

RAMBUS INC
Form 10-K
February 20, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: 000-22339

RAMBUS INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-3112828
(I.R.S. Employer Identification Number)

1050 Enterprise Way, Suite 700
Sunnyvale, California
(Address of principal executive offices)

94089
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.001 Par Value	The NASDAQ Stock Market LLC (The NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant as of June 30, 2014 was approximately \$1.5 billion based upon the closing price reported for such date on The NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by officers and directors of the Registrant and persons that may be deemed to be affiliates under the Act have been excluded. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of outstanding shares of the Registrant's Common Stock, \$.001 par value, was 115,234,882 as of January 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information is incorporated into Part III of this report by reference to the Proxy Statement for the Registrant's annual meeting of stockholders to be held on or about April 23, 2015 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- Success in the markets of our products and services or our customers' products;
- Sources of competition;
- Research and development costs and improvements in technology;
- Sources, amounts and concentration of revenue, including royalties;
- Operating results;
- Success in signing and renewing license agreements;
- Pricing policies of our customers;
- Technology product development;
- Dispositions, acquisitions, mergers or strategic transactions and our related integration efforts;
- Impairment of goodwill and long-lived assets;
- Changes in our strategy and business model;
- Engineering, sales and general and administration expenses;
- Contract revenue;
- International licenses and operations;
- Effects of changes in the economy and credit market on our industry and business;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Ability to identify, attract, motivate and retain qualified personnel;
- Effects of government regulations on our industry and business;
- Manufacturing and supply partners and/or sale and distribution channels;
- Growth in our business;
- Methods, estimates and judgments in accounting policies;
- Adoption of new accounting pronouncements;
- Effective tax rates;
 - Realization of deferred tax assets/release of deferred tax valuation allowance;
- Trading price of our common stock;
- Internal control environment;
- Corporate governance;
- The level and terms of our outstanding debt and the repayment or financing of such debt;
 - Resolution of potential governmental agency proceedings involving us;
- Outcome and effect of potential future intellectual property litigation and other significant litigation;
- Litigation expenses;
- Protection of intellectual property;
- Any changes in laws, agency actions and judicial rulings that may impact the ability to enforce intellectual property rights;

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- Terms of our licenses and amounts owed under license agreements;
- Indemnification and technical support obligations;
- Equity repurchase plans;
- Issuances of our securities, which could involve restrictive covenants or be dilutive to our existing stockholders; and
- Likelihood of paying dividends.

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

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

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PART I

Rambus, RDRAM™, XDR™, FlexIO™, FlexPhase™, R+™, CryptoFirewall™, Imerz™, and MicroLens® are trademarks, registered trademarks or copyrights of Rambus Inc. Other trademarks or copyrights that may be mentioned in this annual report on Form 10-K are the property of their respective owners.

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

Differential Power Analysis	DPA
Double Data Rate	DDR
Dynamic Random Access Memory	DRAM
Field Programmable Gate Arrays	FPGA
Graphics Double Data Rate	GDDR
Input/Output	I/O
Light Emitting Diodes	LED
Low-Power Double Data Rate	LPDDR
Rambus Dynamic Random Access Memory	RDRAM™
Simple Power Analysis	SPA
Single Data Rate	SDR
Synchronous Dynamic Random Access Memory	SDRAM
eXtreme Data Rate	XDR™

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On occasion 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
Cooper Lighting, LLC	Cooper Lighting
Cryptography Research Division (formerly named Cryptography Research, Inc. or CRI)	CRD
Elpida Memory, Inc.	Elpida
Emerging Solutions Division (formerly named Chief Technology Office or CTO)	ESD
Freescale Semiconductor Inc.	Freescale
Fujitsu Limited	Fujitsu
General Electric Company	GE
Infineon Technologies AG	Infineon
Inotera Memories, Inc.	Inotera
Intel Corporation	Intel
International Business Machines Corporation	IBM
Joint Electronic Device Engineering Councils	JEDEC
Lighting and Display Technology	LDT
LSI Corporation	LSI
Memory and Interfaces Division	MID
Micron Technology, Inc.	Micron
Mobile Technology Division	MTD
Nanya Technology Corporation	Nanya
NVIDIA Corporation	NVIDIA
Qualcomm Incorporated	Qualcomm
Panasonic Corporation	Panasonic
Renesas Electronics	Renesas
Samsung Electronics Co., Ltd.	Samsung
SK hynix, Inc.	SK hynix
Sony Computer Electronics	Sony
ST Microelectronics N.V.	STMicroelectronics
Toshiba Corporation	Toshiba

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Item 1. Business

Rambus Inc., referred to as we, us or Rambus, was founded in 1990 and reincorporated in Delaware in March 1997. Our principal executive offices are located at 1050 Enterprise Way, Suite 700, Sunnyvale, California. Our website is www.rambus.com. You can obtain copies of our Forms 10-K, 10-Q, 8-K, and other filings with the SEC, and all amendments to these filings, free of charge, from our website as soon as reasonably practicable following our filing of any of these reports with the SEC. In addition, you may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy, and information statements, and other information regarding registrants that file electronically with the SEC at www.sec.gov.

We are an innovative technology solutions company that brings invention to market. Our customers leverage our customizable platforms, services and tools to improve, differentiate and accelerate the development of products and services. Our extensive technology portfolio addresses the evolving power, performance and security requirements of the mobile, cloud computing and connected device markets. We drive innovations in memory, chip interfaces and architectures, end-to-end security, and advanced LED lighting, while also looking to disruptions and opportunities in tomorrow's high-growth markets. We generate revenue by licensing our inventions and solutions and providing services to market-leading companies.

While we have historically focused our efforts on the development of technologies for electronics memory and chip interfaces, we have expanded our portfolio of inventions and solutions to address additional markets in lighting, chip and system security, as well as new areas within the semiconductor industry, such as computational sensing and imaging. We intend to continue our growth into new technology fields, consistent with our mission to create great value through our innovations and to make those technologies available through both our licensing and non-licensing business models. Key to our efforts will be hiring and retaining world-class inventors, scientists and engineers to lead the development of inventions and technology solutions for our fields of focus, and the management and business support personnel necessary to execute our plans and strategies.

We have four operational units: (1) Memory and Interfaces Division, or MID, which focuses on the design, development and licensing of technology that is related to memory and interfaces; (2) Cryptography Research Division, or CRD, which focuses on the design, development and licensing of technologies for chip and system security and anti-counterfeiting; (3) Emerging Solutions Division, or ESD, which includes our computational sensing and imaging group along with our development efforts in the area of emerging technologies; and (4) Lighting and Display Technologies, or LDT, which focuses on the design, development and licensing of technologies for lighting. Our inventions and technology solutions are primarily offered to our customers through either a patent license or a technology license. Royalties from patent licenses accounted for 88%, 92% and 89% of our consolidated revenue for the years ended December 31, 2014, 2013 and 2012, respectively. Royalties from technology licenses accounted for 4%, 5% and 10% of our consolidated revenue for the years ended December 31, 2014, 2013 and 2012, respectively. Today, a majority of our revenues are derived from patent licenses, through which we provide our customers a license to use a certain portion of our broad portfolio of patented inventions. The license provides our customers with a defined right to use our innovations in the customer's own digital electronics products, systems or services, as applicable. The licenses may also define the specific field of use where our customers may use or employ our inventions in their products. License agreements are structured with fixed, variable or a hybrid of fixed and variable royalty payments over certain defined periods ranging for periods up to ten years. The majority of our intellectual property in MID was developed in-house and we have expanded our business strategy of monetizing our MID intellectual property to include the sale of select intellectual property. As any sales executed under this expanded strategy represent a component of our ongoing major or central operations and activities, we record the related proceeds as revenue.

Our Strategy

Our strategy is to evolve from providing primarily patent licenses to providing additional technology, products and services while creating and leveraging strategic synergies to increase revenue. One of our goals is to supplement our patent licensing business with additional licensing opportunities for our technologies, products and services to be

incorporated into our customers' products and/or systems. Our technology licenses are designed to support the implementation and adoption of our technology into our customers' products or services. As part of these offerings, we can provide a range of services that can include access to technical experts, advanced system design and analysis, hardware and software to enhance design and validation, system IP and specifications, and process-specific hard and soft macros, along with other services. 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.

In 2014, we continued our focus on the development of innovative technology and furthering a more open, collaborative relationship with the broader industry. We settled our last outstanding litigation with Nanya Technology Corporation, including the execution of a new patent license agreement, while continuing to engage the industry by joining the standard setting organizations of the Joint Electron Device Engineering Council, GlobalPlatform and the Fact Identity Online Alliance. In addition, we launched our CryptoManager™ secure feature management platform with Qualcomm as lead customer as well as licensed certain security related technologies to Cisco Systems. We also launched an IP cores program and unveiled our enhanced LabStation™ validation platform to address complex IP design and integration.

We believe that the successful execution of this strategy requires an exceptional business model that relies on the skills and talent of our employees. Accordingly, we seek to hire and retain world-class scientific and engineering expertise in all of our fields of technological focus, as well as the executive management and operating personnel required to successfully execute our business strategy. In order to attract the quality of employees required for this business model, we have created an environment and culture that encourages, fosters and supports research, development and innovation in breakthrough technologies with significant opportunities for broad industry adoption. We believe we have created a compelling company for inventors and innovators who are able to work within a business model and platform that focuses on technology development to drive strong future growth.

Design and Manufacturing

Our technology solutions are developed with high-volume commercial manufacturing processes in mind. Our solutions can be delivered in a number of ways, from reference designs to full turnkey custom development deliverables. A reference design engagement might include an architectural specification, data sheet, theory of operation and implementation guides. A custom development project would entail a specific design implementation optimized for the customer's manufacturing process. In some cases, we may provide supply chain enablement services where we assist our customers in designing and establishing certain manufacturing processes to implement our technologies in their product offerings. We often develop test-chips of our designs and, in some cases, may deliver our solutions to the market through physical product.

Background

The demand for increased performance and improved power efficiency in computers, tablets, smartphones, consumer electronics and other electronic systems rises dramatically with each passing year. Semiconductor and system designers face key challenges in sustaining this pace of innovation. We strive to offer compelling technologies that provide value to our customers. A key component of our current business model is intellectual property licensing. Our intellectual property broadly includes (but is not limited to) our technologies, solutions, and patents that incorporate our innovations. We focus on intellectual property that has the potential to enable future high-volume, mass-market platforms.

Memory and Interfaces

There are four main areas of focus in our Memory and Interface Division: mobile memory, server-based memory, serial link designs, and custom solutions. The main markets for these memory types include memory (DRAM today, NAND in the future), System-on-a-Chip (SoCs) that connect to memory (DRAM controllers), and SoCs that use high-speed serial link interfaces. Since battery technology improves modestly over time, mobile device designers face challenges in adding increased functionality and higher performance with only small increases in power budget. For plug-in systems, there is a strong desire to reduce power consumption for both economic and environmental reasons while still providing increased computing capability and more visually compelling displays. At the chip level, it becomes increasingly difficult to maintain signal integrity and power efficiency as data transfer speeds rise to support more powerful, multi-core processors.

To address these challenges and enable the continued improvement of electronics systems, ongoing innovation is required. The many contributions and patented innovations developed by Rambus scientists and engineers have been, and continue to be, critical in addressing some of the most difficult chip and system challenges. To maximize the value of our intellectual property, we have adopted a licensing strategy that takes advantage of the adoption life cycle of new technologies. During early adoption, we enable our customers to utilize our innovations through technology

solutions that offer value in large and/or emerging markets. Working with industry leaders positions our inventions for broad market adoption. As our innovations reach broad adoption, we also pursue patent licensing to monetize products not covered by our technology licenses.

We have developed technologies, advanced designs, and development tools for building high-performance and low-power memory and serial-link interface cores for semiconductor chips. We develop both proprietary and industry-standard interfaces that we provide to our customers under technology license agreements. We also offer a range of services as part of our technology licenses which can include know-how and technology transfer, product design and development, system integration, and other services. We offer a set of solutions under the name R+™ enhanced standard solutions. Fully compatible with industry standards, R+ solutions offer compelling benefits that enable our customers to differentiate their products. We also

offer the R+ LPDDR3 memory architecture. The R+ LPDDR3 architecture includes improvements to power efficiency and performance that enable longer battery life and enhanced mobile device functionality for streaming HD video, gaming and data-intensive applications. We continue to focus significant resources and effort to help bring products to market under technology license agreements with leading companies in the industry.

Chip and System Security Technology

Security challenges are increasingly prevalent in a multitude of industries, including high-growth sectors such as mobile and content distribution, providing a variety of opportunities for our hardware-based security technologies and services. This market trend provides us with the opportunity to provide critical technologies, and we are deploying and developing products to enable us to achieve this objective. Through our Cryptography Research Division, we own a portfolio of patented inventions and technology solutions that are needed for creating secure tamper-resistant electronic devices and systems. These patented DPA countermeasures are critical in protecting devices against side channel attacks such as differential power analysis, which involve monitoring the variations in power consumption or electromagnetic emissions of a device. In addition, our CryptoFirewall™ cores provide a robust hardware-based solution to protect electronics systems from counterfeiting, piracy, and other attacks. We believe the hardware-based security that can be achieved with our technologies is vastly superior to many software-based security solutions.

For DPA countermeasures, our business model is to provide a combination of patent licenses, technology, consulting services (training, evaluation, and design), and test equipment. We are recognized worldwide for our expertise in this area, and our strategy is to strengthen our offering beyond stand-alone patent licensing. We discovered the existence of SPA and DPA vulnerabilities in the 1990s, and patented the fundamental techniques for preventing against this method of attack. DPA protections are a critical security ingredient in tamper-resistant products, and are important or required for a broad range of applications and devices (including smart cards, mobile devices, FPGAs, government/defense applications, consumer set-top boxes, postage meters and security tokens).

In addition to the DPA countermeasures portfolio, we have developed technologies, expertise, advanced designs, and development tools for building highly secure cryptographic semiconductor cores. We provide semiconductor cores under our CryptoFirewall™ brand. We have successfully deployed these cores in two primary application areas where effective security is valued and paid for by customers: content protection and anti-counterfeiting. For CryptoFirewall™ cores, our most common business model is to partner with chip manufacturers to integrate our technology, and then license it to downstream customers.

Secure Foundation for Connected Devices

In 2014, we introduced a revolutionary new feature management platform from our Cryptography Research Division. As connected products, including mobile phones and Internet of Things (IoT) devices, have a critical need for security, a robust security system is critical. Robust security starts with the design of the SoC and continues with the manufacturing supply chain. The Rambus CryptoManager™ solution brings revolutionary security improvements to the semiconductor chips and supply chains that enable our mobile world.

The CryptoManager platform provides chip and device companies with an advanced hardware root-of-trust for their SoCs, as well as an Infrastructure Suite for end-to-end security throughout the SoC design and manufacturing process. The CryptoManager platform has been developed with a services-based architecture that enables a secure, two-way communication channel across the manufacturing stages. This fully integrated solution is built on a foundation that simplifies, automates, and reduces costs for global enterprise IT, manufacturing, and operations functions.

Lighting and Display Technology

The continued evolution of LED as a bright, reliable and energy-efficient light source creates significant market opportunities in consumer electronics and in general lighting. Harnessing the benefits of LEDs, however, presents a new set of challenges for companies that offer and provide electronics and lighting products and solutions. Our technology allows customers to efficiently and uniformly spread the point source of light emitted from an LED over a large area in a very cost effective way. Moreover, we can control and direct the emitted light to improve the overall product performance or application efficiency. This technology enables class-leading price/performance and freedom of design in the general lighting field. We believe our patented technology, software and know-how, which enables precise placement of MicroLens® optics on light guides, provides our customers with a fundamental competitive advantage over alternative products in the market. We continue to focus resources and effort to help our customers

bring new products to market under technology license agreements. Our business model is a blend of patent and technology licensing, product sales and services to help bring innovative products to market.

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Research and Development and Employees

Our ability to compete in the future will be substantially dependent on our ability to develop key innovations that meet the future needs of a dynamic market. To this end, we have assembled a team of highly skilled inventors, engineers and scientists whose activities are focused on continually developing new innovations within our chosen technology fields. Using this foundation of innovations, our technical teams develop new solutions that enable increased performance, greater power efficiency, increased levels of security, as well as other improvements and benefits. Our solution design and development process is a multi-disciplinary effort requiring expertise in multiple fields across all of our operational units.

As of December 31, 2014, we had approximately 330 employees in our engineering departments, representing 65% of our total number of 505 employees. None of our employees are covered by collective bargaining agreements. As noted, we believe our future success is dependent on our continued ability to identify, attract, motivate and retain qualified personnel. To date, we believe that we have been successful in recruiting qualified employees and that our relationship with our employees is good.

A significant number of our scientists and engineers spend all or a portion of their time on research and development. For the years ended December 31, 2014, 2013 and 2012, research and development expenses were \$110.0 million, \$118.0 million and \$140.5 million, respectively, including stock-based compensation of approximately \$7.2 million, \$6.6 million and \$9.5 million, respectively. For the years ended December 31, 2014, 2013 and 2012, research and development expenses also included \$1.5 million, \$8.6 million and \$20.5 million, respectively, for the accrual of retention bonuses for engineers. Since innovation is critical to our future success, we expect to continue to invest substantial funds in research and development activities. In addition, because our customer agreements often call for us to provide engineering support, a portion of our total engineering costs are allocated to the cost of contract revenue.

Competition

Our selected industries are intensely competitive and have been impacted by price erosion, rapid technological change, short product life cycles, cyclical market patterns and increasing foreign and domestic competition. We face competition from semiconductor and digital electronics products and systems companies, other semiconductor intellectual property companies that provide security cores and non-edge lit LED lighting options that are available to the market.

We believe the principal competition for our technologies may come from our prospective customers, some of whom are evaluating and developing products based on technologies that they contend or may contend will not require a license from us. Some of our competitors use a system-level design approach similar to ours, including activities such as board and package design, power and signal integrity analysis, and thermal management. Many of these companies are larger and may have better access to financial, technical and other resources than we possess.

To the extent that alternatives might provide comparable system performance at lower than or similar cost to our technologies, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our customers and prospective customers 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. In the past, litigation has been and in the future may be required to enforce and protect our intellectual property rights, as well as the substantial investments undertaken to research and develop our innovations and technologies.

Patents and Intellectual Property Protection

We maintain and support an active program to protect our intellectual property, primarily through the filing of patent applications and the defense of issued patents against infringement. As of December 31, 2014, our semiconductor, lighting, security and other technologies are covered by 1,784 U.S. and foreign patents, having expiration dates ranging from 2015 to 2038. Additionally, we have 710 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 believe our patented innovations provide our customers with the ability to achieve improved performance, lower risk, greater cost-effectiveness and other benefits in their products and services.

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 business 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. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with current and prospective customers, and confidentiality agreements with employees and consultants and other security measures. We also rely on copyright, trademarks and trade secret laws to protect our intellectual property.

Information concerning revenue, results of operations and revenue by geographic area is set forth in Item 6, "Selected Financial Data," in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and in Note 7, "Segments and Major Customers," of Notes to Consolidated Financial Statements of this Form 10-K, all of which are incorporated herein by reference. Information concerning identifiable assets and segment reporting is also set forth in Note 7, "Segments and Major Customers," of Notes to Consolidated Financial Statements of this Form 10-K. Information on customers that comprise 10% or more of our consolidated revenue and risks attendant to our foreign operations is set forth below in Item 1A, "Risk Factors."

Item 1A. Risk Factors

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 "Note Regarding Forward-Looking Statements" at the beginning of this report.

Risks Associated With Our Business, Industry and Market Conditions

The success of our business depends on sustaining or growing our licensing revenue and the failure to achieve such revenue would lead to a material decline in our results of operations.

Our revenue consists mainly of patent and technology license fees paid for access to our patents, developed technology and development and support services provided to our customers. Our ability to secure and renew the licenses from which our revenues are derived depends on our customers adopting our technology and using it in the products they sell. Once secured, license revenue may be negatively affected by factors within and outside our control, including reductions in our customers' sales prices, sales volumes, our failure to timely complete engineering deliverables, and the terms of such licenses. In addition, we cannot provide any assurance that we will be successful in renewing existing license agreements on equal or favorable terms or at all. If we do not achieve our revenue goals, our results of operations could decline.

We have traditionally operated in industries that are highly cyclical and competitive.

Our target customers are companies that develop and market high volume business and consumer products in semiconductors, computing, tablets, handheld devices, mobile applications, gaming and graphics, high-definition televisions and displays, general lighting, cryptography and data security. The electronics 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. We are subject to many risks beyond our control that influence whether or not we are successful in winning target customers or retaining existing customers, including, primarily, competition in a particular industry, market acceptance of such customers' products and the financial resources of such customers. In particular, DRAM manufacturers, which make up many of our customers, have suffered material losses and other adverse effects to their businesses, leading to industry consolidation from time-to-time that may result in loss of revenues under our existing license agreements or loss of target customers. As a result of ongoing competition in the industries in which we operate and volatility in various economies around the world, we may achieve a reduced number of licenses or may experience tightening of customers' operating budgets, difficulty or inability of our customers to pay our licensing fees, lengthening of the approval process for new licenses and consolidation among our customers. All of these factors may adversely affect the demand for our technology and may cause us to experience substantial fluctuations in our operating results.

We face competition from semiconductor and digital electronics products and systems companies, other semiconductor intellectual property companies that provide security cores and non-edge lit LED lighting options that are available to the market. We believe the principal competition for our technologies may come from our prospective customers, some of whom are evaluating and developing products based on technologies that they contend or may contend will not require a license from us. Some of our competitors use a system-level design approach similar to ours, including activities such as board and package design, power and signal integrity analysis, and thermal management. Many of these companies are larger and may have better access to financial, technical and other resources than we possess.

To the extent that alternatives might provide comparable system performance at lower than or similar cost to our technologies, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence

the industry, our customers and prospective customers 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.

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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, 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 could increase. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results would decline. We expect these expenses to increase in the foreseeable future as our technology development efforts continue.

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

We have a high degree of revenue concentration. Our top five customers represented approximately 62% of our revenues for both of the years ended December 31, 2014 and 2013. For the year ended December 31, 2014, revenues from Micron, Samsung and SK hynix each accounted for 10% or more of our total revenue. For the year ended December 31, 2013, revenue from Samsung accounted for 10% or more of our total revenue. We extended our license agreement with Samsung in December 2013, and we expect Samsung to continue to account for a significant portion of our licensing revenue. We also entered into settlement agreements with each of SK hynix and Micron (which included Elpida, which Micron had acquired in July 2013) in June 2013 and December 2013, respectively. As a result of the renewal and such settlements, we expect each of Samsung, SK hynix and Micron to account for a significant portion of our licensing revenue in the future. We expect to continue to experience significant revenue concentration for the foreseeable future.

In addition, our license agreements are complex and some contain terms that 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. These clauses may also require us to reduce royalties payable by existing customers when we enter into or amend agreements with other customers. Any adjustment that reduces royalties from current customers or licensees may have a material adverse effect on our operating results and financial condition.

We continue to negotiate with customers and prospective customers to enter into license agreements. Any future agreement may trigger our obligation to offer comparable terms or modifications to agreements with our existing customers, which may be less favorable to us than the existing license terms. We expect licensing fees will continue to vary based on our success in renewing existing license agreements and adding new customers, as well as the level of variation in our customers' reported shipment volumes, sales price and mix, offset in part by the proportion of customer payments that are fixed. In particular, under our license agreement with Samsung, the license fees payable by Samsung are subject to certain adjustments and conditions, and we therefore cannot provide assurances that the revenues generated by this license will not decline in the future. In addition, some of our material license agreements may contain rights by the customer to terminate for convenience, or upon certain other events, such as change of control, material breach, insolvency or bankruptcy proceedings. If we are unsuccessful in entering into license agreements with new customers or renewing license agreements with existing customers, on favorable terms or at all, or if they are terminated, our results of operations may decline significantly.

Our business and operations could suffer in the event of security breaches.

Attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts, which might be related to industrial or other espionage, include covertly introducing malware to our computers and networks and impersonating authorized users, among others. We seek to detect and investigate all security incidents and to prevent their recurrence, but in some cases, we might be unaware of an incident or its magnitude and effects. While we have not identified any material incidents of unauthorized access to date, the theft, unauthorized use or publication of our intellectual property and/or confidential business information could harm our competitive position and reputation, reduce the value of our investment in research and development and other strategic initiatives or otherwise adversely affect our business. To the extent that any future security breach results in inappropriate disclosure of our customers' confidential information, we may incur liability.

Failures in our products and services or in the products of our customers, including those resulting from security vulnerabilities, defects or errors, could harm our business.

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 data security technologies. Furthermore, our data security technologies may 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 customers or their end-customers, regardless of whether the breach is

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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 customers for breach of certain contract provisions;
- loss of existing or potential customers;
- delayed or lost revenue;
- delay or failure to attain market acceptance;
- negative publicity, which would harm our reputation; and
- litigation, regulatory inquiries or investigations that would be costly and harm our reputation.

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

We have no control over our customers' pricing of their products and there can be no assurance that licensed products will be competitively priced or will sell in significant volumes. Any premium charged by our customers in the price of memory and controller chips or other products over alternatives must be reasonable. If the benefits of our technology do not match the price premium charged by our customers, 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, lighting, data security, and other technologies can be lengthy. 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 customer. The length of time it takes to establish a new licensing relationship can take many months or even years. 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 failure to obtain or an undue delay in obtaining royalties.

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

Our lengthy license negotiation cycles could make our future revenue difficult to predict because we may not be successful in entering into licenses with our customers on our anticipated timelines.

In addition, 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 customers' 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.

Furthermore, a portion of our revenue comes from development and support services provided to our customers.

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 revenue accounting. Contract revenue accounting may result in deferral of the service fees to the completion of the contract, or may result in the recognition of service fees over the period in which services are performed on a percentage-of-completion basis.

We may fail to meet our publicly announced guidance or other expectations about our business, which would likely cause our stock price to decline.

We provide guidance regarding our expected financial and business performance including our anticipated future revenues and operating expenses. Correctly identifying the key factors affecting business conditions and predicting future events is inherently an uncertain process.

Such guidance may not always be accurate or may vary from actual results due to our inability to meet our assumptions and the impact on our financial performance that could occur as a result of the various risks and uncertainties to our business as set forth in these risk factors. We offer no assurance that such guidance will ultimately be accurate, and investors should treat any such guidance with appropriate caution. If we fail to meet our guidance or

if we find it necessary to revise such guidance, even if such failure or revision is seemingly insignificant, investors and analysts may lose confidence in us and the market value of our common stock could be materially adversely affected.

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We have in the past made and may in the future make acquisitions or enter into mergers, strategic investments, sales of assets or other arrangements that may not produce expected operating and financial results.

From time to time, we engage in acquisitions, strategic transactions and strategic investments. We completed a number of acquisitions from 2009 to 2012. Many of our acquisitions or strategic investments entail a high degree of risk, including those involving new areas of technology and such investments may not become liquid for several years after the date of the investment, if at all. Our acquisitions or strategic investments may not generate the financial returns we expect, we may discover unidentified issues not discovered in due diligence, and we may be subject to liabilities that either are not covered by indemnification protection we may obtain or become subject to litigation. Achieving the anticipated benefits of business acquisitions depends in part upon our ability to integrate the acquired businesses in an efficient and effective manner. The integration of companies that have previously operated independently may result in significant challenges, including, among others: retaining key employees; successfully integrating new employees, business systems and technology; retaining customers of the acquired business; minimizing the diversion of management's attention from ongoing business matters; coordinating geographically separate organizations; consolidating research and development operations; and consolidating corporate and administrative infrastructures.

Our strategic investments in new areas of technology may involve significant risks and uncertainties, including distraction of management from current operations, greater than expected liabilities and expenses, inadequate return of capital, and unidentified issues not discovered in due diligence. These investments are inherently risky and may not be successful.

In addition, we may record impairment charges related to our acquisitions or strategic investments. For example, in the third quarter of 2013, we recorded an impairment of goodwill related to our MTD reporting unit. Any losses or impairment charges that we incur related to acquisitions, strategic investments or sales of assets will have a negative impact on our financial results, and we may continue to incur new or additional losses related to acquisitions or strategic investments.

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

From time to time, we may also divest certain assets, where we may be required to provide certain representations, warranties and covenants to their buyers. While we would seek to ensure the accuracy of such representations and warranties and fulfillment of any ongoing obligations, we may not be completely successful and consequently may be subject to claims by a purchaser of such assets.

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 year ended December 31, 2014 and 2013, revenues received from our international customers constituted approximately 63% and 70%, respectively, of our total revenue. 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 customers has been denominated in U.S. dollars. However, to the extent that such customers' sales are not denominated in U.S. dollars, any royalties which are based on a percentage of the customers' 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 products sold by our foreign customers were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed products 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 France and business development operations in Japan, Korea and Taiwan. Our international operations and revenue are subject to a variety of risks which are beyond our control, including:

• hiring, maintaining and managing a workforce and facilities remotely and under various legal systems;

• natural disasters, acts of war, terrorism, widespread illness or security breaches;

• 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;

adverse tax 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;

- unanticipated changes in foreign government laws and regulations;
- 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;

social, political and economic instability;

geopolitical issues, including changes in diplomatic and trade relationships; and

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cultural differences in the conduct of business both with customers and in conducting business in our international facilities and international sales offices.

We and our customers are subject to many of the risks described above with respect to companies which are located in different countries. There can be no assurance that one or more of the risks associated with our international operations will 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 customers.

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about global or regional 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 customers in the foreseeable future. If our customers experience reduced demand for their products as a result of global or regional economic conditions or otherwise, this could result in reduced royalty revenue and 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 and/or settlement agreements, 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. 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 bankruptcy proceedings.

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, senior management and other key personnel. We recently have faced retention issues, such as when our employee turnover accelerated after our reduction-in-force efforts in 2012 and 2013 and subsequent voluntary and involuntary separations. The loss of the services of any key employees could be disruptive to our development efforts or business relationships and could cause our business and operations to suffer.

We are subject to various government restrictions and regulations, including on the sale of products and services that use encryption technology and those related to privacy and other consumer protection matters.

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, 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 CRD to license its data security technologies to the manufacturers and providers of such products and services in certain markets or may require CRD or its customers 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 CRD's customers to comply with such restrictions, could delay or prevent the acceptance and use of such customers' 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 CRD could subject us to sanctions and penalties, including fines, and suspension or revocation of export or import privileges.

We are subject to a variety of laws and regulations in the United States, the European Union and other countries that involve, for example, user privacy, data protection and security, content and consumer protection. A number of proposals are pending before federal, state, and foreign legislative and regulatory bodies that could significantly affect our business. Existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs and subject us to claims or other remedies.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established new disclosure and reporting requirements for those companies who use "conflict" minerals mined from the Democratic Republic of Congo and adjoining countries in their products, whether or not these products are manufactured by third parties. While these requirements continue to be the subject of ongoing litigation and, as a result, uncertainty, we submitted a conflicts minerals report on Form SD with the SEC on May 30, 2014. These requirements could affect the sourcing and availability of minerals that are used in the manufacture of our products. We have to date incurred costs and expect to incur significant additional costs

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associated with complying with the disclosure requirements, including for example, due diligence in regard to the sources of any conflict minerals used in our products, in addition to the cost of remediation and other changes to products, processes, or sources of supply as a consequence of such verification activities. Additionally, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins of all minerals used in our products through the due diligence procedures that we implement. We may also face challenges with government regulators and our customers and suppliers if we are unable to sufficiently verify that the metals used in our products are conflict free.

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 and Bangalore, India. 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 a catastrophe disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, so any resultant work 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 physical and cyber damage, and also susceptible to other related vulnerabilities common to networks and computer systems. 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.

We do not have extensive experience in manufacturing and marketing products and, as a result, may be unable to sustain and grow a profitable commercial market for new and existing products.

We do not have extensive experience in manufacturing and marketing products and, as a result, we rely, and may rely in the future, on manufacturing supply chain partners and/or sales and distribution channels for certain of our new and existing products. Certain of these partners are, and may be, our sole manufacturer or sole source of production materials. In addition, many of our purchases are on a purchase order basis, and we do not generally have long-term contracts with our contract manufacturers or suppliers. If we are unable to secure and manage manufacturing supply chain partners and/or sales and distribution channels, or if our partners do not effectively manufacture and/or sell our products, or if we are unable to obtain the necessary production materials to produce our products, our operating results may be adversely affected.

Warranty and product liability claims brought against us could cause us to incur significant costs and adversely affect our operating results as well as our reputation and relationships with customers.

We may from time to time be subject to warranty and product liability claims with regard to product performance and effects of our lighting solutions. We could incur losses as a result of repair and replacement costs in response to customer complaints or in connection with the resolution of contemplated or actual legal proceedings relating to such claims. In addition to potential losses arising from claims and related legal proceedings, product liability claims could affect our reputation and our relationship with customers.

Our business and operating results could be harmed if we undertake any restructuring activities.

From time to time, we may undertake restructurings of our business. There are several factors that could cause restructurings to have adverse effects 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. 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 would 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.

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Risks Related to Capitalization Matters and Corporate Governance

The price of our common stock may continue to fluctuate.

Our common stock is listed on The NASDAQ Global Select Market under the symbol "RMBS." The trading price of our common stock has at times experienced price volatility and may continue to fluctuate significantly in response to various factors, some of which are beyond our control. Some of these factors include:

any progress, or lack of progress, real or perceived, in the development of products that incorporate our innovations and technology companies' acceptance of our products, including the results of our efforts to expand into new target markets;

our signing or not signing new licenses and the loss of strategic relationships with any customer;

announcements of technological innovations or new products by us, our customers or our competitors;

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;

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;

new litigation and the unpredictability of litigation results or settlements; and

issuance of additional securities by us, including in acquisitions.

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.

We have outstanding senior convertible notes in an aggregate principal amount totaling \$138.0 million. Because these 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 such notes. In addition, the existence of these 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.

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.

We and certain of our current and former officers and directors, as well as our current auditors, were subject from 2006 to 2011 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 alleged that the defendants violated the federal and state securities laws and stated state law claims for fraud and breach of fiduciary duty. Although to date these complaints have either been settled or dismissed, the amount of time to resolve any future lawsuits is uncertain, and these matters could require significant management and financial resources.

Unfavorable outcomes and significant judgments, settlements and legal expenses in litigation related to 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 to meet other needs.

We have material indebtedness. In August 2013, we issued \$138.0 million aggregate principal amount of our 2018 Notes which remain outstanding. The degree to which we are leveraged could have negative consequences, including, but not limited to, the following:

- 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;

- 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 may be required for the payment of the principal amount of our existing indebtedness when it becomes due at maturity in August 2018; and

we may be required to make cash payments upon any conversion of the 2018 Notes, which would reduce our cash on hand.

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 outstanding 2018 Notes. Any required repurchase of the 2018 Notes as a result of a fundamental change or acceleration of the 2018 Notes would reduce our cash on hand such that we would not have those funds available for use in our business.

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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.

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 have historically created uncertainty for companies such as ours. Any new or changed laws, regulations and standards are subject to varying interpretations 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. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Our 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 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 stockholder rights plan could be implemented by our board;
- 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 2018 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 such 2018 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 such 2018 Notes, all or a portion of their 2018 Notes. We may also be required to increase the conversion rate of such 2018 Notes in the event of certain fundamental changes.

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 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, and we are currently undergoing such audits of certain of our tax returns. 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.

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Litigation, Regulation and Business Risks Related to our Intellectual Property

We have in the past, and may in the future, become engaged in litigation stemming from our efforts to protect and enforce our patents and intellectual property and make other claims, which could adversely affect our intellectual property rights, distract our management and cause substantial expenses and declines in our revenue and stock price. We seek to diligently protect our intellectual property rights and will continue to do so. While we are not currently involved in intellectual property litigation, any future litigation, whether or not determined in our favor or settled by us, would be expected to be costly, may cause delays applicable to our business (including delays in negotiating licenses with other actual or potential customers), would be expected to tend to discourage future design partners, would tend to impair adoption of our existing technologies and would divert the efforts and attention of our management and technical personnel from other business operations. In addition, we may be unsuccessful in any 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 customers on a temporary or permanent basis.

From time to time, we are subject to proceedings by government agencies that may result in adverse determinations against us 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 could 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.

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”). Any re-examination proceedings may be reviewed by the PTO's Patent Trial and Appeal Board (“PTAB”). The PTAB and the related former Board of Patent Appeals and Interferences (BPAI) have previously issued decisions in a few cases, finding some challenged claims of Rambus' patents to be valid, and others to be invalid. Decisions of the PTAB are subject to further PTO proceedings and/or appeal to the Court of Appeals for the Federal Circuit. A final adverse decision, not subject to further review and/or appeal, could invalidate some or all of the challenged patent claims and could also result in additional adverse consequences affecting other related U.S. or European patents, including in any 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 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 customers, as any litigation opponents may attempt to use such proceedings to delay or otherwise impair any pending cases and our existing or potential customers may await the final outcome of any proceedings before agreeing to new licenses or to paying 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. As we develop additional products and technology, we may face claims of infringement of various patents and other intellectual property rights by 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. 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 products.

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If we are unable to protect our inventions successfully 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;
- 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 or enforcing 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;
- 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.

Furthermore, policymakers, including the President, as well as certain industry stakeholders, have proposed reforming U.S. patent laws and regulations to address perceived issues surrounding patent litigation initiated by non-practicing entities. The federal courts, the USPTO, the Federal Trade Commission, and the U.S. International Trade Commission have also recently taken certain actions and issued rulings that have been viewed as unfavorable to patentees. While we cannot predict what form any new patent reform laws or regulations may ultimately take, or what impact they may have on our business, any laws or regulations that restrict or negatively impact our ability to enforce our patent rights against third parties could have a material adverse effect on our business.

In addition, our patents will continue to expire according to their terms, with expiration dates ranging from 2015 to 2038. 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 customers 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 customers' 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 customers 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 customers 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 customers. Therefore, we typically rely on the accuracy of the reports from customers without independently verifying the information in them. Our failure to audit our customers' 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 customers 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.

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Any dispute regarding our intellectual property may require us to indemnify certain customers, 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 customers could also become the target of litigation. While we generally do not indemnify our customers, some of our license agreements provide limited indemnities, and some require us to provide technical support and information to a customer 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 customers, a customer's development, marketing and sales of licensed semiconductors, lighting, 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2014, we occupied offices in the leased facilities described below:

Number of

Offices Under Lease	Location	Primary Use
6	United States Sunnyvale, CA (Corporate Headquarters) Chapel Hill, NC Brecksville, OH (2) San Francisco, CA Richardson, TX	Executive and administrative offices, research and development, sales and marketing and service functions Research and development Research and development, prototyping and light manufacturing facility Research and development Research and development
1	Bangalore, India	Administrative offices, research and development and service functions
1	Tokyo, Japan	Business development
1	Seoul, Korea	Business development
1	Taipei, Taiwan	Business development
1	Paris, France	Research and development

Item 3. Legal Proceedings

For the information required by this item regarding legal proceedings, see Note 18 "Litigation and Asserted Claims," of Notes to Consolidated Financial Statements of this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Common Stock is listed on The NASDAQ Global Select Market under the symbol "RMBS." The following table sets forth for the periods indicated the high and low sales price per share of our common stock as reported on The NASDAQ Global Select Market.

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	High	Low	High	Low
First Quarter	\$11.00	\$8.38	\$6.27	\$4.80
Second Quarter	\$14.82	\$10.74	\$8.99	\$5.31
Third Quarter	\$14.77	\$11.27	\$10.85	\$7.95
Fourth Quarter	\$12.55	\$9.87	\$10.57	\$8.15

The graph below compares the cumulative 5-year total return of holders of Rambus Inc.'s common stock with the cumulative total returns of the NASDAQ Composite index and the RDG Semiconductor Composite index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from December 31, 2009 to December 31, 2014.

Fiscal years ending:

	12/09	12/10	12/11	12/12	12/13	12/14
Rambus Inc.	100.00	83.93	30.94	19.96	38.81	45.45
NASDAQ Composite	100.00	117.61	118.70	139.00	196.83	223.74
RDG Semiconductor Composite	100.00	114.32	110.37	111.80	148.14	187.98

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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Information regarding our securities authorized for issuance under equity compensation plans will be included in Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters,” of this report on Form 10-K.

As of January 31, 2015, there were 585 holders of record of our common stock. Since many of the shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

We have never paid or declared any cash dividends on our common stock or other securities.

Share Repurchase Program

In October 2001, our Board of Directors (the “Board”) approved a share repurchase program of our common stock, principally to reduce the dilutive effect of employee stock options. Under this program, the Board approved the authorization to repurchase up to 19.0 million shares of our outstanding common stock over an undefined period of time. On February 25, 2010, the Board approved a new share repurchase program authorizing the repurchase of up to an additional 12.5 million shares.

For the years ended December 31, 2014 and 2013, we did not repurchase any shares of our common stock under our share repurchase program. As of December 31, 2014, 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 December 31, 2014, there remained an outstanding authorization to repurchase approximately 5.2 million shares of our outstanding common stock.

On January 21, 2015, our Board approved a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares. Share repurchases under the plan may be made through the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules, and regulations.

There is no expiration date applicable to the plan. This new stock repurchase program replaces the existing program approved by the Board in February 2010 and cancels the 5.2 million shares outstanding as part of the previous authorization. No repurchases have been made under the new plan.

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 price of the shares repurchased exceeds the average original proceeds per share received from the issuance of common stock.

Item 6. Selected Financial Data

The following selected consolidated financial data for and as of the years ended December 31, 2014, 2013, 2012, 2011 and 2010 was derived from our consolidated financial statements. The following selected consolidated financial data should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and Item 8, “Financial Statements and Supplementary Data,” and other financial data included elsewhere in this report. Our historical results of operations are not necessarily indicative of results of operations to be expected for any future period.

	Years Ended December 31,				
	2014 (2)	2013 (1) (2)	2012 (1)	2011 (2)	2010 (2)
	(In thousands, except per share amounts)				
Total revenue	\$296,558	\$271,501	\$234,051	\$312,363	\$323,390
Net income (loss)	\$26,201	\$(33,748)	\$(134,336)	\$(43,053)	\$150,917
Net income (loss) per share:					
Basic	\$0.23	\$(0.30)	\$(1.21)	\$(0.39)	\$1.34
Diluted	\$0.22	\$(0.30)	\$(1.21)	\$(0.39)	\$1.30
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	\$300,109	\$387,662	\$203,330	\$289,456	\$512,009
Total assets	\$588,279	\$713,379	\$587,812	\$693,654	\$663,172
Convertible notes	\$115,089	\$273,676	\$147,556	\$133,493	\$121,500
Stockholders’ equity	\$391,622	\$340,229	\$321,594	\$429,794	\$334,783

(1) The net loss for the years ended December 31, 2013 and 2012 included \$17.8 million and \$35.5 million, respectively, of impairment of goodwill and long-lived assets.

(2) The net income (loss) for the years ended December, 2014, 2013, 2011 and 2010 included \$2.0 million, \$0.5 million, \$6.2 million and \$126.8 million, respectively, of gain from settlement which was reflected as a reduction of operating costs and expenses.

Item 7. 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" 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.

Business Overview

We are an innovative technology solutions company that brings invention to market. Our customers leverage our customizable platforms, services and tools to improve, differentiate and accelerate the development of products and services. Our extensive technology portfolio addresses the evolving power, performance and security requirements of the mobile, cloud computing and connected device markets. We drive innovations in memory, chip interfaces and architectures, end-to-end security, and advanced LED lighting, while also looking to disruptions and opportunities in tomorrow's high-growth markets. We generate revenue by licensing our inventions and solutions and providing services to market-leading companies.

While we have historically focused our efforts on the development of technologies for electronics memory and chip interfaces, we have expanded our portfolio of inventions and solutions to address additional markets in lighting, chip and system security, as well as new areas within the semiconductor industry, such as computational sensing and imaging. We intend to continue our growth into new technology fields, consistent with our mission to create great value through our innovations and to make those technologies available through both our licensing and non-licensing business models. Key to our efforts will be hiring and retaining world-class inventors, scientists and engineers to lead the development of inventions and technology solutions for our fields of focus, and the management and business support personnel necessary to execute our plans and strategies.

During the third quarter of 2014, we renamed our Chief Technology Office, or CTO, organization as the Emerging Solutions Division, or ESD. We have four operational units: (1) Memory and Interfaces Division, or MID, which focuses on the design, development and licensing of technology that is related to memory and interfaces; (2) Cryptography Research Division, or CRD, which focuses on the design, development and licensing of technologies for chip and system security and anti-counterfeiting; (3) ESD, which includes our computational sensing and imaging group along with our development efforts in the area of emerging technologies; and (4) Lighting and Display Technologies, or LDT, which focuses on the design, development and licensing of technologies for lighting. As of December 31, 2014, MID and CRD were considered reportable segments as they met the quantitative thresholds for disclosure as a reportable segment. The results of the remaining operating segments were shown under "Other." For

additional information concerning segment reporting, see Note 7, “Segments and Major Customers,” of Notes to Consolidated Financial Statements of this Form 10-K.

Our strategy is to evolve from providing primarily patent licenses to providing additional technology, products and services while creating and leveraging strategic synergies to increase revenue. We believe that the successful execution of this strategy requires an exceptional business model that relies on the skills and talent of our employees. Accordingly, we seek to hire and

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retain world-class scientific and engineering expertise in all of our fields of technological focus, as well as the executive management and operating personnel required to successfully execute our business strategy. In order to attract the quality of employees required for this business model, we have created an environment and culture that encourages, fosters and supports research, development and innovation in breakthrough technologies with significant opportunities for broad industry adoption. We believe we have created a compelling company for inventors and innovators who are able to work within a business model and platform that focuses on technology development to drive strong future growth.

As of December 31, 2014, our semiconductor, lighting, security and other technologies are covered by 1,784 U.S. and foreign patents. Additionally, we have 710 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 business 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 our patented innovations provide our customers with the ability to achieve improved performance, lower risk, greater cost-effectiveness and other benefits in their products and services.

Our inventions and technology solutions are offered to our customers through either a patent license or a technology license. Today, a majority of our revenues are derived from patent licenses, through which we provide our customers a license to use a certain portion of our broad portfolio of patented inventions. The license provides our customers with a defined right to use our innovations in the customer's own digital electronics products, systems or services, as applicable. The licenses may also define the specific field of use where our customers may use or employ our inventions in their products. License agreements are structured with fixed, variable or a hybrid of fixed and variable royalty payments over certain defined periods ranging for periods up to ten years. Leading consumer product, semiconductor and system companies such as AMD, Broadcom, Cisco, Freescale, Fujitsu, GE, Intel, LSI, Micron, Nanya, Panasonic, Qualcomm, Renesas, Samsung, SK hynix, STMicroelectronics and Toshiba have licensed our patents for use in their own products. The majority of our intellectual property in MID was developed in-house and we have expanded our business strategy of monetizing our MID intellectual property to include the sale of select intellectual property. As any sales executed under this expanded strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue.

We also offer our customers technology licenses to support the implementation and adoption of our technology in their products or services. Our customers include leading companies such as Cooper Lighting, GE, IBM, Panasonic, Qualcomm, Samsung, Sony and Toshiba. Our technology license offerings include a range of technologies for incorporation into our customers' products and systems. We also offer a range of services as part of our technology licenses which can include know-how and technology transfer, product design and development, system integration, and other services. 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.

The remainder of our revenue is contract services revenue which includes license fees and engineering services fees. 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, sales, general and administration 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.

Executive Summary

During 2014, we signed license agreements with Cisco Systems, Nanya and Qualcomm Global Trading Pte. Ltd., a wholly-owned subsidiary of Qualcomm. We also unveiled the CryptoManager™ platform, a feature management solution developed by our CRD, with Qualcomm as lead customer. Additionally, CRD introduced a family of DPA

resistant cryptographic cores as an additional offering in our security solutions portfolio. As part of our overall IP cores program, these ready-to-use IP cores offer chipmakers an easy-to-integrate security solution with built-in side channel resistance for cryptographic functions across a wide range of connected devices. Furthermore, Northwest Logic, an intellectual property core designer and developer, has validated interoperability of the Rambus R+™ DDR4/3 PHY with the Northwest Logic DDR4/3 SDRAM Controller Core. We also unveiled our enhanced LabStation™ validation platform to address complex IP design and integration.

Engineering expenses continues to play a key role in our efforts to maintain product innovations. Our engineering expenses for the year ended December 31, 2014 increased \$0.8 million as compared to 2013 primarily due to increased cost of sales associated with sales of light guides of \$6.5 million, increased headcount related costs of \$1.8 million from higher number of

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employees in 2014, increased expenses related to software design tools of \$1.9 million, increased prototyping costs of \$1.7 million and legal patent costs of \$0.7 million, offset by decreased accrual of retention bonuses related to acquisitions of \$7.1 million as a result of the payouts, decreased amortization costs of \$2.2 million and decreased information technology costs of \$1.1 million.

Sales, general and administrative expenses for the year ended December 31, 2014 decreased \$1.7 million as compared to 2013 primarily due to decreased consulting costs of \$2.5 million, decreased depreciation expense of \$1.7 million, decreased stock-based compensation expenses of \$0.9 million, decreased accrual of retention bonuses related to acquisitions of \$0.8 million and decreased facilities costs of \$0.6 million partially offset by the one-time reversal of accrued SK hynix and Micron related litigation costs of \$9.0 million in the same period of 2013 and increased headcount related costs of \$1.2 million from higher number of employees in 2014.

Trends

There are a number of trends that may have a material impact on us in the future, including but not limited to, the evolution of memory technology, adoption of LEDs in general lighting, the use and adoption of our inventions or technologies and global economic conditions with the resulting impact on sales of consumer electronic systems. We have a high degree of revenue concentration, with our top five customers representing approximately 62%, 62% and 68% of our revenue for the years ended December 31, 2014, 2013 and 2012, respectively. As a result of renewing with Samsung in 2013 and settling with SK hynix and Micron in 2013, Samsung, SK hynix and Micron are expected to account for a significant portion of our ongoing licensing revenue. For the year ended December 31, 2014, revenue from Micron, Samsung and SK hynix each accounted for 10% or more of our total revenue. For the years ended December 31, 2013 and 2012, revenue from Samsung accounted for 10% or more of our total revenue in each year. We expect to continue to experience significant revenue concentration for the foreseeable future.

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

Our licensing cycle is lengthy, costly and unpredictable with any degree of certainty. We may incur costs in any particular period before any associated revenue stream begins, if at all. Our lengthy license negotiation cycles could make our future revenue difficult to predict because we may not be successful in entering into licenses with our customers in the amounts projected, or on our anticipated timelines. In addition, 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 customers' 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 or over the next year.

The semiconductor industry is intensely competitive and highly cyclical, limiting our visibility with respect to future sales. To the extent that macroeconomic fluctuations negatively affect our principal customers, 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 customers are partly a function of the adoption of our technologies by system companies. Many system companies purchase semiconductors containing our technologies from our customers and do not have a direct contractual relationship with us. Our customers 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 highly fragmented general lighting industry is undergoing a fundamental shift from incandescent technology to cold cathode fluorescent lights and LED driven technology due to 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's patents in LED edge-lit light guide technology can be applied in the design of next generation LED lighting products.

During 2013, we changed our business strategy to increase our focus on general lighting technologies instead of lower margin bulb products. With this shift to focus on the general lighting market, the strategy of the LDT group is to focus on providing the market with novel, patented light guide technologies and products to customers who are leading the transition to solid-state LED-based lamps and fixtures.

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Another shift in our business strategy regarding our core display patents led us in 2013 to sell a set of patent assets where the purchaser of the patents can proceed independently with a licensing program. We have a net proceeds-sharing program in place with the purchaser of the patents upon their licensing of these patent assets. We retain the rights to use certain application techniques and may selectively engage with customers to license our intellectual property and technology for use and applications as permitted under our agreement, including without limitation, display panel and designs.

Global demand for effective security technologies continues to increase. In particular, highly integrated devices such as smart phones and tablets are increasingly used for applications requiring security such as mobile payments, content protection, corporate information and user data. Our CRD is primarily focused on positioning its DPA countermeasures and CryptoFirewall™ technology solutions to capitalize on these trends and growing adoption among technology partners and customers.

Our revenue from companies headquartered outside of the United States accounted for approximately 63%, 70% and 73% of our total revenue for the years ended December 31, 2014, 2013 and 2012, respectively. We expect that revenue derived from international customers will continue to represent a significant portion of our total revenue in the future. To date, all of the revenue from international customers has been denominated in U.S. dollars. However, to the extent that such customers' sales to their customers are not denominated in U.S. dollars, any revenue 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 products sold by our foreign customers were to increase as a result of fluctuations in the exchange rate of the relevant currencies, demand for licensed products could fall, which in turn would reduce our revenue. We do not use financial instruments to hedge foreign exchange rate risk.

For additional information concerning international revenue, see Note 7, "Segments and Major Customers," of Notes to Consolidated Financial Statements of this Form 10-K.

Engineering costs in the aggregate increased and as a percentage of revenue decreased in the year ended December 31, 2014 as compared to the prior year. In the near term, we expect engineering costs in the aggregate to be higher as 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.

Sales, general and administrative expenses in the aggregate and as a percentage of revenue decreased in the year ended December 31, 2014 as compared to the prior year. In the past, our litigation expenses have been high and difficult to predict. Because we have successfully negotiated settlements and license agreements with SK hynix, Micron and Nanya during the course of 2013 and 2014, we have settled all outstanding litigation and should no longer have material litigation expenses related to these specific matters. In the near term, we expect our sales, general and administrative costs in the aggregate to remain relatively flat. To the extent litigation is again necessary, our expectations on the amount and timing of any future general and administrative costs is uncertain.

Our continued investment in research and development projects, involvement in any future litigation or other legal proceedings and any lower revenue from our customers in the future, will negatively affect our cash from operations. As a part of our overall business strategy, from time to time, we evaluate businesses and technologies for potential acquisition that are aligned with our core business and designed to supplement our growth. In 2014, we did not find any acquisition opportunities that met our criteria from a strategic and valuation perspective.

We continue to evaluate our acquisition options, but to provide us with more flexibility in returning capital back to our shareholders, on January 21, 2015, our Board authorized a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares, which we may tactically execute from time to time.

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Results of Operations

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

	Years Ended December 31,			
	2014	2013	2012	
Revenue:				
Royalties	91.6	% 97.3	% 99.3	%
Contract and other revenue	8.4	% 2.7	% 0.7	%
Total revenue	100.0	% 100.0	% 100.0	%
Operating costs and expenses:				
Cost of revenue*	14.1	% 12.2	% 12.1	%
Research and development*	37.1	% 43.5	% 60.0	%
Sales, general and administrative*	25.2	% 28.2	% 48.2	%
Restructuring charges	0.0	% 2.0	% 3.1	%
Impairment of goodwill and long-lived assets	—	% 6.5	% 15.2	%
Gain from sale of intellectual property	(1.2)	)% (0.5))% —	%
Gain from settlement	(0.6)	)% (0.2))% —	%
Total operating costs and expenses	74.6	% 91.7	% 138.6	%
Operating income (loss)	25.4	% 8.3	% (38.6))%
Interest income and other income, net	(0.1)	)% (0.6)	)% 0.0	%
Interest expense	(8.4)	)% (12.1)	)% (11.8))%
Interest and other income (expense), net	(8.5)	)% (12.7)	)% (11.8))%
Income (loss) before income taxes	16.9	% (4.4)	)% (50.4))%
Provision for income taxes	8.1	% 8.0	% 7.0	%
Net income (loss)	8.8	% (12.4)	)% (57.4))%

* Includes stock-based compensation:

Cost of revenue	0.0	% 0.0	% 0.0	%
Research and development	2.4	% 2.4	% 4.1	%
Sales, general and administrative	2.5	% 3.1	% 5.5	%

Segment Results

Revenue from the MID reportable segment decreased approximately \$5.7 million to \$226.3 million for the year ended December 31, 2014 from \$232.0 million for the year ended December 31, 2013. The decrease was primarily due to lower royalty revenue from Samsung, NVIDIA and XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product. The decreased revenue was partially offset by revenue from license agreements signed with SK hynix, Micron, Nanya and Qualcomm.

Segment operating income from the MID reportable segment decreased approximately \$11.7 million to \$185.5 million for the year ended December 31, 2014 from \$197.2 million for the year ended December 31, 2013. The decrease was primarily due to decrease in revenue as discussed above and increased headcount related costs due to higher number of employees in 2014.

Revenue from the CRD reportable segment increased approximately \$16.7 million to \$49.3 million for the year ended December 31, 2014 from \$32.6 million for the year ended December 31, 2013. The increase was primarily due to the license agreement signed with Qualcomm during 2014, the license agreement signed with Samsung during 2013 and new technology development contracts during 2014.

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Segment operating income from the CRD reportable segment increased approximately \$9.4 million to \$21.7 million for the year ended December 31, 2014 from \$12.3 million for the year ended December 31, 2013. The increase was primarily due to increase in revenue as discussed above, partially offset by increased headcount related costs from additional employees to support our cryptography development efforts.

Revenue from the Other segment increased approximately \$14.1 million to \$20.9 million for the year ended December 31, 2014 from \$6.8 million for the year ended December 31, 2013. The increase was primarily due to increased lighting technology development projects and sales of light guides.

Segment operating loss from the Other segment decreased approximately \$22.3 million to \$13.2 million for the year ended December 31, 2014 from \$35.5 million for the year ended December 31, 2013. The decrease was primarily due to increase in revenue as discussed above, gain from additional proceeds from sale of portfolio of patent assets covering lighting technologies during 2013 and decreased headcount related costs due to fewer average number of employees in 2014. The decrease was partially offset by increase in cost of sales associated with increased lighting product sales in 2014.

Revenue from the MID reportable segment increased approximately \$17.0 million to \$232.0 million for the year ended December 31, 2013 from \$215.0 million for the year ended December 31, 2012. The increase was primarily due to revenue recognized from new license agreements signed with SK hynix, Micron, STMicroelectronics and LSI Corporation during 2013. The increased revenue is partially offset by lower Samsung royalties which were allocated to the CRD reportable segment and lower royalties reported from decreased shipments related to DDR2 technologies and lower royalties from XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product.

Segment operating income from the MID reportable segment increased approximately \$21.7 million to \$197.2 million for the year ended December 31, 2013 from \$175.5 million for the year ended December 31, 2012. The increase was primarily due to increase in revenue as discussed above and decreased headcount related costs due to fewer average number of employees in 2013.

Revenue from the CRD reportable segment increased approximately \$14.8 million to \$32.6 million for the year ended December 31, 2013 from \$17.8 million for the year ended December 31, 2012. The increase was primarily due to the new license agreement signed with STMicroelectronics, the license agreement signed with Samsung and new evaluation and test equipment contracts signed during 2013.

Segment operating income from the CRD reportable segment increased approximately \$5.9 million to \$12.3 million for the year ended December 31, 2013 from \$6.4 million for the year ended December 31, 2012. The increase was primarily due to increase in revenue as discussed above, partially offset by increased headcount related costs from additional employees to support our cryptography development efforts.

Revenue from the Other segment increased approximately \$5.6 million to \$6.8 million for the year ended December 31, 2013 from \$1.2 million for the year ended December 31, 2012. The increase was primarily due to the roll-out of products using our LED edge-lit waveguide in 2013.

Segment operating loss from the Other segment decreased approximately \$6.4 million to \$35.5 million for the year ended December 31, 2013 from \$41.9 million for the year ended December 31, 2012. The decrease was primarily due to increase in revenue as discussed above and gain from sale of portfolio of patent assets covering lighting technologies during 2013, partially offset by increase in cost of sales due to introduction of lighting products in 2013.

	Years Ended December 31,			2013 to	2012 to	
	2014	2013	2012	2014	2013	
	(Dollars in millions)			Change	Change	
Total Revenue						
Royalties	\$271.5	\$264.1	\$232.4	2.8	% 13.7	%
Contract and other revenue	25.1	7.4	1.7	NM*	NM*	
Total revenue	\$296.6	\$271.5	\$234.1	9.2	% 16.0	%

*NM — percentage is not meaningful

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Royalty Revenue

Patent Licenses

Our patent royalties increased approximately \$11.8 million to \$260.9 million for the year ended December 31, 2014 from \$249.1 million for the same period in 2013. The increase was primarily due to revenue recognized from new license agreements signed with SK hynix and Micron during 2013 and Nanya and Qualcomm during 2014, partially offset by lower royalty payments from Samsung and NVIDIA. Of the \$260.9 million patent royalties for the year ended December 31, 2014, \$86.0 million is related to royalty revenue from settlement of past legal proceedings with SK hynix and Micron.

Our patent royalties increased approximately \$40.4 million to \$249.1 million for the year ended December 31, 2013 from \$208.7 million for the same period in 2012. The increase in 2013 was primarily due to revenue recognized from the new license agreements signed with SK hynix, Micron, STMicroelectronics and LSI Corporation. Of the \$249.1 million patent royalties for the year ended December 31, 2013, \$28.9 million is related to royalty revenue from settlement of past legal proceedings with SK hynix and Micron.

We are continuously in negotiations for licenses with prospective customers. We expect patent royalties will continue to vary from period to period based on our success in adding new customers, renewing or extending existing agreements, as well as the level of variation in our customers' reported shipment volumes, sales price and mix, offset in part by the proportion of customer payments that are fixed or hybrid in nature.

Technology Licenses

Royalties from technology licenses decreased approximately \$4.4 million to \$10.6 million for the year ended December 31, 2014 from \$15.0 million for the same period in 2013. The decrease was primarily due to lower royalties from XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product.

Royalties from technology licenses decreased approximately \$8.7 million to \$15.0 million for the year ended December 31, 2013 from \$23.7 million for the same period in 2012. The decrease was primarily due to lower royalties reported from decreased shipments related to DDR2 technologies and lower royalties from XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product.

We expect future technology licensing royalties from the Sony PlayStation®3 product to continue to decrease. In the future, we expect technology royalties will continue to vary from period to period based on our customers' shipment volumes, sales prices, and product mix.

Royalty Revenue by Reportable Segment

Royalty revenue from the MID reportable segment, which includes patent and technology license royalties, decreased approximately \$8.2 million to \$223.5 million for the year ended December 31, 2014 from \$231.7 million for the year ended December 31, 2013. The decrease was primarily due to lower royalty revenue from Samsung, NVIDIA and XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product. The decreased revenue was partially offset by revenue from license agreements signed with SK hynix, Micron, Nanya and Qualcomm.

Royalty revenue from the CRD reportable segment increased approximately \$14.5 million to \$45.7 million for the year ended December 31, 2014 from \$31.2 million for the year ended December 31, 2013. The increase was primarily due to the new license agreements signed with Qualcomm during 2014 and Samsung during 2013.

Royalty revenue from the Other segment increased \$1.1 million to \$2.3 million for the year ended December 31, 2014 from \$1.2 million for the year ended December 31, 2013. The increase was due to increased royalties from technology licenses associated with increased shipments of lighting products.

Royalty revenue from the MID reportable segment, which includes patent and technology license royalties, increased approximately \$17.7 million to \$231.7 million for the year ended December 31, 2013 from \$214.0 million for the year ended December 31, 2012. The increase was primarily due to revenue recognized from new license agreements signed with SK hynix, Micron, STMicroelectronics and LSI Corporation during 2013. The increased revenue is partially offset by lower Samsung royalties which were allocated to the CRD reportable segment and lower royalties reported from decreased shipments related to DDR2 technologies and lower royalties from XDR™ DRAM associated with decreased shipments of the Sony PlayStation®3 product.

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Royalty revenue from the CRD reportable segment increased approximately \$13.9 million to \$31.2 million for the year ended December 31, 2013 from \$17.3 million for the year ended December 31, 2012. The increase was primarily due to the new license agreement signed with STMicroelectronics and the license agreement signed with Samsung during 2013.

Royalty revenue from the Other segment increased slightly to \$1.2 million for the year ended December 31, 2013 from \$1.1 million for the year ended December 31, 2012.

Contract and Other Revenue

Contract and other revenue consists of revenue from technology development, sale of LED edge-lit products as well as sale of selected intellectual property developed by our MID business unit. Contract and other revenue increased approximately \$17.6 million to \$25.0 million for the year ended December 31, 2014 from \$7.4 million for the year ended December 31, 2013. The increase was primarily due to increased lighting technology development projects, sales of light guides and sale of selected intellectual property.

Contract and other revenue increased approximately \$5.7 million to \$7.4 million for the year ended December 31, 2013 from \$1.7 million for the year ended December 31, 2012. The increase was primarily due to increased revenue from roll-out of lighting products and services in 2013.

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

Contract and Other Revenue by Reportable Segments

Contract and other revenue from the MID reportable segment increased approximately \$2.6 million to \$2.9 million for the year ended December 31, 2014 from \$0.3 million for the year ended December 31, 2013, primarily due to sale of selected intellectual property. Contract and other revenue from the CRD reportable segment increased approximately \$2.2 million to \$3.6 million for the year ended December 31, 2014 from \$1.4 million for the year ended December 31, 2013, primarily due to new technology development contracts. Contract and other revenue from the Other segment increased approximately \$12.9 million to \$18.6 million for the year ended December 31, 2014 from \$5.7 million for the year ended December 31, 2013, primarily due to increased lighting technology development projects and sales of light guides.

Contract and other revenue from the MID reportable segment decreased approximately \$0.7 million to \$0.3 million for the year ended December 31, 2013 from \$1.0 million for the year ended December 31, 2012, primarily due to the absence of new technology development contracts in 2013. Contract and other revenue from the CRD reportable segment increased approximately \$0.9 million to \$1.4 million for the year ended December 31, 2013 from \$0.5 million for the year ended December 31, 2012, primarily due to new evaluation and test equipment contracts signed in 2013. Contract and other revenue from the Other segment increased approximately \$5.5 million to \$5.7 million for the year ended December 31, 2013 from \$0.2 million for the year ended December 31, 2012, primarily due to the roll-out of products using our LED edge-lit waveguide in 2013.

Engineering costs:

	Years Ended December 31,			2013 to 2014 Change	2012 to 2013 Change
	2014	2013	2012		
	(Dollars in millions)				
Engineering costs					
Cost of revenue	\$19.1	\$7.3	\$0.7	NM*	NM*
Amortization of intangible assets	22.9	25.9	27.7	(11.8)%	(6.5)%
Total cost of revenue	42.0	33.2	28.4	26.3%	17.1%
Research and development	102.8	111.4	131.0	(7.7)%	(14.9)%
Stock-based compensation	7.2	6.6	9.5	9.4%	(31.0)%
Total research and development	110.0	118.0	140.5	(6.7)%	(16.0)%
Total engineering costs	\$152.0	\$151.2	\$168.9	0.5%	(10.5)%

*NM — percentage is not meaningful

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Engineering costs are allocated between cost of revenue and research and development expenses. Cost of revenue reflects the portion of the total engineering costs which are specifically devoted to individual customer development and support services, costs of lighting products sold as well as amortization expense related to various acquired intellectual property for patent licensing. The balance of engineering costs, incurred for the development of applicable technologies, is charged to research and development. In a given period, the allocation of engineering costs between these two components is a function of the timing of the development and implementation schedules of individual customer contracts.

For the year ended December 31, 2014 as compared to the same period in 2013, total engineering costs increased 0.5% primarily due to increased cost of sales associated with sales of light guides of \$6.5 million, increased headcount related costs of \$1.8 million from higher number of employees in 2014, increased expenses related to software design tools of \$1.9 million, increased prototyping costs of \$1.7 million and legal patent costs of \$0.7 million, offset by decreased accrual of retention bonuses related to acquisitions of \$7.1 million as a result of the payouts, decreased amortization costs of \$2.2 million and decreased information technology costs of \$1.1 million.

For the year ended December 31, 2013 as compared to the same period in 2012, total engineering costs decreased 10.5% primarily due to decreased accrual of retention bonuses related to acquisitions of \$11.9 million, decreased patent legal costs of \$4.5 million due to cost saving measures, decreased prototyping costs of \$3.0 million due to cost saving measures, decreased stock-based compensation of \$2.9 million and decreased headcount related costs of \$1.8 million due to fewer average number of employees in 2013, partially offset by \$4.6 million increase in engineering costs which are included in cost of sales due to the introduction of lighting products and \$2.5 million increase in funding for our 2013 CIP which was higher than our 2012 CIP.

In the near term, we expect engineering costs to be higher as 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.

Sales, general and administrative costs:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Sales, general and administrative costs					
Sales, general and administrative costs	\$66.5	\$70.7	\$86.4	(6.0	)% (18.1
Litigation expense	0.8	(2.6	) 13.2	NM*	NM*
Stock-based compensation	7.5	8.3	13.0	(10.7	)% (35.6
Total sales, general and administrative costs	\$74.8	\$76.4	\$112.6	(2.2	)% (32.1

*NM — percentage is not meaningful

Sales, general and administrative expenses include expenses and costs associated with trade shows, public relations, advertising, litigation, general legal, insurance and other sales, marketing and administrative efforts. Litigation expenses have historically been a significant portion of our sales, general and administrative expenses and has declined over the past three years. Consistent with our business model, our licensing, sales and marketing activities aim to develop or strengthen relationships with potential new and current customers. In addition, we work with current customers through marketing, sales and technical efforts to drive adoption of their products that use our innovations and solutions, by system companies. Due to the long business development cycles we face and the semi-fixed nature of sales, general and administrative expenses in a given period, these expenses generally do not correlate to the level of revenue in that period or in recent or future periods.

For the year ended December 31, 2014 as compared to 2013, total sales, general and administrative costs decreased 2.2% due to decreased consulting costs of \$2.5 million, decreased depreciation expense of \$1.7 million, decreased stock-based compensation expenses of \$0.9 million, decreased accrual of retention bonuses related to acquisitions of \$0.8 million and decreased facilities costs of \$0.6 million partially offset by the one-time reversal of accrued SK hynix and Micron related litigation costs of \$9.0 million in the same period of 2013 and increased headcount related costs of \$1.2 million from higher number of employees in 2014.

For the year ended December 31, 2013 as compared to 2012, total sales, general and administrative costs decreased 32.1% which included a decrease in litigation expenses related to ongoing major cases of \$15.8 million (primarily due to the reversals of accrued related litigation costs of \$9.0 million related to the SK hynix and Micron lawsuits) and a decrease in stock-based compensation of \$4.6 million. Non-litigation and non-stock based compensation related sales, general and administrative costs decreased 18.1% for the year ended December 31, 2013 as compared to 2012, primarily due to decreased headcount related

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costs of \$5.0 million from the lower average number of employees in 2013, decreased expenses from various cost saving measures (which resulted in decreased consulting expenses of \$3.9 million, decreased costs related to sales and marketing events and activities of \$3.0 million and decreased facilities expenses of \$1.9 million) and decreased accrual of retention bonuses related to acquisitions of \$2.4 million, partially offset by \$2.3 million increase in funding for our 2013 CIP, which was higher than our 2012 CIP.

In the future, sales, general and administrative costs will vary from period to period based on the trade shows, advertising, legal, acquisition and other sales, marketing and administrative activities undertaken, and the change in sales, marketing and administrative headcount in any given period. In the near term, we expect our sales, general and administrative costs to remain relatively flat.

Restructuring charges:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Restructuring charges	\$0.0	\$5.5	\$7.3	(99.3)%	(24.0)%

During 2013, we initiated a restructuring program related primarily to our LDT group as a result of the change in our business strategy to reduce our focus on the lower margin bulb products. Additionally, we curtailed spending on our immersive media platform. As a result of these actions, we recorded an immaterial charge related to this plan during 2014 and a charge of \$3.4 million related primarily to the reduction in workforce in 2013. The restructuring plan was completed in 2014. Additionally, we recorded a charge of \$2.1 million during 2013 related primarily to the consolidation of certain facilities and the reduction in workforce which was part of our approved 2012 plan.

During 2012, we initiated a restructuring program to reduce overall corporate expenses which was expected to improve future profitability by reducing spending on marketing, general and administrative programs and refining some of our research and development efforts. As a result of the restructuring program, we recorded a charge of \$7.3 million during 2012 related primarily to the reduction in workforce, which included approximately \$1.8 million in early termination payments to certain employees related to their previous retention bonus arrangements. Refer to Note 16, "Restructuring Charges," of Notes to Consolidated Financial Statements of this Form 10-K for further discussion.

Impairment of goodwill and long-lived assets:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Impairment of goodwill and long-lived assets	\$—	\$17.8	\$35.5	(100.0)%	(50.0)%

During 2014, we did not record a charge for the impairment of long-lived assets or goodwill.

During 2013, we recorded a charge for the impairment of long-lived assets of \$9.7 million related primarily to our LDT group as a result of the change in our business strategy to reduce our focus on the lower margin bulb products. Additionally, we recorded a charge for the impairment of goodwill of \$8.1 million related to our MTD group as we curtailed our immersive media platform spending. Under generally accepted accounting principles, when indicators of potential impairment are identified, companies are required to conduct a review of the carrying amounts of goodwill and other long-lived assets to determine if impairment exists. We conducted this impairment review as a result of the change in our strategy related to the groups.

During 2012, we recorded a charge for the impairment of goodwill and long-lived assets of \$35.5 million within our LDT group. We conducted this impairment review as a result of the change in our business strategy with less focus on the higher margin display technology licensing and an increased focus on general lighting technologies. Refer to Note 6, "Intangible Assets and Goodwill," of Notes to Consolidated Financial Statements of this Form 10-K for further discussion.

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Gain from sale of intellectual property:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Gain from sale of intellectual property	\$3.5	\$1.4	\$—	NM*	N/A**

*NM — percentage is not meaningful

**N/A — not applicable

During 2014, we sold portfolios of our patent assets covering wireless and other technologies.

During 2013, we sold portfolios of our patent assets covering lighting technologies. As part of these transactions, we received an initial upfront payment and expect to receive subsequent payments when the purchaser of the patents is successful in licensing that portfolio. During 2014, we received \$3.4 million from the purchaser of the patents related to this transaction which was recorded as gain from sale of intellectual property.

Gain from settlement:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Gain from settlement	\$2.0	\$0.5	\$—	NM*	N/A**

*NM — percentage is not meaningful

**N/A — not applicable

The settlements with SK hynix and Micron are multiple element arrangements 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 SK hynix and the settlement with Micron which included a third party valuation using an income approach (the "SK hynix Fair Value" and "Micron Fair Value", respectively). The total gain from settlement related to the settlements with SK hynix and Micron was \$1.9 million and \$3.3 million, respectively. During the year ended December 31, 2014, we recognized \$2.0 million as gain from settlement, which represents the portion of the SK hynix Fair Value and Micron Fair Value of the cash consideration allocated to the resolution of the antitrust litigation settlements. Refer to Note 19, "Agreements with SK hynix and Micron," of Notes to Consolidated Financial Statements of this Form 10-K for further discussion.

Interest and other income (expense), net:

	Years Ended December 31,			2013 to 2014	2012 to 2013
	2014	2013	2012	Change	Change
	(Dollars in millions)				
Interest income and other income (expense), net	\$(0.3)	\$(1.6)	\$0.0	(82.7)%	NM*
Interest expense	(24.8)	(32.9)	(27.5)	(24.5)%	19.5 %
Interest and other income (expense), net	\$(25.1)	\$(34.5)	\$(27.5)	(27.2)%	25.6 %

*NM — percentage is not meaningful

Interest income and other income (expense), net, consists primarily of interest income generated from investments in high quality fixed income securities. Additionally, in 2013, during our review of the fair value of our \$2.0 million investment in a non-marketable equity security of a private company, based on the information provided by the private company, we determined that there was a decrease in the security's fair value. The fair value of the non-marketable equity security was determined based on an income approach, using level 3 fair value inputs, as it was deemed to be the most indicative of the security's fair value. Accordingly, we recorded an impairment charge of \$1.4 million related to our investment in the non-marketable equity security in 2013. In 2014, during our review of the remaining fair value of our \$0.6 million investment in the

non-marketable equity security of a private company, based on the information provided by the private company, we determined that there was a decrease in the security's fair value. Accordingly, we recorded an impairment charge for the entire remaining amount of \$0.6 million related to our investment in the non-marketable equity security in 2014. Interest expense consists of interest expense associated with our imputed facility lease obligations on the Sunnyvale and Ohio facilities and non-cash interest expense related to the amortization of the debt discount and issuance costs on the 5% convertible senior notes due 2014 (the "2014 Notes") and the 1.125% convertible senior notes due 2018 (the "2018 Notes"), as well as the coupon interest related to these notes. Interest expense decreased in 2014 as compared to the same period in 2013 primarily due to the repayment of the 2014 Notes in second quarter of 2014. For the years ended December 31, 2014, 2013 and 2012, we recognized \$4.5 million, \$4.4 million and \$4.1 million, respectively, of interest expense in connection with the imputed financing obligations in our statements of operations. We expect our non-cash interest expense to increase steadily as the notes reach maturity. See Note 11, "Convertible Notes," of Notes to Consolidated Financial Statements of this Form 10-K for additional details.

Provision for income taxes:

	Years Ended December 31,			2013 to 2014 Change	2012 to 2013 Change
	2014	2013	2012		
	(Dollars in millions)				
Provision for income taxes	\$24.0	\$21.7	\$16.5	10.7	% 32.1
Effective tax rate	47.9	% (180.8	)% (14.0)%	%

*NM — percentage is not meaningful

Our effective tax rate for the year ended December 31, 2014 was different from the U.S. statutory tax rate applied to our pretax income primarily due to the valuation allowance on our U.S. deferred tax assets and foreign withholding and income taxes. Our effective tax rates for the years ended December 31, 2013 and 2012 were different from the U.S. statutory tax rate applied to our pretax loss primarily due to the valuation allowance on our U.S. deferred tax assets and foreign withholding and income taxes.

For the year ended December 31, 2014, we paid withholding taxes of \$19.4 million. We recorded a provision for income taxes of \$24.0 million which was primarily comprised of withholding taxes, other foreign taxes and current state taxes. For the year ended December 31, 2013, we paid withholding taxes of \$19.3 million. We recorded a provision for income taxes of \$21.7 million which was primarily comprised of withholding taxes, other foreign taxes and current state taxes. For the year ended December 31, 2012, we paid withholding taxes of \$15.7 million. We recorded a provision for income taxes of \$16.5 million which was primarily comprised of withholding taxes, other foreign taxes and current state taxes.

As of December 31, 2014, we continued to maintain a valuation allowance against our U.S. deferred tax assets. Management periodically evaluates the realizability of our deferred tax assets based on all available evidence, both positive and negative. The realization of deferred tax assets is dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax attributes to fully utilize these assets. Based on all available evidence, we determined that it was not more likely than not that the deferred tax assets would be realized. Should we achieve sustained taxable income in the future, we would release the valuation allowance to recognize the deferred tax assets which would provide a valuable benefit to us.

Liquidity and Capital Resources

	December 31, 2014	December 31, 2013	
	(In millions)		
Cash and cash equivalents	\$ 154.1	\$ 338.7	
Marketable securities	146.0	49.0	
Total cash, cash equivalents, and marketable securities	\$ 300.1	\$ 387.7	
	Years Ended December 31,		
	2014	2013	2012
	(In millions)		
Net cash provided by (used in) operating activities	\$ 76.9	\$ 51.3	\$(17.5)
Net cash provided by (used in) investing activities	\$(97.9)	\$(2.3)	\$ 2.6
Net cash provided by (used in) financing activities	\$(163.5)	\$ 140.8	\$ 1.7

Liquidity

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. Additionally, substantially all of our cash and cash equivalents are in the United States. Our cash needs for the year ended December 31, 2014 were funded primarily from cash collected from our customers and, with respect to the repayment of the 2014 Notes, in part from our prior issuance of the 2018 Notes.

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. Additionally, we have no significant exposure to European sovereign debt. We continually monitor the credit risk in our portfolio and mitigate our credit risk exposures in accordance with our policies.

As a part of our overall business strategy, from time to time, we evaluate businesses and technologies for potential acquisition that are aligned with our core business and designed to supplement our growth. In 2014, we did not find any acquisition opportunities that met our criteria from a strategic and valuation perspective.

We continue to evaluate our acquisition options, but to provide us with more flexibility in returning capital back to our shareholders, on January 21, 2015, our Board authorized a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares, which we may tactically execute from time to time.

Operating Activities

Cash provided by operating activities of \$76.9 million for the year ended December 31, 2014 was primarily attributable to the cash generated from customer licensing. Changes in operating assets and liabilities for the year ended December 31, 2014 primarily included a decrease in accrued salaries and benefits and other accrued liabilities primarily due to the payment of retention bonuses and an increase in accounts receivable, offset by increases in income taxes payable and deferred revenue.

Cash provided by operating activities of \$51.3 million for the year ended December 31, 2013 was primarily attributable to cash generated from customer licensing. Changes in operating assets and liabilities for the year ended December 31, 2013 primarily included decreases in accrued litigation expenses primarily due to the one-time reversal of accrued SK hynix and Micron related litigation costs and accrued salaries and benefits and other accrued liabilities primarily due to the payment of retention bonuses, offset by decreases in prepaid expenses and other assets.

Cash used in operating activities of \$17.5 million for the year ended December 31, 2012 was primarily attributable to the net loss, adjusted for certain non-cash items, of \$14.4 million, which included the payment of \$8.6 million for the interest related to the 2014 Notes, and changes in operating assets and liabilities. Changes in operating assets and liabilities for the year ended December 31, 2012 primarily included decreases in prepaid expenses and other assets and accounts payable and accrued litigation due to payments of invoices, offset by increases in accrued salaries and benefits and other accrued liabilities, primarily due to our commitment to purchase intellectual property from Elpida.

Investing Activities

Cash used in investing activities of \$97.9 million for the year ended December 31, 2014 primarily consisted of cash paid for purchases of available-for-sale marketable securities of \$240.3 million, offset by proceeds from the maturities and sales of available-for-sale marketable securities of \$118.7 million and \$25.0 million, respectively. In addition, we paid \$7.2 million to acquire property, plant and equipment. We also received \$5.9 million from the sale of intellectual property.

Cash used in investing activities of \$2.3 million for the year ended December 31, 2013 primarily consisted of purchases of available-for-sale marketable securities of \$125.6 million, partially offset by maturities of available-for-sale marketable securities of \$119.6 million and proceeds from the sale of intellectual property of \$2.3 million.

Cash provided by investing activities of \$2.6 million for the year ended December 31, 2012 primarily consisted of proceeds from the maturities of available-for-sale marketable securities of \$183.1 million, partially offset by cash paid for purchases of available-for-sale marketable securities of \$110.7 million and the acquisition of Unity and other businesses of \$46.3 million, net of cash acquired. In addition, we paid \$21.8 million to acquire property, plant and equipment, primarily related to building improvements and computer equipment, and \$1.7 million for intangible assets.

Financing Activities

Cash used in financing activities was \$163.5 million for the year ended December 31, 2014. We repaid the principal of the 2014 convertible senior notes amounting to \$172.5 million, which became due in June 2014. We also received proceeds of \$11.1 million from the issuance of common stock under equity incentive plans, paid \$1.8 million due to payments under installment payment arrangements to acquire fixed assets and paid \$0.3 million related to the principal payments against the lease financing obligation.

Cash provided by financing activities was \$140.8 million for the year ended December 31, 2013. We received net proceeds of \$134.4 million from the issuance of the 2018 Notes. Additionally, we received proceeds of \$8.4 million from the issuance of common stock under our plans.

Cash provided by financing activities was \$1.7 million for the year ended December 31, 2012 primarily due to proceeds of \$4.1 million from issuance of common stock under equity incentive plans, partially offset by \$1.9 million for payments under installment payment arrangements to acquire fixed assets and \$0.5 million related to the principal payments against the lease financing obligation.

Contractual Obligations

On December 15, 2009, we entered into a lease agreement for approximately 125,000 square feet of office space located at 1050 Enterprise Way in Sunnyvale, California commencing on July 1, 2010 and expiring on June 30, 2020. The office space is used for our corporate headquarters, as well as engineering, sales, marketing and administrative operations and activities. We have two options to extend the lease for a period of 60 months each and a one-time option to terminate the lease after 84 months in exchange for an early termination fee. Pursuant to the terms of the lease, the landlord agreed to reimburse us approximately \$9.1 million, which was received by the year ended December 31, 2011. We recognized the reimbursement as an additional imputed financing obligation as such payment from the landlord is deemed to be an imputed financing obligation. On November 4, 2011, to better plan for future expansion, we entered into an amended lease for our Sunnyvale facility for approximately an additional 31,000 square feet of space commencing on March 1, 2012 and expiring on June 30, 2020. Additionally, a tenant improvement allowance to be provided by the landlord was approximately \$1.7 million. On September 29, 2012, we entered into a second amended Sunnyvale lease to reduce the tenant improvement allowance to approximately \$1.5 million. On January 31, 2013, we entered into a third amendment to the Sunnyvale lease to surrender the 31,000 square-foot space from the first amendment back to the landlord and recorded a total charge of \$2.0 million related to the surrender of the amended lease.

On March 8, 2010, we entered into a lease agreement for approximately 25,000 square feet of office and manufacturing areas, located in Brecksville, Ohio. The office space is used for LDT's engineering activities while the manufacturing space is used for the manufacturer of prototypes. This lease was amended on September 29, 2011 to expand the facility to approximately 51,000 total square feet and the amended lease will expire on July 31, 2019. We

have an option to extend the lease for a period of 60 months.

We undertook a series of structural improvements to ready the Sunnyvale and Brecksville facilities for our use. Since certain improvements to be constructed by us were considered structural in nature and we were responsible for any cost overruns, for accounting purposes, we were treated in substance as the owner of the construction project during the construction period. At the completion of each construction, 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

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continue to account for the building as owned real estate and to record an imputed financing obligation for our obligation to the legal owners.

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 was determined in accordance with the requirements of sale leaseback accounting. For the years ended December 31, 2014, 2013 and 2012, we recognized in our Consolidated Statements of Operations \$4.5 million, \$4.4 million and \$4.1 million, respectively, of interest expense in connection with the imputed financing obligation on these facilities. At December 31, 2014 and 2013, the imputed financing obligation balance in connection with these facilities was \$39.5 million and \$39.7 million, respectively, which was primarily classified under long-term imputed financing obligation.

In November 2011, we entered into a lease agreement for approximately 26,000 square feet of office space in San Francisco, California to be used for CRD's office space and is treated as an operating lease. This lease has a commencement date of February 1, 2012 and a lease term of 75 months from the commencement date. The annual base rent includes certain rent abatement and increases annually over the lease term.

In connection with the June 3, 2011 acquisition of CRD, we were obligated to pay a retention bonus to certain CRD employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment, in three equal amounts of approximately \$16.7 million. All three payments have been paid as of December 31, 2014 with the last portion paid in 2014.

On June 29, 2009, we entered into an Indenture with U.S. Bank, National Association, as trustee, relating to the issuance by us of \$150.0 million aggregate principal amount of the 2014 Notes. On July 10, 2009, an additional \$22.5 million in aggregate principal amount of 2014 Notes were issued as a result of the underwriters exercising their overallotment option. During the second quarter of 2014, we paid upon maturity the entire \$172.5 million in aggregate principal amount of the 2014 Notes. The aggregate principal amount of the 2014 Notes outstanding as of December 31, 2013 was \$172.5 million, offset by unamortized debt discount of \$8.5 million in the accompanying consolidated balance sheet. See Note 11, "Convertible Notes," of Notes to Consolidated Financial Statements of this Form 10-K for additional details.

On August 16, 2013, we entered into an Indenture with U.S. Bank, National Association, as trustee, relating to the issuance by us of \$138.0 million aggregate principal amount of the 2018 Notes. The aggregate principal amount of the 2018 Notes as of December 31, 2014 and 2013 was \$138.0 million, offset by unamortized debt discount of \$22.9 million and \$28.4 million, respectively, in the accompanying consolidated balance sheets. The unamortized discount related to the 2018 Notes is being amortized to interest expense using the effective interest method over the remaining 44 months until maturity of the 2018 Notes on August 15, 2018. See Note 11, "Convertible Notes," of Notes to Consolidated Financial Statements of this Form 10-K for additional details.

As of December 31, 2014, our material contractual obligations are as follows (in thousands):

	Total	2015	2016	2017	2018	2019	Thereafter
Contractual obligations (1)							
Imputed financing obligation (2)	\$34,387	\$6,011	\$6,156	\$6,302	\$6,447	\$6,602	\$2,869
Leases and other contractual obligations	9,839	6,403	1,763	1,333	340	—	—
Software licenses (3)	7,098	5,350	1,748	—	—	—	—
Acquisition retention bonuses (4)	70	70	—	—	—	—	—
Convertible notes	138,000	—	—	—	138,000	—	—
Interest payments related to convertible notes	6,211	1,553	1,553	1,553	1,552	—	—
Total	\$195,605	\$19,387	\$11,220	\$9,188	\$146,339	\$6,602	\$2,869

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately \$19.9 million including \$17.8 million recorded as a reduction of long-term deferred tax assets and \$2.1 million in long-term income taxes payable, as of December 31, 2014. As noted in Note 17, "Income Taxes," of Notes to

Consolidated Financial Statements of this Form 10-K, 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.

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(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 Consolidated Balance Sheets are the interest on the imputed financing obligation and the estimated common area expenses over the future periods. The amount includes the amended Ohio lease and the amended Sunnyvale lease.

(3) We have commitments with various software vendors for non-cancellable agreements generally having terms longer than one year.

(4) In connection with acquisitions, we are obligated to pay retention bonuses to certain employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment. The last payment of CRD retention bonuses was paid in cash during 2014.

Share Repurchase Program

In October 2001, our Board of Directors (the "Board") approved a share repurchase program of our common stock, principally to reduce the dilutive effect of employee stock options. Under this program, the Board approved the authorization to repurchase up to 19.0 million shares of our outstanding common stock over an undefined period of time. On February 25, 2010, the Board approved a new share repurchase program authorizing the repurchase of up to an additional 12.5 million shares.

For the years ended December 31, 2014 and 2013, we did not repurchase any shares of our common stock under our share repurchase program. As of December 31, 2014, 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 December 31, 2014, there remained an outstanding authorization to repurchase approximately 5.2 million shares of our outstanding common stock.

On January 21, 2015, our Board approved a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares. Share repurchases under the plan may be made through the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules, and regulations. There is no expiration date applicable to the plan. This new stock repurchase program replaces the existing program approved by the Board in February 2010 and cancels the 5.2 million shares outstanding as part of the previous authorization. No repurchases have been made under the new plan.

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 price 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 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.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Overview

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

Certain revenue contracts consist of service fees associated with integration of our solutions into our customers' products and fees associated with providing training, evaluation and test equipment to our customers. Under the accounting guidance, if the deliverables have standalone value upon delivery, we account for each deliverable separately. When multiple deliverables

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included in an arrangement are separated into different units of accounting, the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. We determine the relative selling price for a deliverable based on our best estimate of selling price (“BESP”). We have determined that vendor-specific objective evidence of selling price for each deliverable is not available as there lacks a consistent number of standalone sales and third-party evidence is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information. We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration include our discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where our services are sold, our price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by management, taking into consideration the go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices. In most cases, the relative values of the undelivered components are not significant to the overall arrangement and are typically delivered within twelve months after the core product has been delivered. In such agreements, selling price is determined for each component and any difference between the total of the separate BESP and total contract consideration (i.e. discount) is allocated pro-rata across each of the components in the arrangement.

During 2013, we expanded our business strategy of monetizing our patent portfolio to include the sale of selected intellectual property. Our MID business continues to grow its patent portfolio and actively engage with various external parties to monetize the patent portfolio and explore new revenue opportunities. As the sales of such patents developed by our MID business unit under this expanded strategy represents a component of our ongoing major or central operations, we record the related proceeds as revenue. As patent sales executed under this expanded strategy represent a component of our ongoing major or central operations and activities, we will record the related proceeds as revenue. We will recognize the revenue when there is persuasive evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Our revenue consists of royalty revenue and contract and other revenue derived from MID, CRD and LDT operating segments. Royalty revenue consists of patent license and technology license royalties. Contract and other revenue consists of fixed license fees, fixed engineering fees and service fees associated with integration of our technology solutions into our customers’ products as well as sale of products.

Royalty Revenue

We generally recognize royalty revenue upon notification by our customers and when deemed collectible. The terms of the royalty agreements generally either require customers to give us notification and to pay the royalties within a specified period or are based on a fixed royalty that is due within a specified period. Many of our customers have the right to cancel their licenses. In such arrangements, revenue is only recognized to the extent that is consistent with the cancellation provisions. Cancellation provisions within such contracts generally provide for a prospective cancellation with no refund of fees already remitted by customers for products provided and payment for services rendered prior to the date of cancellation. We have two types of royalty revenue: (1) patent license royalties and (2) technology license royalties.

Patent licenses - We license our broad portfolio of patented inventions to companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of our patent portfolio. The contractual terms of the agreements generally provide for payments over an extended period of time. For the licensing agreements with fixed royalty payments, we generally recognize revenue from these arrangements as amounts become due. For the licensing agreements with variable royalty payments which can be based on either a percentage of sales or number of units sold, we earn royalties at the time that the customers’ sales occur. Our customers, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. As we are unable to estimate the customers’ sales in any given quarter to determine the royalties due to us, we recognize royalty revenues based on royalties reported by customers during the quarter and when other revenue recognition criteria are met.

In addition, we may enter into certain settlements of patent infringement disputes. The amount of consideration received upon any settlement (including but not limited to past royalty payments, future royalty payments and punitive damages) is allocated to each element of the settlement based on the fair value of each element. In addition, revenues related to past royalties are recognized upon execution of the agreement by both parties, provided that the amounts are fixed or determinable, there are no significant undelivered obligations and collectability is reasonably assured. We do not recognize any revenues prior to execution of the agreement since there is no reliable basis on which we can estimate the amounts for royalties related to previous periods or assess collectability. Elements that are related to royalty revenue in nature (including but not limited to past royalty payments and future royalty payments) will be recorded as royalty revenue in the consolidated statements of operations. Elements that are not related to royalty revenue in nature (including but not limited to punitive damage and settlement) will be recorded as gain from settlement which is reflected as a separate line item within the operating expenses section in the consolidated statements of operations.

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Technology licenses - We develop proprietary and industry-standard products that we provide to our customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. We earn royalties on such licensed products sold worldwide by our customers at the time that the customers' sales occur. Our customers, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. As we are unable to estimate the customers' sales in any given quarter to determine the royalties due to us, we recognize royalty revenues based on royalties reported by customers during the quarter and when other revenue recognition criteria are met.

Contract and Other Revenue

We recognize revenue from the sale of products when risk of loss and title have transferred to customers provided all other revenue recognition criteria have been met. We accrue for sales returns and warranty based on experience, none of which are currently material.

We generally recognize revenue using percentage of completion or proportional performance for development contracts related to licenses of our solutions that involve significant engineering and integration services. For all license and service agreements accounted for using the percentage-of-completion method, we determine progress to completion using input measures based upon contract costs incurred. We have evaluated use of output measures versus input measures and have determined that our output is not sufficiently uniform with respect to cost, time and effort per unit of output to use output measures as a measure of progress to completion.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Goodwill is not subject to amortization, but is subject to at least an annual assessment for impairment, applying a fair-value based test. We perform our impairment analysis of goodwill on an annual basis during the fourth quarter of the year unless conditions arise that warrant a more frequent evaluation.

Goodwill is allocated to the various reporting units which are generally operating segments. The goodwill impairment test involves a two-step process. In the first step, we compare the fair value of each reporting unit to its carrying value. The fair values of the reporting units are estimated using an income or discounted cash flows approach.

Under the income approach, we measure fair value of the reporting unit based on a projected cash flow method using a discount rate determined by our management which is commensurate with the risk inherent in our current business model. Our discounted cash flow projections are based on our annual financial forecasts developed internally by management for use in managing our business. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, we must perform the second step of the impairment test to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired by a market participant in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

Given the current economic environment and the uncertainties regarding the impact on our business, there can be no assurance that the estimates and assumptions made for purposes of our goodwill impairment testing in the fourth quarter of 2014 will prove to be accurate predictions of the future. If our assumptions regarding forecasted revenues or operating margin rates are not achieved, we may be required to record goodwill impairment charges in future periods, whether in connection with the next annual impairment testing or prior to that if any change constitutes a triggering event outside of the period when the annual goodwill impairment test is performed. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material. We believe that the assumptions and rates used in our impairment test are reasonable. However, they are judgmental, and variations in any of the assumptions or rates could result in materially different calculations of impairment amounts.

Intangible Assets

Intangible assets are comprised of existing technology, customer contracts and contractual relationships, and other intangible assets. Identifiable intangible assets resulting from the acquisitions of entities accounted for using the

purchase method of accounting are estimated by management based on the fair value of assets received. Identifiable intangible assets are being amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from 1 to 10 years.

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We amortize long-lived assets over their estimated useful lives. We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The carrying value is not recoverable if it exceeds the undiscounted cash flows resulting from the use of the asset and its eventual disposition. Our estimates of future cash flows attributable to our long-lived assets require significant judgment based on our historical and anticipated results and are subject to many factors. Factors we consider important which could trigger an impairment review include significant negative industry or economic trends, significant loss of clients, and significant changes in the manner of our use of the acquired assets or the strategy for our overall business.

When we determine that the carrying value of the long-lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure the potential impairment based on a projected discounted cash flow method using a discount rate determined by our management to be commensurate with the risk inherent in our current business model. An impairment loss is recognized only if the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. Different assumptions and judgments could materially affect the calculation of the fair value of our long-lived assets.

Income Taxes

As part of preparing our consolidated financial statements, we are required to calculate the income tax expense or benefit which relates to the pretax income or loss for the period. In addition, we are required to assess the realization of the deferred tax asset or liability to be included on the consolidated balance sheet as of the reporting dates.

As of December 31, 2014, our consolidated balance sheet included net deferred tax assets, before valuation allowance, of approximately \$189.4 million, which consists of net operating loss carryovers, tax credit carryovers, amortization, employee stock-based compensation expenses and certain liabilities, partially reduced by deferred tax liabilities associated with the convertible debt instruments. As of December 31, 2014, a valuation allowance of \$193.9 million created a net deferred tax liability of \$4.5 million. Management periodically evaluates the realizability of our net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. Our forecasted future operating results are highly influenced by, among other factors, assumptions regarding (1) our ability to achieve our forecasted revenue, (2) our ability to effectively manage our expenses in line with our forecasted revenue and (3) general trends in the industries in which we operate.

We periodically evaluate the realizability of our net deferred tax assets based on all available evidence, both positive and negative. The realization of net deferred tax assets is dependent on our ability to generate sufficient future taxable income during periods prior to the expiration of tax statutes to fully utilize these assets. We weighed both positive and negative evidence and determined that there is a continued need for a valuation allowance. As of December 31, 2014, we were in a cumulative loss position over the previous three years, which we considered significant negative evidence. A sustained period of profitability in our operations is required before we would change our judgment regarding the need for a full valuation allowance against our net deferred tax assets. Although the weight of negative evidence related to cumulative losses is decreasing as the uncertainty around litigation settlement is reducing, we believe that this objectively-measured negative evidence outweighs the subjectively-determined positive evidence of future profitability and, as such, we have not changed our judgment regarding the need for a full valuation allowance on our deferred tax assets in the United States in 2014. However, continued improvement in our operating results, conditioned on our MID, LDT or CRD reporting units successfully commercializing new business arrangements, signing new or renewing existing license agreements and managing costs, could lead to reversal of almost all of our valuation allowance as early as 2015. Until such time, consumption of tax attributes to offset profits will reduce the overall level of deferred tax assets subject to valuation allowance. Should we determine that we would be able to realize our remaining deferred tax assets in the foreseeable future, an adjustment to our remaining deferred tax assets would cause a material increase to income in the period such determination is made.

Significant management judgment is required in determining the period in which the reversal of a valuation allowance should occur. We consider all available evidence, both positive and negative, such as historical levels of income and future forecasts of taxable income amongst other items in determining whether a full or partial release of a valuation allowance is required. In addition, our assessments sometimes require us to schedule future taxable income in

accordance with FASB Accounting Standards Codification (“ASC”) 740 Income Taxes, to assess the appropriateness of a valuation allowance which further requires the exercise of significant management judgment. We will continue to evaluate the ability to realize, by jurisdiction, our deferred tax assets and related valuation allowances on a quarterly basis based on our cumulative income position and income trend as well as our future projections of sustained profitability and whether this profitability trend constitutes sufficient positive evidence to support a reversal of our valuation allowance (in full or in part).

Tax attributes related to stock option windfall deductions are not to be recognized until they result in a reduction of cash taxes payable. The benefit of these excess tax benefits will be recorded to equity when they reduce cash taxes payable. We will only recognize a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after

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all other tax attributes currently available have been utilized. In addition, we have elected to account for the indirect effects of stock-based awards on other tax attributes, such as the research tax credits, through the consolidated statement of operations as part of the tax effect of stock-based compensation.

The calculation of our tax liabilities involves uncertainties in the application of complex tax law and regulations in a multitude of jurisdictions. Although ASC 740 Income Taxes, provides further clarification on the accounting for uncertainty in income taxes, significant judgment is required by management. If the ultimate resolution of tax uncertainties is different from what is currently estimated, it could materially affect income tax expense.

Stock-Based Compensation

We 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, we sponsor an Employee Stock Purchase Plan (“ESPP”), whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

The accounting guidance for share-based payments requires the measurement and recognition of compensation expense in our statement of operations for all share-based payment awards made to our employees, directors and consultants including employee stock options, nonvested equity stock and equity stock units, and employee stock purchase grants. Stock-based compensation expense is measured at grant date, based on the estimated fair value of the award, reduced by an estimate of the annualized rate of expected forfeitures, and is recognized as expense over the employees’ expected requisite service period, generally using the straight-line method. In addition, the accounting guidance for share-based payments requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed under previous accounting rules. Our forfeiture rate represents the historical rate at which our stock-based awards were surrendered prior to vesting. The accounting guidance for share-based payments requires forfeitures to be estimated at the time of grant and revised on a cumulative basis, if necessary, in subsequent periods if actual forfeitures differ from those estimates. See Note 13, “Equity Incentive Plans and Stock-Based Compensation,” of Notes to Consolidated Financial Statements of this Form 10-K for more information regarding the valuation of stock-based compensation.

Recent Accounting Pronouncements

See Note 3, “Recent Accounting Pronouncements,” of Notes to Consolidated Financial Statements of this Form 10-K for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 7A. 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- by Fitch. By corporate investment 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. Additionally, we have no significant exposure to European sovereign debt.

We invest our cash equivalents and marketable securities in a variety of U.S. dollar financial instruments such as U.S. Treasuries, U.S. 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 December 31, 2014, we had an investment portfolio of fixed income

marketable securities of \$270.9 million including cash equivalents. If market interest rates were to increase immediately and uniformly by 1.0% from the levels as of December 31, 2014, the fair value of the portfolio would decline by approximately \$0.7 million. Actual results may differ materially from this sensitivity analysis.

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.

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 design centers in India and France and small business development offices in Japan, Korea and Taiwan. We monitor our foreign currency exposure; however, as of December 31, 2014, we believe our foreign currency exposure is not material enough to warrant foreign currency hedging.

Item 8. Financial Statements and Supplementary Data

See Item 15 “Exhibits and Financial Statement Schedules” of this Form 10-K for required financial statements and supplementary data.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 December 31, 2014, our disclosure controls and procedures were effective.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of assets;
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial
- (ii) statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on the results of this assessment, management has concluded that, as of December 31, 2014, our internal control over financial reporting was effective based on the criteria in Internal Control — Integrated Framework (2013) issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers, LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There was no change in internal control over financial reporting during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K. The information under the heading “Our Executive Officers” in Part I, Item 1 of this Annual Report on Form 10-K is also incorporated herein by reference.

We have a Code of Business Conduct and Ethics for all of our directors, officers and employees. Our Code of Business Conduct and Ethics is available on our website at <http://investor.rambus.com/documentdisplay.cfm?DocumentID=8379>. To date, there have been no waivers under our Code of Business Conduct and Ethics. We will post any amendments or waivers, if and when granted, of our Code of Business Conduct and Ethics on our website.

Item 11. Executive Compensation

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

Item 14. Principal Accountant Fees and Services

The information responsive to this item is incorporated herein by reference to our Proxy Statement for our 2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements

The following consolidated financial statements of the Registrant and Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included herewith:

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>47</u>
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	<u>48</u>
<u>Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012</u>	<u>49</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2014, 2013 and 2012</u>	<u>50</u>
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(a) (2) Financial Statement Schedule

All schedules are omitted because they are not applicable or the required information is shown in the Financial Statements or the notes thereto.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Rambus Inc.:

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Rambus Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 20, 2015

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RAMBUS INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(In thousands, except shares and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$154,126	\$338,696
Marketable securities	145,983	48,966
Accounts receivable	6,001	2,251
Prepays and other current assets	8,541	8,253
Deferred taxes	187	205
Total current assets	314,838	398,371
Intangible assets, net	89,371	117,172
Goodwill	116,899	116,899
Property, plant and equipment, net	64,023	72,642
Deferred taxes, long term	536	4,797
Other assets	2,612	3,498
Total assets	\$588,279	\$713,379
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$6,962	\$7,001
Accrued salaries and benefits	14,840	33,448
Convertible notes, short-term	—	164,047
Deferred revenue	4,133	466
Other current liabilities	8,723	7,880
Total current liabilities	34,658	212,842
Convertible notes, long-term	115,089	109,629
Long-term imputed financing obligation	39,063	39,349
Long-term income taxes payable	2,769	6,561
Other long-term liabilities	5,078	4,769
Total liabilities	196,657	373,150
Commitments and contingencies (Notes 12 and 18)		
Stockholders' equity:		
Convertible preferred stock, \$.001 par value:		
Authorized: 5,000,000 shares; Issued and outstanding: no shares at December 31, 2014 and December 31, 2013	—	—
Common Stock, \$.001 par value:		
Authorized: 500,000,000 shares; Issued and outstanding: 115,161,675 shares at December 31, 2014 and 113,459,390 shares at December 31, 2013	115	113
Additional paid in capital	1,153,435	1,128,148
Accumulated deficit	(761,526	) (787,727)
Accumulated other comprehensive loss	(402	) (305)
Total stockholders' equity	391,622	340,229
Total liabilities and stockholders' equity	\$588,279	\$713,379
See Notes to Consolidated Financial Statements		

Table of ContentsRAMBUS INC.
CONSOLIDATED STATEMENTS OF OPERATIONSYears Ended December 31,
2014 2013 2012
(In thousands, except per share amounts)

Revenue:			
Royalties	\$271,521	\$264,111	\$232,385
Contract and other revenue	25,037	7,390	1,666
Total revenue	296,558	271,501	234,051
Operating costs and expenses:			
Cost of revenue*	41,947	33,215	28,372
Research and development*	110,025	117,981	140,503
Sales, general and administrative*	74,770	76,467	112,838
Restructuring charges	39	5,546	7,301
Impairment of goodwill and long-lived assets	—	17,751	35,471
Gain from sale of intellectual property	(3,529)	) (1,388)) —
Gain from settlement	(2,040)	) (535)) —
Total operating costs and expenses	221,212	249,037	324,485
Operating income (loss)	75,346	22,464	(90,434)
Interest income and other income (expense), net	(276)	) (1,596)	) 59
Interest expense	(24,820)	) (32,885)	) (27,510)
Interest and other income (expense), net	(25,096)	) (34,481)	) (27,451)
Income (loss) before income taxes	50,250	(12,017)	(117,885)
Provision for income taxes	24,049	21,731	16,451
Net income (loss)	\$26,201	\$(33,748)	) \$(134,336)
Net income (loss) per share:			
Basic	\$0.23	\$(0.30)	) \$(1.21)
Diluted	\$0.22	\$(0.30)	) \$(1.21)
Weighted average shares used in per share calculations:			
Basic	114,318	112,415	110,769
Diluted	117,624	112,415	110,769

* Includes stock-based compensation:

Cost of revenue	\$44	\$19	\$20
Research and development	\$7,216	\$6,597	\$9,546
Sales, general and administrative	\$7,470	\$8,365	\$12,980

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Net income (loss)	\$26,201	\$(33,748)	\$(134,336)
Other comprehensive income (loss):			
Unrealized gain (loss) on marketable securities, net of tax	(97)	(5)	89
Total comprehensive income (loss)	\$26,104	\$(33,753)	\$(134,247)
See Notes to Consolidated Financial Statements			

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RAMBUS INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Gain (Loss)	Total
	Shares	Amount				
	(In thousands)					
Balances at December 31, 2011	110,267	\$110	\$1,049,716	\$(619,643)	\$(389)	\$429,794
Net loss	—	—	—	(134,336)	—	(134,336)
Unrealized gain on marketable securities, net of tax	—	—	—	—	89	89
Issuance of common stock upon exercise of options, equity stock and employee stock purchase plan	1,258	2	3,499	—	—	3,501
Stock-based compensation	—	—	22,546	—	—	22,546
Balances at December 31, 2012	111,525	112	1,075,761	(753,979)	(300)	321,594
Net loss	—	—	—	(33,748)	—	(33,748)
Unrealized loss on marketable securities, net of tax	—	—	—	—	(5)	(5)
Issuance of common stock upon exercise of options, equity stock and employee stock purchase plan	1,934	1	7,864	—	—	7,865
Stock-based compensation	—	—	14,981	—	—	14,981
Equity component of 1.125% convertible senior notes due 2018	—	—	29,542	—	—	29,542
Balances at December 31, 2013	113,459	113	1,128,148	(787,727)	(305)	340,229
Net income	—	—	—	26,201	—	26,201
Unrealized loss on marketable securities, net of tax	—	—	—	—	(97)	(97)
Issuance of common stock upon exercise of options, equity stock and employee stock purchase plan	1,703	2	10,557	—	—	10,559
Stock-based compensation	—	—	14,730	—	—	14,730
Balances at December 31, 2014	115,162	\$115	\$1,153,435	\$(761,526)	\$(402)	\$391,622

See Notes to Consolidated Financial Statements

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RAMBUS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	\$26,201	\$(33,748)	\$(134,336)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Stock-based compensation	14,730	14,981	22,546
Depreciation	13,625	15,451	13,190
Amortization of intangible assets	26,618	28,909	30,345
Non-cash interest expense and amortization of convertible debt issuance costs	14,763	19,296	14,695
Impairment of goodwill and long-lived assets	—	17,751	35,471
Impairment of investment in non-marketable equity security	600	1,400	—
Deferred tax provision	2,310	1,919	3,728
Non-cash restructuring	—	653	—
Loss on disposal of property, plant and equipment	—	364	8
Gain from sale of intellectual property	(3,529)	(1,388)	—
Change in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(3,750)	(1,722)	497
Prepays and other assets	(2,431)	6,174	8,379
Accounts payable	2,006	(1,544)	(9,664)
Accrued salaries and benefits and other accrued liabilities	(19,893)	533	(5,757)
Accrued litigation expenses	(232)	(9,324)	(680)
Income taxes payable	2,263	(716)	(3,522)
Deferred revenue	3,667	(7,647)	7,604
Net cash provided by (used in) operating activities	76,948	51,342	(17,496)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(7,204)	(6,938)	(21,809)
Acquisition of intangible assets	—	(2,656)	(1,700)
Purchases of marketable securities	(240,281)	(125,554)	(110,716)
Maturities of marketable securities	118,735	119,600	183,086
Proceeds from sale of marketable securities	24,986	11,020	—
Proceeds from sale of intellectual property and property, plant and equipment	5,859	2,255	—
Acquisition of businesses, net of cash acquired	—	—	(46,278)
Net cash provided by (used in) investing activities	(97,905)	(2,273)	2,583
Cash flows from financing activities:			
Proceeds from issuance of convertible senior notes	—	138,000	—
Issuance costs related to issuance of convertible senior notes	—	(3,603)	—
Proceeds received from issuance of common stock under employee stock plans	11,079	8,391	4,103
Payments under installment payment arrangement	(1,773)	(1,829)	(1,923)
Principal payments against financing lease obligation	(322)	(178)	(522)
Repayment of senior convertible notes	(172,500)	—	—
Net cash provided by (used in) financing activities	(163,516)	140,781	1,658
Effect of exchange rate changes on cash and cash equivalents	(97)	(138)	(5)

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Net increase (decrease) in cash and cash equivalents	(184,570)	189,712	(13,260)
Cash and cash equivalents at beginning of year	338,696	148,984	162,244
Cash and cash equivalents at end of year	\$ 154,126	\$ 338,696	\$ 148,984

Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	\$5,861	\$8,625	\$8,625
Income taxes, net of refunds	\$20,691	\$18,720	\$16,384

Non-cash investing and financing activities:

Non-cash obligation for property, plant and equipment	\$—	\$—	\$2,512
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Property, plant and equipment received and accrued in accounts payable and other accrued liabilities	\$548	\$5,909	\$1,709
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See Notes to Consolidated Financial Statements

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RAMBUS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Formation and Business of the Company

Rambus Inc. (the “Company” or “Rambus”), the innovative technology solutions company that brings invention to market, was incorporated in California in March 1990 and reincorporated in Delaware in March 1997. In addition to licensing, the Company is creating new business opportunities through offering products and services where its goal is to perpetuate strong company operating performance and long-term stockholder value. The Company generates revenue by licensing its inventions and solutions, whether in the form of patent licensing, solutions licensing, services or products, to market-leading companies.

While the Company has historically focused its efforts on the development of technologies for electronics memory and chip interfaces, the Company has expanded its portfolio of inventions and solutions to address additional markets in lighting, chip and system security, as well as new areas within the semiconductor industry, such as computational sensing and imaging. The Company intends to continue its growth into new technology fields, consistent with its mission to create great value through the Company's innovations and to make those technologies available through both its licensing and non-licensing business models. Key to the Company's efforts will be hiring and retaining world-class inventors, scientists and engineers to lead the development of inventions and technology solutions for its fields of focus, and the management and business support personnel necessary to execute its plans and strategies.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances were reclassified to conform to the current year's presentation. None of these reclassifications had an impact on reported net income (loss) or cash flows for any of the periods presented.

Revenue Recognition

Overview

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

Certain revenue contracts consist of service fees associated with integration of Rambus' solutions into its customers' products and fees associated with providing training, evaluation and test equipment to its customers. Under the accounting guidance, if the deliverables have standalone value upon delivery, Rambus accounts for each deliverable separately. When multiple deliverables included in an arrangement are separated into different units of accounting, the arrangement consideration is allocated to the identified separate units based on a relative selling price hierarchy. Rambus determines the relative selling price for a deliverable based on its best estimate of selling price (“BESP”). Rambus has determined that vendor-specific objective evidence of selling price for each deliverable is not available as there lacks a consistent number of standalone sales and third-party evidence is not a practical alternative due to differences in its service offerings compared to other parties and the availability of relevant third-party pricing

information. Rambus determined BESP by considering its overall pricing objectives and market conditions. Significant pricing practices taken into consideration include discounting practices, the size

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RAMBUS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and volume of transactions, the customer demographic, the geographic area where services are sold, price lists, go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by management, taking into consideration the go-to-market strategy. As the go-to-market strategies evolve, Rambus may modify its pricing practices in the future, which could result in changes in relative selling prices. In most cases, the relative values of the undelivered components are not material to the overall arrangement and are typically delivered within twelve months after the core product has been delivered. In such agreements, selling price is determined for each component and any difference between the total of the separate BESP and total contract consideration (i.e. discount) is allocated pro-rata across each of the components in the arrangement.

During 2013, the Company expanded its business strategy of monetizing its patent portfolio to include the sale of selected intellectual property. The Company's Memory and Interface Division ("MID") business continues to grow its patent portfolio and actively engage with various external parties to monetize the patent portfolio and explore new revenue opportunities. As the sales of such patents developed by the MID business unit under this expanded strategy represents a component of the Company's ongoing major or central operations, the Company records the related proceeds as revenue. As patent sales executed under this expanded strategy represent a component of the Company's ongoing major or central operations and activities, it will record the related proceeds as revenue. The Company will recognize the revenue when there is persuasive evidence of a sales arrangement, fees are fixed or determinable, delivery has occurred and collectibility is reasonably assured. These requirements are generally fulfilled upon closing of the patent sale transaction.

Rambus' revenue consists of royalty revenue and contract and other revenue derived from MID, Cryptography Research Division ("CRD") and Lighting and Display Technologies ("LDT") operating segments. Royalty revenue consists of patent license and technology license royalties. Contract and other revenue consists of fixed license fees, fixed engineering fees and service fees associated with integration of Rambus' technology solutions into its customers' products as well as sale of products.

Royalty Revenue

Rambus generally recognizes royalty revenue upon notification by its customers and when deemed collectible. The terms of the royalty agreements generally either require customers to give Rambus notification and to pay the royalties within a specified period or are based on a fixed royalty that is due within a specified period. Many of Rambus' customers have the right to cancel their licenses. In such arrangements, revenue is only recognized to the extent that is consistent with the cancellation provisions. Cancellation provisions within such contracts generally provide for a prospective cancellation with no refund of fees already remitted by customers for products provided and payment for services rendered prior to the date of cancellation. Rambus has two types of royalty revenue: (1) patent license royalties and (2) technology license royalties.

Patent licenses - Rambus licenses its broad portfolio of patented inventions to companies who use these inventions in the development and manufacture of their own products. Such licensing agreements may cover the license of part, or all, of Rambus' patent portfolio. The contractual terms of the agreements generally provide for payments over an extended period of time. For the licensing agreements with fixed royalty payments, Rambus generally recognizes revenue from these arrangements as amounts become due. For the licensing agreements with variable royalty payments which can be based on either a percentage of sales or number of units sold, Rambus earns royalties at the time that the customers' sales occur. Rambus' customers, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. As Rambus is unable to estimate the customers' sales in any given quarter to determine the royalties due to Rambus, it recognizes royalty revenues based on royalties reported by customers during the quarter and when other revenue recognition criteria are met.

In addition, Rambus may enter into certain settlements of patent infringement disputes. The amount of consideration received upon any settlement (including but not limited to past royalty payments, future royalty payments and punitive damages) is allocated to each element of the settlement based on the fair value of each element. In addition, revenues related to past royalties are recognized upon execution of the agreement by both parties, provided that the amounts are

fixed or determinable, there are no significant undelivered obligations and collectability is reasonably assured. Rambus does not recognize any revenues prior to execution of the agreement since there is no reliable basis on which it can estimate the amounts for royalties related to previous periods or assess collectability. Elements that are related to royalty revenue in nature (including but not limited to past royalty payments and future royalty payments) will be recorded as royalty revenue in the consolidated statements of operations. Elements that are not related to royalty revenue in nature (including but not limited to punitive damage and settlement) will be recorded as gain from settlement which is reflected as a separate line item within the operating expenses section in the consolidated statements of operations.

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RAMBUS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Technology licenses - Rambus develops proprietary and industry-standard products that it provides to its customers under technology license agreements. These arrangements include royalties, which can be based on either a percentage of sales or number of units sold. Rambus earns royalties on such licensed products sold worldwide by its customers at the time that the customers' sales occur. Rambus' customers, however, do not report and pay royalties owed for sales in any given quarter until after the conclusion of that quarter. As Rambus is unable to estimate the customers' sales in any given quarter to determine the royalties due to Rambus, it recognizes royalty revenues based on royalties reported by customers during the quarter and when other revenue recognition criteria are met.

Contract and Other Revenue

Rambus recognizes revenue from the sale of products when risk of loss and title have transferred to customers, provided all other revenue recognition criteria have been met. The Company accrues for sales returns and warranty based on experience, none of which are currently material.

Rambus generally recognizes revenue using percentage of completion or proportional performance for development contracts related to licenses of its solutions that involve significant engineering and integration services. For agreements accounted for using the percentage-of-completion method, Rambus determines progress to completion using input measures based upon contract costs incurred. Rambus has evaluated use of output measures versus input measures and has determined that its output is not sufficiently uniform with respect to cost, time and effort per unit of output to use output measures as a measure of progress to completion.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. Goodwill is not subject to amortization, but is subject to at least an annual assessment for impairment, applying a fair-value based test. The Company performs its impairment analysis of goodwill on an annual basis during the fourth quarter of the year unless conditions arise that warrant a more frequent evaluation.

Goodwill is allocated to the various reporting units which are generally operating segments. The goodwill impairment test involves a two-step process. In the first step, the Company compares the fair value of each reporting unit to its carrying value. The fair values of the reporting units are estimated using an income or discounted cash flows approach.

Under the income approach, the Company measures fair value of the reporting unit based on a projected cash flow method using a discount rate determined by its management which is commensurate with the risk inherent in its current business model. The Company's discounted cash flow projections are based on its annual financial forecasts developed internally by management for use in managing its business. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, the Company must perform the second step of the impairment test to measure the amount of impairment loss. In the second step, the reporting unit's fair value is allocated to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill in the same manner as if the reporting unit was being acquired by a market participant in a business combination. If the implied fair value of the reporting unit's goodwill is less than the carrying value, the difference is recorded as an impairment loss.

The Company performed its annual goodwill impairment analysis as of December 31, 2014 and determined that the fair value of the reporting units with goodwill exceeded their carrying values.

Intangible Assets

Intangible assets are comprised of existing technology, customer contracts and contractual relationships, and other intangible assets. Identifiable intangible assets resulting from the acquisitions of entities accounted for using the purchase method of accounting are estimated by management based on the fair value of assets received. Identifiable intangible assets are being amortized over the period of estimated benefit using the straight-line method and estimated useful lives ranging from 1 to 10 years.

Property, Plant and Equipment

Property, plant and equipment includes computer equipment, computer software, machinery, leasehold improvements, furniture and fixtures and buildings. Computer equipment, computer software, machinery and furniture and fixtures are stated at cost and generally depreciated on a straight-line basis over an estimated useful life of 3, 3 to 5, 7 and 3 years, respectively. The Company undertook a series of structural improvements to ready the Sunnyvale and Brecksville facilities for its use. The

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RAMBUS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company concluded that its requirement to fund construction costs and responsibility for cost overruns resulted in the Company being considered the owner of the buildings during the construction period for accounting purposes. Upon completion of construction, the Company concluded that it retained sufficient continuing involvement to preclude de-recognition of the buildings under the Financial Accounting Standards Board ("FASB") authoritative guidance applicable to sale leaseback for real estate. As such, the Company continues to account for the buildings as owned real estate and to record an imputed financing obligation for its obligation to the legal owners. The buildings will be depreciated on a straight-line basis over an estimated useful life of approximately 39 years. See Note 10, "Balance Sheet Details," and Note 12, "Commitments and Contingencies," for additional details. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the initial terms of the leases. Upon disposal, assets and related accumulated depreciation are removed from the accounts and the related gain or loss is included in the results from operations.

Long-lived Asset Impairment

The Company evaluates long-lived assets (including property, plant and equipment and intangible assets) for impairment whenever events or changes in circumstances indicate the carrying value of an asset group may not be recoverable. The carrying value is not recoverable if it exceeds the undiscounted cash flows resulting from the use of the asset group and its eventual disposition. The Company's estimates of future cash flows attributable to its long-lived asset groups require significant judgment based on its historical and anticipated results and are subject to many factors. Factors that the Company considers important which could trigger an impairment review include significant negative industry or economic trends, significant loss of clients, and significant changes in the manner of its use of the acquired assets or the strategy for its overall business.

When the Company determines that the carrying value of the long-lived asset groups may not be recoverable based upon the existence of one or more of the above indicators of impairment, the Company measures the potential impairment based on a projected discounted cash flow method using a discount rate determined by the Company to be commensurate with the risk inherent in the Company's current business model. An impairment loss is recognized only if the carrying amount of the long-lived asset group is not recoverable and exceeds its fair value. The impairment charge is recorded to reduce the pre-impairment carrying amount of the long-lived assets based on the relative carrying amount of those assets, though not to reduce the carrying amount of an asset below its fair value. Different assumptions and judgments could materially affect the calculation of the fair value of the long-lived assets. During 2014, the Company did not recognize any impairment of its long-lived assets. During 2013, the Company recognized an impairment of its long-lived assets related to its LDT asset group and CRD favorable contract asset group. During 2012, the Company recognized an impairment of its long-lived and intangible assets related to its LDT asset group. See Note 6, "Intangible Assets and Goodwill" for further details.

Income Taxes

Income taxes are accounted for using an asset and liability approach, which requires the recognition of deferred tax assets and liabilities for expected future tax events that have been recognized differently in Rambus' consolidated financial statements and tax returns. The measurement of current and deferred tax assets and liabilities is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized based on available evidence.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result, the Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in its tax return. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

Stock-Based Compensation and Equity Incentive Plans

The Company maintained stock plans covering a broad range of equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors an Employee Stock Purchase Plan (“ESPP”), whereby eligible employees are entitled to purchase Common Stock semi-annually, by means of limited payroll deductions, at a 15% discount from the fair market value of the Common Stock as of specific dates.

The Company determines compensation expense associated with restricted stock units based on the fair value of its common stock on the date of grant. The Company determines compensation expense associated with stock options based on the estimated grant date fair value method using the Black-Scholes Merton valuation model. The Company generally recognizes compensation expense using a straight-line amortization method over the respective vesting period for awards that are ultimately expected to vest. Accordingly, stock-based compensation expense for 2014, 2013 and 2012 has been reduced for estimated forfeitures. When estimating forfeitures, the Company considers voluntary termination behaviors as well as trends of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

actual option forfeitures. The Company will only recognize a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available have been utilized. In addition, the Company has elected to account for the indirect effects of stock-based awards on other tax attributes, such as the research tax credits, through the consolidated statement of operations as part of the tax effect of stock-based compensation.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with original maturity of three months or less at the date of purchase. The Company maintains its cash balances with high quality financial institutions. Cash equivalents are invested in highly-rated and highly-liquid money market securities and certain U.S. government sponsored obligations.

Marketable Securities

Available-for-sale securities are carried at fair value, based on quoted market prices, with the unrealized gains or losses reported, net of tax, in stockholders' equity as part of accumulated other comprehensive income (loss). The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, both of which are included in interest and other income, net. Realized gains and losses are recorded on the specific identification method and are included in interest and other income, net. The Company reviews its investments in marketable securities for possible other than temporary impairments on a regular basis. If any loss on investment is believed to be a credit loss, a charge will be recognized in operations. In evaluating whether a credit loss on a debt security has occurred, the Company considers the following factors: 1) the Company's intent to sell the security, 2) if the Company intends to hold the security, whether or not it is more likely than not that the Company will be required to sell the security before recovery of the security's amortized cost basis and 3) even if the Company intends to hold the security, whether or not the Company expects the security to recover the entire amortized cost basis. Due to the high credit quality and short term nature of the Company's investments, there have been no credit losses recorded to date. The classification of funds between short-term and long-term is based on whether the securities are available for use in operations or other purposes.

Non-Marketable Securities

The Company had an investment in a non-marketable security of a private company which was carried at cost until it was fully impaired during 2014. The Company monitored the investment for other-than-temporary impairment and recorded appropriate reductions in carrying value when necessary. See Note 9, "Fair Value of Financial Instruments" for further details. The non-marketable security was classified within other assets on the consolidated balance sheet.

Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable and accounts payable approximate their fair values due to their relatively short maturities as of December 31, 2014 and 2013. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income (loss), a component of stockholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. The fair market value of the Company's convertible notes fluctuates with interest rates and with the market price of the stock, but does not affect the carrying value of the debt on the balance sheet.

Research and Development

Costs incurred in research and development, which include engineering expenses, such as salaries and related benefits, stock-based compensation, depreciation, professional services and overhead expenses related to the general development of Rambus' products, are expensed as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established and ending when a product is available for general release to customers. Rambus has not capitalized any software development costs since the period between establishing technological feasibility and general customer release is relatively short and as such, these costs have not

been material.

Computation of 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

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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.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities. Other comprehensive income (loss), net of tax, is presented in the consolidated statements of comprehensive income (loss).

Credit Concentration

As of December 31, 2014 and 2013, the Company's cash, cash equivalents and marketable securities were invested with various financial institutions in the form of corporate notes, bonds and commercial paper, money market funds, U.S. government bonds and notes, and municipal bonds and notes. The Company's exposure to market risk for changes in interest rates relates primarily to its investment portfolio. The Company places its investments with high credit issuers and, by investment policy, attempts to limit the amount of credit exposure to any one issuer. As stated in the Company's investment policy, it will ensure the safety and preservation of the Company's invested funds by limiting default risk and market risk. The Company has no investments denominated in foreign country currencies and therefore is not subject to foreign exchange risk from these assets.

The Company mitigates default risk by investing in high credit quality securities and by positioning its portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to enable portfolio liquidity.

The Company's accounts receivable are derived from revenue earned from customers located in the U.S. and internationally. See Note 7, "Segments and Major Customers" for further details.

Foreign Currency Remeasurement

The Company's foreign subsidiaries currently use the U.S. dollar as the functional currency. Remeasurement adjustments for non-functional currency monetary assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the balance sheet date. Revenue, expenses, gains or losses are translated at the average exchange rate for the period, and non-monetary assets and liabilities are translated at historical rates. The remeasurement gains and losses of these foreign subsidiaries as well as gains and losses from foreign currency transactions are included in other expense, net in the consolidated statements of operations, and are not material for any periods presented.

Litigation

Rambus may be involved in certain legal proceedings. Based upon consultation with outside counsel handling its defense in these matters and an analysis of potential results, if Rambus believes that a loss arising from such matters is probable and can be reasonably estimated, Rambus records the estimated liability in its consolidated financial statements. If only a range of estimated losses can be determined, Rambus records an amount within the range that, in its judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, Rambus records the low end of the range. Any such accrual would be charged to expense in the appropriate period. Rambus recognizes litigation expenses in the period in which the litigation services were provided.

3. Recent Accounting Pronouncements

In November 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-17, Business Combination (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update apply to the separate financial statements of an acquired entity and its subsidiaries that are a business or nonprofit activity (either public or nonpublic) upon occurrence of an event in which an acquirer (an individual or an entity) obtains control of the acquired entity. The amendments in this Update are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or its most recent change-in-control event. However, if the financial statements for the period in which the

most recent change-in-control event occurred already have been issued or

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made available to be issued, the application of this guidance would be a change in accounting principle. The Company does not expect that this guidance will have a material impact on its financial position, results of operations or cash flows.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosures of Uncertainties About an Entity's Ability to Continue as a Going Concern." The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect that this guidance will have a material impact on its financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-12, "Compensation - Stock Compensation (Topic 718)," which makes amendments to the codification topic 718, "Accounting for Share-Based Payments," when the terms of an award provide that a performance target could be achieved after the requisite service period. The new accounting standards update becomes effective for the Company on January 1, 2016. The Company is currently evaluating the impact that this guidance will have on its financial position, results of operations or cash flows.

In May 2014, the FASB and International Accounting Standards Board issued their converged accounting standards update on revenue recognition. The core principle of the new guidance is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new guidance also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new accounting standards update becomes effective for the Company on January 1, 2017. The Company is currently evaluating the impact that this guidance will have on its financial condition and results of operations.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity," which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The new accounting standards update becomes effective for the Company on January 1, 2015. Early adoption is permitted for new disposals (or new classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The Company does not expect that this guidance will have an impact on its financial position, results of operations or cash flows as the Company does not currently have discontinued operations.

In July 2013, the FASB issued ASU No. 2013-11 "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists" ("ASU 2013-11"). ASU 2013-11 provides guidance on the presentation of unrecognized tax benefits. ASU 2013-11 requires presenting an unrecognized tax benefit or a portion of an unrecognized tax benefit as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carry forward, except to the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This accounting standards update became effective for the Company on January 1, 2014 and was applied prospectively to unrecognized tax benefits that existed at the effective date with retrospective application permitted. Upon adoption of this guidance in the first quarter of 2014, the Company reclassified \$4.7 million from a long-term tax liability to a reduction of a deferred tax asset.

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4. Earnings (Loss) Per Share

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

	For the Years Ended December 31,		
	2014	2013	2012
Net income (loss) per share:			
Numerator:			
Net income (loss)	\$26,201	\$(33,748)	\$(134,336)
Denominator:			
Weighted-average common shares outstanding - basic	114,318	112,415	110,769
Effect of potential dilutive common shares	3,306	—	—
Weighted-average common shares outstanding - diluted	117,624	112,415	110,769
Basic net income (loss) per share	\$0.23	\$(0.30)	\$(1.21)
Diluted net income (loss) per share	\$0.22	\$(0.30)	\$(1.21)

For the years ended December 31, 2014, 2013 and 2012, options to purchase approximately 5.6 million, 7.3 million and 12.2 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 years ended December 31, 2013 and 2012, an additional, 3.3 million and 6.8 million potentially dilutive shares, respectively, have been excluded from the weighted average dilutive shares because there was a net loss for the periods. These shares do not include the Company's 5% convertible senior notes due 2014 (the "2014 Notes") and 1.125% convertible senior notes due 2018 (the "2018 Notes"). The par amount of convertible notes is payable in cash equal to the principal amount of the notes plus any accrued and unpaid interest and then the "in-the-money" conversion benefit feature at the conversion price above \$19.31 and \$12.07, respectively, per share is payable in cash, shares of the Company's common stock or a combination of both. Refer to Note 11, "Convertible Notes" for more details.

5. Acquisitions

The Company did not have any acquisitions during 2014.

Unity Semiconductor Corporation

On February 3, 2012, the Company completed its acquisition of a privately-held company, Unity Semiconductor Corporation ("Unity"), by acquiring all issued and outstanding shares of capital stock of Unity. Under the terms of the merger agreement, the purchase price was \$35.0 million subject to certain post-closing adjustments to the purchase price which were applied as of the end of the second quarter of 2012. In addition to the purchase consideration, the Company agreed to pay an aggregate of \$5.0 million in retention bonuses to certain Unity employees over three years. The retention bonus payouts were subject to the condition of employment, and therefore, were treated as compensation and expensed as incurred on a graded attribution basis. The Company acquired Unity's technology and a portfolio of non-volatile solid state memory patents. The solid state memory technology is a potential successor to the current NAND flash technology, or could be otherwise deployed in the growing non-volatile memory market. Devices using this technology are expected to achieve higher density, faster performance, lower manufacturing costs and greater data reliability than NAND Flash. Unity is part of the MID reportable segment. The Company incurred approximately \$0.6 million in direct acquisition costs in connection with the acquisition which were expensed as incurred.

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, which is a level three fair value measurement. The Company performed a valuation of the net assets acquired as of the February 3, 2012 closing date. The purchase price from the business combination was allocated as follows:

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	Total (in thousands)
Cash	\$ 182
Property and equipment	51
Other tangible assets	36
Identified intangible assets	19,280
Goodwill	15,451
Total	\$35,000

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 Unity. This goodwill is not expected to be deductible for tax purposes. The identified intangible assets assumed in the acquisition of Unity were recognized as existing technology based upon their fair values as of the acquisition date. The acquired intangible assets have an estimated average useful life of 10 years from the date of acquisition.

Other Acquisition Activities

For the year ended December 31, 2012, the Company entered into one additional business combination and two patent and technology acquisitions for \$13.2 million to expand the Company's existing technology, which resulted in approximately \$8.1 million of goodwill, \$4.1 million of intangible assets (weighted average useful life of 6 years) and \$1.0 million of other assets. The business combination was part of the previously reportable ESD (formerly named Chief Technology Office ("CTO")) segment, which is part of the Other segment as of December 31, 2014.

The consolidated financial statements include the operating results of these businesses from the date of acquisition. The acquired assets did not generate any revenue during the reported periods. Pro forma results of operations for the 2012 business combinations have not been presented because their effects were not material to the Company's consolidated financial statements.

6. Intangible Assets and Goodwill

In the fourth quarter of 2014, the Company performed its annual goodwill impairment analysis for the MID and CRD reporting units, which are the only reporting units with goodwill. The Company estimated the fair value of the reporting units using the income approach which was determined using Level 3 fair value inputs. The utilization of the income approach to determine fair value requires estimates of future operating results and cash flows discounted using an estimated discount rate. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions.

As of December 31, 2014, the fair value of the MID reporting unit, with \$19.9 million of goodwill, exceeded the carrying value of its net assets by approximately 511% and the fair value of the CRD reporting unit, with \$97.0 million of goodwill, exceeded the carrying value of its net assets by approximately 53%. Key assumptions used to determine the fair value of the MID and CRD reporting units at December 31, 2014, were the revenue growth rates for the forecast period and terminal year, terminal growth rates and discount rates. Certain estimates used in the income approach involve information for new product lines with limited financial history and developing revenue models which increase the risk of differences between the projected and actual performance. The discount rate of 15% for MID and 22% for CRD is based on the reporting units' overall risk profile relative to other guideline companies, the reporting units' respective industry as well as the visibility of future expected cash flows. The terminal growth rate applied to determine fair value for both reporting units was 3%, which was based on historical experience as well as anticipated economic conditions, industry data and long term outlook for the business. These assumptions are inherently uncertain.

It is reasonably possible that the businesses could perform significantly below the Company's expectations or a deterioration of market and economic conditions could occur. This would adversely impact the Company's ability to meet its projected results, which could cause the goodwill in any of its reporting units or long-lived assets in any of its asset groups to become impaired. Significant differences between these estimates and actual cash flows could

materially affect the Company's future financial results. If the reporting units are not successful in commercializing new business arrangements, if the businesses are unsuccessful in signing new license agreements or renewing its existing license agreements, or if the Company is unsuccessful in managing its costs, the revenue and income for these reporting units could adversely and materially deviate from their historical trends and could cause goodwill or long-lived assets to become impaired. If the Company determines that its goodwill

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or long-lived assets are impaired, it would be required to record a non-cash charge that could have a material adverse effect on its results of operations and financial position.

2013 Impairment of Long-Lived Assets

During the fourth quarter of 2013, as a result of the change in business strategy for the LDT reporting unit to reduce its focus on the lower margin bulb products, the Company revised its projected cash flows for LDT, triggering an impairment analysis for long-lived assets.

As a result of the impairment analysis, the Company concluded that its LDT asset group was not able to recover the carrying amount of its assets. Determining the fair value of an asset group unit is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 fair value inputs, including current replacement costs, revenue growth rates and operating margins, and discount rates, among others. Accordingly, the Company was required to make various estimates in determining the fair values of the LDT asset group. Due to the highly customized nature of the LDT manufacturing equipment, the Company primarily utilized the cost approach to estimate the fair value of its property, plant and equipment. To determine the estimated fair value of its property, plant and equipment, adjustment factors, including cost trend factors, were applied to each individual asset's original cost in order to estimate current replacement cost. The current replacement cost was then adjusted for estimated deductions to recognize the effects of deterioration and obsolescence from all causes, as well as indirect costs such as installation. Where appropriate, the Company utilized a market approach to estimate the fair value of its property, plant and equipment. This approach included the identification of market prices in actual transactions for similar assets based on asking prices for assets currently available for sale, as well as obtaining and reviewing certain direct market values based quoted prices with manufacturers and secondary market participants for similar equipment. Upon completion of this analysis, the Company recorded an impairment charge of \$3.5 million, \$0.5 million and \$0.2 million for building and related improvements, machinery and equipment, and software in its LDT asset group, respectively. The estimated fair value of the LDT acquired existing technology intangible assets was determined based on the income approach, using Level 3 fair value inputs, as it was deemed to be the most indicative of the fair value in an orderly transaction between market participants.

Under the income approach the Company determined fair value based on the estimated future cash flows resulting from the licensing of the technology underlying the intangible assets. The estimated cash flows in the income approach were discounted by an estimated weighted-average cost of capital which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. Upon completion of this analysis, the Company recorded an impairment charge of \$4.0 million in the fourth quarter of 2013 related to the acquired intangible assets.

Also, during the fourth quarter of 2013, as a result of changes in one customer's business, the Company recorded a \$1.5 million impairment charge related to its CRD favorable contracts (refer to "Intangible Assets" table below for further discussion on favorable contracts) due to a decline in the projected cash flows from the customer.

The long-lived asset impairment charges for LDT and CRD aggregating to \$9.7 million were included in "Impairment of goodwill and long-lived assets" in the Consolidated Statements of Operations. As of December 31, 2013, the Company had \$12.9 million and \$99.4 million of long-lived assets remaining in its LDT and CRD asset groups, respectively.

2013 Impairment of Goodwill

During the third quarter of 2013, the Company curtailed its immersive media platform spending. The Company conducted an impairment review as a result of the change of its strategy related to the immersive media platform. As a result of this impairment review, the Company recorded a charge of \$8.1 million to fully impair the goodwill related to the MTD reporting unit which was part of the Other segment. The goodwill impairment charge was reflected in "Impairment of goodwill and long-lived assets" in the Consolidated Statements of Operations. The Company estimated the fair value of the MTD reporting unit using the income approach which was determined using Level 3 fair value inputs. The discount rate used of 36% is based on a weighted average cost of capital adjusted for the relevant risk associated with the characteristics of the business and the projected cash flows.

In the fourth quarter of 2013, the Company performed its annual goodwill impairment analysis for the MID and CRD reporting units, which were the only reporting units with goodwill. As of December 31, 2013, the fair value of the MID reporting unit, with \$19.9 million of goodwill, exceeded the carrying value of its net assets by approximately 480%; the fair value of the CRD reporting unit, with \$97.0 million of goodwill, exceeded the carrying value of its net assets by approximately 44%. To arrive at the cash flow projections utilized in the income

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approach, the Company used the reporting unit's forecast of estimated operating results based on assumptions such as long-term revenue growth rates, costs and estimates of future anticipated changes in operating margins based on economic and market information. Key assumptions used to determine the fair value of the MID and CRD reporting units at December 31, 2013, were the revenue growth rates for the forecast period and terminal year, terminal growth rates and discount rates. Certain estimates used in the income approach involve information for new product lines with limited financial history and developing revenue models which increase the risk of differences between the projected and actual performance. The discount rate of 14% for MID and 21% for CRD is based on the reporting units' overall risk profile relative to other guideline companies, the reporting units' respective industry as well as the visibility of future expected cash flows. The terminal growth rate applied to determine fair value for both reporting units was 3%, which was based on historical experience as well as anticipated economic conditions, industry data and long term outlook for the business. These assumptions are inherently uncertain.

2012 Impairment of Long-Lived Assets

In August 2012, as a result of the change in business strategy for the LDT reporting unit, the Company revised its projected cash flows for LDT, triggering an interim impairment analysis of goodwill and long-lived assets. The decline in the projected cash flows for LDT resulted from a change in business strategy with less focus on the higher margin display technology licensing and an increased focus on its general lighting technologies.

As noted above, the Company tested for impairment its long-lived assets in LDT as of August 31, 2012. The Company determined its long-lived asset group to be its LDT reporting unit comprised primarily of finite-lived intangible assets and property, plant and equipment.

As a result of the interim impairment analysis, the Company concluded that its LDT asset group was not able to recover the carrying amount of its LDT assets. Determining the fair value of an asset group unit is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 fair value inputs, including current replacement costs, revenue growth rates and operating margins, and discount rates, among others. Accordingly, the Company was required to make various estimates in determining the fair values of the LDT asset group. Due to the highly customized nature of the LDT manufacturing equipment, the Company primarily utilized the cost approach to estimate the fair value of its property, plant and equipment. To determine the estimated fair value of its property, plant and equipment, adjustment factors, including cost trend factors, were applied to each individual asset's original cost in order to estimate current replacement cost. The current replacement cost was then adjusted for estimated deductions to recognize the effects of deterioration and obsolescence from all causes, as well as indirect costs such as installation. Where appropriate, the Company utilized a market approach to estimate the fair value of its property, plant and equipment. This approach included the identification of market prices in actual transactions for similar assets based on asking prices for assets currently available for sale, as well as obtaining and reviewing certain direct market values based quoted prices with manufacturers and secondary market participants for similar equipment. Upon completion of this analysis, the Company recorded an impairment charge of \$5.8 million and \$0.6 million for building and related improvements and software in its LDT asset group, respectively.

The estimated fair value of the LDT intangible assets was determined based on the income approach, using Level 3 fair value inputs, as it was deemed to be the most indicative of the Company's fair value in an orderly transaction between market participants. Under the income approach the Company determined fair value based on the estimated future cash flows resulting from the licensing of the technology underlying the intangible assets. The estimated cash flows in the income approach were discounted by an estimated weighted-average cost of capital which reflects the overall level of inherent risk of the reporting unit and the rate of return an outside investor would expect to earn. Upon completion of this analysis, the Company recorded an impairment charge of \$15.4 million in the third quarter of 2012 related to the LDT intangible assets.

Accordingly a long-lived asset impairment charge aggregating to \$21.8 million was included in "Impairment of goodwill and long-lived assets" in the accompanying Consolidated Statements of Operations.

2012 Impairment of Goodwill

In addition to the annual goodwill impairment analysis, the Company performed an event-driven interim impairment analysis of goodwill as of August 31, 2012 as noted above.

The fair value of each of the reporting units was determined using the income approach as discussed above. One of the key assumptions used in applying the income approach includes discount rates which ranged from 20% to 35% depending on the reporting units' overall risk profile relative to other guideline companies, the reporting units' respective industry as well as the visibility of future expected cash flows.

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Upon the completion of the goodwill impairment analysis as of August 31, 2012, the Company recorded a non-cash goodwill impairment charge of \$13.7 million relating to the LDT reporting unit. The goodwill impairment charge is included in "Impairment of goodwill and long-lived assets" in the accompanying Consolidated Statements of Operations.

Goodwill

The following tables present goodwill information for each of the reportable segments for the years ended December 31, 2014 and December 31, 2013:

Reportable Segment:	December 31, 2013	Addition to Goodwill	Impairment Charge of Goodwill	December 31, 2014
	(In thousands)			
MID	\$ 19,905	\$—	\$—	\$ 19,905
CRD	96,994	—	—	96,994
Total	\$ 116,899	\$—	\$—	\$ 116,899
		As of December 31, 2014		
Reportable Segment:		Gross Carrying Amount	Accumulated Impairment Losses	Net Carrying Amount
		(In thousands)		
MID		\$ 19,905	\$—	\$ 19,905
CRD		96,994	—	96,994
Other		21,770	(21,770)	—
Total		\$ 138,669	\$(21,770)	\$ 116,899
		December 31, 2012	Addition to Goodwill	Impairment Charge of Goodwill
Reportable Segment:				December 31, 2013
MID	\$ 19,905	\$—	\$—	\$ 19,905
CRD	96,994	—	—	96,994
Other	8,070	—	(8,070)	—
Total	\$ 124,969	\$—	\$(8,070)	\$ 116,899
		As of December 31, 2013		
Reportable Segment:		Gross Carrying Amount	Accumulated Impairment Losses	Net Carrying Amount
MID		\$ 19,905	\$—	\$ 19,905
CRD		96,994	—	96,994
Other		21,770	(21,770)	—
Total		\$ 138,669	\$(21,770)	\$ 116,899
Intangible Assets				

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The components of the Company's intangible assets as of December 31, 2014 and December 31, 2013 were as follows:

		As of December 31, 2014		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In thousands)				
Existing technology	3 to 10 years	\$185,321	\$(104,426)	\$80,895
Customer contracts and contractual relationships	1 to 10 years	31,093	(22,617)	8,476
Non-compete agreements	3 years	300	(300)	—
Total intangible assets		\$216,714	\$(127,343)	\$89,371
		As of December 31, 2013		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(In thousands)				
Existing technology	3 to 10 years	\$186,202	\$(80,961)	\$105,241
Customer contracts and contractual relationships	1 to 10 years	31,093	(19,204)	11,889
Non-compete agreements	3 years	300	(258)	42
Total intangible assets		\$217,595	\$(100,423)	\$117,172

The favorable contracts (included in customer contracts and contractual relationships) are acquired patent licensing agreements where the Company has no performance obligations. Cash received from these acquired favorable contracts reduce the favorable contract intangible asset. During 2014 and 2013, the Company received \$0.9 million and \$2.3 million related to the favorable contracts, respectively. As of December 31, 2014 and 2013, the net balance of the favorable contract intangible assets was \$0.1 million and \$1.0 million, respectively. The estimated useful life is based on expected payment dates related to the favorable contracts. The group of acquired intangible assets had an original estimated weighted average useful life of approximately 7 years from the date of acquisition.

As of December 31, 2013, as part of the Company's business strategy of monetizing its patent portfolio to include the sale of selected intellectual property, the Company had \$2.3 million of intangible assets classified as held for sale primarily in the MID reportable segment which the Company sold in 2014.

In addition to the business acquisitions discussed in Note 5, "Acquisitions," the Company acquired other patents in 2013 and 2012 aggregating \$2.5 million and \$1.7 million, respectively. The Company did not purchase any intangible assets in 2014.

Amortization expense for intangible assets for the years ended December 31, 2014, 2013, and 2012 was \$26.6 million, \$28.9 million and \$30.3 million, respectively. The estimated future amortization expense of intangible assets as of December 31, 2014 was as follows (amounts in thousands):

Years Ending December 31:	Amount
2015	\$25,098
2016	24,318
2017	23,709
2018	10,827
2019	1,789
Thereafter	3,630
	\$89,371

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7. Segments and Major Customers

Operating segments are based upon Rambus' internal organization structure, the manner in which its operations are managed, the criteria used by its Chief Operating Decision Maker ("CODM") to evaluate segment performance and availability of separate financial information regularly reviewed for resource allocation and performance assessment. During the third quarter of 2014, the Company renamed its Chief Technology Office organization as the Emerging Solutions Division ("ESD"). The Company determined its CODM to be the Chief Executive Officer and determined its operating segments to be: (1) Memory and Interface Division ("MID"), which focuses on the design, development and licensing of technology that is related to memory and interfaces; (2) CRD, which focuses on the design, development and licensing of technologies for chip and system security and anti-counterfeiting; (3) ESD, which includes the computational sensing and imaging group along with the development efforts in the area of emerging technologies; and (4) LDT, which focuses on the design, development and licensing of technologies for lighting. For the year ended December 31, 2014, MID and CRD were considered reportable segments as they met the quantitative thresholds for disclosure as reportable segments. The results of the remaining operating segments are shown under "Other". Additionally, some employees moved departments during 2014 causing a change in the prior period reportable segment financial results. The presentation of the 2013 and 2012 segment data has been updated accordingly to conform with the 2014 segment presentation.

The Company evaluates the performance of its segments based on segment operating income (loss), which is defined as revenue minus segment operating expenses. Segment operating expenses are comprised of direct operating expenses.

Segment operating expenses do not include sales, general and administrative expenses and the allocation of certain expenses managed at the corporate level, such as stock-based compensation, amortization, and certain bonus and acquisition costs. The "Reconciling Items" category includes these unallocated sales, general and administrative expenses as well as corporate level expenses. The presentation of the 2013 and 2012 segment data has been updated accordingly to conform with the 2014 segment operating income (loss) definition.

The tables below present reported segment operating income (loss) for the years ended December 31, 2014, 2013 and 2012:

	For the Year Ended December 31, 2014			
	MID	CRD	Other	Total
	(In thousands)			
Revenues	\$226,303	\$49,330	\$20,925	\$296,558
Segment operating expenses	40,816	27,608	34,106	102,530
Segment operating income (loss)	\$185,487	\$21,722	\$(13,181)	\$194,028
Reconciling items				(118,682)
Operating income				\$75,346
Interest and other income (expense), net				(25,096)
Income before income taxes				\$50,250
	For the Year Ended December 31, 2013			
	MID	CRD	Other	Total
	(In thousands)			
Revenues	\$232,040	\$32,625	\$6,836	\$271,501
Segment operating expense	34,823	20,322	42,306	97,451
Segment operating income (loss)	\$197,217	\$12,303	\$(35,470)	\$174,050
Reconciling items				(151,586)
Operating income				\$22,464
Interest and other income (expense), net				(34,481)
Loss before income taxes				\$(12,017)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Year Ended December 31, 2012			
	MID	CRD	Other	Total
	(In thousands)			
Revenues	\$215,047	\$17,808	\$1,196	\$234,051
Segment operating expenses	39,537	11,418	43,052	94,007
Segment operating income (loss)	\$175,510	\$6,390	\$(41,856)	\$140,044
Reconciling items				(230,478)
Operating loss				\$(90,434)
Interest and other income (expense), net				(27,451)
Loss before income taxes				\$(117,885)

The Company's CODM does not review information regarding assets on an operating segment basis. Additionally, the Company does not record intersegment revenue or expense.

Accounts receivable from the Company's major customers representing 10% or more of total accounts receivable at December 31, 2014 and December 31, 2013, respectively, was as follows:

Customer	Years Ended December 31,	
	2014	2013
Customer 1 (MID reportable segment)	33%	*
Customer 2 (Other segment)	50%	73%

* Customer accounted for less than 10% of total accounts receivable in the period

Revenue from the Company's major customers representing 10% or more of total revenue for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Years Ended December 31,			%
	2014	2013	2012	
Customer A (MID and CRD reportable segments)	20	% 33	% 38	
Customer B (MID reportable segment)	16	% *	*	
Customer C (MID reportable segment)	13	% *	*	

* Customer accounted for less than 10% of total revenue in the period

Revenue from customers in the geographic regions based on the location of contracting parties is as follows:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
South Korea	\$107,441	\$112,806	\$88,971
USA	109,060	80,652	63,398
Japan	30,454	51,156	63,686
Europe	21,349	15,985	5,236
Canada	7,119	7,896	7,759
Asia-Other	21,135	3,006	5,001
Total	\$296,558	\$271,501	\$234,051

At December 31, 2014, of the \$64.0 million of total property, plant and equipment, approximately \$63.0 million were located in the United States, \$0.9 million were located in India and \$0.1 million were located in other foreign locations. At December 31, 2013, of the \$72.6 million of total property, plant and equipment, approximately \$71.8 million were located in the United States, \$0.7 million were located in India and \$0.1 million were located in other foreign locations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. 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. As of December 31, 2014 and 2013, all of the Company's cash equivalents and marketable securities have a remaining maturity of less than one year.

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

(Dollars in thousands)	As of December 31, 2014					Weighted Rate of Return	
	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses			
Money market funds	\$124,938	\$124,938	\$—	\$—	0.01	%	
Corporate notes, bonds and commercial paper	145,983	146,096	1	(114)	0.25	%	
Total cash equivalents and marketable securities	270,921	271,034	1	(114)			
Cash	29,188	29,188	—	—			
Total cash, cash equivalents and marketable securities	\$300,109	\$300,222	\$1	\$(114)			

(Dollars in thousands)	As of December 31, 2013					Weighted Rate of Return	
	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses			
Money market funds	\$300,605	\$300,605	\$—	\$—	0.01	%	
Corporate notes, bonds and commercial paper	58,492	58,507	—	(15)	0.15	%	
Total cash equivalents and marketable securities	359,097	359,112	—	(15)			
Cash	28,565	28,565	—	—			
Total cash, cash equivalents and marketable securities	\$387,662	\$387,677	\$—	\$(15)			

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

	As of	
	December 31, 2014	December 31, 2013
	(Dollars in thousands)	
Cash equivalents	\$124,938	\$310,131
Short term marketable securities	145,983	48,966
Total cash equivalents and marketable securities	270,921	359,097
Cash	29,188	28,565
Total cash, cash equivalents and marketable securities	\$300,109	\$387,662

The Company continues to invest in highly rated quality, highly liquid debt securities. As of December 31, 2014, these securities have a remaining maturity of less than one year. 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.

The estimated fair value of cash equivalents and marketable securities classified by the length of time that the securities have been in a continuous unrealized loss position at December 31, 2014 and 2013 are as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Fair Value		Gross Unrealized Loss	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands)			

Less than one year

Corporate notes, bonds and commercial paper	\$ 139,989	\$ 53,491	\$(114)	\$(15)
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The gross unrealized loss at December 31, 2014 and 2013 was not material in relation to the Company's total available-for-sale portfolio. The gross unrealized loss can be primarily attributed to a combination of market conditions as well as the demand for and duration of the corporate notes and bonds. 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.

See Note 9, "Fair Value of Financial Instruments," for discussion regarding the fair value of the Company's cash equivalents and marketable securities.

9. 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 bonds and notes, corporate notes, commercial paper and municipal bonds and notes.

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 reviews the pricing inputs by obtaining prices from a different source 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

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(in thousands)	Carrying Value	market prices in active markets (Level 1)	other observable inputs (Level 2)	unobservable inputs (Level 3)	Impairment charges for the year ended December 31, 2014 \$600
Investment in non-marketable security	\$—	\$—	\$—	\$ —	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands)	As of December 31, 2013				
	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, 2013
Investment in non-marketable security	\$600	\$—	\$—	\$ 600	\$1,400

In 2014 and 2013, there were no transfers of financial instruments between different categories of fair value.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of December 31, 2014 and 2013:

(in thousands)	As of December 31, 2014			As of December 31, 2013		
	Face Value	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value
5% Convertible Senior Notes due 2014	\$—	\$—	\$—	\$172,500	\$164,047	\$175,821
1.125% Convertible Senior Notes due 2018	138,000	115,089	159,293	138,000	109,629	142,427

The fair value of the convertible notes at each balance sheet date is determined based on recent quoted market prices for these notes which is a level 2 measurement. As discussed in Note 11, "Convertible Notes," as of December 31, 2014, the convertible notes are carried at their face value of \$138.0 million, less any unamortized debt discount. The carrying value of other financial instruments, including accounts receivable, accounts payable and other payables, approximates fair value due to their short maturities.

Information regarding the Company's goodwill and long-lived assets balances are disclosed in Note 6, "Intangible Assets and Goodwill".

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Balance Sheet Details

Property, Plant and Equipment, net

Property, plant and equipment, net is comprised of the following:

	As of December 31,	
	2014	2013
	(In thousands)	
Building	\$40,320	\$40,320
Computer software	21,412	22,068
Computer equipment	27,744	29,869
Furniture and fixtures	13,464	12,360
Leasehold improvements	7,052	7,024
Machinery	11,699	11,533
Construction in progress	425	282
	122,116	123,456
Less accumulated depreciation and amortization	(58,093	) (50,814
	\$64,023	\$72,642

As a result of the impairment analysis in the fourth quarter of 2013, the Company concluded that its LDT asset group was not able to recover the carrying amount of its LDT assets. Upon completion of this analysis, the Company recorded an impairment charge of \$3.5 million, \$0.5 million and \$0.2 million primarily for building improvements, machinery and equipment, and software in its LDT asset group, respectively, which have been netted from the gross carrying amount and accumulated depreciation. As a result of the interim impairment analysis in the third quarter of 2012, the Company concluded that its LDT asset group was not able to recover the carrying amount of its LDT assets. Upon completion of this analysis, the Company recorded an impairment charge of \$5.8 million and \$0.6 million for building improvements and software in its LDT asset group, respectively, which have been netted from the gross carrying amount and accumulated depreciation. See Note 6, "Intangible Assets and Goodwill" for additional details. As the Company undertook a series of structural improvements to ready the Sunnyvale and Brecksville facilities for its use and retained sufficient continuing involvement to preclude de-recognition of the buildings under the FASB authoritative guidance applicable to sale leaseback for real estate, the Company accounts for the buildings as owned real estate. On January 31, 2013, the Company entered into a third amendment to the Sunnyvale lease to surrender the 31,000 square-foot space from the first amendment back to the landlord and recorded a total charge of \$2.0 million related to the surrender of the 31,000 square-foot space.

As of December 31, 2014 and 2013, for the Sunnyvale and Brecksville facilities, the Company had capitalized \$40.3 million in building based on the estimated fair value of the portion of the unfinished spaces, capitalized interest on the unfinished spaces and construction costs related to the build-out of the facilities. See Note 12, "Commitments and Contingencies" for additional details.

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was \$13.6 million, \$15.5 million and \$13.2 million, respectively.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss is comprised of the following:

	As of December 31,	
	2014	2013
	(In thousands)	
Foreign currency translation adjustments, net of tax	\$86	\$86
Unrealized loss on available-for-sale securities, net of tax	(488) (391
Total	\$ (402) \$ (305

11. Convertible Notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Dollars in thousands)	As of December 31, 2014	As of December 31, 2013
1.125% Convertible Senior Notes due 2018	\$138,000	\$138,000
5% Convertible Senior Notes due 2014	—	172,500
Total principal amount of convertible notes	138,000	310,500
Unamortized discount - 2018 Notes	(22,911	) (28,371
Unamortized discount - 2014 Notes	—	(8,453
Total unamortized discount	\$(22,911	) \$(36,824
Total convertible notes	\$115,089	\$273,676
Less current portion	—	164,047
Total long-term convertible notes	\$115,089	\$109,629

During the second quarter of 2013, the 2014 Notes were reclassified from a long-term liability to a short-term liability as they were due on June 15, 2014.

1.125% Convertible Senior Notes due 2018. On August 16, 2013, the Company issued \$138.0 million aggregate principal amount of 1.125% convertible senior notes pursuant to an indenture (the "Indenture") by and between the Company and U.S. Bank, National Association as the trustee. The 2018 Notes will mature on August 15, 2018 (the "Maturity Date"), subject to earlier repurchase or conversion. In accounting for the 2018 Notes at issuance, the Company separated the 2018 Notes into liability and equity components pursuant to the accounting standards for convertible debt instruments that may be fully or partially settled in cash upon conversion. As of the date of issuance, the Company determined that the liability component of the 2018 Notes was \$107.7 million and the equity component of the 2018 Notes was \$30.3 million. The fair value of the liability component was estimated using an interest rate for a similar instrument without a conversion feature. The unamortized discount related to the 2018 Notes is being amortized to interest expense using the effective interest method over five years through August 2018.

The Company will pay cash interest at an annual rate of 1.125% of the principal amount at issuance, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on February 15, 2014. The Company incurred transaction costs of approximately \$3.6 million related to the issuance of 2018 Notes. In accounting for these costs, the Company allocated the costs to the liability and equity components in proportion to the allocation of proceeds from the issuance of the 2018 Notes to such components. Transaction costs allocated to the liability component of \$2.8 million were recorded as deferred offering costs in other assets and are being amortized to interest expense using the effective interest method over five years (the expected term of the debt). The transaction costs allocated to the equity component of \$0.8 million were recorded as additional paid-in capital. The 2018 Notes are the Company's general unsecured obligations, ranking equally in right of payment to all of Rambus' existing and future senior unsecured indebtedness, including the 2014 Notes, and senior in right of payment to any of the Company's future indebtedness that is expressly subordinated to the 2018 Notes.

The 2018 Notes are convertible into shares of the Company's common stock at an initial conversion rate of 82.8329 shares of common stock per \$1,000 principal amount of 2018 Notes, subject to adjustment in certain events. This is equivalent to an initial conversion price of approximately \$12.07 per share of common stock. Holders may surrender their 2018 Notes for conversion prior to the close of business day immediately preceding May 15, 2018 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on December 31, 2013 (and only during such calendar quarter), if the closing sale price of the common stock for 20 days or more trading days (whether or not consecutive) during a period of 30 days consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is more than 130% of the conversion price per share of common stock on the last trading day of the preceding calendar quarter; (2) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined below) per

\$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the closing sale price of the Company's common stock and the conversion rate on each such trading day; (3) upon the occurrence of specified distributions to holders of the Company's common stock; or (4) upon the occurrence of specified corporate events. On or after May 15, 2018 until the close of business on the second scheduled trading day immediately preceding the Maturity Date, holders may convert their notes at any time, regardless of the foregoing circumstances. If a holder elects to convert its 2018 Notes in connection with certain fundamental changes, as that term is defined in the Indenture, that occur prior to the Maturity Date, the Company will, in certain circumstances, increase the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

conversion rate for 2018 Notes converted in connection with such fundamental changes by a specified number of shares of common stock.

Upon conversion of the 2018 Notes, the Company will pay cash up to the aggregate principal amount of the notes to be converted and pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, in respect of the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount of the notes being converted, as specified in the Indenture.

The Company may not redeem the 2018 Notes at its option prior to the Maturity Date, and no sinking fund is provided for the 2018 Notes.

Upon the occurrence of a fundamental change, holders may require the Company to repurchase for cash all or any portion of their notes at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The following events are considered events of default under the Indenture which may result in the acceleration of the maturity of the 2018 Notes:

- (1) default in the payment when due of any principal of any of the notes at maturity, upon redemption or upon exercise of a repurchase right or otherwise;
- (2) default in the payment of any interest, including additional interest, if any, on any of the notes, when the interest becomes due and payable, and continuance of such default for a period of 30 days;
- (3) the Company's failure to deliver cash or cash and shares of the Company's common stock (including any additional shares deliverable as a result of a conversion in connection with a make-whole fundamental change, as defined in the Indenture) when required by the Indenture;
- (4) default in the Company's obligation to provide notice of the occurrence of a fundamental change, make-whole fundamental change or distribution to holders of the Company's common stock when required by the Indenture;
- (5) the Company's failure to comply with any of the Company's other agreements in the notes or the Indenture (other than those referred to in clauses (1) through (4) above) for 60 days after the Company's receipt of written notice to the Company of such default from the trustee or to the Company and the trustee of such default from holders of not less than 25% in aggregate principal amount of the 2018 Notes then outstanding;
- (6) the Company's failure to pay when due the principal of, or acceleration of, any indebtedness for money borrowed by the Company or any of the Company's material subsidiaries in excess of \$40 million principal amount, if such indebtedness is not discharged, or such acceleration is not annulled, for a period of 30 days after written notice thereof is delivered to the Company by the trustee or to the Company and the trustee by the holders of 25% or more in aggregate principal amount of the notes then outstanding without such failure to pay having been cured or waived, such acceleration having been rescinded or annulled (if applicable) and such indebtedness not having been paid or discharged; and
- (7) certain events of bankruptcy, insolvency or reorganization relating to the Company or any of the Company's material subsidiaries (as defined in the Indenture).

If an event of default, other than an event of default described in clause (7) above with respect to the Company, occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare the principal amount of, and accrued and unpaid interest, including additional interest, if any, on the notes then outstanding to be immediately due and payable. If an event of default described in clause (7) above occurs with respect to the Company, the principal amount of and accrued and unpaid interest, including additional interest, if any, on the notes will automatically become immediately due and payable.

5% Convertible Senior Notes due 2014. On June 29, 2009, the Company issued \$150.0 million aggregate principal amount of 5% convertible senior notes due June 15, 2014. As of the date of issuance, the Company determined that the liability component of the 2014 Notes was approximately \$92.4 million and the equity component was approximately \$57.6 million. On

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July 10, 2009, an additional \$22.5 million of the 2014 Notes were issued as a result of the underwriters exercising their overallotment option. As of the date of issuance of the \$22.5 million 2014 Notes, the Company determined that the liability component was approximately \$14.3 million, and the equity component was approximately \$8.2 million. The unamortized discount related to the 2014 Notes was being amortized to interest expense using the effective interest method over five years through June 2014.

The Company paid cash interest at an annual rate of 5% of the principal amount at issuance, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2009. During 2014, the Company paid approximately \$4.3 million of interest related to the 2014 Notes. During 2013 and 2012, the Company paid approximately \$8.6 million of interest related to the 2014 Notes in each year. Issuance costs were approximately \$5.1 million of which \$3.2 million is related to the liability portion, which is being amortized to interest expense over five years (the expected term of the debt), and \$1.9 million is related to the equity portion. The 2014 Notes were the Company's general unsecured obligation, ranking equal in right of payment to all of the Company's existing and future senior indebtedness and were senior in right of payment to any of the Company's future indebtedness that was expressly subordinated to the 2014 Notes.

The 2014 Notes were convertible into shares of the Company's Common Stock at an initial conversion rate of 51.8 shares of Common Stock per \$1,000 principal amount of 2014 Notes. This was equivalent to an initial conversion price of approximately \$19.31 per share of common stock. Holders could have surrendered their 2014 Notes for conversion prior to March 15, 2014 only under the following circumstances: (i) during any calendar quarter beginning after the calendar quarter ending September 30, 2009, and only during such calendar quarter, if the closing sale price of the Common Stock for 20 days or more trading days in the period of 30 days consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeded 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter, (ii) during the five business day period after any 10 days consecutive trading day period in which the trading price per \$1,000 principal amount of 2014 Notes for each trading day of such 10 days consecutive trading day period was less than 98% of the product of the closing sale price of the Common Stock for such trading day and the applicable conversion rate, (iii) upon the occurrence of specified distributions to holders of the Common Stock, (iv) upon a fundamental change of the Company as specified in the Indenture governing the 2014 Notes, or (v) if the Company calls any or all of the 2014 Notes for redemption, at any time prior to the close of business on the business day immediately preceding the redemption date. On and after March 15, 2014, holders may convert their 2014 Notes at any time until the close of business on the third business day prior to the maturity date, regardless of the foregoing circumstances.

Upon conversion of the 2014 Notes, the Company would have paid (i) cash equal to the lesser of the aggregate principal amount and the conversion value of the 2014 Notes and (ii) shares of the Company's Common Stock for the remainder, if any, of the Company's conversion obligation, in each case based on a daily conversion value calculated on a proportionate basis for each trading day in the 20 days trading day conversion reference period as further specified in the Indenture.

The Company was not able to redeem the 2014 Notes at its option prior to June 15, 2012. At any time on or after June 15, 2012, the Company had the right, at its option, to redeem the 2014 Notes in whole or in part for cash in an amount equal to 100% of the principal amount of the 2014 Notes to be redeemed, together with accrued and unpaid interest, if any, if the closing sale price of the Common Stock for at least 20 days of the 30 days consecutive trading days immediately prior to any date the Company gives a notice of redemption was greater than 130% of the conversion price on the date of such notice.

Upon the occurrence of a fundamental change, holders could have required the Company to repurchase some or all of their 2014 Notes for cash at a price equal to 100% of the principal amount of the 2014 Notes being repurchased, plus accrued and unpaid interest, if any. In addition, upon the occurrence of certain fundamental changes, as that term is defined in the Indenture, the Company would have, in certain circumstances, increased the conversion rate for the 2014 Notes converted in connection with such fundamental changes by a specified number of shares of Common Stock, not to exceed 15.5401 per \$1,000 principal amount of the 2014 Notes.

The following events were considered “Events of Default” under the Indenture which would have resulted in the acceleration of the maturity of the 2014 Notes:

- (1) default in the payment when due of any principal of any of the 2014 Notes at maturity, upon redemption or upon exercise of a repurchase right or otherwise;
- (2) default in the payment of any interest, including additional interest, if any, on any of the 2014 Notes, when the interest becomes due and payable, and continuance of such default for a period of 30 days;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- the Company's failure to deliver cash or cash and shares of Common Stock (including any additional shares
- (3) deliverable as a result of a conversion in connection with a make-whole fundamental change) when required to be delivered upon the conversion of any 2014 Note;
- (4) default in the Company's obligation to provide notice of the occurrence of a fundamental change when required by the Indenture;
- the Company's failure to comply with any of its other agreements in the 2014 Notes or the Indenture (other than those referred to in clauses (1) through (4) above) for 60 days after the Company's receipt of written notice to the
- (5) Company of such default from the trustee or to the Company and the trustee of such default from holders of not less than 25% in aggregate principal amount of the 2014 Notes then outstanding;
- the Company's failure to pay when due the principal of, or acceleration of, any indebtedness for money borrowed by the Company or any of its subsidiaries in excess of \$30 million principal amount, if such indebtedness is not
- (6) discharged, or such acceleration is not annulled, by the end of a period of ten days after written notice to the Company by the trustee or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the 2014 Notes then outstanding; and
- (7) certain events of bankruptcy, insolvency or reorganization relating to the Company or any of its material subsidiaries (as defined in the Indenture).

If an event of default, other than an event of default in clause (7) above with respect to the Company occurs and is continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the 2014 Notes then outstanding may declare the principal amount of, and accrued and unpaid interest, including additional interest, if any, on the 2014 Notes then outstanding to be immediately due and payable. If an event of default described in clause (7) above occurs with respect to the Company the principal amount of and accrued and unpaid interest, including additional interest, if any, on the 2014 Notes will automatically become immediately due and payable.

During the second quarter of 2014, the Company paid upon maturity the entire \$172.5 million in aggregate principal amount of the 2014 Notes.

Additional paid-in capital at December 31, 2014 and December 31, 2013 includes \$93.4 million for each year related to the equity component of the notes.

As of December 31, 2014, none of the conversion conditions were met related to the 2018 Notes. Therefore, the classification of the entire equity component for the 2018 Notes in permanent equity is appropriate as of December 31, 2014.

Interest expense related to the notes for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Years Ended December 31,		
	2014	2013	2012
	(in thousands)		
2018 Notes coupon interest at a rate of 1.125%	\$1,567	\$582	\$—
2018 Notes amortization of discount and debt issuance cost at an additional effective interest rate of 5.5%	\$6,019	2,171	—
2014 Notes coupon interest at a rate of 5%	3,929	8,625	8,625
2014 Notes amortization of discount at an additional effective interest rate of 11.7%	8,744	17,126	14,695
Total interest expense on convertible notes	\$20,259	\$28,504	\$23,320

12. Commitments and Contingencies

On December 15, 2009, the Company entered into a lease agreement for approximately 125,000 square feet of office space located at 1050 Enterprise Way in Sunnyvale, California commencing on July 1, 2010 and expiring on June 30, 2020. The office space is used for the Company's corporate headquarters, as well as engineering, sales, marketing and administrative operations and activities. The annual base rent for these leases includes certain rent abatement and increases annually over the lease term. The Company has two options to extend the lease for a period of 60 months

each and a one-time option to terminate

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the lease after 84 months in exchange for an early termination fee. Pursuant to the terms of the lease, the landlord agreed to reimburse the Company approximately \$9.1 million, which was received by the year ended December 31, 2011. The Company recognized the reimbursement as an additional imputed financing obligation as such payment from the landlord is deemed to be an imputed financing obligation. On November 4, 2011, to better plan for future expansion, the Company entered into an amended lease for its Sunnyvale facility for approximately an additional 31,000-square-foot space commencing on March 1, 2012 and expiring on June 30, 2020. Additionally, a tenant improvement allowance to be provided by the landlord was approximately \$1.7 million. On September 29, 2012, the Company entered into a second amended Sunnyvale lease to reduce the tenant improvement allowance to approximately \$1.5 million. On January 31, 2013, the Company entered into a third amendment to the Sunnyvale lease to surrender the 31,000 square-foot space from the first amendment back to the landlord and recorded a total charge of \$2.0 million related to the surrender of the amended lease.

On March 8, 2010, the Company entered into a lease agreement for approximately 25,000 square feet of office and manufacturing areas, located in Brecksville, Ohio. The office area is used for the LDT group's engineering activities while the manufacturing area is used for the manufacture of prototypes. This lease was amended on September 29, 2011 to expand the facility to approximately 51,000 total square feet and the amended lease will expire on July 31, 2019. The Company has an option to extend the lease for a period of 60 months.

The Company undertook a series of structural improvements to ready the Sunnyvale and Brecksville facilities for its use. Since these improvements were considered structural in nature and the Company was responsible for any cost overruns, for accounting purposes, the Company was treated in substance as the owner of each construction project during the construction period. At the completion of each construction, 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 buildings as owned real estate and to record an imputed financing obligation for its obligations to the legal owners.

Monthly lease payments on these facilities 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 was determined in accordance with the requirements of sale leaseback accounting. For the years ended December 31, 2014, 2013 and 2012, the Company recognized in its Consolidated Statements of Operations \$4.5 million, \$4.4 million, and \$4.1 million, respectively, of interest expense in connection with the imputed financing obligation on these facilities. At December 31, 2014 and 2013, the imputed financing obligation balance in connection with these facilities was \$39.5 million and \$39.7 million, respectively, which was primarily classified under long-term imputed financing obligation.

As of December 31, 2014 and 2013, the Company had capitalized \$40.3 million in property, plant and equipment based on the estimated fair value of the portion of the pre-construction shell, construction costs related to the build-out of the facilities and capitalized interest during construction period. At the end of the initial 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 November 2011, the Company entered into a lease agreement for approximately 26,000 square feet of office space in San Francisco, California to be used for CRD's office space and is treated as an operating lease. This lease has a commencement date of February 1, 2012 and a lease term of 75 months from the commencement date. The annual base rent includes certain rent abatement and increases annually over the lease term.

In connection with the June 3, 2011 acquisition of CRD, the Company was obligated to pay a retention bonus to certain CRD employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment, in three equal amounts of approximately \$16.7 million. All three payments have been paid as of December 31, 2014 with the last portion paid in 2014.

On June 29, 2009, the Company entered into an Indenture with U.S. Bank, National Association, as trustee, relating to the issuance by the Company of \$150.0 million aggregate principal amount of the 2014 Notes. On July 10, 2009, an

additional \$22.5 million in aggregate principal amount of 2014 Notes were issued as a result of the underwriters exercising their overallotment option. During the second quarter of 2014, the Company paid upon maturity the entire \$172.5 million in aggregate principal amount of the 2014 Notes. The aggregate principal amount of the 2014 Notes outstanding as of December 31, 2013 was \$172.5 million, offset by unamortized debt discount of \$8.5 million in the accompanying consolidated balance sheet. See Note 11, "Convertible Notes," for additional details.

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On August 16, 2013, the Company entered into an Indenture with U.S. Bank, National Association, as trustee, relating to the issuance by the Company of \$138.0 million aggregate principal amount of the 2018 Notes. The aggregate principal amount of the 2018 notes as of December 31, 2014 and 2013 was \$138.0 million, offset by unamortized debt discount of \$22.9 million and \$28.4 million, respectively, in the accompanying consolidated balance sheets. The unamortized discount related to the 2018 Notes is being amortized to interest expense using the effective interest method over the remaining 44 months until maturity of the 2018 Notes on August 15, 2018. See Note 11, "Convertible Notes," for additional details.

As of December 31, 2014, the Company's material contractual obligations are as follows (in thousands):

	Total	2015	2016	2017	2018	2019	Thereafter
Contractual obligations (1)							
Imputed financing obligation (2)	\$34,387	\$6,011	\$6,156	\$6,302	\$6,447	\$6,602	\$2,869
Leases and other contractual obligations	9,839	6,403	1,763	1,333	340	—	—
Software licenses (3)	7,098	5,350	1,748	—	—	—	—
Acquisition retention bonuses (4)	70	70	—	—	—	—	—
Convertible notes	138,000	—	—	—	138,000	—	—
Interest payments related to convertible notes	6,211	1,553	1,553	1,553	1,552	—	—
Total	\$195,605	\$19,387	\$11,220	\$9,188	\$146,339	\$6,602	\$2,869

The above table does not reflect possible payments in connection with uncertain tax benefits of approximately \$19.9 million including \$17.8 million recorded as a reduction of long-term deferred tax assets and \$2.1 million in (1) long-term income taxes payable, as of December 31, 2014. As noted below in Note 17, "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.

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 Consolidated Balance Sheets are the (2) interest on the imputed financing obligation and the estimated common area expenses over the future periods. The amount includes the amended Ohio lease and the amended Sunnyvale lease.

(3) The Company has commitments with various software vendors for non-cancellable agreements generally having terms longer than one year.

(4) In connection with acquisitions, the Company is obligated to pay retention bonuses to certain employees and contractors, subject to certain eligibility and acceleration provisions including the condition of employment. The last payment of CRD retention bonuses was paid in cash during 2014.

Rent expense was approximately \$2.6 million, \$3.1 million and \$4.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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 arising as result of the applicable agreement with the Company. The Company generally attempts to limit the maximum amount of indemnification that the Company could be required to make under these agreements, to the amount of fees received by the Company.

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

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The Company has two stock option plans under which grants are currently outstanding: the 1997 Stock Option Plan (the “1997 Plan”) and the 2006 Equity Incentive Plan (the “2006 Plan”). Grants under all plans typically have a requisite service period of 60 months or 48 months, have straight-line or graded vesting schedules (the 1997 only) and expire not more than 10 years from date of grant. Effective with stockholder approval of the 2006 Plan in May 2006, no further awards are being made under the 1997 Plan but the plan will continue to govern awards previously granted under that plan.

The 2006 Plan was approved by the stockholders in May 2006. The 2006 Plan, as amended, provides for the issuance of the following types of incentive awards: (i) stock options; (ii) stock appreciation rights; (iii) restricted stock; (iv) restricted stock units; (v) performance shares and performance units; and (vi) other stock or cash awards. This plan provides for the granting of awards at less than fair market value of the common stock on the date of grant, but such grants would be counted against the numerical limits of available shares at a ratio of 1.5 to 1.0. The Board of Directors reserved 8,400,000 shares in March 2006 for issuance under this plan, subject to stockholder approval. Upon stockholder approval of this Plan on May 10, 2006, the 1997 Plan was replaced and the 1999 Non-statutory Stock Option Plan (which had no grants outstanding as of December 31, 2014) was terminated. On April 30, 2009 and April 26, 2012, stockholders approved an additional 6,500,000 shares on each date for issuance under the 2006 Plan. Additionally, on April 24, 2014, stockholders approved an additional 10,000,000 shares for issuance under the 2006 Plan. Those who will be eligible for awards under the 2006 Plan include employees, directors and consultants who provide services to the Company and its affiliates. These options typically have a requisite service period of 60 months or 48 months, have straight-line vesting schedules, and expire ten years from date of grant. The Board will periodically review actual share consumption under the 2006 Plan and may make a request for additional shares as needed.

As of December 31, 2014, 10,724,228 shares of the 31,400,000 shares approved under the 2006 Plan remain available for grant. The 2006 Plan is now the Company’s only plan for providing stock-based incentive compensation to eligible employees, 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, 2011	2,812,876
Increase in shares approved for issuance	6,500,000
Stock options granted (2)	(7,789,220)
Stock options forfeited (3)	2,610,812
Stock options expired under former plans	(576,763)
Nonvested equity stock and stock units granted (1)	(1,113,014)
Nonvested equity stock and stock units forfeited (1)	284,468
Total shares available for grant as of December 31, 2012	2,729,159
Stock options granted	(2,084,276)
Stock options forfeited	3,318,022
Stock options expired under former plans	(1,157,419)
Nonvested equity stock and stock units granted (1)	(709,611)
Nonvested equity stock and stock units forfeited (1)	431,553
Total shares available for grant as of December 31, 2013	2,527,428
Increase in shares approved for issuance	10,000,000
Stock options granted	(2,370,313)
Stock options forfeited	1,400,349
Stock options expired under former plans	(373,043)
Nonvested equity stock and stock units granted (1)	(585,753)

Nonvested equity stock and stock units forfeited (1)	125,560
Total shares available for grant as of December 31, 2014	10,724,228

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- For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum
- (1) 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.
 - (2) Amount includes 2,840,986 shares that were granted from the stock option exchange program (discussed below).
 - (3) Amount excludes 6,449,255 shares that were surrendered from the stock option exchange program (discussed below) as the shares are no longer available for grant.

Stock Option Exchange Program

On April 26, 2012, the Company launched a one-time stock option exchange program ("option exchange") pursuant to which eligible employees were able to exchange certain outstanding stock options for a fewer number of shares having an exercise price equal to the fair market value of the Company's common stock on June 22, 2012. The Company's named executive officers, senior vice presidents and members of its Board of Directors were not eligible to participate in the Program. Pursuant to the terms and conditions of the option exchange, the Company accepted for exchange, 6,449,255 options. All surrendered options were canceled effective as of the expiration of the option exchange, and immediately thereafter, in exchange thereof, the Company granted new options with an exercise price of \$5.63 per share (representing the closing price of its common stock on June 22, 2012, as reported on the NASDAQ Global Select Market) to purchase an aggregate of 2,840,986 shares of common stock under the 2006 Plan. New options have a new contractual term of the longer of the original remaining contractual term of the surrendered options or five years, and generally will vest over a three-year period from the date of grant, with one-third of the shares vesting on the first year anniversary of the grant date and the remaining shares vesting monthly thereafter. As a result of the option exchange, the total incremental compensation cost of the new options was approximately \$1.0 million. The total remaining unrecognized compensation cost related to the original options of \$19.9 million and the incremental compensation cost of the new options granted of \$1.0 million will be recognized over the three years requisite service period.

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General Stock Option Information

The following table summarizes stock option activity under the stock option plans for the years ended December 31, 2014, 2013 and 2012 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of December 31, 2014.

	Options Outstanding	Weighted	Weighted	Aggregate
	Number of	Average	Average	Intrinsic
	Shares	Exercise	Remaining	Value
		Price per	Contractual	
		Share	Term	
	(Dollars in thousands, except per share amounts)			
Outstanding as of December 31, 2011	14,587,596	\$19.73		
Options granted	7,789,220	\$5.81		
Options exercised	(221,934)	\$4.44		
Options forfeited	(2,610,812)	\$10.91		
Options surrendered in stock option exchange program	(6,449,255)	\$21.11		
Outstanding as of December 31, 2012	13,094,815	\$12.79		
Options granted	2,084,276	\$6.09		
Options exercised	(483,923)	\$6.72		
Options forfeited	(3,318,022)	\$14.51		
Outstanding as of December 31, 2013	11,377,146	\$11.32		
Options granted	2,370,313	\$9.63		
Options exercised	(905,464)	\$6.93		
Options forfeited	(1,400,349)	\$16.13		
Outstanding as of December 31, 2014	11,441,646	\$10.73	5.9	\$35,073
Vested or expected to vest at December 31, 2014	10,867,966	\$10.86	5.8	\$33,266
Options exercisable at December 31, 2014	6,306,425	\$13.41	4.1	\$14,970

During the years ended December 31, 2014 and 2013, no stock options that contain a market condition were granted.

During the year ended December 31, 2012, 1,795,000 stock options that contain a market condition were granted.

These options vest in three years if specified stock prices are achieved. As of both December 31, 2014 and 2013, there were 1,315,000 stock options outstanding that require the Company to achieve minimum market conditions in order for the options to become exercisable. The fair values of the options granted with a market condition were calculated using a binomial valuation model, which estimates the potential outcome of reaching the market condition based on simulated future stock prices.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value for in-the-money options at December 31, 2014, based on the \$11.09 closing stock price of Rambus' Common Stock on December 31, 2014 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 December 31, 2014 was 7,824,175 and 3,351,309, respectively.

The following table summarizes the information about stock options outstanding and exercisable as of December 31, 2014:

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Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$4.13 – \$5.39	965,606	7.6	\$4.39	111,457	\$4.81
\$5.46 – \$5.46	1,146,916	8.0	\$5.46	488,272	\$5.46
\$5.49 – \$5.49	35,932	8.2	\$5.49	14,341	\$5.49
\$5.63 – \$5.63	1,229,750	4.3	\$5.63	988,752	\$5.63
\$5.76 – \$5.76	1,244,879	7.5	\$5.76	384,739	\$5.76
\$6.39 – \$8.55	1,298,963	6.1	\$7.72	972,139	\$7.83
\$8.73 – \$8.73	74,428	8.8	\$8.73	15,982	\$8.73
\$8.76 – \$8.76	1,564,545	9.1	\$8.76	286,198	\$8.76
\$8.91 – \$14.75	1,185,737	7.0	\$12.02	428,013	\$12.64
\$14.86 – \$40.80	2,694,890	1.9	\$22.00	2,616,532	\$22.11
\$4.13 – \$40.80	11,441,646	5.9	\$10.73	6,306,425	\$13.41

Employee Stock Purchase Plans

During the three year period ended December 31, 2014, the Company had one employee stock purchase plan, the 2006 Employee Stock Purchase Plan.

In March 2006, the Company adopted the 2006 Employee Stock Purchase Plan, as amended (the “2006 Purchase Plan” or “ESPP”) and reserved 1,600,000 shares, subject to stockholder approval which was received on May 10, 2006. On April 26, 2012, an additional 1,500,000 shares were approved by stockholders. On September 27, 2013, the Company filed a Registration Statement on Form S-8, registering 1,500,000 additional shares under the ESPP in connection with the commencement of the next subscription period under the ESPP. On April 24, 2014, the Company held its 2014 Annual Meeting of Stockholders where an amendment to the ESPP to increase the number of shares of common stock reserved for issuance under the ESPP by 1,500,000 shares was approved. Employees generally will be eligible to participate in this plan if they are employed by Rambus for more than 20 hours per week and more than five months in a fiscal year. The 2006 Purchase Plan provides for six month offering periods, with a new offering period commencing on the first trading day on or after May 1 and November 1 of each year. Under this plan, employees may purchase stock at the lower of 85% of the beginning of the offering period (the enrollment date), or the end of each offering period (the purchase date). Employees generally may not purchase more than the number of shares having a value greater than \$25,000 in any calendar year, as measured at the purchase date.

The Company issued 596,188 shares at a weighted average price of \$8.25 per share during the year ended December 31, 2014. The Company issued 1,063,283 shares at a weighted average price of \$4.87 per share during the year ended December 31, 2013. The Company issued 731,449 shares at a weighted average price of \$4.21 per share during the year ended December 31, 2012. As of December 31, 2014, 923,044 shares under the ESPP remain available for issuance.

Stock-Based Compensation

Stock Options

During the years ended December 31, 2014, 2013 and 2012, Rambus granted 2,370,313, 2,084,276 and 7,789,220 (including options granted in the stock option exchange program and options granted that contain a market condition) stock options, respectively, with an estimated total grant-date fair value of \$10.1 million, \$5.4 million and \$32.7 million, respectively. During the years ended December 31, 2014, 2013 and 2012, Rambus recorded stock-based compensation related to stock options of \$9.3 million, \$10.4 million and \$15.0 million, respectively.

As of December 31, 2014, there was \$13.6 million of total unrecognized compensation cost, net of expected forfeitures, related to unvested stock-based compensation arrangements granted under the stock option plans. This cost is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of options vested for the years ended December 31, 2014, 2013 and 2012 was \$55.3 million, \$64.3 million and \$80.0 million, respectively.

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The total intrinsic value of options exercised was \$4.4 million, \$1.3 million and \$0.2 million for the years ended December 31, 2014, 2013 and 2012, 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 proceeds received from the employees to exercise the options.

During the years ended December 31, 2014, 2013 and 2012, proceeds from employee stock option exercises totaled approximately \$6.3 million, \$3.3 million and \$1.0 million, respectively.

Employee Stock Purchase Plans

During the years ended December 31, 2014, 2013 and 2012, Rambus recorded stock-based compensation related to the ESPP of \$2.6 million, \$1.5 million and \$2.2 million, respectively. The compensation expense related to the ESPP for the year ended December 31, 2014 included compensation expense related to the increase in shares available for the ESPP which was approved by shareholders during the 2014 Annual Meeting of Stockholders. As of December 31, 2014, there was \$0.7 million of total unrecognized compensation cost related to stock-based compensation arrangements granted under the ESPP. That cost is expected to be recognized over four months.

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 years ended December 31, 2014, 2013 and 2012.

Valuation Assumptions

Rambus estimates the fair value of stock options using the Black-Scholes-Merton model ("BSM"). The BSM model determines the fair value of stock-based compensation and is affected by Rambus' stock price on the date of the grant as well as assumptions regarding a number of highly complex and subjective variables. These variables include expected volatility, expected life of the award, expected dividend rate, and expected risk-free rate of return. The assumptions for expected volatility and expected life are the two assumptions that significantly affect the grant date fair value. If actual results differ significantly from these estimates, stock-based compensation expense and Rambus' results of operations could be materially impacted.

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:

The following table presents the weighted-average assumptions used to estimate the fair value of stock options granted that contain only service conditions in the periods presented. The assumptions used to estimate the fair value of stock options granted under the stock option exchange program are excluded from the following:

	Stock Option Plans for Years Ended December 31,		
	2014	2013	2012
Stock Option Plans			
Expected stock price volatility	40%-44%	45%-47%	57%-68%
Risk free interest rate	2.1%-2.2%	0.8%-1.5%	0.6%-0.9%
Expected term (in years)	6.0-6.1	5.4-5.5	5.5-5.7
Weighted-average fair value of stock options granted	\$4.26	\$2.60	\$3.57

During the year ended December 31, 2012, the Company granted 1,795,000 stock options that contain a market condition. The fair values of the options granted with a market condition were calculated using a binomial valuation model, which estimates the potential outcome of reaching the market condition based on simulated future stock prices. The weighted average fair value associated with these market condition options was immaterial.

	Employee Stock Purchase Plan for Years Ended December 31,		
	2014	2013	2012
Employee Stock Purchase Plan			
Expected stock price volatility	39%-44%	44%-48%	56%-63%
Risk free interest rate	0.0%-0.1%	0.1%	0.2%
Expected term (in years)	0.02-0.5	0.5	0.5
	\$3.57	\$1.96	\$1.58

Weighted-average fair value of purchase rights granted under the purchase plan

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Expected Stock Price Volatility: Given the volume of market activity in its market traded options, Rambus determined that it would use the implied volatility of its nearest-to-the-money traded options. The Company believes that the use of implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. If there is not sufficient volume in its market traded options, the Company will use an equally weighted blend of historical and implied volatility.

Risk-free Interest Rate: Rambus bases the risk-free interest rate used in the BSM valuation method on implied yield currently available on the U.S. Treasury zero-coupon issues with an equivalent term. Where the expected terms of Rambus' stock-based awards do not correspond with the terms for which interest rates are quoted, Rambus uses an approximation based on rates on the closest term currently available.

Expected Term: The expected term of options granted represents the period of time that options granted are expected to be outstanding. The expected term was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The expected term of ESPP grants is based upon the length of each respective purchase period.

Nonvested Equity Stock and Stock Units

The Company grants nonvested equity stock units to officers, directors and employees. For the year ended December 31, 2014, 2013 and 2012, the Company granted nonvested equity stock units totaling 390,502, 473,074 and 742,009 shares, respectively, under the 2006 Plan. 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 \$4.1 million, \$3.3 million and \$4.8 million, respectively. In prior years, the Company granted nonvested equity stock units to its employees with vesting subject to the achievement of certain performance conditions. During the year ended December 31, 2014, the Company did not record any stock-based compensation expense related to these performance stock units as they have been forfeited. During the years ended December 31, 2013 and 2012, the achievement of certain performance conditions was considered probable, and as a result, the Company recognized an immaterial amount of stock-based compensation expense related to these performance stock units for both years.

For the years ended December 31, 2014, 2013 and 2012, the Company recorded stock-based compensation expense of approximately \$2.8 million, \$3.1 million and \$5.3 million, respectively, related to all outstanding equity stock grants. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of an estimate of forfeitures, was approximately \$3.9 million at December 31, 2014. This cost is expected to be recognized over a weighted average period of 2.3 years.

The following table reflects the activity related to nonvested equity stock and stock units for the three years ended December 31, 2014:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2011	763,510	\$ 18.02
Granted	742,009	\$ 6.43
Vested	(393,383)	\$ 17.38
Forfeited	(189,645)	\$ 11.77
Nonvested at December 31, 2012	922,491	\$ 10.24
Granted	473,074	\$ 6.92
Vested	(478,214)	\$ 9.81
Forfeited	(287,702)	\$ 9.18
Nonvested at December 31, 2013	629,649	\$ 8.56
Granted	390,502	\$ 10.40
Vested	(262,580)	\$ 9.85
Forfeited	(83,707)	\$ 7.69

Nonvested at December 31, 2014

673,864

\$ 9.23

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14. Stockholders' Equity

Share Repurchase Program

In October 2001, the Company's Board of Directors (the "Board") approved a share repurchase program of its common stock, principally to reduce the dilutive effect of employee stock options. Under this program, the Board approved the authorization to repurchase up to 19.0 million shares of the Company's outstanding common stock over an undefined period of time. On February 25, 2010, the Board approved a new share repurchase program authorizing the repurchase of up to an additional 12.5 million shares.

For the years ended December 31, 2014 and 2013, the Company did not repurchase any shares of its common stock under its share repurchase program. As of December 31, 2014, 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 December 31, 2014, there remained an outstanding authorization to repurchase approximately 5.2 million shares of the Company's outstanding common stock.

On January 21, 2015, the Company's Board approved a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares. Share repurchases under the plan may be made through the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules, and regulations. There is no expiration date applicable to the plan. This new stock repurchase program replaces the existing program approved by the Board in February 2010 and cancels the 5.2 million shares outstanding as part of the previous authorization. No repurchases have been made under the new plan.

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.

15. Benefit Plans

Rambus has a 401(k) Profit Sharing Plan (the "401(k) Plan") qualified under Section 401(k) of the Internal Revenue Code of 1986. Each eligible employee may elect to contribute up to 60% of the employee's annual compensation to the 401(k) Plan, up to the Internal Revenue Service limit. Rambus, at the discretion of its Board of Directors, may match employee contributions to the 401(k) Plan. The Company matches 50% of eligible employee's contribution, up to the first 6% of an eligible employee's qualified earnings. For the years ended December 31, 2014, 2013 and 2012, Rambus made matching contributions totaling approximately \$1.9 million, \$1.8 million and \$2.1 million, respectively.

16. Restructuring Charges

The 2012 Plan

During 2012, the Company initiated a restructuring program to reduce overall corporate expenses which is expected to improve future profitability by reducing spending on marketing, general and administrative programs and refining some of the Company's research and development efforts (the "2012 Plan"). In connection with this restructuring program, the Company estimated that it would incur aggregate costs of approximately \$10.0 million. During the year ended December 31, 2014, the Company did not incur any restructuring charges related to this plan. During the year ended December 31, 2013 the Company incurred restructuring charges of \$2.1 million related primarily to the consolidation of certain facilities and the reduction in workforce, of which a majority was related to corporate support functions. During the year ended December 31, 2012, the Company incurred restructuring charges of \$7.3 million related primarily to the reduction in workforce, of which \$3.4 million was related to the previously reportable ESD (formerly named CTO) segment, which is part of the Other segment as of December 31, 2014; \$0.7 million was related to the MID reportable segment; \$0.1 million was related to the Other segment; and \$3.1 million was related to corporate support functions that impacted each of the Company's operating segments. The Company incurred \$9.4 million in restructuring related charges related to this plan. The 2012 Plan was completed in the 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the 2012 Plan restructuring activities during the years ended December 31, 2014, 2013 and 2012:

	Employee Severance and Related Benefits (in thousands)	Facilities	Total		
Balance at December 31, 2011	\$—	\$—	\$—		
Charges	7,301	—	7,301		
Payments	(6,395)	) —	(6,395))	
Balance at December 31, 2012	\$906	\$—	\$906		
Charges	136	1,960	2,096		
Payments	(958)	) (1,307	) (2,265)	
Non-cash settlements	—	(653)*	(653)
Balance at December 31, 2013	\$84	\$—	\$84		
Payments	(84	) —	(84)	
Balance at December 31, 2014	\$—	\$—	\$—		

*The non-cash charge of \$653 thousand is related to the termination of the Company's financing obligation associated with abandoning a construction asset at one of its facilities.

The 2013 Plan

During 2013, the Company initiated a restructuring program related primarily to its LDT group as a result of the change in its business strategy to reduce its focus on the lower margin bulb products. Additionally, the Company curtailed spending on its immersive media platform (the "2013 Plan"). In connection with this restructuring program, the Company estimated that it would incur aggregate costs of approximately \$3.0 million to \$4.0 million. During the year ended December 31, 2014, the Company incurred an immaterial amount of restructuring charges related primarily to the reduction in workforce, which was related to the previously reportable ESD (formerly named CTO) segment, which is part of the Other segment as of December 31, 2014. During the year ended December 31, 2013, the Company incurred restructuring charges of \$3.4 million related primarily to the reduction in workforce, of which \$2.4 million was related to the previously reportable ESD segment, \$0.1 million was related to the MID reportable segment and \$0.9 million was related to the Other segment. The 2013 Plan was completed in 2014.

The following table summarizes the 2013 Plan restructuring activities during the years ended December 31, 2014 and 2013:

	Employee Severance and Related Benefits (In thousands)	Facilities	Total	
Balance at December 31, 2012	\$—	\$—	\$—	
Charges	3,255	195	3,450	
Payments	(1,523	) (62	) (1,585)
Balance at December 31, 2013	\$1,732	\$133	\$1,865	
Charges	39	—	39	
Payments	(1,771) (133) (1,904)
Balance at December 31, 2014	\$—	—	\$—	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Income Taxes

Income before taxes consisted of the following:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Domestic	\$49,173	\$(12,535)	\$(61,036)
Foreign	1,077	518	(56,849)
	\$50,250	\$(12,017)	\$(117,885)

The provision for income taxes is comprised of:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Federal:			
Current	\$19,386	\$19,319	\$15,048
Deferred	2,337	2,200	587
State:			
Current	713	47	(2,868)
Deferred	—	(501)	2,934
Foreign:			
Current	1,640	446	543
Deferred	(27)	220	207
	\$24,049	\$21,731	\$16,451

The differences between Rambus' effective tax rate and the U.S. federal statutory regular tax rate are as follows:

	Years Ended December 31,		
	2014	2013	2012
Expense (benefit) at U.S. federal statutory rate	35.0	% (35.0)	% (35.0)
Expense (benefit) at state statutory rate	1.0	(3.3)	0.1
Withholding tax	38.6	160.4	13.3
Foreign rate differential	2.5	4.1	17.4
Research and development ("R&D") credit	(6.1)	(36.7)	—
Executive compensation	0.2	0.8	0.3
Non-deductible stock-based compensation	1.4	2.5	0.7
Foreign tax credit	(38.7)	(163.3)	(13.3)
Capitalized merger and acquisition costs	—	—	0.3
Other	0.6	(1.0)	(2.2)
Valuation allowance	13.4	252.3	32.4
	47.9	% 180.8	% 14.0

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the net deferred tax assets are as follows:

	As of December 31,	
	2014	2013
	(In thousands)	
Deferred tax assets:		
Depreciation and amortization	\$29,099	\$28,093
Other liabilities and reserves	9,916	18,578
Deferred equity compensation	29,511	33,837
Net operating loss carryovers	12,307	27,752
Tax credits	116,658	100,052
Total gross deferred tax assets	197,491	208,312
Convertible debt	(8,092)	(13,000)
Total net deferred tax assets	189,399	195,312
Valuation allowance	(193,874)	(192,823)
Net deferred tax assets (liabilities)	\$(4,475)	\$2,489
	As of December 31,	
	2014	2013
	(In thousands)	
Reported as:		
Current deferred tax assets	\$187	\$205
Current deferred tax liabilities	(1,131)	(791)
Non-current deferred tax assets	536	4,797
Non-current deferred tax liabilities	(4,067)	(1,722)
Net deferred tax assets (liabilities)	\$(4,475)	\$2,489

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 dependent on the Company's ability to generate sufficient future taxable income during periods prior to the expiration of tax attributes to fully utilize these assets. The Company weighed both positive and negative evidence and determined that there is a continued need for a valuation allowance as the Company is in a cumulative loss position over the previous three years, which is considered significant negative evidence. A sustained period of profitability in the Company's operations is required before the Company would change its judgment regarding the need for a full valuation allowance against its net deferred tax assets. Although the weight of negative evidence related to cumulative losses is decreasing as the uncertainty around litigation settlement is reducing, the Company believes that this objectively measured negative evidence outweighs the subjectively determined positive evidence of future profitability and, as such, the Company has not changed its judgment regarding the need for a full valuation allowance on its deferred tax assets in the United States in 2014. However, continued improvement in the Company's operating results, conditioned on its MID, LDT or CRD reporting units successfully commercializing new business arrangements, signing new and renewing existing license agreements and managing costs, could lead to reversal of almost all of the Company's valuation allowance as early as 2015. Until such time, consumption of tax attributes to offset profits will reduce the overall level of deferred tax assets subject to valuation allowance. Should the Company determine that it would be able to realize its remaining deferred tax assets in the foreseeable future, an adjustment to its remaining deferred tax assets would cause a material increase to income in the period such determination is made.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the tax valuation allowance information for the years ended December 31, 2014, December 31, 2013 and December 31, 2012:

	Balance at Beginning of Period	Charged (Credited) to Operations	Charged to Other Account*	Utilized	Balance at End of Period
Tax Valuation Allowance					
Year ended December 31, 2012	\$ 130,548	—	54,269	—	\$ 184,817
Year ended December 31, 2013	\$ 184,817	—	8,006	—	\$ 192,823
Year ended December 31, 2014	\$ 192,823	—	1,051	—	\$ 193,874

* Amounts not charged to operations are charged to other comprehensive income or deferred tax assets (liabilities).

As of December 31, 2014, Rambus had California net operating loss carryforwards of \$294.5 million. As of December 31, 2014, Rambus had federal research and development tax credit carryforwards of \$32.7 million, alternative minimum tax credits of \$2.5 million, and foreign tax credits of \$120.7 million. As of December 31, 2014, Rambus had California research and development tax credit carryforwards of \$18.6 million. These carryforward amounts included \$36.3 million of federal tax credits and \$97.5 million of California net operating losses for which no deferred tax asset has been recognized because they relate to excess tax benefits from stock-based compensation tax deductions. The excess tax benefits will be recorded to additional paid-in capital when they reduce cash taxes payable. The federal foreign tax credits and research and development credits begin to expire in 2016 and 2018, respectively. Approximately \$55 million of federal foreign tax credits expire in 2020. The California net operating losses begin to expire in 2018. The federal alternative minimum tax credits and the California research and development credits carry forward indefinitely.

In the event of a change in ownership, as defined under federal and state tax laws, Rambus' net operating loss and tax credit carryforwards could be subject to annual limitations. The annual limitations could result in the expiration of the net operating loss and tax credit carryforwards prior to utilization.

As of December 31, 2014, the Company had \$19.9 million of unrecognized tax benefits including \$17.8 million recorded as a reduction of long-term deferred tax assets and \$2.1 million recorded in long term income taxes payable. If recognized, \$2.1 million would be recorded as an income tax benefit in the consolidated statements of operations.

As of December 31, 2013, the Company had \$18.8 million of unrecognized tax benefits including \$12.6 million recorded as a reduction of long-term deferred tax assets and \$6.2 million recorded in long term income taxes payable. If recognized, \$1.6 million would be recorded as an income tax benefit in the consolidated statements of operations. It is reasonably possible that a reduction of up to \$0.9 million of existing unrecognized tax benefits could occur in the next 12 months.

A reconciliation of the beginning and ending amounts of unrecognized income tax benefits for the years ended December 31, 2014, 2013 and 2012 is as follows (amounts in thousands):

	Years Ended December 31,		
	2014	2013	2012
Balance at January 1	\$ 18,794	\$ 16,773	\$ 16,610
Tax positions related to current year:			
Additions	1,134	1,156	589
Tax positions related to prior years:			
Additions	531	956	1,521
Reductions	(556	) (91	) (1,947
Settlements	—	—	—
Balance at December 31	\$ 19,903	\$ 18,794	\$ 16,773

Rambus recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At December 31, 2014 and 2013, an immaterial amount of interest and penalties are included in long-term income taxes payable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The amendments of this ASU require that entities that have an unrecognized tax benefit and a net operating loss carryforward or similar tax loss or tax credit carryforward in the same jurisdiction as the uncertain tax position present the unrecognized tax benefit as a reduction of the deferred tax asset for the loss or tax credit carryforward rather than as a liability when the uncertain tax position would reduce the loss or tax credit carryforward under the tax law. The disclosure requirements are effective for annual periods beginning after December 15, 2013. The Company adopted this new standard in the first quarter of 2014. The Company's adoption of this guidance resulted in equal reductions to both deferred tax assets and long term taxes payable of approximately \$4.7 million in the first quarter of 2014.

Rambus files income tax returns for the U.S., California, India and various other state and foreign jurisdictions. The U.S. federal returns are subject to examination from 2012 and forward. The California returns are subject to examination from 2009 and forward. 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. The India returns are subject to examination from fiscal year ending March 2006 and forward. The Company is currently under examination by California for the 2010 and 2011 tax years. The Company's India subsidiary is under examination by the Indian tax administration for years 2008 through 2010. These examinations may result in proposed adjustments to the income taxes as filed during these periods. Management regularly assesses the likelihood of outcomes resulting from income tax examinations to determine the adequacy of their provision for income taxes and believes their provision for unrecognized tax benefits is adequate.

At December 31, 2014, no deferred taxes have been provided on undistributed earnings of approximately \$4.2 million from the Company's international subsidiaries since these earnings have been, and under current plans will continue to be, indefinitely reinvested outside the United States. It is not practicable to determine the amount of the unrecognized tax liability at this time.

18. Litigation and Asserted Claims

Rambus is not currently a party to any material pending legal proceeding; however, from time to time, Rambus may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on our business, operating results, financial position or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

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.

SDRAM, DDR, 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 against SK hynix, Infineon, Nanya, and Inotera. On January 13, 2006, Rambus also filed suit against Micron in the same court for patent infringement. Infineon and Inotera were subsequently dismissed from this litigation as was Samsung, which previously had been added as a defendant. Rambus alleged that certain of its patents were infringed by certain of the defendants' DDR2 and other advanced memory products. On June 11, 2013, Rambus and SK hynix announced that they had entered into a settlement of all outstanding disputes between the parties and on December 9, 2013, Rambus and Micron announced that they had entered into a settlement of all outstanding disputes between the parties, which is described in Note 19, "Agreements with SK hynix and Micron." On March 23, 2014, Rambus and Nanya announced that they had entered into a settlement of all outstanding disputes between the parties. As a result of such settlements, all DDR2 litigation has been dismissed.

19. Agreements with SK hynix and Micron
SK hynix

On June 11, 2013, Rambus, SK hynix and certain related entities of SK hynix entered into a settlement agreement, pursuant to which the parties have agreed to release all claims against each other with respect to all outstanding litigation between them.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to the settlement agreement, Rambus and SK hynix entered into a semiconductor patent license agreement on June 11, 2013, under which SK hynix licenses from Rambus non-exclusive rights to certain Rambus patents and has agreed to pay Rambus cash amounts over the next five years. Under the license agreement, Rambus has granted to SK hynix (i) a paid-up perpetual patent license for certain identified SK hynix DRAM products and (ii) a five-year term patent license to all other DRAM and other semiconductor products.

The agreements with SK hynix are considered a multiple element arrangement for accounting purposes. For a multiple element arrangement under the applicable accounting rules, the Company is required to identify specific elements of the arrangement and then determine when those elements should be recognized. The Company identified three elements in the arrangement: antitrust litigation settlement, settlement of past infringement, and license agreement. The Company considered several factors in determining the accounting fair value of the elements of the SK hynix agreements which included a third party valuation using an income approach (collectively the "SK hynix Fair Value"). The inputs and assumptions used in this accounting valuation were from a market participant perspective and included projected customer 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 discretion, 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 a substantial impact on the SK hynix Fair Value as assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction. The following estimates do not reflect any agreement (expressed or implied) reached between the parties on the values attributed to any aspect of this transaction. The estimated SK hynix Fair Value is determined as follows:

(in millions)	Estimated SK hynix Fair Value
Antitrust litigation settlement	\$4.0
Settlement of past infringement	280.0
License agreement	250.0
Total SK hynix Fair Value	\$534.0

The total consideration of \$240.0 million (as per the terms of the agreements with SK hynix) takes into account the court ruling in May 2013 that \$250.0 million should be applied as a credit against the court's March 2009 award to Rambus in the SK hynix litigation. Using the accounting guidance from multiple element revenue arrangements, the Company allocated the consideration to each element using the estimated SK hynix Fair Value of the elements which include antitrust litigation settlement, settlement of past infringement, and license agreement as shown in the table above. The following allocations do not reflect any agreement (expressed or implied) reached between the parties on the values attributed to any aspect of this transaction, but instead, reflect only what is required as disclosure under the applicable accounting rules. Based on the estimated SK hynix Fair Value, the total consideration of \$240.0 million was allocated to the following elements:

(in millions)	Allocated Consideration
Antitrust litigation settlement	\$1.9
Settlement of past infringement	125.8
License agreement	112.3
Total consideration	\$240.0

The consideration of \$240.0 million (assuming no adjustments to the payments under the terms of the agreements) will be recognized in the Company's financial statements until 2018 as follows:

\$238.1 million as "royalty revenue" which represents the allocated consideration related to the settlement of past infringement (\$125.8 million) from the resolution of the infringement litigation and the patent license agreement (\$112.3 million); and \$1.9 million as "gain from settlement" which represents the allocated consideration related to the resolution of the antitrust litigation.

During the years ended December 31, 2014 and 2013, the Company received cash consideration of \$48.0 million and \$24.0 million, respectively, from SK hynix. The amounts were allocated between royalty revenue (\$47.3 million in 2014 and \$23.6

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RAMBUS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

million in 2013) and gain from settlement (\$0.7 million in 2014 and \$0.4 million in 2013) based on the elements' SK hynix Fair Value.

The remaining \$168.0 million is expected to be paid in successive quarterly payments of \$12.0 million, concluding in the second quarter of 2018.

The cash receipts and remaining future cash receipts from the agreements with SK hynix are expected to be recognized as follows assuming no adjustments to the payments under the terms of the agreements:

	Received		Estimated to Be Received in				Total Estimated Cash Receipts
	in 2013	2014	2015	2016	2017	2018	
(in millions)							
Royalty revenue	\$23.6	\$47.3	\$47.3	\$47.9	\$48.0	\$24.0	\$238.1
Gain from settlement	0.4	0.7	0.7	0.1	—	—	1.9
Total	\$24.0	\$48.0	\$48.0	\$48.0	\$48.0	\$24.0	\$240.0

Micron

On December 9, 2013, Rambus, Micron and certain related entities of Micron entered into a settlement agreement, pursuant to which the parties have agreed that they will release all claims against each other with respect to all outstanding litigation between them and certain other potential claims. Pursuant to the settlement agreement, Rambus and Micron entered into a semiconductor patent license agreement on December 9, 2013. Under the license agreement, Rambus has granted to Micron and its subsidiaries and certain affiliated entities (i) a paid-up perpetual patent license for certain identified Micron DRAM products and (ii) a seven-year term patent license to other memory and semiconductor products.

The agreements with Micron are considered a multiple element arrangement for accounting purposes. For a multiple element arrangement under the applicable accounting rules, the Company is required to identify specific elements of the arrangement and then determine when those elements should be recognized. The Company identified three elements in the arrangement: antitrust litigation settlement, settlement of past infringement, and license agreement. The Company considered several factors in determining the accounting fair value of the elements of the Micron agreements which included a third party valuation using an income approach (collectively the "Micron Fair Value"). The inputs and assumptions used in this accounting valuation were from a market participant perspective and included projected customer 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 discretion, 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 a substantial impact on the Micron Fair Value as assigned to each element. These inputs and assumptions represent management's best estimates at the time of the transaction. The following estimates do not reflect any agreement (expressed or implied) reached between the parties on the values attributed to any aspect of this transaction. The estimated Micron Fair Value is determined as follows:

(in millions)	Estimated Micron Fair Value
Antitrust litigation settlement	\$8.0
Settlement of past infringement	235.0
License agreement	440.0

Total Micron Fair Value	\$683.0
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The total consideration of \$280.0 million (as per the terms of the agreements with Micron) takes into account the court ruling in January 2013 that Rambus' patents-in-suit are unenforceable against Micron in the Micron litigation, but which was pending appeal at the time of settlement. Using the accounting guidance from multiple element revenue arrangements, the Company allocated the consideration to each element using the estimated Micron Fair Value of the elements which include antitrust litigation settlement, settlement of past infringement, and license agreement as shown in the table above. The following allocations do not reflect any agreement (expressed or implied) reached between the parties on the values attributed to any aspect of this transaction, but instead, reflect only what is required as disclosure under the applicable accounting rules. Based on the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimated Micron Fair Value, the total consideration of \$280.0 million was allocated to the following elements:

(in millions)	Allocated Consideration
Antitrust litigation settlement	\$3.3
Settlement of past infringement	96.3
License agreement	180.4
Total consideration	\$280.0

The consideration of \$280.0 million (assuming no adjustments to the payments under the terms of the agreements) will be recognized in the Company's financial statements until 2020 as follows:

\$276.7 million as "royalty revenue" which represents the allocated consideration related to the settlement of past infringement (\$96.3 million) from the resolution of the infringement litigation and the patent license agreement (\$180.4 million); and

\$3.3 million as "gain from settlement" which represents the allocated consideration related to the resolution of the antitrust litigation.

During the years ended December 31, 2014 and 2013, the Company received cash consideration of \$40.0 million and \$5.5 million, respectively, from Micron. The amounts were allocated between royalty revenue (\$38.7 million in 2014 and \$5.3 million in 2013) and gain from settlement (\$1.3 million in 2014 and \$0.2 million in 2013) based on the elements' Micron Fair Value.

The remaining \$234.5 million is expected to be paid in successive quarterly payments of \$10.0 million, concluding in the fourth quarter of 2020.

The cash receipts and remaining future cash receipts from the agreements with Micron are expected to be recognized as follows assuming no adjustments to the payments under the terms of the agreements:

	Received in		Estimated to Be Received in					2019 and thereafter	Total Estimated Cash Receipts
	2013	2014	2015	2016	2017	2018			
(in millions)									
Royalty revenue	\$5.3	\$38.7	\$38.7	\$39.5	\$40.0	\$40.0	\$74.5	\$276.7	
Gain from settlement	0.2	1.3	1.3	0.5	—	—	—	3.3	
Total	\$5.5	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$74.5	\$280.0	

20. Subsequent Event

On January 21, 2015, the Company's Board approved a new share repurchase program authorizing the repurchase of up to an aggregate of 20.0 million shares. Share repurchases under the plan may be made through the open market, established plans or privately negotiated transactions in accordance with all applicable securities laws, rules, and regulations. There is no expiration date applicable to the plan. This new stock repurchase program replaces the existing program approved by the Board in February 2010 and cancels the 5.2 million shares outstanding as part of the previous authorization. No repurchases have been made under the new plan.

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Supplementary Financial Data

RAMBUS INC.

CONSOLIDATED SUPPLEMENTARY FINANCIAL DATA

Quarterly Statements of Operations

(Unaudited)

	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013
	(In thousands, except for per share amounts)							
Total revenue	\$72,040	\$69,712	\$76,518	\$78,288	\$73,422	\$73,294	\$57,919	\$66,866
Total operating costs and expenses (1) (2)	\$54,455	\$55,244	\$56,414	\$55,099	\$67,208	\$64,229	\$52,175	\$65,425
Operating income	\$17,585	\$14,468	\$20,104	\$23,189	\$6,214	\$9,065	\$5,744	\$1,441
Net income (loss)	\$7,841	\$5,513	\$5,043	\$7,804	\$(9,777)	\$(5,725)	\$(7,844)	\$(10,402)
Net income (loss) per share — basic	\$0.07	\$0.05	\$0.04	\$0.07	\$(0.09)	\$(0.05)	(0.07)	\$(0.09)
Net income (loss) per share — diluted	\$0.07	\$0.05	\$0.04	\$0.07	\$(0.09)	\$(0.05)	(0.07)	\$(0.09)
Shares used in per share calculations — basic	115,024	114,523	114,116	113,590	113,217	112,640	112,183	111,599
Shares used in per share calculations — diluted	117,620	118,206	117,398	116,629	113,217	112,640	112,183	111,599

(1) The quarterly financial information includes the following amounts related to the impairment of goodwill and long-lived assets as follows: \$9.7 million in the quarter ended December 31, 2013 and \$8.1 million in the quarter ended September 30, 2013. Refer to Note 6, "Intangible Assets and Goodwill" of Notes to Consolidated Financial Statements of this Form 10-K.

(2) The quarterly financial information includes the following amounts related to restructuring charges as follows: \$2.2 million in the quarter ended December 31, 2013, \$1.1 million in the quarter ended September 30, 2013, and \$2.2 million in the quarter ended March 31, 2013. Refer to Note 16, "Restructuring Charges" of Notes to Consolidated Financial Statements of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ SATISH RISHI
Satish Rishi
Senior Vice President, Finance and Chief Financial Officer

Date: February 20, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Ronald Black and Satish Rishi as his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign, and file with the Securities and Exchange Commission any and all amendments to this Annual Report on Form 10-K, together with all schedules and exhibits thereto, (ii) act on, sign, and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, and (iii) take any and all actions that may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ RONALD BLACK Ronald Black	Chief Executive Officer, President and Director (Principal Executive Officer)	February 20, 2015
/s/ SATISH RISHI Satish Rishi	Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	February 20, 2015
/s/ ERIC STANG Eric Stang	Chairman of the Board of Directors	February 20, 2015
/s/ J. THOMAS BENTLEY J. Thomas Bentley	Director	February 20, 2015
/s/ ELLIS THOMAS FISHER Ellis Thomas Fisher	Director	February 20, 2015
/s/ PENELOPE HERSCHER Penelope Herscher	Director	February 20, 2015
/s/ CHARLES KISSNER Charles Kissner	Director	February 20, 2015
/s/ DAVID SHRIGLEY David Shrigley	Director	February 20, 2015

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INDEX TO EXHIBITS

Exhibit Number	Description of Document
2.2(1)	Merger Agreement dated as of May 12, 2011, by and among Rambus Inc., Padlock Acquisition Corp., Cryptography Research, Inc. and the shareholder representative.
3.1(2)	Amended and Restated Certificate of Incorporation of Registrant filed May 29, 1997.
3.2(3)	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Registrant filed June 14, 2000.
3.3(4)	Amended and Restated Bylaws of Registrant dated April 25, 2013.
4.1(5)	Form of Registrant's Common Stock Certificate.
4.2(6)	Indenture between Rambus Inc. and U.S. Bank, National Association, dated as of June 29, 2009 (including the form of 5% Convertible Senior Note due 2014 therein).
4.3(7)	Indenture between Rambus Inc. and U.S. Bank, National Association, dated as of August 16, 2013 (including the form of 1.125% Convertible Senior Note due 2018 therein).
10.1(8)	Form of Indemnification Agreement entered into by Registrant with each of its directors and executive officers.
10.2(9)*	1997 Stock Plan (as amended and restated as of April 4, 2007) and related forms of agreements.
10.3(10)*	2006 Equity Incentive Plan, as amended.
10.4(11)*	Forms of agreements under the 2006 Equity Incentive Plan, as amended.
10.5(12)*	2006 Employee Stock Purchase Plan as amended.
10.6(13)	Redwood and Yellowstone Semiconductor Technology License Agreement, dated as of January 6, 2003, between Registrant, Sony Corporation and Sony Computer Entertainment Inc.
10.7(14)	Triple Net Space Lease, dated as of December 15, 2009, by and between Registrant and MT SPE, LLC.
10.8(15)**	Settlement Agreement, dated January 19, 2010, among Registrant, Samsung Electronics Co., Ltd, Samsung Electronics America, Inc., Samsung Semiconductor, Inc. and Samsung Austin Semiconductor, L.P.
10.9(15)**	Semiconductor Patent License Agreement, dated January 19, 2010, between Registrant and Samsung Electronics Co., Ltd.
10.10(15)**	Stock Purchase Agreement, dated January 19, 2010, between Registrant and Samsung Electronics Co., Ltd.
10.11(16)	First Amendment of Lease, dated November 4, 2011, by and between Registrant and MT SPE, LLC.
10.12(17)	Employment Agreement between the Company and Ronald Black, dated as of June 22, 2012.
10.13(18)**	Settlement Agreement, dated June 11, 2013, among Registrant, SK hynix and certain SK hynix affiliates.
10.14(19)**	Semiconductor Patent License Agreement, dated June 11, 2013, between Registrant and SK hynix.
10.15(20)**	Settlement Agreement, dated December 9, 2013, between Rambus Inc., Micron Technology, Inc., and certain Micron affiliates.
10.16(20)**	Semiconductor Patent License Agreement, dated December 9, 2013, between Rambus, Inc. and Micron Technology, Inc.
10.17(20)**	Amendment to Semiconductor Patent License Agreement, dated December 30, 2013, by and between Rambus Inc. and Samsung Electronics Co., Ltd.
12.1(21)	Computation of ratio of earnings to fixed charges.
21.1	Subsidiaries of Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (included in signature page).
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.

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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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- * Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.
- ** Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.
- ± XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.
- (1) Incorporated by reference to the Form 10-Q filed on August 5, 2011.
- (2) Incorporated by reference to the Form 10-K filed on December 15, 1997.
- (3) Incorporated by reference to the Form 10-Q filed on May 4, 2001.
- (4) Incorporated by reference to the Form 8-K filed on April 30, 2013.
- (5) Incorporated by reference to the Form S-1/A (file no. 333-22885) filed on April 24, 1997.
- (6) Incorporated by reference to the Form 8-K filed on June 29, 2009.
- (7) Incorporated by reference to the Form 8-K filed on August 16, 2013.
- (8) Incorporated by reference to the Form S-1 (file no. 333-22885) filed on March 6, 1997.
- (9) Incorporated by reference to the Form 10-K filed on September 14, 2007.
- (10) Incorporated by reference to the Form 8-K filed on April 30, 2014.
- (11) Incorporated by reference to the Form 8-K filed on April 30, 2014.
- (12) Incorporated by reference to the Form 8-K filed on April 30, 2014.
- (13) Incorporated by reference to the Form 10-Q filed on April 30, 2003.
- (14) Incorporated by reference to the Form 10-K filed on February 25, 2010.
- (15) Incorporated by reference to the Form 10-Q filed on May 3, 2010.
- (16) Incorporated by reference to the Form 10-K filed on February 24, 2012.
- (17) Incorporated by reference to the Form 8-K filed on June 25, 2012.
- (18) Incorporated by reference to the Form 10-Q/A filed on January 13, 2014.
- (19) Incorporated by reference to the Form 10-Q filed on July 29, 2013.
- (20) Incorporated by reference to the Form 10-K filed on February 21, 2014.

(21) Incorporated by reference to the Form S-3 filed on June 22, 2009.

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