RAMBUS INC
Form 10-Q
April 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 000-22339

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

Delaware (State or other jurisdiction of incorporation or organization)	94-3112828 (I.R.S. Employer Identification No.)
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

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 ý No o
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 ý No o
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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
The number of shares outstanding of the registrant’s Common Stock, par value $.001 per share, was 115,473,870 as of March 31, 2015.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- Success in the markets of our 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;
- Success in signing and renewing license agreements;
- Terms of our licenses and amounts owed under license agreements;
- Technology product development;
- Dispositions, acquisitions, mergers or strategic transactions and our related integration efforts;
- Impairment of goodwill and long-lived assets;
- Pricing policies of our customers;
- Changes in our strategy and business model, including the expansion of our portfolio of inventions and solutions to address additional markets in lighting, chip and system security;
- Deterioration of financial health of commercial counterparties and their ability to meet their obligations to us;
- Effects of security breaches or failures in our or our customers' products and services on our business;
- Engineering, sales and general and administration expenses;
- Contract revenue;
- Operating results;
- International licenses and operations;
- Effects of changes in the economy and credit market on our industry and business;
- 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;
- The level and terms of our outstanding debt and the repayment or financing of such debt;
- 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;
- Indemnification and technical support obligations;
- Equity repurchase plans;
- Issuances of our securities, which could involve restrictive covenants or be dilutive to our existing stockholders;
- Outcome and effect of potential future intellectual property litigation and other significant litigation; and
- Likelihood of paying dividends.

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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 ne 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—FINANCIAL INFORMATION
Item 1. Financial Statements
RAMBUS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2015	December 31, 2014
	(In thousands, except shares and par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$171,567	$154,126
Marketable securities	146,194	145,983
Accounts receivable	6,541	6,001
Prepaids and other current assets	10,141	8,541
Deferred taxes	1,123	187
Total current assets	335,566	314,838
Intangible assets, net	83,049	89,371
Goodwill	116,899	116,899
Property, plant and equipment, net	61,577	64,023
Deferred taxes, long-term	447	536
Other assets	2,333	2,612
Total assets	$599,871	$588,279
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,697	$6,962
Accrued salaries and benefits	10,477	14,840
Deferred revenue	5,405	4,133
Other current liabilities	6,450	8,723
Total current liabilities	28,029	34,658
Convertible notes, long-term	116,508	115,089
Long-term imputed financing obligation	38,974	39,063
Long-term income taxes payable	2,790	2,769
Other long-term liabilities	7,628	5,078
Total liabilities	193,929	196,657
Commitments and contingencies (Notes 9 and 13)		
Stockholders' equity:		
Convertible preferred stock, $.001 par value:		
Authorized: 5,000,000 shares		
Issued and outstanding: no shares at March 31, 2015 and December 31, 2014	—	—
Common stock, $.001 par value:		
Authorized: 500,000,000 shares		
Issued and outstanding: 115,473,870 shares at March 31, 2015 and 115,161,675 shares at December 31, 2014	115	115
Additional paid-in capital	1,158,200	1,153,435
Accumulated deficit	(752,024)	(761,526)
Accumulated other comprehensive loss	(349)	(402)
Total stockholders' equity	405,942	391,622
Total liabilities and stockholders' equity	$599,871	$588,279

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 2015	2014
	(In thousands, except per share amounts)	
Revenue:		
Royalties	$66,963	$73,637
Contract and other revenue	5,951	4,651
Total revenue	72,914	78,288
Operating costs and expenses:		
Cost of revenue*	10,756	10,022
Research and development*	28,534	26,898
Sales, general and administrative*	18,502	18,820
Gain from sale of intellectual property	(2,260)	(170)
Restructuring charges	—	39
Gain from settlement	(510)	(510)
Total operating costs and expenses	55,022	55,099
Operating income	17,892	23,189
Interest income and other income (expense), net	132	13
Interest expense	(3,083)	(9,926)
Interest and other income (expense), net	(2,951)	(9,913)
Income before income taxes	14,941	13,276
Provision for income taxes	5,439	5,472
Net income	$9,502	$7,804
Net income per share:		
Basic	$0.08	$0.07
Diluted	$0.08	$0.07
Weighted average shares used in per share calculation:		
Basic	115,336	113,590
Diluted	117,442	116,629

* Includes stock-based compensation:		
Cost of revenue	$12	$7
Research and development	$1,767	$1,311
Sales, general and administrative	$1,987	$1,581

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
(In thousands)	2015	2014
Net income	$9,502	$7,804
Other comprehensive income:		
Unrealized gain on marketable securities, net of tax	53	8
Total comprehensive income	$9,555	$7,812

See Notes to Unaudited Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Cash flows from operating activities:		
Net income	$9,502	$7,804
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	3,766	2,899
Depreciation	3,227	3,481
Amortization of intangible assets	6,322	6,797
Non-cash interest expense and amortization of convertible debt issuance costs	1,559	6,242
Deferred income taxes	644	5,967
Gain from sale of intellectual property	(2,267)	(170)
Change in operating assets and liabilities:		
Accounts receivable	(540)	(5,565)
Prepaid expenses and other assets	(1,436)	(183)
Accounts payable	(965)	749
Accrued salaries and benefits and other liabilities	(5,959)	(6,623)
Income taxes payable	(86)	(4,828)
Deferred revenue	1,272	(59)
Net cash provided by operating activities	15,039	16,511
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,095)	(3,145)
Purchases of marketable securities	(46,779)	(34,050)
Maturities of marketable securities	40,070	26,050
Proceeds from sale of marketable securities	6,600	—
Proceeds from sale of intellectual property	2,280	1,250
Net cash provided by (used in) investing activities	1,076	(9,895)
Cash flows from financing activities:		
Proceeds received from issuance of common stock under employee stock plans	1,424	1,352
Principal payments against lease financing obligation	(98)	(60)
Payments under installment payment arrangement	—	(28)
Net cash provided by financing activities	1,326	1,264
Net increase in cash and cash equivalents	17,441	7,880
Cash and cash equivalents at beginning of period	154,126	338,696
Cash and cash equivalents at end of period	$171,567	$346,576
Non-cash investing activities during the period:		
Property, plant and equipment received and accrued in accounts payable and other liabilities	$248	$280

See Notes to Unaudited Condensed Consolidated Financial Statements

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RAMBUS INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation
The accompanying unaudited condensed consolidated financial statements include the accounts of Rambus Inc. (“Rambus” or the “Company”) and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements. Investments in entities with less than 20% ownership or in which the Company does not have the ability to significantly influence the operations of the investee are being accounted for using the cost method and are included in other assets.
In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring items) necessary to state fairly the financial position and results of operations for each interim period presented. Interim results are not necessarily indicative of results for a full year.
The unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”) applicable to interim financial information. Certain information and Note disclosures included in the financial statements prepared in accordance with generally accepted accounting principles have been omitted in these interim statements pursuant to such SEC rules and regulations. The information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto in Form 10-K for the year ended December 31, 2014.
Operating Segment Definitions
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. 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) Cryptography Research Division ("CRD"), which focuses on the design, development and licensing of technologies for chip and system security and anti-counterfeiting; (3) Emerging Solutions Division ("ESD"), which includes the computational sensing and imaging group along with the development efforts in the area of emerging technologies; and (4) Lighting and Display Technologies ("LDT"), which focuses on the design, development and licensing of technologies for lighting.
For the three months ended March 31, 2015 only MID and CRD were reportable segments as each of them met the quantitative thresholds for disclosure as a reportable segment. The results of the remaining other operating segment were shown under “Other.”
Reclassifications
Certain prior periods' amounts were reclassified to conform to the current year’s presentation. None of these reclassifications had an impact on reported net income for any of the periods presented.
2. Recent Accounting Pronouncements
In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU requires retrospective adoption and is effective for financial statements issued for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have on its financial statements.
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.

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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.

3. 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 per share is calculated by dividing the earnings by the weighted average number of common shares and potentially dilutive securities outstanding during the period. Potentially dilutive common shares consist of incremental common shares issuable upon exercise of stock options, employee stock purchases, restricted stock and restricted stock units and shares issuable upon the conversion of convertible notes. The dilutive effect of outstanding shares is reflected in diluted earnings per share by application of the treasury stock method. This method includes consideration of the amounts to be paid by the employees, the amount of excess tax benefits that would be recognized in equity if the instrument was exercised and the amount of unrecognized stock-based compensation related to future services. No potential dilutive common shares are included in the computation of any diluted per share amount when a net loss is reported.

The following table sets forth the computation of basic and diluted net income per share:

	Three Months Ended March 31,	
	2015	2014
Net income per share:	(In thousands, except per share amounts)	
Numerator:		
Net income	$9,502	$7,804
Denominator:		
Weighted-average shares outstanding - basic	115,336	113,590
Effect of potential dilutive common shares	2,106	3,039
Weighted-average shares outstanding - diluted	117,442	116,629
Basic net income per share	$0.08	$0.07
Diluted net income per share	$0.08	$0.07

For the three months ended March 31, 2015 and 2014, options to purchase approximately 3.8 million and 6.9 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.

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4. Intangible Assets and Goodwill

Goodwill

The following tables present goodwill information for each of the reportable segments for the three months ended March 31, 2015:

Reportable Segment:	As of December 31, 2014	Additions to Goodwill	Impairment Charge of Goodwill	As of March 31, 2015
	(In thousands)			
MID	$19,905	$—	$—	$19,905
CRD	96,994	—	—	96,994
Total	$116,899	$—	$—	$116,899

Reportable Segment:	As of March 31, 2015		
	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

Intangible Assets

The components of the Company's intangible assets as of March 31, 2015 and December 31, 2014 were as follows:

	Useful Life	As of March 31, 2015		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Existing technology	3 to 10 years	$185,321	$(110,130)	$75,191
Customer contracts and contractual relationships	1 to 10 years	31,093	(23,235)	7,858
Non-compete agreements	3 years	300	(300)	—
Total intangible assets		$216,714	$(133,665)	$83,049

	Useful Life	As of December 31, 2014		
		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

During the three months ended March 31, 2015, the Company did not purchase any intangible assets.

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 reduces the favorable contract intangible asset. For the three months ended March 31, 2015 and 2014, the Company received zero and $0.9 million related to the favorable contracts, respectively. As of March 31, 2015 and December 31, 2014, the net balance of the favorable contract intangible assets was $0.1 million and $0.1 million, respectively.

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Amortization expense for intangible assets for the three months ended March 31, 2015 and 2014 was $6.3 million and $6.8 million, respectively. The estimated future amortization expense of intangible assets as of March 31, 2015 was as follows (amounts in thousands):

Years Ending December 31:	Amount
2015 (remaining 9 months)	$18,776
2016	24,318
2017	23,709
2018	10,827
2019	1,789
Thereafter	3,630
	$83,049

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 their 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 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.

5. Segments and Major Customers

For the three months ended March 31, 2015, MID and CRD were reportable segments as each of them met the quantitative thresholds for disclosure as a reportable segment. The results of the remaining operating segments were shown under “Other.” Additionally, some employees moved departments in the fourth quarter of 2014 causing a change in the prior period reportable segment financial results. The presentation of the 2014 segment data has been updated accordingly to conform with the updated 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.

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The tables below present reported segment operating income (loss) for the three months ended March 31, 2015 and 2014, respectively.

	For the Three Months Ended March 31, 2015			
	MID	CRD	Other	Total
	(In thousands)			
Revenues	$54,733	$12,826	$5,355	$72,914
Segment operating expenses	11,520	7,339	7,259	26,118
Segment operating income (loss)	$43,213	$5,487	$(1,904)	$46,796
Reconciling items				(28,904)
Operating income				$17,892
Interest and other income (expense), net				(2,951)
Income before income taxes				$14,941

	For the Three Months Ended March 31, 2014			
	MID	CRD	Other	Total
	(In thousands)			
Revenues	$61,156	$12,903	$4,229	$78,288
Segment operating expenses	9,281	6,531	8,653	24,465
Segment operating income (loss)	$51,875	$6,372	$(4,424)	$53,823
Reconciling items				(30,634)
Operating income				$23,189
Interest and other income (expense), net				(9,913)
Income before income taxes				$13,276

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.

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Accounts receivable from the Company's major customers representing 10% or more of total accounts receivable at March 31, 2015 and December 31, 2014, respectively, was as follows:

	As of	
Customer	March 31, 2015	December 31, 2014
Customer 1 (MID reportable segment)	—%	33%
Customer 2 (Other segment)	67%	50%

Revenue from the Company’s major customers representing 10% or more of total revenue for the three months ended March 31, 2015 and 2014, respectively, was as follows:

	Three Months Ended March 31,			
Customer	2015		2014	
Customer A (MID and CRD reportable segments)	21	%	19	%
Customer B (MID reportable segment)	16	%	15	%
Customer C (MID reportable segment)	13	%	12	%

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

	Three Months Ended March 31,	
(In thousands)	2015	2014
South Korea	$26,821	$26,853
USA	27,707	28,674
Japan	8,491	9,255
Europe	5,175	8,563
Canada	196	1,824
Asia-Other	4,524	3,119
Total	$72,914	$78,288

6. Marketable Securities

Rambus invests its excess cash and cash equivalents primarily in U.S. government sponsored obligations, commercial paper, corporate notes and bonds, money market funds and municipal notes and bonds that mature within three years. As of March 31, 2015 and December 31, 2014, all of the Company’s cash equivalents and marketable securities had a remaining maturity of less than one year.

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

(In thousands)	As of March 31, 2015 Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
Money market funds	$151,054	$151,054	$ —	$ —	0.01 %
Corporate notes, bonds and commercial paper	146,194	146,254	8	(68)	0.34 %
Total cash equivalents and marketable securities	297,248	297,308	8	(68)	
Cash	20,513	20,513	—	—	
Total cash, cash equivalents and marketable securities	$317,761	$317,821	$ 8	$ (68)	

(In thousands)	As of December 31, 2014 Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Weighted Rate of Return
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)	

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

	As of March 31, 2015	December 31, 2014
	(In thousands)	
Cash equivalents	$151,054	$124,938
Short term marketable securities	146,194	145,983
Total cash equivalents and marketable securities	297,248	270,921
Cash	20,513	29,188
Total cash, cash equivalents and marketable securities	$317,761	$300,109

The Company continues to invest in highly rated quality, highly liquid debt securities. As of March 31, 2015, 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 March 31, 2015 and December 31, 2014 are as follows:

	Fair Value		Gross Unrealized Loss	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	(In thousands)			
Less than one year				
Corporate notes, bonds and commercial paper	$110,382	$139,989	$(68)	$(114)

The gross unrealized loss at March 31, 2015 and December 31, 2014 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. 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

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

7. Fair Value of Financial Instruments

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 financial instruments that are carried at fair value and summarizes the valuation of its cash equivalents and marketable securities by the above pricing levels as of March 31, 2015 and December 31, 2014:

	As of March 31, 2015			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$151,054	$151,054	$—	$—
Corporate notes, bonds and commercial paper	146,194	—	146,194	—
Total available-for-sale securities	$297,248	$151,054	$146,194	$—

	As of December 31, 2014			
	Total	Quoted Market Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Money market funds	$124,938	$124,938	$—	$—
Corporate notes, bonds and commercial paper	145,983	—	145,983	—
Total available-for-sale securities	$270,921	$124,938	$145,983	$—

The Company monitors its investments for other-than-temporary impairment and records appropriate reductions in carrying value when necessary. The Company monitors its investments for other-than-temporary losses by considering current factors, including the economic environment, market conditions, operational performance and other specific factors relating to the business underlying the investment, reductions in carrying values when necessary and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in the market. Any other-than-temporary loss is reported under "Interest and other income (expense), net" in the condensed consolidated statement of operations.

For the three months ended March 31, 2015 and 2014, 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 require fair value disclosure as of March 31, 2015 and December 31, 2014:

	As of March 31, 2015			As of December 31, 2014		
(In thousands)	Face Value	Carrying Value	Fair Value	Face Value	Carrying Value	Fair Value
1.125% Convertible Senior Notes due 2018 (the "2018 Notes")	$138,000	$116,508	$168,034	$138,000	$115,089	$159,293

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 8, "Convertible Notes," as of March 31, 2015, the 2018 Notes are carried at their face value of $138.0 million, less any unamortized debt discount. The carrying value of other financial

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instruments, including accounts receivable, accounts payable and other liabilities, approximates fair value due to their short maturities.

8. Convertible Notes

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

(In thousands)	As of March 31, 2015	As of December 31, 2014
1.125% Convertible Senior Notes due 2018	$138,000	$138,000
Unamortized discount	(21,492)	(22,911)
Total convertible notes	$116,508	$115,089
Less current portion	—	—
Total long-term convertible notes	$116,508	$115,089

Interest expense related to the notes for the three months ended March 31, 2015 and 2014 was as follows:

	Three Months Ended March 31,	
	2015	2014
	(In thousands)	
2014 Notes coupon interest at a rate of 5%	$—	$2,156
2014 Notes amortization of discount and debt issuance costs at an additional effective interest rate of 11.7%	—	4,769
2018 Notes coupon interest at a rate of 1.125%	403	388
2018 Notes amortization of discount and debt issuance costs at an additional effective interest rate of 5.5%	1,559	1,473
Total interest expense on convertible notes	$1,962	$8,786

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9. Commitments and Contingencies

As of March 31, 2015, the Company’s material contractual obligations were as follows (in thousands):

	Total	Remainder of 2015	2016	2017	2018	2019	Thereafter
Contractual obligations (1)							
Imputed financing obligation (2)	$32,901	$ 4,525	$6,156	$6,302	$6,447	$6,602	$2,869
Leases and other contractual obligations	7,521	3,809	2,034	1,338	340	—	—
Software licenses (3)	7,968	6,220	1,748	—	—	—	—
Convertible notes	138,000	—	—	—	138,000	—	—
Interest payments related to convertible notes	5,434	776	1,553	1,553	1,552	—	—
Total	$191,824	$ 15,330	$11,491	$9,193	$146,339	$6,602	$2,869

(1) The above table does not reflect possible payments in connection with uncertain tax benefits of approximately $21.4 million including $18.4 million recorded as a reduction of long-term deferred tax assets and $3.0 million in long-term income taxes payable as of March 31, 2015. As noted below in Note 12, “Income Taxes,” although it is possible that some of the unrecognized tax benefits could be settled within the next 12 months, the Company cannot reasonably estimate the outcome at this time.

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

Building lease expense was approximately $0.7 million and $0.6 million for the three months ended March 31, 2015 and 2014, respectively. Deferred rent of $1.0 million and $1.1 million as of March 31, 2015 and December 31, 2014, respectively, was included primarily in other long-term liabilities.

Indemnification

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. Indemnification covers customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement or any other 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.

10. Equity Incentive Plans and Stock-Based Compensation

As of March 31, 2015, 8,161,965 shares of the 31,400,000 shares approved under the 2006 Equity Incentive Plan (the “2006 Plan”) remain available for grant which included an increase of 10,000,000 shares approved by stockholders on April 24, 2014. The 2006 Plan was the Company’s only plan for providing stock-based incentive awards to eligible employees, executive officers, non-employee directors and consultants as of March 31, 2015. However, the 1997 Stock Option Plan (the “1997 Plan”) continues to govern awards previously granted under that plan. Additionally, on April 23, 2015, the Company's stockholders approved the 2015 Equity Incentive Plan (the “2015 Plan”), which authorizes 4,000,000 shares for future issuance plus the number of shares that remain available for grant under the 2006 Plan as of the effective date of the 2015 Plan. The 2015 Plan became effective and replaced the 2006 Plan on April 23, 2015. No further awards will be made under the 2006 Plan, but the 2006 Plan will continue to govern awards previously granted under it. In addition, any shares subject to stock options or other awards granted under the 2006 Plan that on or after the effective date of the 2015 Plan are forfeited, cancelled, exchanged or surrendered or terminate under the 2006 Plan will become available for grant under the 2015 Plan.

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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, 2014	10,724,228
Stock options granted	(362,335)
Stock options forfeited	518,778
Stock options expired under former plans	(285,000)
Nonvested equity stock and stock units granted (1) (2)	(2,520,747)
Nonvested equity stock and stock units forfeited (1)	87,041
Total available for grant as of March 31, 2015	8,161,965

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(1) For purposes of determining the number of shares available for grant under the 2006 Plan against the maximum number of shares authorized, each share of restricted stock granted reduces the number of shares available for grant by 1.5 shares and each share of restricted stock forfeited increases shares available for grant by 1.5 shares.

(2) Amount includes 238,980 shares that have been reserved for potential future issuance related to certain performance unit awards discussed under the section titled "Nonvested Equity Stock and Stock Units" below.

General Stock Option Information

The following table summarizes stock option activity under the 1997 Plan and 2006 Plan for the three months ended March 31, 2015 and information regarding stock options outstanding, exercisable, and vested and expected to vest as of March 31, 2015.

	Options Outstanding			
	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
	(In thousands, except per share amounts)			
Outstanding as of December 31, 2014	11,441,646	$ 10.73		
Options granted	362,335	$ 11.27		
Options exercised	(217,241)	$ 6.90		
Options forfeited	(518,778)	$ 16.37		
Outstanding as of March 31, 2015	11,067,962	$ 10.55	5.95	$45,831
Vested or expected to vest at March 31, 2015	10,524,492	$ 10.64	5.81	$43,741
Options exercisable at March 31, 2015	6,207,537	$ 12.84	4.30	$21,336

No stock options that contain a market condition were granted during the three months ended March 31, 2015. As of both March 31, 2015 and December 31, 2014, 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, on their respective grant dates, 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 March 31, 2015, based on the $12.58 closing stock price of Rambus' common stock on March 31, 2015 on the NASDAQ Global Select Market, which would have been received by the option holders had all option holders exercised their options as of that date. The total number of in-the-money options outstanding and exercisable as of March 31, 2015 was 8,384,579 and 3,673,017, respectively.

Employee Stock Purchase Plan

No purchases were made under the 2006 Employee Stock Purchase Plan ("2006 ESPP") during the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, 923,044 shares under the 2006 ESPP remain available for issuance. On April 23, 2015, the Company's stockholders approved the 2015 Employee Stock Purchase Plan ("2015

ESPP”)

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which reserves an additional 2,000,000 shares of the Company's common stock for purchase. The 2006 ESPP will remain in effect until the Company's next offering period scheduled to begin on November 2, 2015 at which time the 2015 ESPP will become effective.

Stock-Based Compensation

For the three months ended March 31, 2015 and 2014, the Company maintained stock plans covering a broad range of potential equity grants including stock options, nonvested equity stock and equity stock units and performance based instruments. In addition, the Company sponsors the 2006 ESPP and 2015 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.

Stock Options

During the three months ended March 31, 2015, the Company granted 362,335 stock options with an estimated total grant-date fair value of $1.7 million. During the three months ended March 31, 2015, the Company recorded stock-based compensation expense related to stock options of $2.2 million.

During the three months ended March 31, 2014, the Company granted 1,797,462 stock options with an estimated total grant-date fair value of $7.0 million. During the three months ended March 31, 2014, the Company recorded stock-based compensation expense related to stock options of $2.2 million.

As of March 31, 2015, there was $12.1 million of total unrecognized compensation cost, net of expected forfeitures, related to non-vested stock-based compensation arrangements granted under the stock option plans. That cost is expected to be recognized over a weighted-average period of 1.9 years. The total fair value of shares vested as of March 31, 2015 was $51.8 million.

The total intrinsic value of options exercised was $1.0 million for the three months ended March 31, 2015. The total intrinsic value of options exercised was $0.6 million for the three months ended March 31, 2014. Intrinsic value is the total value of exercised shares based on the price of the Company's common stock at the time of exercise less the cash received from the employees to exercise the options.

During the three months ended March 31, 2015, net proceeds from employee stock option exercises totaled approximately $1.5 million.

Employee Stock Purchase Plan

For the three months ended March 31, 2015, the Company recorded compensation expense related to the 2006 ESPP of $0.4 million. For the three months ended March 31, 2014, the Company recorded an immaterial amount of compensation expense related to the 2006 ESPP. As of March 31, 2015, there was $0.3 million of total unrecognized compensation cost related to stock-based compensation arrangements granted under the 2006 ESPP. That cost is expected to be recognized over one month.

There were no tax benefits realized as a result of employee stock option exercises, stock purchase plan purchases, and vesting of equity stock and stock units for the three months ended March 31, 2015 and 2014 calculated in accordance with accounting for share-based payments.

Valuation Assumptions

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

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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.

	Stock Option Plans Three Months Ended March 31,	
	2015	2014
Stock Option Plans		
Expected stock price volatility	41 %	44 %
Risk free interest rate	1.2 %	2.1 %
Expected term (in years)	6.0	6.1
Weighted-average fair value of stock options granted to employees	$4.59	$3.92

No shares were issued under the 2006 ESPP during the three months ended March 31, 2015 and 2014.

Nonvested Equity Stock and Stock Units

The Company grants nonvested equity stock units to officers, employees and directors. During the three months ended March 31, 2015, the Company granted nonvested equity stock units totaling 1,521,178 shares under the 2006 Plan. During the three months ended March 31, 2014, the Company granted nonvested equity stock units totaling 205,808 shares 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. For the three months ended March 31, 2015, the nonvested equity stock units were valued at the date of grant giving them a fair value of approximately $17.1 million. For the three months ended March 31, 2014, the nonvested equity stock units were valued at the date of grant giving them a fair value of approximately $1.8 million. During the first quarter of 2015, the Company granted performance unit awards to certain Company executive officers with vesting subject to the achievement of certain performance conditions. The ultimate number of performance units that can be earned can range from 0% to 150% of target depending on performance relative to target over the applicable period. The shares earned will vest on the third anniversary of the date of grant. The Company's shares available for grant has been reduced to reflect the shares that could be earned at 150% of target. During the three months ended March 31, 2015, the Company recorded $0.2 million of stock-based compensation expense related to these performance unit awards.

For the three months ended March 31, 2015, the Company recorded stock-based compensation expense of approximately $1.2 million related to all outstanding nonvested equity stock grants. For the three months ended March 31, 2014, the Company recorded stock-based compensation expense of approximately $0.7 million related to all outstanding nonvested equity stock grants. Unrecognized stock-based compensation related to all nonvested equity stock grants, net of estimated forfeitures, was approximately $14.6 million at March 31, 2015. This amount is expected to be recognized over a weighted average period of 3.3 years.

The following table reflects the activity related to nonvested equity stock and stock units for the three months ended March 31, 2015:

Nonvested Equity Stock and Stock Units	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2014	673,864	$9.23
Granted	1,521,178	$11.27
Vested	(138,810)	$8.55
Forfeited	(58,027)	$10.35
Nonvested at March 31, 2015	1,998,205	$10.80

11. Stockholders' Equity

Share Repurchase Program

During the three months ended March 31, 2015, the Company did not repurchase any shares of its common stock under its share repurchase program.

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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 replaced the previous program approved by the Board in February 2010 and canceled the remaining 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.

12. Income Taxes

The Company recorded a provision for income taxes of $5.4 million and $5.5 million for the three months ended March 31, 2015 and 2014, respectively. The provision for income taxes for the three months ended March 31, 2015 and 2014 is primarily comprised of withholding taxes, state taxes and other foreign taxes based upon income earned during the period.

During the three months ended March 31, 2015, the Company paid withholding taxes of $4.8 million. During the three months ended March 31, 2014, the Company paid withholding taxes of $5.1 million.

As of March 31, 2015, the Company's condensed consolidated balance sheets included net deferred tax assets, before valuation allowance, of approximately $189.1 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 notes. As of March 31, 2015, a full valuation allowance has been recorded against the U.S. deferred tax assets.

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 full valuation allowance on its deferred tax assets in the United States as of March 31, 2015. The Company emerged from a cumulative loss position over the previous three years during the first quarter of 2015. However, given economic uncertainties and the uncertainty of commercializing new business arrangements and new product acceptances, the Company currently believes there is not sufficient positive evidence of future profitability to change its judgment regarding the need for a full valuation allowance on its deferred tax assets in the United States. The continued improvement in the Company's operating results, conditioned on successfully commercializing new business arrangements, signing new or renewing existing license agreements and managing costs would provide additional positive evidence in determining the need for the valuation allowance and could lead to reversal of substantially all of the Company's valuation allowance on its deferred tax assets in the United States. 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.

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

As of March 31, 2015, the Company had approximately $21.4 million of unrecognized tax benefits, including $18.4 million recorded as a reduction of long-term deferred tax assets and $3.0 million in long-term income taxes payable. If recognized, approximately $3.0 million would be recorded as an income tax benefit. No benefit would be recorded for the remaining unrecognized tax benefits as the recognition would require a corresponding increase in the valuation allowance. As of December 31, 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.

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

The Company recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision. At March 31, 2015 and December 31, 2014, an immaterial amount of interest and penalties is included in long-term income taxes payable.

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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 research and development 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 ended 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.

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

13. 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.

14. 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. 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.

During the first quarter of 2015, the Company received cash consideration of $12.0 million from SK hynix. The amount was allocated between royalty revenue ($11.8 million) and gain from settlement ($0.2 million) based on the elements' SK hynix Fair Value.

The remaining $156.0 million is expected to be paid in successive quarterly payments of $12.0 million, concluding in the second quarter of 2018.

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The cumulative cash receipts through March 31, 2015 and the 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:

	Cumulative Received to-date as of March 31,	Estimated to Be Received in				Total Estimated Cash Receipts
	2015	Remainder of 2015	2016	2017	2018	
(in millions)						
Royalty revenue	$82.7	$35.5	$47.9	$48.0	$24.0	$238.1
Gain from settlement	1.3	0.5	0.1	—	—	1.9
Total	$84.0	$36.0	$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.

During the first quarter of 2015, the Company received cash consideration of $10.0 million from Micron. The amount was allocated between royalty revenue ($9.7 million) and gain from settlement ($0.3 million) based on the elements’ Micron Fair Value.

The remaining $224.5 million is expected to be paid in successive quarterly payments of $10.0 million, concluding in the fourth quarter of 2020.

The cumulative cash receipts through March 31, 2015 and the 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:

	Cumulative Received to-date as of March 31,	Estimated to Be Received in						Total Estimated Cash Receipts
	2015	Remainder of 2015	2016	2017	2018	2019	2020	
(in millions)								

Royalty revenue	$53.7	$29.0	$39.5	$40.0	$40.0	$40.0	$34.5	$276.7
Gain from settlement	1.8	1.0	0.5	—	—	—	—	3.3
Total	$55.5	$30.0	$40.0	$				