common Stock with an aggregate price of approximately $428.9 million since the commencement of the program in 2001. As of September 30, 2011, there remained an outstanding authorization to repurchase approximately 5.2 million shares of the Company s outstanding Common Stock.

The Company records stock repurchases as a reduction to stockholders equity. The Company records a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the price of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock.

9. Income Taxes

During the quarter ended September 30, 2011, the Company calculated its interim tax provision to record taxes incurred by the U.S. entity on a discrete basis because the Company is projecting losses in which a tax benefit cannot be recognized in accordance with FASB Accounting Standards Codification (ASC) 740 Income Taxes. The Company recorded a provision for income taxes of $4.1 million and $4.4 million for the three months ended September 30, 2011 and 2010, respectively. The Company recorded a provision for income taxes of $12.9 million and $52.5 million for the nine months ended September 30, 2011 and 2010, respectively. The provision for income taxes of $4.1 million and $12.9 million for the three and nine months ended September 30, 2011, respectively, are primarily comprised of withholding taxes and other foreign taxes based upon income earned during the period with no tax benefit accrued on the loss jurisdictions.

During the three and nine months ended September 30, 2011, the Company paid withholding taxes of $4.1 million and $12.3 million, respectively. The Company recorded a provision for income taxes of $4.1 million and $12.9 million for the three and nine months ended September 30, 2011, which is primarily comprised of withholding taxes and other foreign taxes. As the Company continues to maintain a valuation allowance against its U.S. deferred tax assets, the Company s tax provision is based primarily on the withholding taxes, other foreign taxes and current state taxes.

Table of Contents

As of September 30, 2011, the Company s condensed consolidated balance sheets included net deferred tax assets, before valuation allowance, of approximately $147.6 million, which consists of net operating loss carryovers, tax credit carryovers, depreciation and amortization, employee stock-based compensation expenses and certain liabilities, partially reduced by deferred tax liabilities associated with the convertible debt instruments that may be settled in cash upon conversion, including partial cash settlements. As of September 30, 2011, a full valuation allowance has been recorded against the U.S. deferred tax assets. During the nine months ended September 30, 2011, the Company increased its deferred tax assets from $78.3 million to approximately $147.6 million with a corresponding increase to the valuation allowance related to its U.S. deferred tax assets. This increase of the deferred tax asset and corresponding valuation allowance is primarily related to the increase in temporary differences and a change in treatment of foreign tax credits arising during the nine months ended September 30, 2011. Management periodically evaluates the realizability of the Company s net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is solely dependent on the Company s ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. The Company intends to maintain the valuation allowance until sufficient positive evidence exists to support its reversal.

The Company maintains liabilities for uncertain tax positions within its long-term income taxes payable accounts. These liabilities involve judgment and estimation and are monitored by management based on the best information available including changes in tax regulations, the outcome of relevant court cases and other information.

As of September 30, 2011, the Company had approximately $16.6 million of unrecognized tax benefits, including $8.6 million recorded as a reduction of long-term deferred tax assets and $8.0 million in long-term income taxes payable. If recognized, approximately $2.8 million would be recorded as an income tax benefit. No benefit would be recorded for the remaining unrecognized tax benefits as the recognition would require a corresponding increase in the valuation allowance. As of December 31, 2010, the Company had $11.8 million of unrecognized tax benefits, including $7.2 million recorded as a reduction of long-term deferred tax assets and $4.6 million in long-term income taxes payable.

Although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At September 30, 2011 and December 31, 2010, an insignificant amount of interest and penalties are included in long-term income taxes payable.

Rambus files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company is subject to examination by the Internal Revenue Service (IRS) for tax years ended 2008 through 2010. The Company is also subject to examination by the State of California for tax years ended 2007 through 2010. In addition, any R&D credit carryforward or net operating loss carryforward generated in prior years and utilized in these or future years may also be subject to examination by the IRS and the State of California. The Company is also subject to examination in various other foreign jurisdictions, including India, for various periods.

The Company s future effective tax rates could be adversely affected by earnings being higher than anticipated in countries where the Company has higher statutory rates or lower than anticipated in countries where it has lower statutory rates, by changes in valuation of its deferred tax assets and liabilities, or by changes in tax laws or interpretations of those laws.

10. Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing the earnings (loss) by the weighted average number of common shares and potentially dilutive securities outstanding during the period. Potentially dilutive common shares consist of incremental common shares issuable upon exercise of stock options, employee stock purchases, restricted stock and restricted stock units and shares issuable upon the conversion of convertible notes. The dilutive effect of outstanding shares is reflected in diluted earnings per share by application of the treasury stock method. This method includes consideration of the amounts to be paid by the employees, the amount of excess tax benefits that would be recognized in equity if the instrument was exercised and the amount of unrecognized stock-based compensation related to future services. No potential dilutive common shares are included in the computation of any diluted per share amount when a net loss is reported. The Company reported approximately 4.8 million shares issued to Samsung as contingently redeemable common stock due to the contractual put rights associated with those shares. As such, the Company uses the two-class method for reporting earnings per share.

Table of Contents

The following tables set forth the computation of basic and diluted income (loss) per share:

	Three Months Ended September 30,			
	2011		2010	
(In thousands, except per share amounts)	**CRCS***	**Other CS****	**CRCS***	**Other CS****
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings	$ 11	$ 467	$ (881)	$ (19,695)
Denominator:				
Weighted-average common shares outstanding	4,788	109,784	4,788	107,078
Basic net income (loss) per share	$ 0.00	$ 0.00	$ (0.18)	$ (0.18)
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	$ 11	$ 467	$ (881)	$ (19,695)
Reallocation of undistributed earnings				
Allocation of undistributed earnings for diluted computation	$ 11	$ 467	$ (881)	$ (19,695)
Denominator:				
Number of shares used in basic computation	4,788	109,784	4,788	107,078
Dilutive potential shares from stock options, ESPP, convertible notes, CRI retention bonuses and nonvested equity stock and stock units		3,218		
Number of shares used in diluted computation	4,788	113,002	4,788	107,078
Diluted net income (loss) per share	$ 0.00	$ 0.00	$ (0.18)	$ (0.18)

	Nine Months Ended September 30,			
	2011		2010	
(In thousands, except per share amounts)	**CRCS***	**Other CS****	**CRCS***	**Other CS****
Basic net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings	$ (526)	$ (13,811)	$ 4,673	$ 113,160
Denominator:				
Weighted-average common shares outstanding	4,788	105,963	4,472	108,296
Basic net income (loss) per share	$ (0.11)	$ (0.13)	$ 1.04	$ 1.04
Diluted net income (loss) per share:				
Numerator:				
Allocation of undistributed earnings for basic computation	$ (526)	$ (13,811)	$ 4,673	$ 113,160
Reallocation of undistributed earnings			(143)	143
Allocation of undistributed earnings for diluted computation	$ (526)	$ (13,811)	$ 4,530	$ 113,303
Denominator:				
Number of shares used in basic computation	4,788	105,963	4,472	108,296
Dilutive potential shares from stock options, ESPP, convertible notes, CRI retention bonuses and nonvested equity stock and stock units				3,579
Number of shares used in diluted computation	4,788	105,963	4,472	111,875
Diluted net income (loss) per share	$ (0.11)	$ (0.13)	$ 1.01	$ 1.01

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* CRCS Contingently Redeemable Common Stock

** Other CS Common Stock other than CRCS

Table of Contents

For the three months ended September 30, 2011 and 2010, options to purchase approximately 13.1 million and 7.2 million shares, respectively, and for the nine months ended September 30, 2011 and 2010, options to purchase approximately 11.8 million and 6.5 million shares, respectively, were excluded from the calculation because they were anti-dilutive after considering proceeds from exercise, taxes and related unrecognized stock-based compensation expense. For the three months ended September 30, 2010 and the nine months ended September 30, 2011, an additional 2.4 million and 2.5 million shares, respectively, including nonvested equity stock and stock units, that would be dilutive have been excluded from the weighted average dilutive shares because there were net losses for the periods.

11. Business Segments and Major Customers

Prior to 2010, Rambus operated in a single industry segment, the design, development and licensing of memory and logic interfaces, lighting and optoelectronics, and other technologies. In 2010, the Company reorganized, and as a result, starting at the end of the fourth quarter of 2010, Rambus has two business groups: Semiconductor Business Group (SBG) which focuses on the design, development and licensing of semiconductor technology, and New Business Group (NBG) which focuses on the design, development and licensing of lighting and display technologies, mobile, data security and other technologies. In addition, the Company acquired CRI during the second quarter of 2011 which is part of NBG.

The Company evaluates the performance of its segments based on segment operating income (loss). Segment operating income (loss) does not include the allocation of any corporate functions (including human resources, facilities, legal, finance, information technology, corporate development, general administration, corporate licensing and marketing expenses, corporate research and development expenses, and cost of restatement) to the segments. Certain expenses are not allocated to the operating segments because they are not considered in evaluating the segments operating performance. Such unallocated expenses include stock-based compensation expenses, depreciation and amortization expenses, and certain bonus and acquisition expenses which are managed at the corporate level. The Reconciling Items category includes these unallocated and corporate expenses.

The table below presents reported segment revenues, and reported segment operating income (loss).

	For the Three Months Ended September 30, 2011			For the Nine Months Ended September 30, 2011		
	SBG	NBG	Total	SBG	NBG	Total
	(In thousands)					
Revenues	$ 84,628	$ 15,635	$ 100,263	$ 212,779	$ 16,225	$ 229,004
Gain from settlement	$	$	$	$ 6,200	$	$ 6,200
Segment operating income	$ 75,456	$ 9,271	$ 84,727	$ 190,101	$ 2,568	$ 192,669
Reconciling items			(73,991)			(176,071)
Total operating income			$ 10,736			$ 16,598

	For the Three Months Ended September 30, 2010			For the Nine Months Ended September 30, 2010		
	SBG	NBG	Total	SBG	NBG	Total
	(In thousands)					
Revenues	$ 31,668	$ 75	$ 31,743	$ 232,207	$ 262	$ 232,469

Gain from settlement	$	10,300	$		$	10,300	$	116,500	$		$	116,500
Segment operating income (loss)	$	32,906	$	(1,601)	$	31,305	$	321,166	$	(4,184)	$	316,982
Reconciling items						(42,799)						(132,983)
Total operating income (loss)					$	(11,494)					$	183,999

The Company s chief operating decision maker (CODM) is the executive management team. The CODM does not review information regarding assets on an operating segment basis. Additionally, the Company does not record intersegment revenue or expense.

The table below presents a reconciliation of reportable segment operating income (loss) to the Company s consolidated income (loss) before income taxes.

Table of Contents

(in thousands)		For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011
SBG operating income	$	75,456	$	190,101
NBG operating income		9,271		2,568
Unallocated amounts:				
Corporate expenses		(44,602)		(104,992)
Unallocated expenses		(29,389)		(71,079)
Interest and other expense, net		(6,178)		(17,991)
Income (loss) before income taxes	$	4,558	$	(1,393)

(in thousands)		For the Three Months Ended September 30, 2010		For the Nine Months Ended September 30, 2010
SBG operating income	$	32,906	$	321,166
NBG operating loss		(1,601)		(4,184)
Unallocated amounts:				
Corporate expenses		(25,260)		(79,667)
Unallocated expenses		(17,539)		(53,316)
Interest and other expense, net		(4,641)		(13,656)
Income (loss) before income taxes	$	(16,135)	$	170,343

Three customers accounted for 25%, 25% and 12%, respectively, of revenue in the three months ended September 30, 2011. Four customers accounted for 47%, 12%, 11% and 10%, respectively, of revenue in the three months ended September 30, 2010. Four customers accounted for 30%, 11%, 11% and 11%, respectively, of revenue in the nine months ended September 30, 2011. One customer accounted for 72% of revenue in the nine months ended September 30, 2010.

Rambus licenses its technologies and patents to customers in multiple geographic regions. Revenue from customers in the following geographic regions was recognized as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
(In thousands)		2011		2010		2011		2010
North America	$	54,559	$	5,025	$	82,655	$	15,801
Korea		24,641		14,853		68,859		166,732
Japan		19,899		11,819		76,149		49,692
Europe		997		11		1,011		151
Asia, Other		167		35		330		93
Total	$	100,263	$	31,743	$	229,004	$	232,469

In North America, the United States and Canada each represented more than 10% of the Company s total consolidated revenue for the three months ended September 30, 2011. In North America, no single country other than the United States represented more than 10% of the Company s total consolidated revenue for the nine months ended September 30, 2011 and the three months ended September 30, 2010. In North America, no single country represented more than 10% of the Company s total consolidated revenue for the nine months ended September 30, 2010.

At September 30, 2011, of the $72.5 million of total property, plant and equipment, approximately $71.2 million were located in the United States, $1.3 million were located in India and an insignificant amount were located in other foreign locations. At December 31, 2010, of the

$67.8 million of total property, plant and equipment, approximately $66.7 million were located in the United States, $1.0 million were located in India and $0.1 million were located in other foreign locations.

Table of Contents

12. Amortizable Intangible Assets and Goodwill

Intangible Assets

The components of the Company s intangible assets as of September 30, 2011 and December 31, 2010 were as follows:

	As of September 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)		
Patents (useful life of 3 to 10 years)	$ 27,643	$ (12,042)	$ 15,601
Customer contracts and contractual relationships (useful life of 1 to 10 years)	33,550	(5,327)	28,223
Existing technology (useful life of 3 to 7 years)	159,350	(14,078)	145,272
Intellectual property (useful life of 4 years)	10,384	(10,384)	
Non-competition agreement (useful life of 3 years)	400	(133)	267
Total intangible assets	$ 231,327	$ (41,964)	$ 189,363

	As of December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)		
Patents (useful life of 3 to 10 years)	$ 24,433	$ (9,361)	$ 15,072
Customer contracts and contractual relationships (useful life of 1 to 10 years)	4,050	(3,127)	923
Existing technology (useful life of 3 to 7 years)	29,950	(4,959)	24,991
Intellectual property (useful life of 4 years)	10,384	(10,384)	
Non-competition agreement (useful life of 3 years)	100	(100)	
Total intangible assets	$ 68,917	$ (27,931)	$ 40,986

Amortization expense for intangible assets for the three and nine months ended September 30, 2011 was $6.9 million and $12.9 million, respectively. Amortization expense for intangible assets for the three and nine months ended September 30, 2010 was $1.3 million and $3.6 million, respectively.

During the third quarter of 2011, the Company acquired semiconductor patents with a fair value of $3.2 million.

During the second quarter of 2011, the Company acquired CRI. As part of the acquisition, the Company acquired the following intangible assets with fair values determined as of the acquisition date:

	Total (in thousands)	Estimated Useful Life (in years)
Existing technology	$ 129,400	7
Customer relationships	17,300	7
Favorable contracts	12,200	2
Non-competition agreements	300	3
Total	$ 159,200	

The favorable contracts are acquired patent licensing agreements where the Company has no performance obligations. Cash received from these acquired favorable contracts will reduce the favorable contract intangible asset. During the third quarter of 2011, the Company received $1.1 million related to the favorable contracts. The estimated useful life is based on expected payment dates related to the favorable contracts. The group of purchased intangible assets has an estimated weighted average useful life of approximately 7 years from the date of acquisition. Refer to Note 16, Acquisition for additional details.

The estimated future amortization expense of intangible assets as of September 30, 2011 was as follows (amounts in thousands):

Years Ending December 31:	Amount
2011 (remaining 3 months)	$ 8,384
2012	35,167
2013	32,101
2014	27,960
2015	27,309
Thereafter	58,442
	$ 189,363

Table of Contents

Goodwill

As a result of the CRI acquisition, the Company recorded approximately $97.0 million of goodwill. CRI is a new reporting unit within the NBG reportable segment which focuses on data security technology. Refer to Note 16, Acquisition for additional details.

Goodwill information for each reporting unit is as follows:

Reporting Units:	December 31, 2010	Addition to Goodwill (1) (In thousands)	September 30, 2011
SBG	$ 4,454	$	$ 4,454
CRI		96,994	96,994
Lighting and Display Technology group (LDT)	13,700		13,700
Total	$ 18,154	$ 96,994	$ 115,148

(1) The addition to goodwill resulted from a business combination which was completed on June 3, 2011. See Note 16, Acquisition for further details.

The SBG reporting unit represents the SBG reportable segment. Additionally, both the CRI and LDT reporting units are part of the NBG reportable segment.

No goodwill was impaired as of September 30, 2011 and December 31, 2010.

13. Litigation and Asserted Claims

Hynix Litigation

U.S District Court of the Northern District of California

On August 29, 2000, Hynix (formerly Hyundai) and various subsidiaries filed suit against Rambus in the U.S. District Court for the Northern District of California. The complaint, as amended and narrowed through motion practice, asserts claims for fraud, violations of federal antitrust laws and deceptive practices in connection with Rambus participation in a standards setting organization called JEDEC, and seeks a declaratory judgment that the Rambus patents-in-suit are unenforceable, invalid and not infringed by Hynix, compensatory and punitive damages, and

attorneys fees. Rambus denied Hynix s claims and filed counterclaims for patent infringement against Hynix.

The case was divided into three phases. In the first phase, Hynix tried its unclean hands defense beginning on October 17, 2005 and concluding on November 1, 2005. In its January 4, 2006 Findings of Fact and Conclusions of Law, the court held that Hynix s unclean hands defense failed. Among other things, the court found that Rambus did not adopt its document retention policy in bad faith, did not engage in unlawful spoliation of evidence, and that while Rambus disposed of some relevant documents pursuant to its document retention policy, Hynix was not prejudiced by the destruction of Rambus documents. On January 19, 2009, Hynix filed a motion for reconsideration of the court s unclean hands order and for summary judgment on the ground that the decision by the Delaware court in the pending Micron-Rambus litigation (described below) should be given preclusive effect. In its motion Hynix requested alternatively that the court s unclean hands order be certified for appeal and that the remainder of the case be stayed. Rambus filed an opposition to Hynix s motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court denied Hynix s motions and restated its conclusions that Rambus had not anticipated litigation until late 1999 and that Hynix had not demonstrated any prejudice from any alleged destruction of evidence.

The second phase of the Hynix-Rambus trial on patent infringement, validity and damages began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues and awarded Rambus a total of approximately $307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims was invalid. The jury also found that Hynix infringed all eight of the patent claims for which the jury was asked to determine infringement; the court had previously determined on summary judgment that Hynix infringed the other two claims at issue in the trial. On July 14, 2006, the court granted Hynix s motion for a new trial on the issue of damages unless Rambus agreed to a reduction of the total jury award to approximately $134 million. The court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of

Table of Contents

infringing Hynix products through December 31, 2005. On July 27, 2006, Rambus elected remittitur of the jury s award to approximately $134 million. On August 30, 2006, the court awarded Rambus prejudgment interest for the period June 23, 2000 through December 31, 2005. Hynix filed a motion on July 7, 2008 to reduce the amount of remitted damages and any supplemental damages that the court may award, as well as to limit the products that could be affected by any injunction that the court may grant, on the grounds of patent exhaustion. Following a hearing on August 29, 2008, the court denied Hynix s motion. In separate orders issued December 2, 2008, January 16, 2009, and January 27, 2009, the court denied Hynix s post-trial motions for judgment as a matter of law and new trial on infringement and validity.

On June 24, 2008, the court heard oral argument on Rambus motion to supplement the damages award and for equitable relief related to Hynix s infringement of Rambus patents. On February 23, 2009, the court issued an order (1) granting Rambus motion for supplemental damages and prejudgment interest for the period after December 31, 2005, at the same rates ordered for the prior period; (2) denying Rambus motion for an injunction; and (3) ordering the parties to begin negotiations regarding the terms of a compulsory license regarding Hynix s continued manufacture, use, and sale of infringing devices.

The third phase of the Hynix-Rambus trial involved Hynix s affirmative JEDEC-related antitrust and fraud allegations against Rambus. On April 24, 2007, the court ordered a coordinated trial of certain common JEDEC-related claims alleged by the manufacturer parties (i.e., Hynix, Micron, Nanya and Samsung) and defenses asserted by Rambus in *Hynix v Rambus,* Case No. C 00-20905 RMW, and three other cases then pending before the same court (*Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW, each described in further detail below). On December 14, 2007, the court excused Samsung from the coordinated trial based on Samsung s agreement to certain conditions, including trial of its claims against Rambus by the court within six months following the conclusion of the coordinated trial. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya s motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya s equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury s finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; (5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus s conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus s conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; (10) the evidence related to Rambus s patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus s conduct.

Table of Contents

On March 10, 2009, the court entered final judgment against Hynix in the amount of approximately $397 million as follows: approximately $134 million for infringement through December 31, 2005; approximately $215 million for infringement from January 1, 2006 through January 31, 2009; and approximately $48 million in pre-judgment interest. Post-judgment interest is accruing at the statutory rate. In addition, the judgment orders Hynix to pay Rambus royalties on net sales for U.S. infringement after January 31, 2009 and before April 18, 2010 of 1% for SDR SDRAM and 4.25% for DDR DDR2, DDR3, GDDR, GDDR2 and GDDR3 SDRAM memory devices. On April 9, 2009, Rambus submitted its cost bill in the amount of approximately $0.85 million. On March 24, 2009, Hynix filed a motion under Rule 62 seeking relief from the requirement that it post a supersedeas bond in the full amount of the final judgment in order to stay its execution pending an appeal. Rambus filed a brief opposing Hynix s motion on April 10, 2009. A hearing on Hynix s motion was heard on May 8, 2009. On May 14, 2009, the court granted Hynix s motion in part and ordered that execution of the judgment be stayed on the condition that, within 45 days, Hynix post a supersedeas bond in the amount of $250 million and provide Rambus with documentation establishing a lien in Rambus s favor on property owned by Hynix in Korea in the amount of the judgment not covered by the supersedeas bond. The court also ordered that Hynix pay the ongoing royalties set forth in the final judgment into an escrow account. Hynix posted the $250 million supersedeas bond on June 26, 2009. On September 17, 2010, the court granted Rambus s motion for reconsideration of the portion of its order allowing Hynix to establish a lien in lieu of posting a bond for a portion of the judgment; on October 18, 2010, Hynix posted a bond in the full amount of the judgment plus accrued post-judgment interest in the total amount of $401.2 million. Hynix has deposited amounts into the escrow account pursuant to the court s order regarding ongoing royalties. The escrowed funds will be released only upon agreement of the parties or further court order in accordance with the terms and conditions set forth in the escrow arrangement. On March 8, 2010, the court awarded costs to Rambus in the amount of approximately $0.76 million. That amount plus accrued interest has been deposited by Hynix into the same escrow account into which ongoing royalties have been deposited.

On April 6, 2009, Hynix filed its notice of appeal. On April 17, 2009, Rambus filed its notice of cross appeal. On August 31, 2009, Hynix filed its opening brief. On December 7, 2009, Rambus filed its answering and opening cross-appeal brief. Hynix s reply and answering brief was filed February 16, 2010, and Rambus s reply was filed February 23, 2010. Oral argument was coordinated with the appeal in the Micron Delaware case (discussed below) and held on April 5, 2010. Oral argument was reheard by an expanded panel of five judges on October 6, 2010. On May 13, 2011, the Federal Circuit issued its opinion (1) concluding that the district court erred in applying too narrow a standard of reasonable foreseeability and vacating the district court s findings of fact and conclusions of law regarding spoliation; (2) affirming the district court s decisions on waiver and estoppel; (3) affirming the district court s claim construction order; (4) affirming the district court s order denying Hynix s motion for judgment as a matter of law or for a new trial on the basis of written description; (5) affirming the district court s order denying Hynix s motion for a new trial on the basis of obviousness; and (6) affirming the district court s grant of Hynix s motion for summary judgment for the claims at issue in Rambus s cross-appeal. The Federal Circuit vacated the district court s final judgment and remanded the case to the district court for further proceedings consistent with the Federal Circuit s opinions in the *Micron* and *Hynix* cases. On June 27, 2011, Rambus filed a petition requesting that the Federal Circuit rehear the *Hynix* appeal if the Federal Circuit accepts the petition for rehearing Rambus filed in the *Micron* case. On June 27, 2011, Hynix filed a petition for rehearing and rehearing en banc with respect to the issues of equitable estoppel, implied waiver, and claim construction. On July 29, 2011, the Federal Circuit denied the parties petitions. On remand, the parties have raised and/or filed briefs on issues related to unclean hands, costs awarded to Hynix by the Federal Circuit, the bond Hynix posted in the amount of the now-vacated judgment, and the escrowed funds. Hearings on the costs and unclean hands issues are currently scheduled for December 9 and 16, 2011, respectively.

Micron Litigation

U.S District Court in Delaware: Case No. 00-792-SLR

On August 28, 2000, Micron filed suit against Rambus in the U.S. District Court for Delaware. The suit asserts violations of federal antitrust laws, deceptive trade practices, breach of contract, fraud and negligent misrepresentation in connection with Rambus participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, compensatory and punitive damages, attorneys fees, a declaratory judgment that eight Rambus patents are invalid and not infringed, and the award to Micron of a royalty-free license to the Rambus patents. Rambus has filed an answer and counterclaims disputing Micron s claims and asserting infringement by Micron of 12 U.S. patents.

This case has been divided into three phases in the same general order as in the *Hynix* 00-20905 action: (1) unclean hands; (2) patent infringement; and (3) antitrust, equitable estoppel, and other JEDEC-related issues. A bench trial on Micron s unclean hands defense began on November 8, 2007 and concluded on November 15, 2007. The court ordered post-trial briefing on the issue of when Rambus became obligated to preserve documents because it anticipated litigation. A hearing on that issue was held on May 20, 2008. The court ordered further post-trial briefing on the remaining issues from the unclean hands trial, and a hearing on those issues was held on September 19, 2008.

On January 9, 2009, the court issued an opinion in which it determined that Rambus had engaged in spoliation of evidence by failing to suspend general implementation of a document retention policy after the point at which the court determined that Rambus should have known litigation was reasonably foreseeable. The court issued an accompanying order declaring the 12 patents in suit unenforceable against Micron (the Delaware Order). On February 9, 2009, the court stayed all other proceedings pending appeal of the Delaware Order. On February 10, 2009, judgment was entered against Rambus and in favor of Micron on Rambus patent infringement claims and Micron s corresponding claims for declaratory relief. On March 11, 2009, Rambus filed its notice of appeal. Rambus filed its opening brief on July 2, 2009. On August 28, 2009, Micron filed its answering brief. On October 14, 2009, Rambus filed its reply brief. Oral argument was coordinated with the appeal in the *Hynix* case (discussed above) and held on April 5, 2010. Oral argument was reheard by an expanded panel of five judges on October 6, 2010. On May 13, 2011, the Federal Circuit issued its opinion affirming the district court s determination that Rambus spoliated documents, vacating the district court s dismissal sanction (including the district court s determination of bad faith and prejudice), and remanding the case to the district court for further consideration consistent with its opinion. On June 27, 2011, Rambus filed a petition for rehearing and rehearing en banc with respect to the issues of spoliation, bad faith, and prejudice. On July 29, 2011, the Federal Circuit denied Rambus s petition. On remand, the parties will file simultaneous briefs by November 9 and December 21, 2011, on the unclean hands-related issues of bad faith, prejudice, and sanction. A hearing on these issues is scheduled for January 26, 2012.

U.S. District Court of the Northern District of California

On January 13, 2006, Rambus filed suit against Micron in the U.S. District Court for the Northern District of California. Rambus alleges that 14 Rambus patents are infringed by Micron s DDR2, DDR3, GDDR3, and other advanced memory products. Rambus seeks compensatory and punitive damages, attorneys fees, and injunctive relief. Micron has denied Rambus allegations and is alleging counterclaims for violations of federal antitrust laws, unfair trade practices, equitable estoppel, fraud and negligent misrepresentation in connection with Rambus participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, injunctive relief, compensatory and punitive damages, attorneys fees, and a declaratory judgment of invalidity, unenforceability, and noninfringement of the 14 patents in suit.

As explained above, the court ordered a coordinated trial (without Samsung) of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half-truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya s motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya s equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury s finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; (5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application

pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus s conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus s conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; (10) the evidence related to Rambus s patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus s conduct.

Table of Contents

In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied Hynix, Micron, Nanya, and Samsung s (collectively, the Manufacturers) motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court s direction, Rambus elected to proceed to trial on 12 patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under the Ware patents in suit (U.S. Patent Nos. 6,493,789 and 6,496,897), and each party s claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus motion for summary judgment of direct infringement with respect to claim 16 of Rambus U.S. Patent No. 6,266,285 by the Manufacturers DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya s DDR3 memory chip products). In the same order, the court denied the remainder of Rambus motion for summary judgment of infringement.

On January 19, 2009, Micron filed a motion for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed an opposition to Micron s motion on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus appeal of the Delaware Order.

European Patent Infringement Cases

In 2001, Rambus filed suit against Micron in Mannheim, Germany, for infringement of European patent, EP 1 022 642. That suit has not been active. Two proceedings in Italy remain ongoing relating to Rambus s claim that Micron is infringing European patent, EP 1 004 956, and Micron s purported claim resulting from a seizure of evidence in Italy in 2000 carried out by Rambus pursuant to a court order.

DDR2, DDR3, gDDR2, GDDR3, GDDR4 Litigation (DDR2)

U.S District Court in the Northern District of California

On January 25, 2005, Rambus filed a patent infringement suit in the U.S. District Court for the Northern District of California court against Hynix, Infineon, Nanya, and Inotera. Infineon and Inotera were subsequently dismissed from this litigation as was Samsung which had been added as a defendant. Rambus alleges that certain of its patents are infringed by certain of the defendants SDRAM, DDR, DDR2, DDR3, gDDR2, GDDR3, GDDR4 and other advanced memory products. Hynix and Nanya have denied Rambus claims and asserted counterclaims against Rambus for, among other things, violations of federal antitrust laws, unfair trade practices, equitable estoppel, and fraud in connection with Rambus participation in JEDEC.

As explained above, the court ordered a coordinated trial (without Samsung) of certain common JEDEC-related claims and defenses asserted in *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.*, Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.*, Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.*, Case No. C 06-00244 RMW. The coordinated trial involving Rambus, Hynix, Micron and Nanya began on January 29, 2008, and was submitted to the jury on March 25, 2008. On March 26, 2008, the jury returned a verdict in favor of Rambus and against Hynix, Micron, and Nanya on each of their claims. Specifically, the

jury found that Hynix, Micron, and Nanya failed to meet their burden of proving that: (1) Rambus engaged in anticompetitive conduct; (2) Rambus made important representations that it did not have any intellectual property pertaining to the work of JEDEC and intended or reasonably expected that the representations would be heard by or repeated to others including Hynix, Micron or Nanya; (3) Rambus uttered deceptive half- truths about its intellectual property coverage or potential coverage of products compliant with synchronous DRAM standards then being considered by JEDEC by disclosing some facts but failing to disclose other important facts; or (4) JEDEC members shared a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard. Hynix, Micron, and Nanya filed motions for a new trial and for judgment on certain of their equitable claims and defenses. A hearing on those motions was held on May 1, 2008. A further hearing on the equitable claims and defenses was held on May 27, 2008. On July 24, 2008, the court issued an order denying Hynix, Micron, and Nanya s motions for new trial.

On March 3, 2009, the court issued an order rejecting Hynix, Micron, and Nanya s equitable claims and defenses that had been tried during the coordinated trial. The court concluded (among other things) that (1) Rambus did not have an obligation to disclose pending or anticipated patent applications and had sound reasons for not doing so; (2) the evidence supported the jury s finding that JEDEC members did not share a clearly defined expectation that members would disclose relevant knowledge they had about patent applications or the intent to file patent applications on technology being considered for adoption as a JEDEC standard; (3) the written JEDEC disclosure policies did not clearly require members to disclose information about patent applications and the intent to file patent applications in the future; (4) there was no clearly understood or legally enforceable agreement of JEDEC members to disclose information about patent applications or the intent to seek patents relevant to standards being discussed at JEDEC; (5) during the time Rambus attended JEDEC meetings, Rambus did not have any patent application pending that covered a JEDEC standard, and none of the patents in suit was applied for until well after Rambus resigned from JEDEC; (6) Rambus s conduct at JEDEC did not constitute an estoppel or waiver of its rights to enforce its patents; (7) Hynix, Micron, and Nanya failed to carry their burden to prove their asserted waiver and estoppel defenses not directly based on Rambus s conduct at JEDEC; (8) the evidence did not support a finding of any material misrepresentation, half truths or fraudulent concealment by Rambus related to JEDEC upon which Nanya relied; (9) the manufacturers failed to establish that Rambus violated unfair competition law by its conduct before JEDEC; (10) the evidence related to Rambus s patent prosecution did not establish that Rambus unduly delayed in prosecuting the claims in suit; (11) Rambus did not unreasonably delay bringing its patent infringement claims; and (12) there is no basis for any unclean hands defense or unenforceability claim arising from Rambus s conduct.

In these cases (except for the *Hynix* 00-20905 action), a hearing on claim construction and the parties cross-motions for summary judgment on infringement and validity was held on June 4 and 5, 2008. On July 10, 2008, the court issued its claim construction order relating to the Farmwald/Horowitz patents in suit and denied the Manufacturers motions for summary judgment of noninfringement and invalidity based on their proposed claim construction. The court issued claim construction orders relating to the Ware patents in suit on July 25 and August 27, 2008, and denied the Manufacturers motion for summary judgment of noninfringement of certain claims. On September 4, 2008, at the court s direction, Rambus elected to proceed to trial on 12 patent claims, each from the Farmwald/Horowitz family. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against the Manufacturers under U.S. Patent Nos. 6,493,789 and 6,496,897, and each party s claims relating to those patents were dismissed with prejudice. On November 21, 2008, the court entered an order clarifying certain aspects of its July 10, 2008, claim construction order. On November 24, 2008, the court granted Rambus s motion for summary judgment of direct infringement with respect to claim 16 of Rambus s U.S. Patent No. 6,266,285 by the Manufacturers DDR2, DDR3, gDDR2, GDDR3, GDDR4 memory chip products (except for Nanya s DDR3 memory chip products). In the same order, the court denied the remainder of Rambus s motion for summary judgment of infringement.

On January 19, 2009, Nanya and Hynix filed motions for summary judgment on the ground that the Delaware Order should be given preclusive effect. Rambus filed opposition briefs to these motions on January 26, 2009, and a hearing was held on January 30, 2009. On February 3, 2009, the court entered a stay of this action pending resolution of Rambus appeal of the Delaware Order.

European Commission Competition Directorate-General

On or about April 22, 2003, Rambus was notified by the European Commission Competition Directorate-General (Directorate) (the European Commission) that it had received complaints from Infineon and Hynix. Rambus answered the ensuing requests for information prompted by those complaints on June 16, 2003. Rambus obtained a copy of Infineon s complaint to the European Commission in late July 2003, and on October 8, 2003, at the request of the European Commission, filed its response. The European Commission sent Rambus a further request for information on December 22, 2006, which Rambus answered on January 26, 2007. On August 1, 2007, Rambus received a statement of objections from the European Commission. The statement of objections alleges that through Rambus participation in the JEDEC standards setting organization and subsequent conduct, Rambus violated European Union competition law. Rambus filed a response to the statement of objections on October 31, 2007, and a hearing was held on December 4 and 5, 2007.

On December 9, 2009, the European Commission announced that it has reached a final settlement with Rambus to resolve the pending case. Under the terms of the settlement, the Commission made no finding of liability, and no fine will be assessed against Rambus. Rambus commits to offer licenses with maximum royalty rates for certain memory types and memory controllers on a forward-going basis (the Commitment). The Commitment is expressly made without any admission by Rambus of the allegations asserted against it. The Commitment also does not resolve any existing claims of infringement prior to the signing of any license with a prospective licensee, nor does it release or excuse any of the prospective licensees from damages or royalty obligations through the date of signing a license. Rambus offers licenses with maximum royalty rates for five-year worldwide licenses of 1.5% for DDR2,

Table of Contents

DDR3, GDDR3 and GDDR4 SDRAM memory types. Qualified licensees will enjoy a royalty holiday for SDR and DDR DRAM devices, subject to compliance with the terms of the license. In addition, Rambus offers licenses with maximum royalty rates for five-year worldwide licenses of 1.5% per unit for SDR memory controllers through April 2010, dropping to 1.0% thereafter, and royalty rates of 2.65% per unit for DDR, DDR2, DDR3, GDDR3 and GDDR4 memory controllers through April 2010, then dropping to 2.0%. The Commitment to license at the above rates remains valid for a period of five years from December 9, 2009. All royalty rates are applicable to future shipments only and do not affect liability, if any, for damages or royalties that accrued up to the time of the license grant.

On March 25, 2010, Hynix filed appeals with the General Court of the European Union purporting to challenge the settlement and the European Commission s rejection of Hynix s complaint. No decision has issued to date on Hynix s appeal.

Superior Court of California for the County of San Francisco

On May 5, 2004, Rambus filed a lawsuit against Micron, Hynix, Infineon and Siemens in San Francisco Superior Court (the San Francisco court) seeking damages for conspiring to fix prices (California Bus. & Prof. Code §§ 16720 *et seq.*), conspiring to monopolize under the Cartwright Act (California Bus. & Prof. Code §§ 16720 *et seq.*), intentional interference with prospective economic advantage, and unfair competition (California Bus. & Prof. Code §§ 17200 *et seq.*). This lawsuit alleges that there were concerted efforts beginning in the 1990s to deter innovation in the DRAM market and to boycott Rambus and/or deter market acceptance of Rambus RDRAM product. Subsequently, Infineon and Siemens were dismissed from this action (as a result of a settlement with Infineon) and three Samsung-related entities were added as defendants.

On January 19, 2010, Rambus and Samsung entered into a Settlement Agreement pursuant to which the parties released all claims against each other with respect to all outstanding litigation between them and certain other potential claims. A stipulation of dismissal with prejudice of claims between Rambus and Samsung was filed on February 4, 2010.

A jury trial against Micron and Hynix began on June 20, 2011. On September 21, 2011, the jury began deliberations. No verdict has been reached to date.

Stock Option Investigation Related Claims

On May 30, 2006, the Audit Committee commenced an internal investigation of the timing of past stock option grants and related accounting issues.

On May 31, 2006, the first of three shareholder derivative actions was filed in the U.S. District Court for the Northern District of California against Rambus (as a nominal defendant) and certain current and former executives and board members. These actions were consolidated for all purposes under the caption, *In re Rambus Inc. Derivative Litigation,* Master File No. C-06-3513-JF (N.D. Cal.), and Howard Chu and Gaetano Ruggieri were appointed lead plaintiffs. The consolidated complaint, as amended, alleged violations of certain federal and state securities laws as well as other state law causes of action. The complaint sought disgorgement and damages in an unspecified amount, unspecified equitable relief,

and attorneys fees and costs.

On August 30, 2007, another shareholder derivative action was filed in the U.S. District Court for the Southern District of New York against Rambus (as a nominal defendant) and PricewaterhouseCoopers LLP (*Francl v. PricewaterhouseCoopers LLP et al.*, No. 07-Civ. 7650 (GBD)). On November 21, 2007, the New York court granted PricewaterhouseCoopers LLP s motion to transfer the action to the Northern District of California.

On October 18, 2006, the Board of Directors formed a Special Litigation Committee (the SLC) to evaluate potential claims or other actions arising from the stock option granting activities. The Board of Directors appointed J. Thomas Bentley, Chairman of the Audit Committee, and Abraham Sofaer, a retired federal judge and Chairman of the Legal Affairs Committee, both of whom joined the Rambus Board of Directors in 2005, to comprise the SLC.

On August 24, 2007, the final written report setting forth the findings of the SLC was filed with the court. As set forth in its report, the SLC determined that all claims should be terminated and dismissed against the named defendants in *In re Rambus Inc. Derivative Litigation* with the exception of claims against named defendant Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of Rambus. The aggregate value of the settlements to Rambus exceeds $5.3 million in cash as well as substantial additional value to Rambus relating to the relinquishment of claims to over 2.7 million stock options. On

October 5, 2007, Rambus filed a motion to terminate in accordance with the SLC s recommendations. Subsequently, the parties settled *In re Rambus Inc. Derivative Litigation* and *Francl v. PricewaterhouseCoopers LLP et al.*, No. 07-Civ. 7650 (GBD). The settlement provided for a payment by Rambus of $2.0 million and dismissal with prejudice of all claims against all defendants, with the exception of claims against Ed Larsen (which have now also been settled), in these actions. The $2.0 million was accrued for during the quarter ended June 30, 2008 within accrued litigation expenses and paid in January 2009. A final approval hearing was held on January 16, 2009, and an order of final approval was entered on January 20, 2009.

On July 17, 2006, the first of six class action lawsuits was filed in the U.S. District Court for the Northern District of California against Rambus and certain current and former executives and board members. These lawsuits were consolidated under the caption, *In re Rambus Inc. Securities Litigation*, C-06-4346-JF (N.D. Cal.). The settlement of this action was preliminarily approved by the court on March 5, 2008. Pursuant to the settlement agreement, Rambus paid $18.3 million into a settlement fund on March 17, 2008. Some alleged class members requested exclusion from the settlement. A final fairness hearing was held on May 14, 2008. That same day the court entered an order granting final approval of the settlement agreement and entered judgment dismissing with prejudice all claims against all defendants in the consolidated class action litigation.

On March 1, 2007, a pro se lawsuit was filed in the Northern District of California by two alleged Rambus shareholders against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Kelley et al. v. Rambus, Inc. et al.* C-07-01238-JF (N.D. Cal.)). This action was consolidated with a substantially identical pro se lawsuit filed by another purported Rambus shareholder against the same parties. The consolidated complaint against Rambus alleges violations of federal and state securities laws, and state law claims for fraud and breach of fiduciary duty. Following several rounds of motions to dismiss, on April 17, 2008, the court dismissed all claims with prejudice except for plaintiffs claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934 as to which leave to amend was granted. On June 2, 2008, plaintiffs filed an amended complaint containing substantially the same allegations as the prior complaint although limited to claims under sections 14(a) and 18(a) of the Securities and Exchange Act of 1934. Rambus motion to dismiss the amended complaint was heard on September 12, 2008. On December 9, 2008, the court granted Rambus motion and entered judgment in favor of Rambus. Plaintiffs filed a notice of appeal on December 15, 2008. Plaintiffs filed their opening brief on April 13, 2009. Rambus opposed on May 29, 2009, and plaintiffs filed a reply brief on June 12, 2009. On June 16, 2010, the United States Court of Appeals for the Ninth Circuit issued a decision affirming the judgment in favor of Rambus.

On September 11, 2008, the same pro se plaintiffs filed a separate lawsuit in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Kelley et al. v. Rambus, Inc. et al.*, Case No. 1-08-CV-122444). The complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation based on substantially the same underlying factual allegations contained in the pro se lawsuit filed in federal court. On October 31, 2010, the plaintiffs filed a second amended complaint. On December 2, 2010, Rambus filed a demurrer to plaintiffs second amended complaint on the ground that it is barred by the doctrine of claim preclusion, among other things. On May 12, 2011, the court sustained Rambus demurrer without leave to amend. Judgment in favor of Rambus was entered on June 15, 2011. On August 10, 2011, plaintiffs filed a notice of appeal.

On August 25, 2008, an amended complaint was filed by certain individuals and entities in Santa Clara County Superior Court against Rambus, certain current and former executives and board members, and PricewaterhouseCoopers LLP (*Steele et al. v. Rambus Inc. et al.*, Case No. 1-08-CV-113682). The amended complaint alleges violations of certain California state securities statues as well as fraud and negligent misrepresentation. On October 10, 2008, Rambus filed a demurrer to the amended complaint. A hearing was held on January 9, 2009. On January 12, 2009, the court sustained Rambus demurrer without prejudice. Plaintiffs filed a second amended complaint on February 13, 2009, containing the same causes of action as the previous complaint. On March 17, 2009, Rambus filed a demurrer to the second amended complaint. A hearing was held on May 22, 2009. On May 26, 2009, the court sustained in part and overruled in part Rambus s demurrer. On June 5, 2009, Rambus filed an answer denying plaintiffs remaining allegations. Discovery is ongoing. A trial has been scheduled to begin March 26, 2012.

Table of Contents

NVIDIA Litigation

U.S District Court in the Northern District of California

On July 10, 2008, Rambus filed suit against NVIDIA Corporation (NVIDIA) in the U.S. District Court for the Northern District of California alleging that NVIDIA s products with memory controllers for SDR, DDR, DDRx, GDDR, and GDDRy (where DDRx and GDDRy includes at least DDR2, DDR3 and GDDR3) technologies infringe 17 patents. On September 16, 2008, Rambus granted a covenant not to assert any claim of patent infringement against NVIDIA under U.S. Patent Nos. 6,493,789 and 6,496,897, accordingly 15 patents remain in suit. On December 30, 2008, the court granted NVIDIA s motion to stay this case as to Rambus claims that NVIDIA s products infringe nine patents that are also the subject of proceedings in front of the International Trade Commission (described below), and denied NVIDIA s motion to stay the remainder of Rambus patent infringement claims. Discovery is proceeding as to issues not stayed by the court s order. On August 1, 2011, NVIDIA filed an answer denying Rambus s claims and counterclaims alleging violations of federal antitrust laws, breach of contract, promissory estoppel, and deceptive practices in connection with Rambus participation in JEDEC and alleged spoliation of evidence. NVIDIA seeks a declaratory judgment that the Rambus patents-in-suit are unenforceable, invalid and not infringed by NVIDIA, compensatory and other damages, injunctive relief, and attorneys fees. A claim construction hearing is scheduled for March 7, 2012.

On December 1, 2010, Rambus filed suit against NVIDIA in the U.S. District Court for the Northern District of California alleging that NVIDIA s products with certain peripheral interfaces, including PCI Express and DisplayPort peripheral interfaces, infringe six patents from the Dally family of patents which are owned by Massachusetts Institute of Technology and exclusively licensed by Rambus. On January 20, 2011, NVIDIA filed a motion to stay the case pending resolution of the 2010 ITC investigation (described below). On January 25, 2011, the court granted NVIDIA s motion.

International Trade Commission 2008 Investigation

On November 6, 2008, Rambus filed a complaint with the U. S. International Trade Commission (the ITC) requesting the commencement of an investigation pertaining to NVIDIA products. The complaint seeks an exclusion order barring the importation, sale for importation, or sale after importation of products that infringe nine Rambus patents from the Ware and Barth families of patents. The accused products include NVIDIA products that incorporate DDR, DDR2, DDR3, LPDDR, GDDR, GDDR2, and GDDR3 memory controllers, including graphics processors, and media and communications processors. The complaint names NVIDIA as a proposed respondent, as well as companies whose products incorporate accused NVIDIA products and are imported into the United States. Additional respondents include: Asustek Computer Inc. and Asus Computer International, BFG Technologies, Biostar Microtech and Biostar Microtech International Corp., Diablotek Inc., EVGA Corp., G.B.T. Inc. and Giga-Byte Technology Co., Hewlett-Packard, MSI Computer Corp. and Micro-Star International Co., Palit Multimedia Inc. and Palit Microsystems Ltd., Pine Technology Holdings, and Sparkle Computer Co.

On December 4, 2008, the ITC instituted the investigation. A hearing on claim construction was held on March 24, 2009, and a claim construction order issued on June 22, 2009. On June 5, 2009, Rambus moved to withdraw from the investigation four of the asserted patents and certain claims of a fifth asserted patent in order to simplify the investigation, streamline the final hearing, and conserve Commission resources. A final hearing before the administrative law judge was held October 13-20, 2009, and the parties submitted two rounds of post-hearing briefs.

On January 22, 2010, the administrative law judge issued a final initial determination holding that the importation of the accused NVIDIA products violates section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 because they infringe seventeen claims of three asserted Barth patents. The administrative law judge held that the accused NVIDIA products literally infringe all asserted claims of each asserted Barth and Ware patent, that they infringe three asserted claims under the doctrine of equivalents, that respondents contribute to and induce infringement of all asserted claims, and that the asserted patents are not unenforceable due to unclean hands or equitable estoppel. The administrative law judge held that the asserted Barth patents are not invalid for anticipation or obviousness and are not obvious for double patenting. The administrative law judge further held that, while the accused products infringed eight claims of the two asserted Ware patents and that those patents are not unenforceable due to inequitable conduct, no violation has occurred because the asserted Ware patents are invalid due to anticipation and obviousness. The administrative law judge recommended that the ITC issue (1) a limited exclusion order prohibiting the unlicensed importation of accused products by any respondent; and (2) a cease and desist order prohibiting domestic respondents from engaging in certain activities in the United States with respect to the accused products. On February 12, 2010, the parties filed petitions asking the full Commission to review certain aspects of the final initial determination.

On March 25, 2010, the ITC determined to review certain obviousness findings regarding the Barth patents and certain obviousness and anticipation findings regarding the Ware patents. The parties have submitted briefing on these issues and on the issue of remedy and bonding. On May 24, 2010, the ITC extended the target date for completion of the investigation by two days to May 26, 2010. On May 26, 2010, the ITC requested further briefing on the impact of the license between Rambus and Samsung on the administrative law judge s findings and conclusions, particularly on the issue of patent exhaustion. On June 7, 2010 and June 15, 2010, the parties filed briefs as requested by the ITC. On June 22, 2010, the ITC requested additional briefing to discuss the relevance and effect with respect to the issue of patent exhaustion of a decision issued on May 27, 2010, by the United States Court of Appeals for the Federal Circuit in a case captioned *Fujifilm Corp. v. Benun*. On June 25, 2010, the parties filed briefs as requested by the ITC.

On July 26, 2010, the ITC issued its final determination affirming the administrative law judge s initial determination with certain modifications to provide further analysis of issues related to obviousness. The ITC found that respondents failed to demonstrate that Rambus patent rights are exhausted with respect to accused products that incorporate Samsung memory. The ITC issued (1) a limited exclusion order prohibiting the unlicensed importation by any respondent of memory controller products and products incorporating a memory controller that infringe one or more of the seventeen claims of three asserted Barth patents; and (2) a cease and desist order prohibiting respondents with commercially significant inventories of infringing products in the United States from importing, selling, marketing, advertising, distributing, offering for sale, transferring (except for exportation), and soliciting U.S. agents or distributors for, memory controller products and products incorporating a memory controller that infringe one or more of the seventeen claims of three asserted Barth patents, in violation of 19 U.S.C. § 1337. The ITC determined that the amount of the bond to permit importation during the sixty-day Presidential review period was 2.65 percent of the entered value of the subject imports. The ITC denied respondents request for stay and terminated the investigation. The parties have each filed opening, responsive, and reply appellate briefs with the Federal Circuit. Oral argument was held on October 6, 2011. No decision has issued to date.

International Trade Commission 2010 Investigation

On December 1, 2010, Rambus filed a complaint with the ITC requesting the commencement of an investigation and seeking an exclusion order barring the importation, sale for importation, or sale after importation of, among other things, NVIDIA products with certain peripheral interfaces, including PCI Express and DisplayPort peripheral interfaces, that Rambus alleges infringe three patents from the Dally family. The complaint names, among others, NVIDIA as a respondent, as well as companies whose products incorporate accused NVIDIA products and are imported into the United States, including Asustek Computer Inc. and Asus Computer International Inc., Biostar Microtech (U.S.A.) Corp., Biostar Microtech International Corp., Elitegroup Computer Systems, EVGA Corp., Galaxy Microsystems Ltd., G.B.T. Inc., Giga-Byte Technology Co. Ltd., Gracom Technologies LLC, Hewlett-Packard Company, Jaton Corp., Jaton Technology TPE, Micro-Star International Co., MSI Computer Corp., Palit Microsystems Ltd., Pine Technology Holdings, Ltd., Sparkle Computer Co., Ltd., Zotac International (MCO) Ltd. and Zotac USA Inc. On December 29, 2010, the ITC instituted the investigation. A final hearing before the administrative law judge was held October 12-20, 2011. The final initial determination is due on or before January 4, 2012, and the target date for the decision of the full Commission is May 4, 2012.

Broadcom, Freescale, LSI, MediaTek, and STMicroelectronics Litigation

International Trade Commission 2010 Investigation

On December 1, 2010, Rambus filed a complaint with the ITC requesting the commencement of an investigation and seeking an exclusion order barring the importation, sale for importation, or sale after importation of products that incorporate at least DDR, DDR2, DDR3, LPDDR, LPDDR2, mobile DDR, GDDR, GDDR2, and GDDR3 memory controllers from Broadcom, Freescale, LSI, MediaTek and STMicroelectronics that infringe patents from the Barth family of patents, and products having certain peripheral interfaces, including PCI Express interfaces, DisplayPort interfaces, and certain Serial AT Attachment (SATA) and Serial Attached SCSI (SAS) interfaces, from Broadcom, Freescale, LSI and STMicroelectronics that infringe patents from the Dally family of patents. The complaint names, among others, Broadcom, Freescale, LSI, MediaTek and STMicroelectronics as respondents, as well as companies whose products incorporate those companies accused products and are imported into the United States, including Asustek Computer Inc. and Asus Computer International Inc., Audio Partnership Plc, Cisco Systems, Garmin International, G.B.T. Inc., Giga-Byte Technology Co. Ltd., Gracom Technologies LLC, Hewlett-Packard Company, Hitachi GST, Motorola, Inc., Oppo Digital, Inc., and Seagate Technology. As described more fully above, the complaint also names NVIDIA and certain companies whose products incorporate accused NVIDIA products with certain peripheral interfaces, including PCI Express and DisplayPort peripheral interfaces, and seeks to bar their importation, sale for importation, or sale after importation. On December 29, 2010, the ITC instituted the investigation. On June 20, 2011, the administrative law judge granted a joint motion by Rambus and Freescale to terminate the investigation as to Freescale pursuant to the parties settlement agreement. A final hearing before the administrative law judge was held October

12-20, 2011. The final initial determination is due on or before January 4, 2012, and the target date for the decision of the full Commission is May 4, 2012.

Table of Contents

U.S District Court in the Northern District of California

On December 1, 2010, Rambus filed complaints against Broadcom, Freescale, LSI, MediaTek and STMicroelectronics in the U.S. District Court for the Northern District of California alleging that 1) products that incorporate at least DDR, DDR2, DDR3, LPDDR, LPDDR2, mobile DDR, GDDR, GDDR2, and GDDR3 memory controllers from Broadcom, Freescale, LSI, MediaTek and STMicroelectronics infringe patents from the Barth family of patents; 2) those same products and products from those companies that incorporate SDR memory controllers infringe patents from the Farmwald-Horowitz family; and 3) products having certain peripheral interfaces, including PCI Express, DisplayPort, and certain SATA and SAS interfaces, from Broadcom, Freescale, LSI and STMicroelectronics infringe patents from the Dally family of patents. On June 7, 2011, Rambus s complaint against Freescale was dismissed pursuant to the parties settlement agreement. On January 24, January 26, and March 1, 2011, LSI, Broadcom, and STMicroelectronics filed their respective answers denying Rambus s allegations and asserting counterclaims seeking declarations of non-infringement and invalidity, and unenforceability with respect to at least certain of the patents in suit. Rambus filed answers denying the allegations in LSI s, Broadcom s, and STMicroelectronics counterclaims on February 14, February 16, and March 22, 2011, respectively. On March 7, 2011, MediaTek filed an answer denying Rambus s allegations. On January 28, 2011, Broadcom, Mediatek, and LSI filed motions to stay their respective actions. On February 4, 2011, STMicroelectronics filed a motion to stay its action. Rambus has opposed entry of any stay as to certain patents not overlapping with patents asserted in the ITC 2010 investigation. On June 13, 2011, the Court granted in part the motions to stay and denied them as to certain patents not overlapping with patents asserted in the ITC 2010 investigation. Discovery is ongoing.

Potential Future Litigation

In addition to the litigation described above, companies continue to adopt Rambus technologies into various products. Rambus has notified many of these companies of their use of Rambus technology and continues to evaluate how to proceed on these matters.

There can be no assurance that any ongoing or future litigation will be successful. Rambus spends substantial company resources defending its intellectual property in litigation, which may continue for the foreseeable future given the multiple pending litigations. The outcomes of these litigations as well as any delay in their resolution could affect Rambus ability to license its intellectual property in the future.

The Company records a contingent liability when it is probable that a loss has been incurred and the amount is reasonably estimable in accordance with accounting for contingencies.

14. Fair Value of Financial Instruments

The fair value measurement statement defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would transact, and the Company considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The Company s financial instruments are measured and recorded at fair value, except for cost method investments and convertible notes. The Company s non-financial assets, such as goodwill, intangible assets, and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

Fair Value Hierarchy

The fair value measurement statement requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. The statement requires fair value measurement be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

The Company uses unadjusted quotes to determine fair value. The financial assets in Level 1 include money market funds.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

The Company uses observable pricing inputs including benchmark yields, reported trades, and broker/dealer quotes. The financial assets in Level 2 include U.S. government sponsored obligations, corporate notes, commercial paper and municipal bonds and notes.

Table of Contents

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The financial assets in Level 3 include a cost investment whose value is determined using inputs that are both unobservable and significant to the fair value measurements.

The Company tests the pricing inputs by obtaining prices from two different sources for the same security on a sample of its portfolio. The Company has not adjusted the pricing inputs it has obtained. The following table presents the financial instruments that are carried at fair value and summarizes the valuation of its cash equivalents and marketable securities by the above pricing levels as of September 30, 2011 and December 31, 2010:

	As of September 30, 2011			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$ 132,721	$ 132,721	$	$
U.S. government sponsored obligations	35,668		35,668	
Corporate notes, bonds and commercial paper	96,241		96,241	
Total available-for-sale securities	$ 264,630	$ 132,721	$ 131,909	$

	As of December 31, 2010			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$ 132,364	$ 132,364	$	$
U.S. government sponsored obligations	266,817	48,604	218,213	
Corporate notes, bonds and commercial paper	95,724		95,724	
Total available-for-sale securities	$ 494,905	$ 180,968	$ 313,937	$

The Company monitors the investment for other-than-temporary impairment and records appropriate reductions in carrying value when necessary. The Company made an investment of $2.0 million in a non-marketable equity security of a private company during the third quarter of 2009. The Company evaluated the fair value of the investment in the non-marketable security as of September 30, 2011 and determined that there were no events that caused a decrease in its fair value below the carrying cost.

The following table presents the financial instruments that are measured and carried at cost on a nonrecurring basis as of September 30, 2011 and December 31, 2010:

	As of September 30, 2011				
(in thousands)	**Carrying Value**	**Quoted market prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Impairment charges for the nine months ended September 30, 2011**
Investment in non-marketable security	$ 2,000	$	$	$ 2,000	$

	As of December 31, 2010				
(in thousands)	**Carrying Value**	**Quoted market prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Impairment charges for the year ended December 31, 2010**
Investment in non-marketable security	$ 2,000	$	$	$ 2,000	$

Table of Contents

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of September 30, 2011 and December 31, 2010:

	As of September 30, 2011			As of December 31, 2010		
(in thousands)	Face Value	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value
5% Convertible Senior Notes due 2014	$ 172,500	$ 130,354	$ 191,632	$ 172,500	$ 121,500	$ 224,504

The fair value of the convertible notes at each balance sheet date is determined based on recent quoted market prices for these notes. As of September 30, 2011, the convertible notes are carried at face value of $172.5 million less any unamortized debt discount. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable and other payables, approximates fair value due to their short maturities.

The Company monitors its investments for other than temporary losses by considering current factors, including the economic environment, market conditions, operational performance, specific factors relating to the business underlying the investment, reductions in carrying values when applicable and the Company s ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in the market. Any other than temporary loss is reported under Interest and other income (expense), net in the condensed consolidated statement of operations. For the nine months ended September 30, 2011, the Company has not incurred any impairment loss on its investments.

15. Convertible Notes

The Company s convertible notes are shown in the following table.

(in thousands)	As of September 30, 2011	As of December 31, 2010
5% Convertible Senior Notes due 2014 (the 2014 Notes)	$ 172,500	$ 172,500
Unamortized discount	(42,146)	(51,000)
Total convertible notes	$ 130,354	$ 121,500
Less current portion		
Total long-term convertible notes	$ 130,354	$ 121,500

As of September 30, 2011, none of the conversion conditions were met related to the 2014 Notes. Therefore, classification of the entire equity component for the 2014 Notes as permanent equity is appropriate as of September 30, 2011.

Interest expense related to the notes for the three and nine months ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In thousands)			
2014 Notes coupon interest at a rate of 5%	$ 2,156	$ 2,156	$ 6,468	$ 6,468
2014 Notes amortization of discount at an additional effective interest rate of 11.7%	3,254	2,797	9,326	7,283
Zero Coupon Convertible Senior Notes due 2010 amortization of discount at an effective interest rate of 8.4%				958
Total interest expense on convertible notes	$ 5,410	$ 4,953	$ 15,794	$ 14,709

16. Acquisition

On May 12, 2011, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Padlock Acquisition Corp., a California corporation and wholly-owned subsidiary of the Company (Merger Sub), CRI, a California corporation, and the shareholder representative party thereto. On June 3, 2011, the Company completed its acquisition of CRI by acquiring all issued and outstanding common shares of CRI. Pursuant to the terms of the Merger Agreement, on June 3, 2011, Merger Sub merged with and into CRI, with CRI as the surviving corporation and a wholly owned subsidiary. Under the terms of the Merger Agreement, the Company paid approximately $257.2 million consisting of cash and approximately 6.4 million shares of the Company s common stock. Of the consideration, $15.0 million in cash and approximately 1.3 million of the Company s common stock were deposited into an escrow account until December 2012, subject to any claims, to fund any indemnification obligations to the Company following the consummation of the merger. In addition, as part of the requirements of the Merger Agreement, on June 7,

Table of Contents

2011, the Company filed with the Securities and Exchange Commission a registration statement on Form S-3 which registers the resale of the shares of common stock received by the former shareholders of CRI. The acquisition of CRI expands the Company s technologies available for licensing with complementary technologies from CRI that include patented innovations and solutions for content protection, network security and anti-counterfeiting. Additionally, CRI is part of the NBG reportable segment.

As part of the acquisition, the Company agreed to pay $50.0 million to certain CRI employees and contractors in cash or the Company s common stock, at the Company s option, over three years following June 3, 2011 (the Retention Bonus). The Retention Bonus will be paid in three installments of approximately $16.7 million on June 3, 2012, June 3, 2013, and June 3, 2014. The Retention Bonus payouts are subject to the condition of employment, and therefore, treated as compensation and expensed as incurred. The portion of the Retention Bonus that is forfeited by employees that have left the Company prior to payout will be accelerated and the forfeited amount will be paid out to a designated charitable organization. The first payment will be made in cash and the following two payments will be made in either cash or shares of the Company s common stock, at the Company s option.

The acquisition has been accounted for using the purchase method of accounting in accordance with the business acquisition guidance. Under the purchase accounting method, the total estimated purchase consideration of the acquisitions was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. The purchase price allocation has been finalized. The Company expensed the related transaction costs amounting to approximately $3.9 million. The related transaction costs were recorded in the marketing, general and administrative expenses in the condensed consolidated statements of operations.

The following table summarizes the consideration paid by the Company (in thousands):

Cash	$	168,805
Common Stock (6,380,806 shares at $13.86 per share)		88,438
Total	$	257,243

The 6,380,806 shares of common stock issued were valued based on the closing stock price at the date of the acquisition which amounted to $88.4 million.

The purchase price allocation for the business acquired is based on management s estimate of the fair value for purchase accounting purposes at the date of acquisition. The fair value of the assets acquired has been determined primarily by using valuation methods that discount the expected future cash flows to present value using estimates and assumptions determined by management. The Company performed a valuation of the net assets acquired as of June 3, 2011 (the acquisition closing date). The purchase price from the business combination was allocated as follows:

		(in thousands)
Cash	$	1,424
Accounts receivable		1,140
Identified intangible assets		159,200
Property and equipment		965

Other assets		133
Goodwill		96,994
Liabilities		(2,613)
Total	$	257,243

The goodwill arising from the acquisition is primarily attributed to synergies related to the combination of new and complementary technologies of the Company and the assembled workforce of CRI. All of this goodwill is expected to be deductible for tax purposes.

Table of Contents

The identified intangible assets assumed in the acquisition of CRI were recognized as follows based upon their fair values as of the acquisition date:

		Total (in thousands)	Estimated Useful Life (in years)
Existing technology	$	129,400	7
Customer relationships		17,300	7
Favorable contracts		12,200	2
Non-competition agreements		300	3
Total	$	159,200	

The favorable contracts are acquired patent licensing agreements where the Company has no performance obligations. Cash received from these acquired favorable contracts will reduce the favorable contract intangible asset. The estimated useful life is based on expected payment dates related to the favorable contracts. The group of purchased intangible assets has an estimated weighted average useful life of approximately 7 years from the date of acquisition.

The fair value of the existing technology and customer relationships was determined based on an income approach using the discounted cash flow method. Discount rates of 30% and 26% were used to value the existing technology and customer relationships, respectively. The estimated discount rates were based on implied rate of return of the transaction, adjusted for specific risk profile of the asset. The remaining useful life for the existing technology was based on historical product development cycles, the projected rate of technology attrition, and the pattern of projected economic benefit of the asset. The remaining useful life of customer relationships was estimated based on customer attrition, new customer acquisition and future economic benefit of the asset.

The fair value of the favorable contracts was determined based on an income approach using the discounted cash flow method with a discount rate of 9%. The favorable contracts will be reduced as cash is received from the customers.

The fair value of the non-competition agreements were determined based on the income approach using the discounted cash flow method with a 26% discount rate. The estimated useful life was determined based on the future economic benefit expected to be received from the assets.

The CRI business combination is included in our NBG reportable segment. Additionally, the condensed consolidated financial statements include approximately $13.3 million of revenue and approximately $7.6 million of operating losses of CRI from the date of acquisition through September 30, 2011.

The following unaudited pro forma financial information presents the combined results of operations for the Company and CRI as if the acquisition had occurred on January 1, 2010. The unaudited pro forma financial information has been prepared for comparative purposes only and does not purport to be indicative of the actual operating results that would have been recorded had the acquisition actually taken place on January 1, 2010, and should not be taken as indicative of future consolidated operating results. Additionally, the unaudited pro forma financial results do not include any anticipated synergies or other expected benefits from the acquisition (unaudited, in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue	$ 100,263	$ 32,700	$ 233,598	$ 240,013
Net income (loss)	$ 4,708	$ (26,966)	$ (46,627)	$ 85,873
Net income (loss) per share - diluted	$ 0.04	$ (0.23)	$ (0.41)	$ 0.69

Pro forma earnings for both periods in 2010 and 2011 were adjusted for certain costs related to the acquisition.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, including any statements regarding trends in future revenue or results of operations, gross margin or operating margin, expenses, earnings or losses from operations, synergies or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning developments, performance or industry ranking; any statements regarding future economic conditions or performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Generally, the words anticipate, believes, plans, expects, future, intends, may, should, estimates, predicts, potential, continue, projects and similar expressions identify forward-looking statements. Our forward-looking statements are based on current expectations, forecasts and assumptions and are subject to risks, uncertainties and changes in condition, significance, value and effect. As a result of the factors described herein, and in the documents incorporated herein by reference, including, in particular, those factors described under Risk Factors, we undertake no obligation to publicly disclose any revisions to these forward-looking statements to reflect events or circumstances occurring subsequent to filing this report with the Securities and Exchange Commission.

Rambus, RDRAMTM, XDRTM, FlexIOTM and FlexPhaseTM are trademarks or registered trademarks of Rambus Inc. Other trademarks that may be mentioned in this quarterly report on Form 10-Q are the property of their respective owners.

Industry terminology, used widely throughout this report, has been abbreviated and, as such, these abbreviations are defined below for your convenience:

Double Data Rate	DDR
Dynamic Random Access Memory	DRAM
Fully Buffered-Dual Inline Memory Module	FB-DIMM
Gigabits per second	Gb/s
Graphics Double Data Rate	GDDR
Input/Output	I/O
Light Emitting Diodes	LED
Lighting and Display Technology	LDT
Liquid Crystal Display	LCD
Peripheral Component Interconnect	PCI
Rambus Dynamic Random Access Memory	RDRAMTM
Single Data Rate	SDR
Synchronous Dynamic Random Access Memory	SDRAM
eXtreme Data Rate	XDRTM

From time to time we will refer to the abbreviated names of certain entities and, as such, have provided a chart to indicate the full names of those entities for your convenience.

Advanced Micro Devices Inc.	AMD
Broadcom Corporation	Broadcom
Cryptography Research, Inc.	CRI

Elpida Memory, Inc.	Elpida
Freescale Semiconductor Inc.	Freescale
Fujitsu Limited	Fujitsu
General Electric Company	GE
Global Lighting Technologies, Inc.	GLT
Hewlett-Packard Company	Hewlett-Packard
Hynix Semiconductor, Inc.	Hynix
Infineon Technologies AG	Infineon
Inotera Memories, Inc.	Inotera
Intel Corporation	Intel
International Business Machines Corporation	IBM
Joint Electronic Device Engineering Councils	JEDEC
LSI Corporation	LSI
MediaTek Inc.	MediaTek
Micron Technologies, Inc.	Micron
Nanya Technology Corporation	Nanya
NEC Electronics Corporation	NEC
NVIDIA Corporation	NVIDIA
Qimonda AG (formerly Infineon s DRAM operations)	Qimonda
Panasonic Corporation	Panasonic
Renesas Electronics	Renesas
Samsung Electronics Co., Ltd.	Samsung
Sony Computer Electronics	Sony
Spansion, Inc.	Spansion
ST Microelectronics N.V.	STMicroelectronics
Toshiba Corporation	Toshiba

Table of Contents

Business Overview

We are a premier intellectual property and technology licensing company. Our primary focus is the creation, design, development and licensing of patented innovations, technologies and architectures that are foundational to nearly all digital electronics products and systems. Our patented innovations and technologies aim to improve the performance, power efficiency, time-to-market and cost-effectiveness of our customers products, components and systems offered and used in semiconductors, computers, mobile applications, gaming and graphics, consumer electronics, lighting displays, general lighting and data security. By licensing our patented innovations and technologies, we hope to continuously enrich the end-user experience of the digital electronics products and systems marketed and sold by our customers and licensees. We believe we have established an unparalleled licensing platform and business model that will continue to foster the development of new foundational and leading innovations and technologies. As a result, our goal is to create significant licensing opportunities, and thereby perpetuate strong company operating performance and long term stockholder value.

While we have historically focused our efforts in developing and licensing patented innovations and technologies for the semiconductor industry, particularly in the area of chip interfaces, we have initiated diversification efforts to expand our portfolio of patented innovations and technologies into lighting and displays, mobile communications and additional semiconductor technologies. In the second quarter of 2011, we expanded our portfolio of patented innovations and technologies into data security technologies through the acquisition of CRI. We expect to continue this diversification initiative through the acquisition of assets and the hiring of the inventors, scientists and engineers who will lead the effort to further develop these patented innovations and technologies in these new areas of focus.

Rambus has two operating segments: Semiconductor Business Group (SBG) which focuses on the design, development and licensing of semiconductor technology, and New Business Group (NBG) which focuses on the design, development and licensing of lighting and display technologies, mobile, data security and other technologies. For additional information concerning segment reporting, see Note 11, Business Segments and Major Customers, of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q.

The key elements of our strategy are as follows:

Innovate: Develop and patent our innovative technology to provide fundamental competitive advantage when incorporated into semiconductors, and digital electronics products and systems.

Drive Adoption: Communicate the advantages of our patented innovations and technologies to the industry and encourage its adoption through demonstrations and incorporation in the products of select customers.

Monetize: License our patented inventions and technology solutions to customers for use in their semiconductor and system products.

As of September 30, 2011, our semiconductor, chip interface, lighting, display, mobile applications, data security and other technologies are covered by 1,333 U.S. and foreign patents. Additionally, we have 1,039 patent applications pending. Some of the patents and pending patent applications are derived from a common parent patent application or are foreign counterpart patent applications. We have a program to file

applications for and obtain patents in the United States and in selected foreign countries where we believe filing for such protection is appropriate and would further our overall strategy and objectives. In some instances, obtaining appropriate levels of protection may involve prosecuting continuation and counterpart patent applications based on a common parent application. We believe that our patented innovations provide our customers means to achieve higher performance, improved power efficiency, lower risk, and greater cost-effectiveness in their digital electronics products and systems.

Our patented innovations and technologies are offered to our customers through either a patent license or a technology license. Our revenues are primarily derived from patent licenses, through which we provide a license to our broad portfolio of patented innovations primarily to semiconductor and system companies who use these innovations in the development and manufacture of their own products.

Our patent licensing agreements may provide a license to all or part of our patent portfolio for a particular use, product or technology. The patent license essentially provides our customers with a defined right to use our patented innovations in the customer s own digital electronics products and systems. Patent license agreements are generally structured with variable royalty payments, although some agreements include fixed payments over certain defined periods. Leading semiconductor companies, such as AMD, Elpida, NVIDIA, Panasonic, Renesas, Samsung and Toshiba, currently pay us royalties for patents they may use in their own products.

Table of Contents

We also offer our customers technology licenses. We typically offer technology licenses to support the implementation and adoption of our patented innovations and technologies through know-how and technology transfers, product design, development, and system integration consulting and engineering services. Our technology license offerings also include a range of solutions developed by Rambus, which include leadership solutions (which are Rambus-proprietary solutions widely licensed to our customers) and industry-standard solutions that we provide to our customers under license for incorporation into our customers digital electronics products and systems. These technology license agreements may have both a fixed price (non-recurring) component and ongoing royalties. Further, under technology licenses, our customers typically receive licenses to our patents necessary to implement these solutions in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts with us. Our technology licensees include leading companies such as Elpida, IBM, Panasonic, Samsung, Sony and Toshiba.

The remainder of our revenue is contract services revenue which includes license fees and engineering services fees. Due to the often complex nature of implementing state-of-the art technology, we also offer engineering services to our customers to help them successfully integrate our solutions into their digital electronics products and systems. 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 account receivables in any given period.

We intend to continue making significant expenditures associated with engineering, marketing, general and administration including litigation expenses, and expect that these costs and expenses will continue to be a significant percentage of revenue in future periods. Whether such expenses increase or decrease as a percentage of revenue will be substantially dependent upon the rate at which our revenue or expenses change.

We continue to pursue other revenue opportunities in order to grow our revenue. On June 3, 2011, we completed our largest acquisition to date, CRI, a security research and development and licensing company. We acquired all of the issued and outstanding common shares of CRI in exchange for cash of $168.8 million and Common Stock with a value of approximately $88.4 million at closing. This acquisition expands the breadth of Rambus technologies available for licensing with complementary technologies from CRI that include patented innovations and solutions for content protection, network security and anti-counterfeiting. In connection with the acquisition of CRI, we are obligated to pay retention bonuses to certain CRI employees and contractors, subject to certain eligibility and acceleration provisions, including continued employment with us, in cash or stock at our election, in three equal amounts of approximately $16.7 million, on June 3, 2012, 2013 and 2014, respectively. The total retention bonus commitment is $50.0 million and may be forfeited in part or whole by the covered employees and contractors upon voluntary departure from employment or discontinuation of services. Any amounts forfeited will be paid by us to a designated charity. See Note 16, Acquisition, of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q for further discussion.

Executive Summary

During the third quarter of 2011, we signed a patent license agreement with a major smartphone and tablet manufacturer for the use of CRI s Differential Power Analysis (DPA) countermeasures patents. In addition, Verimatrix licensed our CryptoFirewallTM core for Pay TV solutions and we hired Dr. David Stork, a computational sensing and imaging expert to assist us in expanding our portfolio of patented innovations and technologies.

Research and development continues to play a key role in our efforts to maintain product innovations. Our engineering expenses for the three and nine months ended September 30, 2011 increased $15.3 million and $23.8 million, respectively, as compared to the same periods in 2010 primarily due to the additional headcount to support our business, additional amortization expense related to intangible assets acquired as well as the accrual of the CRI retention bonuses as discussed above, offset by the decrease in funding for our 2011 Corporate Incentive Plan (CIP) which is lower than our 2010 CIP. As a percentage of revenue, as compared to the same periods in 2010, engineering expenses decreased for the

three months ended September 30, 2011 primarily due to higher revenue and increased for the nine months ended September 30, 2011 primarily due to lower revenue and higher expenses. Marketing, general and administrative expenses in the aggregate increased $21.1 million and $30.5 million, respectively, for the three and nine months ended September 30, 2011 as compared to the same periods in 2010 primarily due to higher litigation expenses. As a percentage of revenue, as compared to the same periods in 2010, marketing, general and administrative expenses decreased for the three months ended September 30, 2011 primarily due to higher revenue. Our lower revenue combined with the increase in marketing, general and administrative expenses, has caused marketing, general and administrative expenses to increase as a percentage of revenue for the nine months ended September 30, 2011. Additionally, for the three and nine months ended September 30, 2011, we incurred costs of restatement and related legal activities of $0.8 million and $2.7 million, respectively, primarily due to litigation expense associated with a private shareholder lawsuit related to the 2006-2007 stock option investigation.

Table of Contents

Trends

There are a number of trends that we expect may or will have a material impact on us in the future, including global economic conditions with the resulting impact on sales, continuing pursuit of litigation against companies that we believe have infringed our patented technologies and shifts in our overall effective tax rate.

We have a high degree of revenue concentration, with our top five licensees representing approximately 78% and 68% of our revenue for the three and nine months ended September 30, 2011 as compared to 87% and 90% for the three and nine months ended September 30, 2010. As a result of our settlement with Samsung in 2010, Samsung is expected to account for a significant portion of our ongoing licensing revenue. For the three months ended September 30, 2011, revenue from Freescale, Samsung and a major smartphone and tablet manufacturer each accounted for 10% or more of our total revenue. For the nine months ended September 30, 2011, revenue from Elpida, Freescale, NVIDIA and Samsung each accounted for 10% or more of our total revenue. For the three months ended September 30, 2010, revenue from AMD, Fujitsu, Panasonic and Samsung each accounted for 10% or more of our total revenue. For the nine months ended September 30, 2010, revenue from Samsung accounted for 10% or more of our total revenue.

The particular licensees which account for revenue concentration have varied from period to period as a result of the addition of new contracts, expiration of existing contracts, industry consolidation and the volumes and prices at which the licensees have recently sold licensed semiconductors to system companies. These variations are expected to continue in the foreseeable future.

The semiconductor industry is intensely competitive and highly cyclical. Our visibility with respect to future sales is very limited at this time. To the extent that macroeconomic fluctuations negatively affect our principal licensees, the demand for our technology may be significantly and adversely impacted and we may experience substantial period-to-period fluctuations in our operating results.

The royalties we receive from our semiconductor business are partly a function of the adoption of our chip interfaces by system companies. Many system companies purchase semiconductors containing our chip interfaces from our licensees and do not have a direct contractual relationship with us. Our licensees generally do not provide us with details as to the identity or volume of licensed semiconductors purchased by particular system companies. As a result, we face difficulty in analyzing the extent to which our future revenue will be dependent upon particular system companies. System companies face intense competitive pressure in their markets, which are characterized by extreme volatility, frequent new product introductions and rapidly shifting consumer preferences.

The display industry is also intensely competitive and highly cyclical. We believe the potential percentage of transition to LED lightguides from cold cathode fluorescent lights (CCFL) lightguides could be over 90% for cellular phones and notebook computers and could reach up to 50% for display monitors and LCD televisions in 2011. The tablet market is growing rapidly as a new category that primarily uses LED lightguides to achieve slim designs. Our LDT group has numerous patents in edge lit LED lightguide technology. Our plans are to license our technology to key companies that use LED edge lit display products.

The highly fragmented general lighting industry is undergoing a fundamental shift from incandescent technology to CCFL and LED driven technology by the need to reduce energy consumption and to comply with government mandates. LED lighting typically saves energy costs as compared to existing installed lighting. Our LDT group has numerous patents in LED edge lit lightguide technology which can be applied in the

design of next generation LED lighting products. Our goal is to be a major player in the general lighting industry with our technology and towards that effort we have established a technology center in Brecksville, Ohio.

Our revenue from companies headquartered outside of the United States accounted for approximately 58% and 69% of our total revenue for the three and nine months ended September 30, 2011, respectively, as compared to 85% and 93% for the three and nine months ended September 30, 2010, respectively. We expect that revenue derived from international licensees will continue to represent a significant portion of our total revenue in the future. To date, all of the revenue from international licensees have been denominated in U.S. dollars. However, to the extent that such licensees sales to their customers are not denominated in U.S. dollars, any royalties that we receive as a result of such sales could be subject to fluctuations in currency exchange rates. In addition, if the effective price of licensed semiconductors sold by our foreign licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed semiconductors could fall, which in turn would reduce our royalties. We do not use financial instruments to hedge foreign exchange rate risk.

Table of Contents

For additional information concerning international revenue, see Note 11, Business Segments and Major Customers, of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q.

Engineering costs in the aggregate increased and as a percentage of revenue decreased for the three months ended September 30, 2011, and in the aggregate and as a percentage of revenue increased for the nine months ended September 30, 2011, as compared to the same periods in the prior year. In the near term, we intend to continue to make investments in the infrastructure and technologies required to maintain our product innovations in semiconductor and lighting technologies and newly acquired businesses, such as CRI.

Marketing, general and administrative expenses in the aggregate increased and as a percentage of revenue decreased for the three months ended September 30, 2011, and in the aggregate and as a percentage of revenue increased for the nine months ended September 30, 2011, as compared to the same periods in the prior year. Historically, we have been involved in significant litigation stemming from the unlicensed use of our inventions. Our litigation expenses have been high and difficult to predict and we anticipate future litigation expenses will continue to be significant, volatile and difficult to predict. If we are successful in the litigation and/or related licensing, our revenue could be substantially higher in the future; if we are unsuccessful, our revenue may not grow. Furthermore, our success in litigation matters pending before courts and regulatory bodies that relate to our intellectual property rights have impacted and will likely continue to impact our ability and the terms upon which we are able to negotiate new or renegotiate existing licenses for our technology. We will continue to pursue litigation against those companies that have infringed our patented technologies, which in turn will continue to increase marketing, general and administrative expenses as litigation expenses will continue to increase until such litigation is resolved.

As we continue to pursue litigation and invest in research and development projects combined with lower revenue from our licensees in the future, our cash from operations will be negatively affected.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of total revenue represented by certain items reflected in our unaudited condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Revenue:				
Royalties	96.0%	98.2%	94.5%	98.9%
Contract revenue	4.0%	1.8%	5.5%	1.1%
Total revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of revenue*	7.4%	4.3%	7.3%	2.2%
Research and development*	32.3%	72.5%	34.9%	29.1%
Marketing, general and administrative*	48.8%	88.0%	52.1%	38.2%
Costs of restatement and related legal activities	0.8%	3.9%	1.2%	1.5%
Gain from settlement	%	(32.5)%	(2.7)%	(50.1)%
Total operating costs and expenses	89.3%	136.2%	92.8%	20.9%
Operating income (loss)	10.7%	(36.2)%	7.2%	79.1%

Interest income and other income (expense), net	(0.8)%	1.0%	(0.9)%	0.5%
Interest expense	(5.4)%	(15.6)%	(6.9)%	(6.3)%
Interest and other income (expense), net	(6.2)%	(14.6)%	(7.8)%	(5.8)%
Income (loss) before income taxes	4.5%	(50.8)%	(0.6)%	73.3%
Provision for income taxes	4.0%	14.0%	5.7%	22.6%
Net income (loss)	0.5%	(64.8)%	(6.3)%	50.7%

* Includes stock-based compensation:

Cost of revenue	0.1%	0.1%	0.2%	0.1%
Research and development	2.8%	7.8%	3.4%	3.3%
Marketing, general and administrative	4.3%	15.7%	5.8%	6.6%

Table of Contents

(Dollars in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change in Percentage	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change in Percentage
Total Revenue						
Royalties	$ 96.2	$ 31.2	208.6%	$ 216.4	$ 229.9	(5.9)%
Contract revenue	4.1	0.5	617.6%	12.6	2.6	392.3%
Total revenue	$ 100.3	$ 31.7	215.9%	$ 229.0	$ 232.5	(1.5)%

Royalty Revenue

Patent Licenses

Our patent royalties increased approximately $65.4 million to $88.6 million for the three months ended September 30, 2011 from $23.2 million for the same period in 2010. The increase was primarily due to revenue recognized from the patent license and settlement agreements with Freescale, complete allocation of Samsung s quarterly license payment to revenue since the second quarter of 2011, revenue recognized from agreements signed with Elpida, NVIDIA and Renesas in the second half of 2010, as well as revenue recognized from a license agreement for the use of CRI s patented innovations.

Our patent royalties decreased approximately $13.2 million to $195.0 million for the nine months ended September 30, 2011 from $208.2 million for the same period in 2010. The decrease was primarily due to the recognition during the first quarter of 2010 of revenue from the settlement agreement signed with Samsung, partially offset by the revenue recognized from agreements signed since the third quarter of 2010.

We are in negotiations with prospective licensees as well as existing licensees regarding renewals. We expect patent royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed.

Technology Licenses

Royalties from technology licenses decreased approximately $0.4 million to $7.6 million for the three months ended September 30, 2011 from $8.0 million for the same period in 2010. Royalties from technology licenses decreased approximately $0.3 million to $21.4 million for the nine months ended September 30, 2011 from $21.7 million for the same period in 2010. The decrease in both periods was primarily due to lower royalties reported from decreased shipments related to DDR2 products.

In the future, we expect technology royalties will continue to vary from period to period based on our licensees shipment volumes, sales prices and product mix as well as our success of adding new licensees and renewing existing license agreements.

Contract Revenue

Contract revenue increased approximately $3.6 million to $4.1 million for the three months ended September 30, 2011 from $0.5 million for the same period in 2010. Contract revenue increased approximately $10.0 million to $12.6 million for the nine months ended September 30, 2011 from $2.6 million for the same period in 2010. The increase in both periods was primarily due to new technology development contracts.

We believe that contract revenue recognized will continue to fluctuate over time based on our ongoing contractual requirements, the amount of work performed, the timing of completing engineering deliverables, and by changes to work required, as well as new technology development contracts booked in the future.

Engineering costs:

	Three Months Ended September 30,		Change in	Nine Months Ended September 30,		Change in
(Dollars in millions)	**2011**	**2010**	**Percentage**	**2011**	**2010**	**Percentage**
Engineering costs						
Cost of revenue	$ 7.3	$ 1.4	442.9%	$ 16.1	$ 4.9	230.6%
Stock-based compensation	0.1	0.0	429.4%	0.5	0.1	241.8%
Total cost of revenue	7.4	1.4	442.8%	16.6	5.0	230.9%
Research and development	29.5	20.5	43.9%	72.1	60.0	20.3%
Stock-based compensation	2.8	2.5	12.3%	7.8	7.7	0.5%
Total research and development	32.3	23.0	40.5%	79.9	67.7	18.0%
Total engineering costs	$ 39.7	$ 24.4	63.1%	$ 96.5	$ 72.7	32.7%

Table of Contents

Total engineering costs increased 63.1% and 32.7% for the three and nine months ended September 30, 2011, respectively, as compared to the same periods in 2010 primarily due to additional headcount to support our business, additional amortization expense related to intangible assets acquired as well as the accrual of the CRI retention bonuses and higher consulting costs, offset by the decrease in funding for our 2011 CIP which is lower than our 2010 CIP.

In the near term, we intend to continue to make investments in the infrastructure and technologies required to maintain our product innovation in semiconductor, lighting, security and other technologies.

Marketing, general and administrative costs:

(Dollars in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change in Percentage	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change in Percentage
Marketing, general and administrative costs						
Marketing, general and administrative costs	$ 21.1	$ 18.3	14.9%	$ 61.9	$ 56.7	9.3%
Litigation expense	23.5	4.6	408.3%	44.2	16.9	162.3%
Stock-based compensation	4.4	5.0	(12.5)%	13.3	15.3	(13.5)%
Total marketing, general and administrative costs	$ 49.0	$ 27.9	75.2%	$ 119.4	$ 88.9	34.4%

Total marketing, general and administrative costs increased 75.2% and 34.4% for the three and nine months ended September 30, 2011 as compared to the same periods in 2010 primarily due to the increased litigation expenses related to ongoing major cases. Non-litigation related marketing, general and administrative costs increased for the three and nine months ended September 30, 2011 primarily due to the accrual of the CRI retention bonuses and the increase in headcount to support our business as well as higher consulting costs and the acquisition costs related to CRI, offset by the decrease in funding for our 2011 CIP which is lower than our 2010 CIP and lower stock-based compensation expense.

In the future, marketing, general and administrative costs will vary from period to period based on the trade shows, advertising, legal, acquisition and other marketing and administrative activities undertaken, and the change in sales, marketing and administrative headcount in any given period. Litigation expenses are expected to vary from period to period due to the variability of litigation activities.

Cost of restatement and related legal activities:

(Dollars in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change in Percentage	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change in Percentage
Cost of restatement and related legal activities	$ 0.8	$ 1.2	(32.3)%	$ 2.7	$ 3.4	(20.3)%

Cost of restatement and related legal activities consist primarily of investigation, audit, legal and other professional fees related to the 2006-2007 stock option investigation and the filing of the restated financial statements and related litigation.

Costs of restatement and related legal activities were $0.8 million and $2.7 million for the three and nine months ended September 30, 2011, respectively, primarily due to litigation expense associated with a private shareholder lawsuit related to the 2006-2007 stock option investigation. Until all the litigation and related issues are resolved, we anticipate that there could be additional amounts relating to these matters in the future.

Gain from settlement:

(Dollars in millions)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Change in Percentage	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Change in Percentage
Gain from settlement	$	$ 10.3	(100.0)%	$ 6.2	$ 116.5	(94.7)%

Table of Contents

The settlement with Samsung is a multiple element arrangement for accounting purposes. For a multiple element arrangement, we are required to determine the fair value of the elements. We considered several factors in determining the accounting fair value of the elements of the settlement with Samsung which included a third party valuation using an income approach, the Black-Scholes-Merton option pricing model and a residual approach (collectively the Fair Value). There was no gain from settlement recognized during the three months ended September 30, 2011. The total gain from settlement is $133.0 million, of which $6.2 million was recognized during the nine months ended September 30, 2011. The total gain from settlement related to the settlement with Samsung of $133.0 million has been recognized as of the end of the first quarter of 2011. The gain from settlement represents the Fair Value of the cash consideration allocated to the resolution of the antitrust litigation settlement and the residual value of other elements.

Interest and other income (expense), net:

	Three Months Ended September 30,		Change in	Nine Months Ended September 30,		Change in
(Dollars in millions)	**2011**	**2010**	**Percentage**	**2011**	**2010**	**Percentage**
Interest income and other income (expense), net	$ (0.8)	$ 0.3	(346.2)%	$ (2.2)	$ 1.0	(308.6)%
Interest expense on convertible notes	(5.4)	(4.9)	9.2%	(15.8)	(14.7)	7.4%
Interest and other income (expense), net	$ (6.2)	$ (4.6)	33.1%	$ (18.0)	$ (13.7)	31.7%

Interest income and other income (expense), net, consists primarily of interest income generated from investments in high quality fixed income securities offset by interest expense associated with our imputed facility lease obligations.

Interest expense on convertible notes consists of non-cash interest expense related to the amortization of the debt discount on the 5% convertible senior notes due 2014 (the 2014 Notes) and the zero coupon convertible senior notes due 2010 (the 2010 Notes), which were repaid during the first quarter of 2010, as well as the coupon interest related to the 2014 Notes. We expect interest expense to increase steadily as the 2014 Notes reach maturity.

Provision for income taxes:

	Three Months Ended September 30,		Change in	Nine Months Ended September 30,		Change in
(Dollars in millions)	**2011**	**2010**	**Percentage**	**2011**	**2010**	**Percentage**
Provision for income taxes	$ 4.1	$ 4.4	(8.1)%	$ 12.9	$ 52.5	(75.3)%
Effective tax rate	89.5%	(27.5)%		(929.2)%	30.8%	

Our effective tax rates for the three and nine months ended September 30, 2011 are different from the U.S. statutory tax rate due to foreign withholding taxes, a full valuation allowance on our U.S. net deferred tax assets and foreign losses not benefitted, partially offset by foreign tax credits. During the quarter ended September 30, 2011, we calculated our interim tax provision to record taxes incurred by the U.S. entity on a discrete basis because we are projecting losses in which a tax benefit cannot be recognized in accordance with the Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) 740 Income Taxes.

During the three and nine months ended September 30, 2011, we paid withholding taxes of $4.1 million each quarter. We recorded a provision for income taxes of $4.1 million and $12.9 million, respectively, for the three and nine months ended September 30, 2011, which is primarily comprised of withholding taxes and other foreign taxes. As we continue to maintain a valuation allowance against our U.S. deferred tax assets, our tax provision is based primarily on the withholding taxes, other foreign taxes and current state taxes.

Our effective tax rates for the three and nine months ended September 30, 2010 are different from the U.S. statutory tax rate due to a full valuation allowance on our U.S. net deferred tax assets, partially offset by foreign withholding taxes and state alternative minimum taxes.

Liquidity and Capital Resources

	As of September 30, 2011	As of December 31, 2010
	(In millions)	
Cash and cash equivalents	$ 160.8	$ 215.3
Marketable securities	131.9	296.7
Total cash, cash equivalents, and marketable securities	$ 292.7	$ 512.0

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	(In millions)	
Net cash provided by operating activities	$ 51.0	$ 179.4
Net cash used in investing activities	$ (22.4)	$ (119.5)
Net cash used in financing activities	$ (83.0)	$ (130.7)

Table of Contents

Liquidity

Our management continues to believe that total cash, cash equivalents and marketable securities will continue at adequate levels to finance our operations, projected capital expenditures and commitments for at least the next twelve months. Additionally, the majority of our cash and cash equivalents are in the U.S. Our cash needs for the nine months ended September 30, 2011 were funded primarily from our operating activities, maturities of marketable securities, proceeds from the landlord for tenant improvements related to the lease in Sunnyvale and the issuance of common stock under our equity incentive plans.

We currently anticipate that existing cash, cash equivalents and marketable securities balances and cash flows from operations will be adequate to meet our cash needs for at least the next 12 months. We do not anticipate any liquidity constraints as a result of either the current credit environment or investment fair value fluctuations. Additionally, we have the intent and ability to hold our debt investments that have unrealized losses in accumulated other comprehensive loss for a sufficient period of time to allow for recovery of the principal amounts invested. We continually monitor the credit risk in our portfolio and mitigate our credit risk exposures in accordance with our policies. As described elsewhere in this Management s Discussion and Analysis of Financial Condition and Results of Operations and this Quarterly Report on Form 10-Q, we are involved in ongoing litigation related to our intellectual property and our past stock option investigation. Any adverse settlements or judgments in any of this litigation could have a material adverse impact on our results of operations, cash balances and cash flows in the period in which such events occur.

Operating Activities

Cash provided by operating activities of $51.0 million for the nine months ended September 30, 2011 was primarily attributable to the net loss adjusted for non-cash items, including stock-based compensation expense, non-cash interest expense, depreciation and amortization expense. Changes in operating assets and liabilities for the nine months ended September 30, 2011 primarily included decreases in accrued salaries due to the payout of the 2010 CIP and the bonus related to the Samsung settlement, offset by increases in accounts payable, accrued litigation and prepaid expenses and other assets.

Cash provided by operating activities of $179.4 million for the nine months ended September 30, 2010 was primarily attributable to the net income, which included revenue and gains related to the settlement with Samsung, adjusted for non-cash items, including stock-based compensation expense, non-cash interest expense and depreciation and amortization expense. Changes in operating assets and liabilities for the nine months ended September 30, 2010 primarily included increases in accrued salaries due to the 2010 CIP and the bonus related to the Samsung settlement.

Investing Activities

Cash used in investing activities of $22.4 million for the nine months ended September 30, 2011 primarily consisted of cash paid for the acquisition of CRI of $167.4 million, net of cash acquired, and purchases of available-for-sale marketable securities of $94.2 million, partially offset by proceeds from the maturities of available-for-sale marketable securities of $254.3 million. In addition, we paid $15.0 million to acquire property and equipment, primarily computer equipment, machinery and software.

Cash used in investing activities of $119.5 million for the nine months ended September 30, 2010 primarily consisted of purchases of available-for-sale marketable securities of $319.1 million, partially offset by proceeds from the maturities of available-for-sale marketable securities of $218.5 million and proceeds from sale of a marketable security of $1.7 million. During the first three quarters of 2010, we purchased patents and businesses for an aggregate amount of $7.5 million. In addition, we paid $13.1 million to acquire property, plant and equipment, primarily leasehold improvements for our new offices as well as computer equipment and machinery.

Table of Contents

Financing Activities

Cash used in financing activities was $83.0 million for the nine months ended September 30, 2011 as a result of the repurchase in August 2011 from Samsung of approximately 4.8 million shares of the Company s common stock for an aggregate amount of $100.0 million pursuant to a put exercised by Samsung in accordance with the terms of a stock purchase agreement with Samsung dated January 19, 2010. This is partially offset by $8.8 million received from the landlord for the tenant improvements related to the lease in Sunnyvale and $9.5 million from issuance of common stock under equity incentive plans. We also made payments of $0.9 million under an installment payment plan to acquire intangible assets and $0.5 million related to the principal payments against the lease financing obligation.

Cash used in financing activities was $130.7 million for the nine months ended September 30, 2010 due primarily to the payment upon maturity of $137.0 million in face value of the 2010 Notes, stock repurchased with an aggregate price of $105.1 million under our share repurchase program and payment of $90.0 million related to the share repurchase agreement with J.P. Morgan Securities Inc., offset by proceeds received of $192.0 million from the issuance of common stock pursuant to the Stock Purchase Agreement with Samsung and $10.9 million from issuance of common stock under our equity incentive plans. We also made payments totaling $1.6 million under installment payment plans to acquire intangible assets and equipment.

Contractual Obligations

On December 15, 2009, we entered into a definitive triple net space lease agreement with MT SPE, LLC (the Landlord) whereby we lease approximately 125,000 square feet of office space located at 1050 Enterprise Way in Sunnyvale, California (the Sunnyvale Lease). The office space is used for our corporate headquarters, as well as engineering, marketing and administrative operations and activities. We moved to the new premises in the fourth quarter of 2010 following substantial completion of leasehold improvements. The Sunnyvale Lease has a term of 120 months from the commencement date. The initial annual base rent is $3.7 million, subject to a full abatement of rent for the first six months of the Sunnyvale Lease term, but with the rent for the seventh month paid in December 2009 in order to gain access to the building. The annual base rent increases each year to certain fixed amounts over the course of the term as set forth in the Sunnyvale Lease and will be $4.8 million in the tenth year. In addition to the base rent, we also pay operating expenses, insurance expenses, real estate taxes and a management fee. We have two options to extend the Sunnyvale Lease for a period of 60 months each and a one-time option to terminate the Sunnyvale Lease after 84 months in exchange for an early termination fee.

Since certain improvements constructed by us are considered structural in nature and given our responsibility for any cost overruns, for accounting purposes, we were treated in substance as the owner of the construction project during the construction period. Accordingly, as of December 31, 2009, we had capitalized $25.1 million in property, plant and equipment based on the estimated fair value of the portion of the unfinished building along with a corresponding financing obligation for the same amount.

Following substantial completion of construction in the fourth quarter of 2010, we occupied the building. At completion, we concluded that we retained sufficient continuing involvement to preclude de-recognition of the building under the FASB authoritative guidance applicable to the sale leasebacks of real estate. As such, we continue to account for the building as owned real estate and to record an imputed financing obligation for our obligation to the legal owner. In addition, we capitalized $1.5 million of interest on the building with a corresponding imputed financing obligation for the same amount.

Pursuant to the terms of the Sunnyvale Lease, the landlord has agreed to reimburse us approximately $9.1 million, of which $0.3 million was received in 2010 and $8.8 million was received during the nine months ended September 30, 2011. We recognized the reimbursement as an additional imputed financing obligation under the FASB authoritative guidance as such payment from the landlord is deemed to be an imputed financing obligation. Monthly lease payments on the facility are allocated between the land element of the lease (which is accounted for as an operating lease) and the imputed financing obligation. The imputed financing obligation is amortized using the effective interest method and the interest rate determined in accordance with the requirements of sale leaseback accounting. For the three and nine months ended September 30, 2011, we recognized in our statement of operations $0.8 million and $2.3 million, respectively, of interest expense in connection with the imputed financing obligation. At September 30, 2011, the imputed financing obligation balance in connection with the new facility was $35.6 million which was classified under long-term imputed financing obligation. At the end of the initial ten year lease term, should we decide not to renew the lease, we would reverse the equal amounts of the net book value of the building and the corresponding imputed financing obligation.

In connection with the June 3, 2011 acquisition of Cryptography Research, Inc. (CRI), we are obligated to pay retention bonuses to certain CRI employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment, in cash for the first retention milestone and cash or stock at the Company s election, for the following two payments. The three payments are to be equal amounts of approximately $16.7 million, on June 3, 2012, 2013 and 2014, respectively. The total retention bonus commitment is $50.0 million and may be forfeited in part or whole by the covered employees and contractors upon voluntary departure from employment or discontinuation of services. Any amounts forfeited will be accelerated and paid by us to a designated charity. See Note 16, Acquisition, of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q for additional information regarding the acquisition of CRI.

Table of Contents

On September 29, 2011, effective October 1, 2011, we amended our lease with Fogg-Brecksville Development Co. (the Ohio Landlord) to expand our facility in Brecksville, Ohio by 25,730 square feet to 50,545 total square feet (the Amended Ohio Lease), consisting of two extensions to be constructed by the Ohio Landlord (Expansion A and Expansion B) and to modify the outstanding imputed financing obligation. Expansion A will consist of 10,858 square feet of space and Expansion B will consist of 14,872 square feet of space. The Amended Ohio Lease has a term of 84 months from the First Extended Term Commencement Date as defined below. The First Extended Term Commencement Date is the first day of the month following substantial completion of Expansion B. Upon substantial completion of Expansion A, the annual base rent will be increased to $587,000. Upon substantial completion of Expansion B, the annual base rent will be increased to $831,000. The annual base rent increases each year on the annual anniversary date of the First Extended Term Commencement Date by 2% over the course of the term as set forth in the Amended Ohio Lease. We have an option to extend the Amended Ohio Lease for a period of 60 months.

During the fourth quarter of 2011, the Ohio Landlord began the construction of the building extensions. Since certain improvements constructed by the Ohio Landlord are considered structural in nature and we are responsible for any cost overruns, for accounting purposes, we are treated in substance as the owner of the construction project during the construction period. As the construction of the extensions of the building had not begun as of September 30, 2011, we did not record an asset for the construction in progress or the corresponding liability for construction in progress in the third quarter of 2011.

As of September 30, 2011, our material contractual obligations are (in thousands):

	Total	Remainder of 2011	2012	2013	2014	2015	Thereafter
Contractual obligations (1)							
Imputed financing obligation (2)	$ 52,151	$ 1,214	$ 5,470	$ 5,739	$ 5,876	$ 6,014	$ 27,838
Leases	3,944	811	2,083	372	357	321	
Software licenses (3)	4,895	2,108	2,348	359	80		
CRI retention bonus	50,000		16,667	16,667	16,666		
Convertible notes	172,500				172,500		
Interest payments related to convertible notes	25,876	4,313	8,625	8,625	4,313		
Total	$ 309,366	$ 8,446	$ 35,193	$ 31,762	$ 199,792	$ 6,335	$ 27,838

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately $16.6 million including $8.6 million recorded as a reduction of long-term deferred tax assets and $8.0 million in long-term income taxes payable, as of September 30, 2011. As noted in Note 9, Income Taxes, although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, we cannot reasonably estimate the outcome at this time.

(2) With respect to the imputed financing obligation, the main components of the difference between the amount reflected in the contractual obligations table and the amount reflected on the condensed consolidated balance sheet are the interest on the imputed financing obligation and the estimated common area expenses over the future periods. Additionally, the amount includes the Amended Ohio Lease.

(3) We have commitments with various software vendors for non-cancellable license agreements generally having terms longer than one year. The above table summarizes those contractual obligations as of September 30, 2011 which are also presented on our consolidated balance sheet under current and other long-term liabilities.

Contingently Redeemable Common Stock

On January 19, 2010, pursuant to the terms of the Stock Purchase Agreement, Samsung purchased for cash from us 9.6 million shares of our common stock (the Shares) with certain restrictions and put rights. The issuance of the Shares by us to Samsung was made through a private transaction. The Stock Purchase Agreement provided Samsung a one-time put right, beginning 18 months after the date of the Stock Purchase Agreement and extending to 19 months after the date of the Stock Purchase Agreement, to elect to sell back to us up to 4.8 million of the Shares at the original issue price of $20.885 per share (for an aggregate purchase price of up to $100.0 million). The 4.8 million shares have been recorded as contingently redeemable common stock on the condensed consolidated balance sheet as of December 31, 2010.

Table of Contents

The Stock Purchase Agreement prohibits the transfer of the Shares by Samsung for 18 months after the date of the Stock Purchase Agreement, subject to certain exceptions. After expiration of the transfer restriction period on July 18, 2011, the Stock Purchase Agreement provides that Samsung may transfer a limited number of shares on a daily basis, provide us with a right of first offer for proposed transfers above certain daily limits, and, if no sale occurs to us under the right of first offer, allows Samsung to transfer the Shares. Under the Stock Purchase Agreement, we have also agreed that after the transfer restriction period, Samsung will have certain rights to register the Shares for sale under the securities laws of the United States, subject to customary terms and conditions.

On July 20, 2011, we received notice from Samsung exercising their option to put back to us approximately 4.8 million of the Shares for cash of $100.0 million. In August 2011, we paid $100.0 million to Samsung in exchange for the Shares which were retired. The difference between the amount recorded as contingently redeemable common stock and the cash paid was recorded in additional paid-in capital.

Share Repurchase Program

During the three and nine months ended September 30, 2011, we did not repurchase any shares of our Common Stock under our share repurchase program. As of September 30, 2011, we had repurchased a cumulative total of approximately 26.3 million shares of our Common Stock with an aggregate price of approximately $428.9 million since the commencement of the program in 2001. As of September 30, 2011, there remained an outstanding authorization to repurchase approximately 5.2 million shares of our outstanding Common Stock.

We record stock repurchases as a reduction to stockholders equity. We record a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting estimates include those regarding (1) revenue recognition, (2) litigation and settlements, (3) income taxes, (4) stock-based compensation, (5) marketable securities, (6) non-marketable securities and (7) convertible notes. For a discussion of our critical accounting estimates, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2010.

Recent Accounting Pronouncements

See Note 2 Recent Accounting Pronouncements of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q for discussion of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, primarily arising from the effect of interest rate fluctuations on our investment portfolio. Interest rate fluctuation may arise from changes in the market s view of the quality of the security issuer, the overall economic outlook, and the time to maturity of our portfolio. We mitigate this risk by investing only in high quality, highly liquid instruments. Securities with original maturities of one year or less must be rated by two of the three industry standard rating agencies as follows: A1 by Standard & Poor s, P1 by Moody s and/or F-1 by Fitch. Securities with original maturities of greater than one year must be rated by two of the following industry standard rating agencies as follows: AA- by Standard & Poor s, Aa3 by Moody s and/or AA-

Table of Contents

by Fitch. By corporate policy, we limit the amount of exposure to $15.0 million or 10% of the portfolio, whichever is lower, for any single non-U.S. Government issuer. A single U.S. Agency can represent up to 25% of the portfolio. No more than 20% of the total portfolio may be invested in the securities of an industry sector, with money market fund investments evaluated separately. Our policy requires that at least 10% of the portfolio be in securities with a maturity of 90 days or less. We may make investments in U.S. Treasuries, U.S. Agencies, corporate bonds and municipal bonds and notes with maturities up to 36 months. However, the bias of our investment portfolio is shorter maturities. All investments must be U.S. dollar denominated.

We invest our cash equivalents and marketable securities in a variety of U.S. dollar financial instruments such as Treasuries, Government Agencies, Commercial Paper and Corporate Notes. Our policy specifically prohibits trading securities for the sole purposes of realizing trading profits. However, we may liquidate a portion of our portfolio if we experience unforeseen liquidity requirements. In such a case, if the environment has been one of rising interest rates we may experience a realized loss, similarly, if the environment has been one of declining interest rates we may experience a realized gain. As of September 30, 2011, we had an investment portfolio of fixed income marketable securities of $264.6 million including cash equivalents. If market interest rates were to increase immediately and uniformly by 1.0% from the levels as of September 30, 2011, the fair value of the portfolio would decline by approximately $0.2 million. Actual results may differ materially from this sensitivity analysis.

The table below summarizes the amortized cost, fair value, unrealized gains (losses) and related weighted average interest rates for our cash equivalents and marketable securities portfolio as of September 30, 2011 and December 31, 2010:

	September 30, 2011				
(Dollars in thousands)	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Weighted Rate of Return**
Money market funds	$ 132,721	$ 132,721	$	$	0.01%
U.S. government sponsored obligations	35,668	35,668	3	(3)	0.25%
Corporate notes, bonds and commercial paper	96,241	96,359		(118)	0.43%
Total cash equivalents and marketable securities	264,630	264,748	3	(121)	
Cash	28,123	28,123			
Total cash, cash equivalents and marketable securities	$ 292,753	$ 292,871	$ 3	$ (121)	

	December 31, 2010				
(Dollars in thousands)	**Fair Value**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Weighted Rate of Return**
Money market funds	$ 132,364	$ 132,364	$	$	0.04%
U.S. government sponsored obligations	266,817	266,840	29	(52)	0.26%
Corporate notes, bonds and commercial paper	95,724	95,773	8	(57)	0.39%
Total cash equivalents and marketable securities	494,905	494,977	37	(109)	
Cash	17,104	17,104			
Total cash, cash equivalents and marketable securities	$ 512,009	$ 512,081	$ 37	$ (109)	

The fair value of our convertible notes is subject to interest rate risk, market risk and other factors due to the convertible feature. The fair value of the convertible notes will generally increase as interest rates fall and decrease as interest rates rise. In addition, the fair value of the convertible notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. The interest and market value changes affect the fair value of our convertible notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we do not carry the convertible notes at fair value. We present the fair value of the convertible notes for required disclosure purposes. The following table summarizes certain information related to our 2014 Notes as of September 30, 2011:

(in thousands)	Fair Value	Fair Value Given a 10% Increase in Market Prices	Fair Value Given a 10% Decrease in Market Prices
5% Convertible Senior Notes due 2014	$ 191,632	$ 210,795	$ 172,469

We invoice our customers in U.S. dollars. Although the fluctuation of currency exchange rates may impact our customers, and thus indirectly impact us, we do not attempt to hedge this indirect and speculative risk. Our overseas operations consist primarily of one design center in India and small business development offices in Germany, Japan, Korea and Taiwan. We monitor our foreign currency exposure; however, as of September 30, 2011, we believe our foreign currency exposure is not material enough to warrant foreign currency hedging.

Table of Contents

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities and Exchange Act of 1934 as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2011, our disclosure controls and procedures were effective.

The internal control over financial reporting related to the assets acquired under a business combination from CRI will be excluded from the evaluation of the effectiveness of the Company s disclosure control and procedures as of the end of the year because the business was acquired in a business combination during the second quarter of 2011. Total assets, revenues and operating expenses of this business combination represent approximately 37%, 6% and 10%, respectively, of the related consolidated financial statement amounts as of and for the nine months ended September 30, 2011.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this item regarding legal proceedings is incorporated by reference to the information set forth in Note 13 Litigation and Asserted Claims of Notes to Unaudited Condensed Consolidated Financial Statements of this Form 10-Q.

Item 1A. Risk Factors

Because of the following factors, as well as other variables affecting our operating results, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. See also Special Note Regarding Forward-Looking Statements elsewhere in this report.

Risks Associated With Our Business, Industry and Market Conditions

If market leaders do not adopt our innovations, our results of operations could decline.

An important part of our strategy is to penetrate our target market segments by working with leaders in those market segments. This strategy is designed to encourage other participants in those segments to follow such leaders in adopting our innovations. If a high profile industry participant adopts our innovations but fails to achieve success with its products or adopts and achieves success with a competing technology, our reputation and sales could be adversely affected. For example, if our commercial relationships with Samsung do not achieve success, our reputation could be adversely affected given the market position of Samsung as a leading memory manufacturer. In addition, some industry participants have adopted, and others may in the future adopt, a strategy of disparaging our memory solutions adopted by their competitors or a strategy of otherwise undermining the market adoption of our solutions.

Table of Contents

We target system companies to adopt our chip interface technologies, particularly those that develop and market high volume business and consumer products, which were traditionally focused on PCs, including PC graphics processors, and video game consoles, and now include HDTVs, cellular and digital phones, personal digital assistants (PDAs), digital cameras and other consumer electronics that incorporate all varieties of memory and chip interfaces. In particular, our strategy includes gaining acceptance of our technology in high volume consumer applications, including video game consoles, such as the Sony PlayStation®3, HDTVs and set top boxes. As we diversify our technologies, such as through the establishment of our NBG operations, we will seek out other target markets in and related to computing, gaming and graphics, consumer electronics, mobile, general lighting, and security applications. We are subject to many risks beyond our control that influence whether or not a potential licensee or partner company will adopt our technologies, including, among others:

- competition faced by a company in its particular industry;
- the timely introduction and market acceptance of a company s products;
- the engineering, sales and marketing and management capabilities of a company;
- technical challenges unrelated to our innovations faced by a company in developing its products;
- the financial and other resources of a company;
- the supply of semiconductors from our memory and chip interface licensees in sufficient quantities and at commercially attractive prices;
- the ability to establish the prices at which the chips containing our chip interfaces are made available to system companies; and
- the degree to which our licensees promote our innovations to their customers.

There can be no assurance that consumer products that currently use our technology will continue to do so, nor can there be any assurance that the consumer products that incorporate our technology will be successful in their markets in order to generate expected royalties, nor can there be any assurance that any of our technologies selected for licensing will be implemented in a commercially developed or distributed product. If any of these events occur and market leaders do not successfully adopt our technologies, our strategy may not be successful and, as a result, our results of operations could decline.

We have traditionally operated in an industry that is highly cyclical and in which the number of our potential customers may be in decline as a result of industry consolidation, and we face intense competition in all of our target markets that may cause our results of operations to suffer.

The semiconductor industry is intensely competitive and has been impacted by price erosion, rapid technological change, short product life cycles, cyclical market patterns and increasing foreign and domestic competition. As the semiconductor industry is highly cyclical, significant economic downturns characterized by diminished demand, erosion of average selling prices, production overcapacity and production capacity constraints could affect the semiconductor industry. We have emerged from such a period of economic downturn last year and the threat of another worldwide downturn is evident today. As a result, we may achieve a reduced number of licenses, tightening of customers operating budgets, difficulty or inability of our customers to pay our licensing fees, extensions of the approval process for new licenses and consolidation among our customers, all of which may adversely affect the demand for our technology and may cause us to experience substantial period-to-period fluctuations in our operating results.

Many of our customers operate in industries that have experienced significant declines as a result of the recent economic downturn. In particular, DRAM manufacturers, which make up a majority of our existing and potential licensees, have suffered material losses and other adverse effects to their businesses. These factors may result in industry consolidation as companies seek to reduce costs and improve profitability through business combinations. Consolidation among our existing DRAM and other customers may result in loss of revenues under existing license agreements. Consolidation among companies in the DRAM and other industries within which we license our technology may reduce the number of future licensees for our products and services. In either case, consolidation in the DRAM and other industries in which we operate may negatively impact our short-term and long-term business prospects, licensing revenues and results of operations.

Table of Contents

We face competition from semiconductor and intellectual property companies who provide their own DDR memory chip interface technology and solutions. In addition, most DRAM manufacturers, including our XDRTM licensees, produce versions of DRAM such as SDR, DDRx, GDDRx SDRAM and LPDDRx which compete with XDRTM chips. We believe that our principal competition for memory chip interfaces may come from our licensees and prospective licensees, some of which are evaluating and developing products based on technologies that they contend or may contend will not require a license from us. In addition, our competitors are also taking a system approach similar to ours in seeking to solve the application needs of system companies. Many of these companies are larger and may have better access to financial, technical and other resources than we possess. Wider applications of other developing memory technologies, including FLASH memory, may also pose competition to our licensed memory solutions.

JEDEC has standardized what it calls extensions of DDR, known as DDR2 and DDR3. Other efforts are underway to create other products including those sometimes referred to as GDDR4 and GDDR5, as well as new ways to integrate products such as system-in-package DRAM. To the extent that these alternatives might provide comparable system performance at lower or similar cost than XDRTM memory chips, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and prospective licensees may adopt and promote alternative technologies. Even to the extent we determine that such alternative technologies infringe our patents, there can be no assurance that we would be able to negotiate agreements that would result in royalties being paid to us without litigation, which could be costly and the results of which would be uncertain.

We also face competitive threats to our NBG operations. The display industry is intensely competitive and is impacted by rapid technological change, shifting government mandates, cyclical market patterns and increasing foreign and domestic competition. In particular, our LDT group faces competition from system and subsystem providers of backlighting and general lighting solutions, some of which have substantial resources and operations. The security technology industry also faces robust competition. Our CRI group faces competition from large semiconductor manufacturers and other companies that offer various security solutions, including hardware with on-chip security features, software based offerings and other products and services. Potential competitors may either develop their own competing offerings or acquire assets, companies, or businesses that provide products or services that compete with our security technologies.

If for any of these reasons we cannot effectively compete in these primary markets, our results of operations could suffer.

If our NBG does not succeed, our results of operations may be adversely affected.

The future success of our NBG, which includes our LDT and CRI groups, depends on our ability to develop new or emerging licensing opportunities, diversify our business into lighting and displays, data security, mobile communications and additional semiconductor technologies. Specifically, for our LDT group, we will be required to improve the visual capabilities, form factor, power efficiency and cost-effectiveness of backlighting of LCD displays in products for computing, gaming and graphics, consumer electronics, mobile and general lighting applications. For CRI, we will be required to continue to develop and provide robust data security technologies that are effective for licensees.

We will need to keep pace with rapid changes in advanced lighting and optoelectronics technology, changing consumer requirements, new product introductions and evolving industry standards, any of which could render our existing technology obsolete if we fail to respond in a timely manner. The extent to which companies in the general lighting industry adopt solid state lighting and license our lighting technologies, and the timing of such adoption and licensing, if it occurs at all, is subject to many factors beyond our control and is not predictable by us. We are subject to many risks beyond our control that influence whether or not a potential licensee or partner company will adopt and license our lighting technologies.

Licensing of data security technologies also presents challenges in the face of intense competition. While we believe that CRI has developed innovative and effective DPA countermeasures and other security technologies, CRI will be required to continue to license these technologies and develop new security technologies in order to grow market acceptance and revenue.

The development, application and licensing of new technologies in lighting display and security is a complex process subject to a number of uncertainties, including the integration of our new businesses into the rest of our company. Our competitors have significant marketing, workforce, financial and other resources and longer operating history which could make acceptance of our lighting and data security technologies more difficult. If others develop innovative technologies that are superior to ours or if we fail to accurately anticipate technology and market trends, respond on a timely basis with our own new enhancements and technology and achieve broad market acceptance of these enhancements and technology, our competitive position may be harmed and our operating results may be adversely affected.

In order to grow, we may have to invest more resources in research and development than anticipated, which could increase our operating expenses and negatively impact our operating results.

If new competitors, technological advances by existing competitors, our entry into new markets and/or development of new technologies or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. For the nine months ended September 30, 2011 and 2010, research and development expenses were $79.9 million and $67.7 million, respectively, including stock-compensation of approximately $7.8 million and $7.7 million, respectively. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, especially with respect to our NBG and any other new technologies that we pursue outside of our core memory and chip interface technologies, our operating results could decline. Research and development expenses are likely to fluctuate from time to time to the extent we make periodic incremental investments in research and development, including as a result of our investment in new technologies, and these investments may be independent of our level of revenue. In order to grow, which may include entering new markets and/or developing new technologies, we anticipate that we will continue to devote substantial resources to research and development. We expect these expenses to increase in absolute dollars in the foreseeable future due to the increased complexity and the greater number of products under development as well as selectively hiring additional employees.

Our revenue is concentrated in a few customers, and if we lose any of these customers, our revenue may decrease substantially.

We have a high degree of revenue concentration. As a result of our settlement with Samsung, Samsung accounted for a significant portion of our ongoing licensing revenue since 2010. Our top five licensees represented approximately 68% and 90% of our revenues for the nine months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011, revenues from Elpida, Freescale, NVIDIA and Samsung each accounted for 10% or more of our total revenue. For the nine months ended September 30, 2010, revenue from Samsung accounted for 10% or more of our total revenue. We expect to continue to experience significant revenue concentration for the foreseeable future.

In addition, some of our commercial agreements require us to provide certain customers with the lowest royalty rate that we provide to other customers for similar technologies, volumes and schedules. These clauses may limit our ability to effectively price differently among our customers, to respond quickly to market forces, or otherwise to compete on the basis of price. The particular licensees which account for revenue concentration have varied from period to period as a result of the addition of new contracts, expiration of existing contracts, renewal of existing contracts, industry consolidation, including the combination in 2010 of NEC and Renesas, the expiration of deferred revenue schedules under existing contracts, and the volumes and prices at which the licensees have recently sold licensed semiconductors to system companies. These variations are expected to continue in the foreseeable future, although we anticipate that revenue will continue to be concentrated in a limited number of licensees.

We are in negotiations with licensees and prospective licensees to reach patent license agreements for DRAM devices and DRAM controllers. We expect that patent license royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed. However, we cannot provide any assurance that we will reach agreement on renewal terms or that the royalty rates we will be entitled to receive under the new agreements will be as favorable to us as our current agreements. If we are unsuccessful in renewing any of these patent license agreements, our results of operations may decline significantly.

If we cannot respond to rapid technological change in our target markets by developing new innovations in a timely and cost-effective manner, our operating results will suffer.

We derive most of our revenue from our chip interface technologies that we have patented. We expect that this dependence on our fundamental technology will continue for the foreseeable future. The semiconductor industry is characterized by rapid technological change, with new generations of semiconductors being introduced periodically and with ongoing improvements. The introduction or market acceptance of competing chip interfaces that render our chip interfaces less desirable or obsolete would have a rapid and material adverse effect on our business, results of operations and financial condition. The announcement of new chip interfaces by us could cause licensees or system companies to delay or defer entering into arrangements for the use of our current chip interfaces, which could have a material adverse effect on our business, financial condition and results of operations. We are dependent on the semiconductor industry to develop test solutions that are adequate to test our chip interfaces and to supply such test solutions to our customers and us.

Our continued success depends on our ability to introduce and patent enhancements and new generations of our chip interface technologies that keep pace with other changes in the semiconductor industry and which achieve rapid market acceptance. We must continually devote significant engineering resources to addressing the ever increasing need for higher speed chip interfaces associated with increases in the speed of microprocessors and other controllers. The technical innovations that are required for us to be successful are inherently complex and require long development cycles, and there can be no assurance that our development efforts will ultimately be successful. In addition, these innovations must be:

- completed before changes in the semiconductor industry render them obsolete;

- available when system companies require these innovations; and

- sufficiently compelling to cause semiconductor manufacturers to enter into licensing arrangements with us for these new technologies.

Significant technological innovations generally require a substantial investment before their commercial viability can be determined, and this concept applies to all of our target markets. There can be no assurance that we have accurately estimated the amount of resources required to complete our innovation efforts, or that we will have, or be able to expend, sufficient resources required for the development of our innovations. In addition, there is market risk associated with these products for which we develop technological innovations, and there can be no assurance that unit volumes, and their associated royalties, will occur. If our technology fails to capture or maintain a portion of the high volume target consumer market, our business results could suffer.

Security breaches or vulnerabilities in our data security technologies could harm our reputation, result in financial losses and divert resources.

Because the techniques used by hackers to access or sabotage secure chip and other technologies change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques and may not address them in our CRI data security technologies. Furthermore, our data security technologies may also fail to detect or prevent security breaches due to a number of reasons such as the evolving nature of such threats and the continual emergence of new threats. An actual or perceived security breach of our licensees or their end-customers, regardless of whether the breach is attributable to the failure of our data security technologies, could adversely affect the market s perception of our security technologies. We may not be able to correct any security flaws or vulnerabilities promptly, or at all. Any breaches, defects, errors or vulnerabilities in our data security technologies could result in:

- expenditure of significant financial and research and development resources in efforts to analyze, correct, eliminate or work-around breaches, errors or defects or to address and eliminate vulnerabilities;

- financial liability to licensees for breach of certain contract provisions;

- loss of existing or potential licensees;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- negative publicity, which will harm our reputation; and
- litigation, regulatory inquiries or investigations that may be costly and harm our reputation.

We have in the past and may in the future make acquisitions or enter into mergers, strategic transactions or other arrangements that could cause our business to suffer.

As part of our strategic initiatives, we currently are evaluating, and expect to continue to engage in, investments in or acquisitions of companies, products, patents or technologies, and the entry into strategic transactions or other arrangements. We completed a number of acquisitions in 2009, 2010 and 2011, including, most recently the acquisition of CRI. These acquisitions, investments, transactions or arrangements are likely to range in size, some of which may be significant. After completing our acquisitions, we may experience difficulty integrating that company s or division s personnel and operations, which could negatively affect our operating results. In addition:

- the key personnel of the acquired entity or business may decide not to work for us or may not perform according to our expectations;

- we may experience additional legal, financial and accounting challenges and complexities in areas such as licensing, tax planning, cash management and financial reporting;

- we may experience challenges with existing or prospective licensees as a result of potential conflict between pre-existing and historical relationships and any newly acquired engagements and agreements;

- our ongoing business, including our operations, technology development and deliveries to our customers, may be disrupted or receive insufficient management attention, and employee retention and productivity could also suffer;

- we may not be able to recognize the financial benefits we anticipated and/or we may suffer losses, both with respect to our ongoing business and the acquired entity or business;

- our increasing international presence resulting from acquisitions may increase our exposure to international currency, tax and political risks; and

- our lack of experience in new markets, products or technologies may cause us to fail to recognize the forecasted financial and strategic benefits of the acquisition.

In connection with our strategic initiatives related to future acquisitions or mergers, strategic transactions or other arrangements, we may incur substantial expenses regardless of whether any transactions occur. Further, the risks described above may be exacerbated as a result of managing multiple acquisitions simultaneously.

In addition, we may be required to assume the liabilities of the companies or related to the businesses we acquire. The assumption of such liabilities may include those related to intellectual property infringement or indemnification of customers of acquired businesses for similar claims, which could materially and adversely affect our business.

We may have to incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve restrictive covenants or be dilutive to our existing stockholders.

Some of our revenue is subject to the pricing policies of our licensees over whom we have no control.

We have no control over our licensees pricing of their products and there can be no assurance that licensee products using or containing our chip interfaces will be competitively priced or will sell in significant volumes. One important requirement for our memory chip interfaces is for any premium charged by our licensees in the price of memory and controller chips over alternatives to be reasonable in comparison to the perceived benefits of the chip interfaces. If the benefits of our technology do not match the price premium charged by our licensees, the resulting decline in sales of products incorporating our technology could harm our operating results.

Our licensing cycle is lengthy and costly, and our marketing and licensing efforts may be unsuccessful.

The process of persuading customers to adopt and license our chip interface and other technologies can be lengthy and, even if successful, there can be no assurance that our technologies will be used in a product that is ultimately brought to market, achieves commercial acceptance, or results in significant royalties to us. We generally incur significant marketing and sales expenses prior to entering into our license agreements, generating a license fee and establishing a royalty stream from each licensee. The length of time it takes to establish a new licensing relationship can take many months or even years. In addition, our ongoing intellectual property litigation and regulatory actions have and will likely continue to have an impact on our ability to enter into new licenses and renewals of licenses. As such, we may incur costs in any particular period before any associated revenue stream begins, if at all. If our marketing and sales efforts are very lengthy or unsuccessful, then we may face a material adverse effect on our business and results of operations as a result of delay or failure to obtain royalties.

Table of Contents

Future revenue is difficult to predict for several reasons, and our failure to predict revenue accurately may cause us to miss analysts estimates and result in our stock price declining.

Our lengthy and costly license negotiation cycle and our ongoing intellectual property litigation make our future revenue difficult to predict because we may not be successful in entering into licenses with our customers on our estimated timelines and we are reliant on the litigation timelines for any results or settlements, such as our January 2010 settlement with Samsung.

While some of our license agreements provide for fixed, quarterly royalty payments, many of our license agreements provide for volume-based royalties, and may also be subject to caps on royalties in a given period. The sales volume and prices of our licensees products in any given period can be difficult to predict. As a result, our actual results may differ substantially from analyst estimates or our forecasts in any given quarter.

In addition, a portion of our revenue comes from development and support services provided to our licensees. Depending upon the nature of the services, a portion of the related revenue may be recognized ratably over the support period, or may be recognized according to contract accounting. Contract revenue accounting may result in deferral of the service fees to the completion of the contract, or may be recognized over the period in which services are performed on a percentage-of-completion basis. There can be no assurance that the product development schedule for these projects will not be changed or delayed. All of these factors make it difficult to predict future licensing revenue and may result in our missing previously announced earnings guidance or analysts estimates which would likely cause our stock price to decline.

Our quarterly and annual operating results are unpredictable and fluctuate, which may cause our stock price to be volatile and decline.

Since many of our revenue components fluctuate and are difficult to predict, and our expenses are largely independent of revenue in any particular period, it is difficult for us to accurately forecast revenue and profitability. Factors other than those set forth above, which are beyond our ability to control or assess in advance, that could cause our operating results to fluctuate include:

- semiconductor and system companies acceptance of our chip interface products;
- the success of high volume consumer applications;
- the dependence of our royalties upon fluctuating sales volumes and prices of licensed chips that include our technology;
- the seasonal shipment patterns of systems incorporating our chip interface products;

- the loss of any strategic relationships with system companies or licensees;
- semiconductor or system companies discontinuing major products incorporating our chip interfaces;
- the unpredictability of litigation results or settlements and the timing and amount of any litigation expenses;
- changes in our customers development schedules and levels of expenditure on research and development;
- our licensees terminating or failing to make payments under their current contracts or seeking to modify such contracts, whether voluntarily or as a result of financial difficulties;
- the results of our efforts to expand into new target markets, such as with our LDT and CRI groups;
- changes in our strategies, including changes in our licensing focus and/or acquisitions of companies with business models or target markets different from our own; and
- changes in the economy and credit market and their effects upon demand for our technology and the products of our licensees.

Table of Contents

We believe that royalties will continue to represent a majority of total revenue for the foreseeable future. For the nine months ended September 30, 2011 and 2010, royalties accounted for 95% and 99%, respectively, of our total revenue. Royalties are generally recognized in the quarter in which we receive a report from a licensee regarding the sale of licensed chips in the prior quarter; however, royalties are recognized only if collectability is assured. As a result of these uncertainties and effects being outside of our control, royalty revenue is difficult to predict and makes it difficult to develop accurate financial forecasts, which could cause our stock price to become volatile and decline.

A substantial portion of our revenue is derived from sources outside of the United States and this revenue and our business generally are subject to risks related to international operations that are often beyond our control.

For the nine months ended September 30, 2011 and 2010, revenue received from our international customers constituted approximately 69% and 93%, respectively, of our total revenue. As a result of our continued focus on international markets, we expect that future revenue derived from international sources will continue to represent a significant portion of our total revenue.

To date, all of the revenue from international licensees has been denominated in U.S. dollars. However, to the extent that such licensees sales to systems companies are not denominated in U.S. dollars, any royalties which are based as a percentage of the customer s sales that we receive as a result of such sales could be subject to fluctuations in currency exchange rates. In addition, if the effective price of licensed semiconductors sold by our foreign licensees were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed semiconductors could fall, which in turn would reduce our royalties. We do not use financial instruments to hedge foreign exchange rate risk.

We currently have international design operations in India and business development operations in Japan, Korea, Taiwan and Germany. Our international operations and revenue are subject to a variety of risks which are beyond our control, including:

- export controls, tariffs, import and licensing restrictions and other trade barriers;
- profits, if any, earned abroad being subject to local tax laws and not being repatriated to the United States or, if repatriation is possible, limited in amount;
- treatment of revenue from international sources and changes to tax codes, including being subject to foreign tax laws and being liable for paying withholding, income or other taxes in foreign jurisdictions, such as withholding taxes in Korea;
- foreign government regulations and changes in these regulations;
- social, political and economic instability;

- lack of protection of our intellectual property and other contract rights by jurisdictions in which we may do business to the same extent as the laws of the United States;
- changes in diplomatic and trade relationships;
- cultural differences in the conduct of business both with licensees and in conducting business in our international facilities and international sales offices;
- hiring, maintaining and managing a workforce remotely and under various legal systems; and
- geo-political issues.

We and our licensees are subject to many of the risks described above with respect to companies which are located in different countries, particularly home video game console, PC and other consumer electronics manufacturers located in Asia and elsewhere. There can be no assurance that one or more of the risks associated with our international operations could not result in a material adverse effect on our business, financial condition or results of operations.

Weak global economic conditions may adversely affect demand for the products and services of our licensees.

Our operations and performance depend significantly on worldwide economic conditions, and the U.S. and world economies are emerging from a prolonged period of weak economic conditions, and the threat of another worldwide downturn is evident today. Uncertainty about global economic conditions poses a risk as consumers and businesses may postpone spending in response to tighter credit, negative financial news and declines in income or asset values, which could have a material negative effect on the demand for the products of our licensees in the foreseeable future. Other factors that could influence demand include continuing increases in fuel and energy costs, competitive pressures, including pricing pressures, from companies that have competing products, changes in the credit market, conditions in the residential real estate and mortgage markets, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. If our licensees experience reduced demand for their products as a result of economic conditions or otherwise, our business and results of operations could be harmed.

If our counterparties are unable to fulfill their financial and other obligations to us, our business and results of operations may be affected adversely.

Any downturn in economic conditions or other business factors could threaten the financial health of our counterparties, including companies with whom we have entered into licensing arrangements, settlement agreements or that have been subject to litigation judgments that provide for payments to us, and their ability to fulfill their financial and other obligations to us. Such financial pressures on our counterparties may eventually lead to bankruptcy proceedings or other attempts to avoid financial obligations that are due to us under licenses, settlement agreements or litigation judgments. Because bankruptcy courts have the power to modify or cancel contracts of the petitioner which remain subject to future performance and alter or discharge payment obligations related to pre-petition debts, we may receive less than all of the payments that we would otherwise be entitled to receive from any such counterparty as a result of a bankruptcy proceedings. For example, in 2009, two of our counterparties, Qimonda and Spansion, were subject to insolvency proceedings in their applicable jurisdictions as a result of a downturn in business which led to lower than anticipated or no payment to us. If we are unable to collect all of such payments owed to us, or if other of our counterparties enter into bankruptcy or otherwise seek to renegotiate their financial obligations to us as a result of the deterioration of their financial health, our business and results of operations may be affected adversely.

If we are unable to attract and retain qualified personnel, our business and operations could suffer.

Our success is dependent upon our ability to identify, attract, compensate, motivate and retain qualified personnel, especially engineers, who can enhance our existing technologies and introduce new technologies. Competition for qualified personnel, particularly those with significant industry experience, is intense, in particular in the San Francisco Bay Area where we are headquartered and in the area of Bangalore, India where we have a design center. We are also dependent upon our senior management personnel. The loss of the services of any of our senior management personnel, or key sales personnel in critical markets, or critical members of staff, or of a significant number of our engineers could be disruptive to our development efforts or business relationships and could cause our business and operations to suffer.

We are subject to government restrictions and regulation, including on the sale of products and services that use encryption technology.

Various countries have adopted controls, license requirements and restrictions on the export, import and use of products or services that contain encryption technology. In addition, from time to time, governmental agencies have proposed additional requirements for encryption technology,

such as requiring the escrow and governmental recovery of private encryption keys. Restrictions on the sale or distribution of products or services containing encryption technology may impact the ability of CRI to license its data security technologies to the manufacturers and providers of such products and services in certain markets or may require CRI or its licensees to make changes to the licensed data security technology that is embedded in such products to comply with such restrictions. Government restrictions, or changes to the products or services of CRI licensees to comply with such restrictions, could delay or prevent the acceptance and use of such licensees products and services. In addition, the United States and other countries have imposed export controls that prohibit the export of encryption technology to certain countries, entities and individuals. Our failure to comply with export and use regulations concerning encryption technology of CRI could subject us to sanctions and penalties, including fines, and suspension or revocation of export or import privileges. Regulatory initiatives throughout the world can also create new and unforeseen regulatory obligations on us and the technology we develop, particularly for CRI. The impact of these potential obligations varies based on the jurisdiction, but any such changes could impact whether we enter, maintain or expand our presence in a particular market or with particular potential licensees.

The recent natural disaster in Japan could disrupt our operations and those of our customers and adversely affect our results of operations.

A number of our licensees have headquarters and/or manufacturing facilities in Japan, depend on other Japanese suppliers for materials and/or depend on the Japanese market for ongoing product demand. Some of our licensees may also have closed or limited operations resulting from the March 2011 earthquake and tsunami in Japan and may be affected by the consequences of the natural disaster that has affected Japan, which have included rolling blackouts, decreased access to raw materials, limited ability to ship inventory and the risk of nuclear contamination. Our current and potential licensees in Japan may be delayed in interacting with us as a result of the impact of the disaster on them, delaying renewals or entry into of new licenses. If our licensees are unable to manufacture and ship the products that incorporate our technology or if our there is a decrease in product demand in Japan, our royalty revenue may decline as some of our licenses rely on per unit royalties.

Our operations are subject to risks of natural disasters, acts of war, terrorism, widespread illness or security breach at our domestic and international locations, any one of which could result in a business stoppage and negatively affect our operating results.

Our business operations depend on our ability to maintain and protect our facilities, computer systems and personnel, which are primarily located in the San Francisco Bay Area. The San Francisco Bay Area is in close proximity to known earthquake fault zones. Our facilities and transportation for our employees are susceptible to damage from earthquakes and other natural disasters such as fires, floods and similar events. Should an earthquake or other catastrophes, such as fires, floods, power loss, communication failure or similar events disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, which stoppage could have a negative effect on our operating results. We also rely on our network infrastructure and technology systems for operational support and business activities, which are subject to damage from malicious code and other related vulnerabilities common to networks and computer systems, including acts of vandalism and potential security breach by third parties. Acts of terrorism, widespread illness, war and any event that causes failures or interruption in our network infrastructure and technology systems could have a negative effect at our international and domestic facilities and could harm our business, financial condition, and operating results.

Our business and operating results may be harmed if we undertake any restructuring activities or if we are unable to manage growth in our business.

From time to time, we may undertake to restructure our business. There are several factors that could cause a restructuring to have an adverse effect on our business, financial condition and results of operations. These include potential disruption of our operations, the development of our technology, the deliveries to our customers and other aspects of our business. Employee morale and productivity could also suffer and we may lose employees whom we want to keep. Loss of sales, service and engineering talent, in particular, could damage our business. Any restructuring would require substantial management time and attention and may divert management from other important work. Employee reductions or other restructuring activities also cause us to incur restructuring and related expenses such as severance expenses. Moreover, we could encounter delays in executing any restructuring plans, which could cause further disruption and additional unanticipated expense.

Our business historically experienced periods of rapid growth that placed significant demands on our managerial, operational and financial resources. In the event that we return to such a period of growth, whether through internal expansion or acquisitions of other businesses or technologies, we would need to improve and expand our management, operational and financial systems and controls. We also would need to expand, train and manage our employee base. We cannot assure you that in connection with any such growth we will be able to timely and effectively meet demand and maintain the quality standards required by our existing and potential customers and licensees. If we ineffectively manage our growth or we are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

Unanticipated changes in our tax rates or in the tax laws and regulations could expose us to additional income tax liabilities which could affect our operating results and financial condition.

We are subject to income taxes in both the United States and various foreign jurisdictions. Significant judgment is required in determining our worldwide provision (or benefit) for income taxes and, in the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective tax rate could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, changes in tax laws and regulations as well as other factors. Our tax determinations are regularly subject to audit by tax authorities and developments in those audits could adversely affect our income tax provision. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes may be different from what is reflected in our historical income tax provisions which could affect our operating results.

Table of Contents

Our results of operations could vary as a result of the methods, estimates and judgments we use in applying our accounting policies.

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations, including the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities, as described elsewhere in this report. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation, goodwill and intangibles, and other contingencies. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. In addition, actual results may differ from these estimates under different assumptions or conditions.

Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the measurement of share-based compensation expense requires us to use valuation methodologies and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, and the exercise behavior of our employees. Changes in these factors may affect both our reported results (including cost of contract revenue, research and development expenses, marketing, general and administrative expenses and our effective tax rate) and any forward-looking projections we make that incorporate projections of share-based compensation expense. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our reported expense if and when we learn about additional information that may affect the estimates that we previously made, with the exception of changes in expected forfeitures of share-based awards.

Factors may arise that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time.

Risks Related to Corporate Governance and Capitalization Matters

The price of our common stock may fluctuate significantly, which may make it difficult for holders to resell their shares when desired or at attractive prices.

Our common stock is listed on The NASDAQ Global Select Market under the symbol RMBS. The trading price of our common stock has been subject to wide fluctuations which we expect to continue in the future in response to, among other things, the following:

- new litigation or developments in current litigation, including an unfavorable outcome to us from court proceedings relating to our ongoing litigation and reaction to any settlements that we enter into with former litigants;

- any progress, or lack of progress, real or perceived, in the development of products that incorporate our innovations;

- our signing or not signing new licensees;
- announcements of our technological innovations or new products by us, our licensees or our competitors;
- positive or negative reports by securities analysts as to our expected financial results and business developments;
- developments with respect to patents or proprietary rights and other events or factors;
- trading activity related to our share repurchase plans;
- issuance of additional securities by us, such as our issuance of approximately 9.6 million shares of common stock to Samsung in connection with our settlement agreement in January 2010; and
- issuance of shares from the CRI acquisition and sale of those shares under the Form S-3 registration statement.

Table of Contents

In addition, the stock market in general, and prices for companies in our industry in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

Because our outstanding senior convertible notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. In addition, the existence of the notes may encourage short selling in our common stock by market participants because the conversion of the notes could depress the price of our common stock.

Sales of substantial amounts of shares of our common stock in the public market, or the perception that those sales may occur, could cause the market price of our common stock to decline. In addition, lack of positive performance in our stock price may adversely affect our ability to retain key employees.

We have been party to, and may in the future be subject to, lawsuits relating to securities law matters which may result in unfavorable outcomes and significant judgments, settlements and legal expenses which could cause our business, financial condition and results of operations to suffer.

In connection with our stock option investigation, we and certain of our current and former officers and directors, as well as our current auditors, were subject to several stockholder derivative actions, securities fraud class actions and/or individual lawsuits filed in federal court against us and certain of our current and former officers and directors. The complaints generally allege that the defendants violated the federal and state securities laws and state law claims for fraud and breach of fiduciary duty. While we have settled the derivative and securities fraud class actions, the individual lawsuits continue to be adjudicated. For more information about the historic litigation described above, see Note 13, Litigation and Asserted Claims, of Notes to Unaudited Condensed Consolidated Financial Statements contained in this Form 10-Q. The amount of time to resolve these current and any future lawsuits is uncertain, and these matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Although we have expensed or accrued for certain liabilities that we believe will result from certain of these actions, the actual costs and expenses to defend and satisfy all of these lawsuits and any potential future litigation may exceed our current estimated accruals, possibly significantly. Unfavorable outcomes and significant judgments, settlements and legal expenses in litigation related to our past and any future securities law claims could have material adverse impacts on our business, financial condition, results of operations, cash flows and the trading price of our common stock.

We are leveraged financially, which could adversely affect our ability to adjust our business to respond to competitive pressures and to obtain sufficient funds to satisfy our future research and development needs, to protect and enforce our intellectual property and other needs.

We have indebtedness. In 2009, we issued $172.5 million aggregate principal amount of our 2014 Notes. The degree to which we are leveraged could have important consequences, including, but not limited to, the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, litigation, general corporate or other purposes may be limited;

- a substantial portion of our cash flows from operations in the future will be dedicated to the payment of the principal of our indebtedness as we are required to pay the principal amount of our 2014 Notes in cash upon conversion if specified conditions are met or when due;

- if upon any conversion of our 2014 Notes we are required to satisfy our conversion obligation with shares of our common stock or we are required to pay a make-whole premium with shares of our common stock, our existing stockholders interest in us would be diluted; and

- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

A failure to comply with the covenants and other provisions of our debt instruments could result in events of default under such instruments, which could permit acceleration of all of our notes. Any required repayment of our notes as a result of a fundamental change or other acceleration would lower our current cash on hand such that we would not have those funds available for use in our business.

Table of Contents

If we are at any time unable to generate sufficient cash flows from operations to service our indebtedness when payment is due, we may be required to attempt to renegotiate the terms of the instruments relating to the indebtedness, seek to refinance all or a portion of the indebtedness or obtain additional financing. There can be no assurance that we will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

In addition, we purchased the shares of contingently redeemable common stock for an aggregate purchase price of $100.0 million that were put back to us by Samsung in August 2011 pursuant to our existing contract terms, which reduced our cash resources.

If securities or industry analysts change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us, our business or our market. If one or more of the analysts who cover us change their recommendation regarding our stock adversely, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including new Securities and Exchange Commission regulations and NASDAQ rules, have historically created uncertainty for companies such as ours. Any new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Any new investment of resources to comply with evolving laws, regulations and standards, may result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed and our business and operations would suffer.

Our restated certificate of incorporation and bylaws, Delaware law and our outstanding convertible notes contain provisions that could discourage transactions resulting in a change in control, which may negatively affect the market price of our common stock.

Our restated certificate of incorporation, our bylaws and Delaware law contain provisions that might enable our management to discourage, delay or prevent a change in control. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. Pursuant to such provisions:

- our board of directors is authorized, without prior stockholder approval, to create and issue preferred stock, commonly referred to as blank check preferred stock, with rights senior to those of common stock, which means that a new stockholder rights plan could be implemented

by our board to replace our old plan that expired in 2010;

- our board of directors is staggered into two classes, only one of which is elected at each annual meeting;
- stockholder action by written consent is prohibited;
- nominations for election to our board of directors and the submission of matters to be acted upon by stockholders at a meeting are subject to advance notice requirements;
- certain provisions in our bylaws and certificate of incorporation such as notice to stockholders, the ability to call a stockholder meeting, advance notice requirements and action of stockholders by written consent may only be amended with the approval of stockholders holding 66 2/3% of our outstanding voting stock;

- our stockholders have no authority to call special meetings of stockholders; and
- our board of directors is expressly authorized to make, alter or repeal our bylaws.

We are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our outstanding voting stock, the person is an interested stockholder and may not engage in any business combination with us for a period of three years from the time the person acquired 15% or more of our outstanding voting stock.

Certain provisions of our outstanding convertible notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the notes will have the right, at their option, to require us to repurchase, at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest on the notes, all or a portion of their notes. We may also be required to issue additional shares of our common stock upon conversion of such notes in the event of certain fundamental changes.

Litigation, Regulation and Business Risks Related to our Intellectual Property

We face current and potential adverse determinations in litigation stemming from our efforts to protect and enforce our patents and intellectual property, which could broadly impact our intellectual property rights, distract our management and cause a substantial decline in our revenue and stock price.

We seek to diligently protect our intellectual property rights. In connection with the extension of our licensing program to SDR SDRAM-compatible and DDR SDRAM-compatible products, we became involved in litigation related to such efforts against different parties in multiple jurisdictions. In each of these cases, we have claimed infringement of certain of our patents, while the manufacturers of such products have generally sought damages and a determination that the patents in suit are invalid, unenforceable, and not infringed. Among other things, the opposing parties have alleged that certain of our patents are unenforceable because we engaged in document spoliation, litigation misconduct and/or acted improperly during our 1991 to 1995 participation in the JEDEC standard setting organization (including allegations of antitrust violations and unfair competition). We have also become involved in litigation related to infringement of our patents related to products having certain peripheral interfaces.

There can be no assurance that any or all of the opposing parties will not succeed, either at the trial or appellate level, with such claims or counterclaims against us or that they will not in some other way establish broad defenses against our patents, achieve conflicting results, or otherwise avoid or delay paying royalties for the use of our patented technology. Moreover, there is a risk that if one party prevails against us, other parties could use the adverse result to defeat or limit our claims against them; conversely, there can be no assurance that if we prevail against one party, we will succeed against other parties on similar claims, defenses, or counterclaims. In addition, there is the risk that the pending litigations and other circumstances may cause us to accept less than what we now believe to be fair consideration in settlement.

Any of these matters or any future intellectual property litigation, whether or not determined in our favor or settled by us, is costly, may cause delays (including delays in negotiating licenses with other actual or potential licensees), will tend to discourage future design partners, will tend to impair adoption of our existing technologies and divert the efforts and attention of our management and technical personnel from other business operations. In addition, we may be unsuccessful in our litigation if we have difficulty obtaining the cooperation of former employees and agents who were involved in our business during the relevant periods related to our litigation and are now needed to assist in cases or testify on our behalf. Furthermore, any adverse determination or other resolution in litigation could result in our losing certain rights beyond the rights at issue in a particular case, including, among other things: our being effectively barred from suing others for violating certain or all of our intellectual property rights; our patents being held invalid or unenforceable or not infringed; our being subjected to significant liabilities; our being required to seek licenses from third parties; our being prevented from licensing our patented technology; or our being required to renegotiate with current licensees on a temporary or permanent basis. Even if we are successful in our litigation, or any settlement of such litigation, there is no guarantee that the applicable opposing parties will be able to pay any damages awards timely or at all as a result of financial difficulties or otherwise. Delay or any or all of these adverse results could cause a substantial decline in our revenue and stock price.

Table of Contents

From time to time, we are subject to proceedings by government agencies, such as our Federal Trade Commission and European Commission proceedings over the past several years. These proceedings may result in adverse determinations against us or in other outcomes that could limit our ability to enforce or license our intellectual property, and could cause our revenue to decline substantially.

An adverse resolution by or with a governmental agency could result in severe limitations on our ability to protect and license our intellectual property, and would cause our revenue to decline substantially.

Third parties have and may attempt to use adverse findings by a government agency to limit our ability to enforce or license our patents in private litigations, to challenge or otherwise act against us with respect to such government agency proceedings, such as the attempts by Hynix to appeal our settlement with the European Commission, and to assert claims for monetary damages against us and other attempts by other adverse parties to challenge our settlement. Although we have successfully defeated certain attempts to do so, there can be no assurance that other third parties will not be successful in the future or that additional claims or actions arising out of adverse findings by a government agency will not be asserted against us.

Further, third parties have sought and may seek review and reconsideration of the patentability of inventions claimed in certain of our patents by the U.S. Patent and Trademark Office (PTO) and/or the European Patent Office (the EPO). Currently, we are subject to several re-examination proceedings, including proceedings initiated by Hynix, Micron and NVIDIA as a defensive action in connection with our litigation against those companies. An adverse decision by the PTO or EPO could invalidate some or all of these patent claims and could also result in additional adverse consequences affecting other related U.S. or European patents, including in our intellectual property litigation. If a sufficient number of such patents are impaired, our ability to enforce or license our intellectual property would be significantly weakened and this could cause our revenue to decline substantially.

The pendency of any governmental agency acting as described above may impair our ability to enforce or license our patents or collect royalties from existing or potential licensees, as our litigation opponents may attempt to use such proceedings to delay or otherwise impair any pending cases and our existing or potential licensees may await the final outcome of any proceedings before agreeing to new licenses or pay royalties.

Litigation or other third-party claims of intellectual property infringement could require us to expend substantial resources and could prevent us from developing or licensing our technology on a cost-effective basis.

Our research and development programs are in highly competitive fields in which numerous third parties have issued patents and patent applications with claims closely related to the subject matter of our programs. We have also been named in the past, and may in the future be named, as a defendant in lawsuits claiming that our technology infringes upon the intellectual property rights of third parties. In the event of a third-party claim or a successful infringement action against us, we may be required to pay substantial damages, to stop developing and licensing our infringing technology, to develop non-infringing technology, and to obtain licenses, which could result in our paying substantial royalties or our granting of cross licenses to our technologies. Threatened or ongoing third-party claims or infringement actions may prevent us from pursuing additional development and licensing arrangements for some period. For example, we may discontinue negotiations with certain customers for additional licensing of our patents due to the uncertainty caused by our ongoing litigation on the terms of such licenses or of the terms of such licenses on our litigation. We may not be able to obtain licenses from other parties at a reasonable cost, or at all, which could cause us to expend substantial resources, or result in delays in, or the cancellation of, new product.

If we are unable to successfully protect our inventions through the issuance and enforcement of patents, our operating results could be adversely affected.

We have an active program to protect our proprietary inventions through the filing of patents. There can be no assurance, however, that:

- any current or future U.S. or foreign patent applications will be approved and not be challenged by third parties;
- our issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;

Table of Contents

- our patents will not be declared unenforceable;
- the patents of others will not have an adverse effect on our ability to do business;
- Congress or the U.S. courts or foreign countries will not change the nature or scope of rights afforded patents or patent owners or alter in an adverse way the process for seeking patents;
- changes in law will not be implemented, or changes in interpretation of such laws will occur, that will affect our ability to protect and enforce our patents and other intellectual property, including as a result of the recent passage of the America Invents Act of 2011 (which codifies several significant changes to the U.S. patent laws and will remain subject to certain rule-making and interpretation, including changing from a first to invent to a first inventor to file system, limiting where a patentee may file a patent suit, requiring the apportionment of patent damages, replacing interference proceedings with derivation actions, and creating a post-grant opposition process to challenge patents after they have issued);
- new legal theories and strategies utilized by our competitors will not be successful;
- others will not independently develop similar or competing chip interfaces or design around any patents that may be issued to us; or
- factors such as difficulty in obtaining cooperation from inventors, pre-existing challenges or litigation, or license or other contract issues will not present additional challenges in securing protection with respect to patents and other intellectual property that we acquire.

If any of the above were to occur, our operating results could be adversely affected.

In addition, our patents will continue to expire according to their terms, with expiration dates ranging from 2011 to 2029. Our failure to continuously develop or acquire successful innovations and obtain patents on those innovations could significantly harm our business, financial condition, results of operations, or cash flows.

Our inability to protect and own the intellectual property we create would cause our business to suffer.

We rely primarily on a combination of license, development and nondisclosure agreements, trademark, trade secret and copyright law and contractual provisions to protect our non-patentable intellectual property rights. If we fail to protect these intellectual property rights, our licensees and others may seek to use our technology without the payment of license fees and royalties, which could weaken our competitive position, reduce our operating results and increase the likelihood of costly litigation. The growth of our business depends in large part on the use of our intellectual property in the products of third party manufacturers, and our ability to enforce intellectual property rights against them to obtain appropriate compensation. In addition, effective trade secret protection may be unavailable or limited in certain foreign countries. Although we intend to protect our rights vigorously, if we fail to do so, our business will suffer.

We rely upon the accuracy of our licensees recordkeeping, and any inaccuracies or payment disputes for amounts owed to us under our licensing agreements may harm our results of operations.

Many of our license agreements require our licensees to document the manufacture and sale of products that incorporate our technology and report this data to us on a quarterly basis. While licenses with such terms give us the right to audit books and records of our licensees to verify this information, audits rarely are undertaken because they can be expensive, time consuming, and potentially detrimental to our ongoing business relationship with our licensees. Therefore, we typically rely on the accuracy of the reports from licensees without independently verifying the information in them. Our failure to audit our licensees books and records may result in our receiving more or less royalty revenue than we are entitled to under the terms of our license agreements. If we conduct royalty audits in the future, such audits may trigger disagreements over contract terms with our licensees and such disagreements could hamper customer relations, divert the efforts and attention of our management from normal operations and impact our business operations and financial condition.

Table of Contents

Any dispute regarding our intellectual property may require us to indemnify certain licensees, the cost of which could severely hamper our business operations and financial condition.

In any potential dispute involving our patents or other intellectual property, our licensees could also become the target of litigation. While we generally do not indemnify our licensees, some of our license agreements provide limited indemnities, and some require us to provide technical support and information to a licensee that is involved in litigation involving use of our technology. In addition, we may agree to indemnify others in the future. Any of these indemnification and support obligations could result in substantial expenses. In addition to the time and expense required for us to indemnify or supply such support to our licensees, a licensee s development, marketing and sales of licensed semiconductors, lighting and display, mobile communications and data security technologies could be severely disrupted or shut down as a result of litigation, which in turn could severely hamper our business operations and financial condition as a result of lower or no royalty payments.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Reserved

Item 5. Other Information

Not Applicable

Item 6. Exhibits

Refer to the Exhibit Index of this quarterly report on Form 10-Q.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	RAMBUS INC.	
Date: October 31, 2011	By:	/s/ Satish Rishi Satish Rishi Senior Vice President, Finance and Chief Financial Officer

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1 (1)	Amended and Restated Certificate of Incorporation of Registrant filed May 29, 1997.
3.2 (2)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Registrant filed June 14, 2000.
3.3 (3)	Amended and Restated Bylaws of Registrant dated April 29, 2010.
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS±	XBRL Instance Document
101.SCH±	XBRL Taxonomy Extension Schema Document
101.CAL±	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB±	XBRL Taxonomy Extension Label Linkbase Document
101.PRE±	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF±	XBRL Taxonomy Extension Definition Linkbase Document

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(1) Incorporated by reference to the Form 10-K filed on December 15, 1997.

(2) Incorporated by reference to the Form 10-Q filed on May 4, 2001.

(3) Incorporated by reference to the Form 10-Q filed on July 30, 2010.