CalAmp Corp.
Form DEF 14A
June 14, 2012

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement	[ ]	Soliciting Material Under Rule 14a-12
[ ]	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))		
[X]	Definitive Proxy Statement		
[ ]	Definitive Additional Materials		

CalAmp Corp.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3)	Filing Party:
4)	Date Filed:

CalAmp Corp.
1401 N. Rice Avenue
Oxnard, CA 93030
(805) 987-9000

June 14, 2012

Dear Stockholder:

You are cordially invited to attend the 2012 Annual Meeting of Stockholders of CalAmp Corp. to be held at the Westlake Village Inn, 31943 Agoura Road, Westlake Village, California 91361, on Tuesday, July 31, 2012 at 10:00 a.m. local time. We describe in detail the actions we expect to take at our 2012 Annual Meeting in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Please use this opportunity to take part in our affairs by voting on the business to come before the 2012 Annual Meeting. Only stockholders of record at the close of business on June 6, 2012 may vote at the 2012 Annual Meeting and any postponements or adjournments of the meeting. All stockholders are cordially invited to attend the Annual Meeting in person. However, to ensure your representation at the Annual Meeting, please vote as soon as possible by completing, signing, dating and returning the enclosed proxy promptly or submit your proxy over the Internet or by telephone. See "How do I vote? (Voting Procedures)" on page 2 of the following Proxy Statement for more details. Returning the paper proxy card or voting electronically does NOT deprive you of your right to attend the meeting and to vote your shares in person for the matters acted upon at the meeting.

You may receive an additional copy of our Annual Report on Form 10-K for the year ended February 28, 2012, or a copy of the exhibits to our Annual Report on Form 10-K, without charge by sending a written request to our Corporate Secretary at the address above.

Thank you for your ongoing support of CalAmp Corp. We look forward to seeing you at our 2012 Annual Meeting.

Sincerely,

Michael Burdiek
President and Chief Executive Officer

YOUR VOTE IS IMPORTANT

Even if you plan to attend the Annual Meeting, please complete, sign, date and return the enclosed proxy promptly or submit your proxy over the Internet or by telephone. If you are a stockholder of record and attend the Annual Meeting in person, you may withdraw your proxy and vote in person. You will find information on submitting your proxy over the Internet or by telephone and information about voting in person at the Annual Meeting in the "Questions and Answers about the 2012 Annual Meeting and Voting" section of the following Proxy Statement beginning on page 2.

THANK YOU FOR ACTING PROMPTLY

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CalAmp Corp.
1401 N. Rice Avenue
Oxnard, CA 93030
(805) 987-9000

PROXY STATEMENT

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

Approximate Date of Mailing: June 14, 2012

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of CalAmp Corp. (the "Company" or "CalAmp") of proxies for use at the 2012 Annual Meeting of Stockholders (the "Annual Meeting"), to be held at 10:00 a.m. local time on Tuesday, July 31, 2012 at the Westlake Village Inn, 31943 Agoura Road, Westlake Village, CA 91361.

ITEMS OF BUSINESS:

1. To elect seven directors to hold office until the next meeting of Stockholders;

2. To approve on a non-binding, advisory basis the compensation of the Company s named executive officers, or NEOs, as disclosed in the Proxy Statement accompanying this notice (the Proxy Statement) pursuant to the compensation disclosure rules of the Securities and Exchange Commission (Say-on-Pay);

3. To approve on a non-binding, advisory basis whether a Say-on-Pay vote should occur every one year, every two years or every three years;

4. To approve an amendment to the Company s certificate of incorporation to increase the Company s authorized common stock from 40,000,000 to 80,000,000 shares;

5. To ratify the selection of SingerLewak LLP as the independent auditing firm for the Company for the fiscal year ending February 28, 2013; and

6. To transact such other business as may properly come before the meeting and any postponements or adjournments thereof.

VOTING RIGHTS:

In order to vote, you must have been a stockholder at the close of business on June 6, 2012 (the "Record Date"). On the Record Date, CalAmp had issued and outstanding 28,725,676 shares of Common Stock, par value $0.01 per share, the only class of voting securities outstanding.

This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the 2012 Annual Meeting. Please read it carefully.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 31, 2012:

Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by: (i) sending you this full set of proxy materials, including a proxy card; and (ii) notifying you of the availability of our proxy materials on the Internet. The Notice of Annual Meeting, Proxy Statement and Annual Report are available from Broadridge Investor Communication Services at: ***https://materials.proxyvote.com/128126***. Broadridge does not use "cookies" or other tracking software that identifies visitors accessing this web site.

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QUESTIONS AND ANSWERS ABOUT THE 2012 ANNUAL MEETING AND VOTING

What is a proxy?

A proxy is your legal designation of another person to vote the stock you own. The person you designate is your "proxy," and you give the proxy authority to vote your shares by submitting the enclosed proxy card or voting by telephone or over the Internet. We have designated Frank Perna, Chairman, and Michael Burdiek, President and CEO, to serve as proxies for the Annual Meeting.

Why am I receiving these proxy materials?

The Board of Directors of CalAmp Corp., or CalAmp, is providing these proxy materials, consisting of the Proxy Statement, Proxy Card and our Annual Report for the year ended February 28, 2012, to you in connection with the solicitation of proxies for use at our Annual Meeting to be held on Tuesday, July 31, 2012, at 10:00 a.m., local time, and at any adjournment or postponement thereof, for the purpose of considering and acting upon the matters set forth herein. We are providing these proxy materials to all of our stockholders through U.S. mail unless a stockholder has specifically requested to receive these materials in electronic form via email or the Internet.

If you are receiving multiple copies of CalAmp s proxy materials and in the future you would like to receive a single copy of CalAmp s proxy materials for all of your shareholder accounts that have the same address, please contact Broadridge Financial Solutions, Inc. at (800) 542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

What is the difference between holding shares as a Stockholder of Record and as a Beneficial Owner?

Most of our stockholders hold their shares through a broker or bank rather than directly in their own name. As summarized below, there are some distinctions between shares held "of record" and those owned beneficially.

Stockholder of Record*.* If your shares are held in certificate form that is registered directly in your name with our transfer agent, American Stock Transfer, you are considered, with respect to those shares, the "Stockholder of Record." As the Stockholder of Record, you have the right to grant your voting proxy directly to us or to vote in person at the Annual Meeting.

Beneficial Owner of Shares Held in Street Name ("Beneficial Owner")*.* If your shares are held in electronic form in a brokerage or bank account, you are considered to be the Beneficial Owner with respect to those shares, and those shares are considered to be held in "street name". In this case, the broker or bank that holds your shares on your behalf is considered to be the Stockholder of Record.

How do I vote? (Voting Procedures)

Your vote is very important. Even if you plan to attend the Annual Meeting, we recommend that you submit your vote prior to the meeting, so that your vote will be counted if you later decide not to attend the meeting. You may vote your shares by one of several means, as described below:

Stockholders of Record can vote their shares by one of the following methods:

1. By Mail

   You can complete, sign and date the proxy card and return it in the prepaid envelope provided. If a Stockholder of Record returns the signed proxy card but does not indicate his or her voting preferences, the persons named in the proxy will vote the shares represented by that proxy as recommended by the Board of Directors.

2. By Telephone or the Internet

   Call the toll-free telephone number on the Notice and follow the recorded instructions; or access the secure website *www.proxyvote.com* through the Internet and follow the instructions. Please note that the telephone and Internet voting facilities will close at 11:59 p.m. Eastern Time on July 30, 2012, the day before the Annual Meeting.

3. In Person at the Annual Meeting

   Stockholders of Record may vote their shares in person at the Annual Meeting. If you plan to attend the Annual Meeting and vote in person, we will provide you with a ballot at the meeting. You may also be represented at the Annual Meeting by another person if you execute a proper legal proxy designating that person.

Beneficial Owners may vote by one of the following methods:

1. By Mail

   You may vote by signing, dating and returning your voting instruction card that was provided to you by the broker or bank that holds your shares in the pre-addressed envelope provided.

2. By Methods Listed on Voting Instruction Card

   Please refer to your voting instruction card or other information provided by the broker or bank that holds your shares to determine whether you may vote by telephone or via the Internet, and follow the instructions on the voting instruction card or other information provided by the broker or bank.

3. In Person at the Annual Meeting

   If you are a Beneficial Owner of shares held in street name, you must obtain a legal proxy from the broker or bank that holds the shares on your behalf and present it to the Inspector of Election with your ballot in order to be able to vote in person at the Annual Meeting.

Beneficial Owners should note that the Election of Directors (Proposal One) is a "non-discretionary" item. If you are a Beneficial Owner and you do not instruct your broker or bank how to vote with respect to the election of directors, your broker or bank may not vote with respect to this proposal and those votes will be counted as "broker non-votes." See "What if I don't vote for all of the items listed on my proxy card, or what happens if I abstain or my broker does not vote?" for more information regarding broker non-votes.

When and where will the Annual Meeting be held?

The Annual Meeting will be held on Tuesday, July 31, 2012, at the Westlake Village Inn, 31943 Agoura Road, Westlake Village, California 91361 at 10:00 a.m. local time.

Who is soliciting my vote?

The proxy is solicited on behalf of the Board of Directors of the Company (the Board or Board of Directors). The proxy will be used at our Annual Meeting. The only solicitation materials to be sent to stockholders will be this Proxy Statement and the accompanying proxy. The Board of Directors does not intend to use specially engaged employees or paid solicitors. The Board of Directors also intends to solicit the Proxies held on behalf of stockholders by brokers or banks. The Company will pay all reasonable expenses by such holders for mailing the solicitation material to the stockholders for whom they hold shares. All solicitation expenses are being paid by the Company.

Will the Annual Meeting be webcast?

We do not expect to webcast the 2012 Annual Meeting.

Who is entitled to vote at the Annual Meeting?

Holders of our Common Stock at the close of business on the Record Date will be entitled to vote at the Annual Meeting. Each share of Common Stock will be entitled to one vote.

As of the Record Date, we had 28,725,676 shares of outstanding Common Stock, which were held by approximately 1,700 Stockholders of Record.

What is the purpose of the Annual Meeting or what proposals will be voted on at the Annual Meeting?

You are being asked to vote on:

- the election of seven directors to serve until our next annual meeting of stockholders or in each case until their successor is duly elected and qualified;
- the approval on a non-binding, advisory basis of the compensation of CalAmp s named executive officers, or NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC (Say-on-Pay);
- the approval on a non-binding, advisory basis of whether a Say-on-Pay vote should occur every one, every two or every three years;
- the approval of an amendment to CalAmp s certificate of incorporation to increase the authorized common stock from 40,000,000 to 80,000,000 shares;
- the ratification of the selection of SingerLewak LLP as our independent auditing firm for the fiscal year ending February 28, 2013; and
- any other business that may properly come before the 2012 Annual Meeting.

What are the Board of Directors' recommendations?

The Board of Directors recommends a vote:

- **For** the election of the seven nominees for director identified in Proposal One;
- **For** the approval, on a non-binding, advisory basis of the compensation of our NEOs as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC;
- For **ONE YEAR** for the approval on a non-binding, advisory basis of whether a Say-on-Pay vote should occur every one, two or three years;
- **For** the approval of an amendment to the certificate of incorporation to increase the authorized common stock from 40,000,000 to 80,000,000 shares;
- **For** the ratification of the selection of SingerLewak LLP as our independent auditing firm for the fiscal year ending February 28, 2013; and
- **For or against** other matters that come before the Annual Meeting, as the proxy holders deem advisable.

How many votes do I have?

You will have one vote for each share of our Common Stock you owned at the close of business on the Record Date, provided those shares are either held directly in your name as the Stockholder of Record or were held for you as the Beneficial Owner through a broker or bank.

How many votes can be cast by all stockholders?

You are entitled to one vote for each share of Common Stock held on each matter considered at the Annual Meeting. We had 28,725,676 shares of Common Stock outstanding and entitled to vote on the Record Date.

How many votes must be present to hold the Annual Meeting, i.e., what constitutes a quorum?

A quorum, which is a majority of our outstanding shares as of the Record Date, must be present in person or by proxy in order to hold the Annual Meeting and to conduct business. Your shares will be counted as being present at the meeting if you attend the meeting in person or if you submit a properly executed proxy card.

If a quorum is not present at the Annual Meeting, the stockholders who are present may adjourn the Annual Meeting until a quorum is present. The time and place of any adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given, unless the adjournment is for more than 30 days, or if after the adjournment a new record date is set for the adjourned meeting.

How many votes are required to elect the directors and adopt the other proposals?

The vote required and method of calculation for the proposals to be considered at the Annual Meeting are as follows:

Election of directors. If a quorum is present, the nominees receiving the highest number of votes will be elected to the Board of Directors. You may vote either "for" or "withhold" for each director nominee. A properly executed proxy marked "withhold" with respect to the election of the directors will not be voted with respect to the directors and will not affect the outcome of the election, although it will be counted for purposes of determining whether there is a quorum.

Say-On-Pay. The affirmative vote of the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on the proposal is required for approval. Because your vote on the Say-on-Pay proposal is advisory, it will not be binding on the Board, the Compensation Committee of the Board or CalAmp. However, the Board will review the voting results and take them into consideration when making future decisions about executive compensation. Abstentions have the same effect as a vote against this proposal. Broker non-votes will have no effect on the outcome of this proposal.

Frequency of a Say-On-Pay vote. The affirmative vote of the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on the proposal is required for approval. You may vote to approve, on an advisory basis, the frequency of a Say-On-Pay vote every one year, every two years or every three years, or you may abstain from voting on this proposal. With respect to this item, if none of the frequency alternatives (one year, two years or three years) receives a majority vote, we will consider the frequency that receives the highest number of votes by stockholders to be the frequency that has been selected by our stockholders. However, as your vote on this proposal is advisory and will not be binding on the Board, the Compensation Committee of the Board or CalAmp, the Board may decide that it is in the best interests of CalAmp and its stockholders to hold a stockholder advisory vote on executive compensation more or less frequently than the option recommended by our stockholders. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

Increase in the number of authorized shares of common stock. The proposed amendment to CalAmp s certificate of incorporation to increase the authorized shares of common stock requires the affirmative vote of a majority of the 28,725,676 shares of common stock outstanding on June 6, 2012, which is the Record Date for this Annual Meeting.

Ratification of the appointment of SingerLewak LLP. For the ratification of the appointment of SingerLewak LLP as our independent auditing firm for the fiscal year ending February 28, 2013 the affirmative vote of a majority of the shares present, represented and entitled to vote on the item will be required for approval. You may vote "for," "against," or "abstain" on this proposal. If you abstain from voting on this matter, your shares will be counted as present and entitled to vote on the matter for purposes of establishing a quorum, and the abstention will have the same effect as a vote against this proposal.

What if I don't vote for some of the items listed on my proxy card but I deliver a signed proxy card?

If you return your signed proxy card or voting instruction card but do not mark selections, it will be voted in accordance with the recommendations of the Board of Directors. If you indicate a choice with respect to any matter to be acted upon on your proxy card or voting instruction card, the shares will be voted in accordance with your instructions.

What is the effect if I don't cast my vote?

Stockholders of record If you are a Stockholder of Record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

Beneficial Owner ***If you are a Beneficial Owner*** **of shares held in street name** ***it, is critical that you cast your vote if you want it to count in the election of directors (Proposal One); the advisory vote on executive compensation (Proposal Two); the advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal Three); and the approval of an amendment to the Company s Certificate of Incorporation to increase the authorized number of common stock shares (Proposal Four).*** *If you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, the advisory vote on executive compensation, the advisory vote on the frequency of holding future advisory votes on executive compensation, and the approval of an amendment to the Company s Certificate of Incorporation to increase the authorized number of common stock shares, no votes will be cast on your behalf. Your bank or broker will, however, have discretion to vote any uninstructed shares on the ratification of the appointment of SingerLewak as our independent auditing firm (Proposal Five).*

What if I don't vote for all of the items listed on my proxy card, or what happens if I abstain or my broker does not vote?

If your proxy indicates an abstention from voting on all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the Annual Meeting. Because the election of directors (Proposal One) and the advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal Three) are determined on the basis of plurality votes, if you abstain from voting on Proposal One or Proposal Three, your abstention will have no effect on the voting outcome of these proposals. If you abstain from voting on the advisory vote on CalAmp s executive compensation (Proposal Two) or the proposal to ratify the appointment of SingerLewak as the Company s independent auditing firm (Proposal Five), your abstention will have the same effect as a vote against these proposals. If you abstain from voting on the proposal to amend the Company s Certificate of Incorporation to increase the authorized number of common stock shares (Proposal Four), your abstention will have the same effect as a vote against the proposal.

Under the rules that govern brokers who have record ownership of shares that are held in "street name" for their clients, who are the Beneficial Owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you do not otherwise instruct your broker, the broker may vote your shares "for" routine matters but expressly indicate that the broker is NOT voting on non-routine matters. A "broker non-vote" occurs when a broker expressly indicates on a proxy that it is not voting on a matter, whether routine or non-routine. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of votes cast for or against a proposal.

If you are a Beneficial Owner and your broker holds your shares in its name, the broker is permitted to vote your shares on the approval of SingerLewak as our independent auditing firm (Proposal Five) even if the broker does not receive voting instructions from you. ***However, if you are a Beneficial Owner your broker or bank does not have discretionary authority to vote on the election of directors (Proposal One), the advisory vote on executive compensation (Proposal Two), the***

advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal Three), and the approval of an amendment to the Company s Certificate of Incorporation to increase the authorized number of common stock shares (Proposal Four), so it is very important that you instruct your broker or bank how to vote on the proposals.

What is the voting requirement to approve each of the proposals discussed in this proxy statement?

The voting requirement to approve each of the proposals is as follows:

- A plurality of the votes cast is required for the election of directors (Proposal One) and to approve the advisory vote on the frequency of holding future advisory votes on executive compensation (Proposal Three).
- The affirmative vote of a majority of votes cast is required to approve the advisory vote on CalAmp s executive compensation (Proposal Two) and to ratify the appointment of SingerLewak LLP as CalAmp s independent registered public accounting firm (Proposal Five).
- The affirmative vote of a majority of the shares entitled to vote at the 2012 Annual Meeting is required to approve the amendment to CalAmp s Certificate of Incorporation to increase the number of authorized common stock shares (Proposal Four).

What should I do if I change my mind after submitting a proxy?

If you are a Stockholder of Record, you may revoke a previously submitted proxy at any time before it is voted at the Annual Meeting. In order to revoke a proxy, you must do one of the following prior to the taking of the vote at the Annual Meeting:

- Provide written notice of revocation to Corporate Secretary, c/o CalAmp Corp., 1401 North Rice Avenue, Oxnard, California 93030;
- Deliver a valid proxy bearing a later date or submit a new later dated proxy by telephone or over the Internet; or
- Attend the Annual Meeting and vote in person and request that your proxy be revoked (attendance at the meeting will not by itself revoke a previously granted proxy).

However, please note that if you are a Beneficial Owner of shares held in street name, you may revoke your proxy by timely submitting new voting instructions to your broker or bank, or by obtaining a legal proxy from the broker or bank that holds your shares giving you the right to vote the shares in person at the Annual Meeting.

All shares that have been properly voted by proxy without timely revocation will be voted at the Annual Meeting.

How can I elect to receive my proxy materials electronically by email?

Stockholders of Record To receive future copies of our proxy materials by email, registered stockholders should go to *www.proxyvote.com* and follow the enrollment instructions. To enroll in the online program you will need to enter the 12 digit control number from your Proxy Card or vote Instruction Form. Upon completion of enrollment, you will receive an email confirming the election to use the online services. The enrollment in the online program will remain in effect until the enrollment is cancelled.

Beneficial Owners Most Beneficial Owners can elect to receive an email that will provide a link to the electronic versions of the proxy materials. To view a listing of participating brokerage firms and enroll in the online program, Beneficial Owners should go to *www.proxyvote.com* and follow the enrollment instructions. To enroll in the online program you will need to enter the 12 digit control number from your Proxy Card or vote Instruction Form. The enrollment in the online program will remain in effect for as long as the brokerage account is active or until the enrollment is cancelled.

Enrolling to receive our future proxy materials online will save us the cost of printing and mailing documents, as well as help preserve our natural resources.

Is there a list of stockholders entitled to vote at the Annual Meeting?

The names of Stockholders of Record entitled to vote will be available at the 2012 Annual Meeting and for 10 days prior to the Annual Meeting for any purpose relevant to the meeting, between the hours of 9:00 a.m. and 5:00 p.m., local time, at our corporate office located at 1401 North Rice Avenue, Oxnard, California 93030. Please contact Rick Vitelle, Chief Financial Officer and Corporate Secretary, to make arrangements.

Will stockholders be entitled to cumulative voting?

No, stockholders may not use cumulative voting because our current certificate of incorporation does not provide for this. If cumulative voting were applicable, stockholders would be able to cast a number of votes equal to the number of shares of stock held by the stockholder and to cast all those votes for a single director nominee or to distribute them among two or more nominees.

What happens if additional matters are presented at the Annual Meeting?

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

Who will pay for the cost of this proxy solicitation?

CalAmp will bear the entire cost of proxy solicitation, including the preparation, assembly, printing, and mailing of proxy materials. We may also reimburse brokerage firms and other custodians for their reasonable out-of-pocket expenses associated with forwarding these proxy materials to you. Proxies may also be solicited by certain of our directors, officers, and other employees, without additional compensation, personally or by other means.

Who will tabulate the votes?

Broadridge Investor Communications Services will tabulate the proxies and will provide the Company with the preliminary results of the voting on the day of the Annual Meeting.

What is the deadline for receipt of stockholder proposals for next year s Annual Meeting or to nominate individuals to serve as directors?

You may submit proposals, including director nominations, for consideration at future stockholder meetings, as described below:

Requirements for stockholder proposals to be considered for inclusion in our proxy materials Stockholders may present proper proposals for inclusion in our proxy statement and for consideration at the next annual meeting of our stockholders by submitting their proposals in writing to our Corporate Secretary in a timely manner. In order to be included in the proxy statement for the 2013 annual meeting of stockholders, stockholder proposals must be received by our Corporate Secretary no later than February 14, 2013 and must otherwise comply with the requirements of Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Requirements for stockholder proposals to be brought before an annual meeting Our bylaws establish an advance notice procedure for stockholders who wish to present certain matters before an annual meeting of stockholders. In general, nominations for the election of directors may be made (1) by or at the direction of the Board of Directors, or (2) by any stockholder entitled to vote who has timely delivered written notice to our secretary during the Notice Period (as defined below), which notice must contain specified information concerning the nominees and concerning the stockholder proposing such nominations. However, if a stockholder wishes only to recommend a candidate for consideration by the Governance and Nominating Committee as a potential nominee for director, see the procedures discussed below under the heading "Governance and Nominating Committee."

Our bylaws also provide that the only business that may be conducted at an annual meeting is business that is brought (1) pursuant to the notice of meeting (or any supplement thereto), (2) by or at the direction of the Board of Directors, or (3) by a stockholder who has timely delivered written notice which sets forth all information required by our bylaws to our Corporate Secretary during the Notice Period (as defined below).

The "Notice Period" for any meeting of stockholders is defined as the period not less than 60 days in advance of such meeting or, if later, the seventh day following the first public announcement of the date of such meeting.

If a stockholder who has notified us of his or her intention to present a proposal at an annual meeting does not appear to present his or her proposal at such meeting, we need not present the proposal for vote at such meeting.

How can I communicate with CalAmp's outside directors?

Stockholders may contact any of our directors by writing to them c/o the Corporate Secretary, CalAmp Corp., 1401 North Rice Avenue, Oxnard, California 93030.

Where can I view CalAmp's corporate documents and SEC filings?

Our website contains our Code of Business Conduct, charters of our Board committees, and SEC filings including Section 16 filings by our officers and directors. To view these materials, go to *www.calamp.com*. For the Code of Business Conduct and charters, from the home page click on the "Our Company" tab, then click on "Corporate Governance". For SEC filings, from the home page click on the "Investors" tab, and then click on "SEC Filings".

How do I find out the voting results?

We have engaged Broadridge Investor Communications Services to serve as the vote tabulator for the Annual Meeting. Preliminary voting results will be announced at the Annual Meeting, and final voting results will be published in a Current Report on Form 8-K, which we will file with the SEC within four business days of the Annual Meeting.

What if I have questions about lost stock certificates or I need to change my mailing address?

Stockholders of Record may contact our transfer agent, American Stock Transfer, by calling (718) 921-8261 or by writing to American Stock Transfer, attention Donna Ansbro, 59 Maiden Lane, New York, NY 10038, or visit their website at *www.amstock.com* to obtain more information about these matters.

Terms of the Proxy

The enclosed proxy indicates the matters to be acted upon at the Annual Meeting and provides a box to be marked to indicate the manner in which the stockholder's shares are to be voted with respect to such matters. By appropriately marking the boxes, a stockholder may specify, with respect to the election of directors, whether the proxy holder shall vote for or be without authority to vote on any or all candidates. The proxy also confers upon the holders thereof discretionary voting authority with respect to such other business as may properly come before the Annual Meeting.

Where a stockholder has appropriately directed how the proxy is to be voted, the shares will be voted in accordance with the stockholder's direction. In the absence of instructions, shares represented by valid proxies will be voted in favor of the nominees for director and in favor of all proposals set forth in the Notice of Meeting and this Proxy Statement. If any other matters are properly presented at the Annual Meeting, the persons named in the proxy will vote or refrain from voting in accordance with their best judgment. A proxy may be revoked at any time prior to its exercise by giving written notice of the revocation thereof to the Corporate Secretary of the Company or by filing a duly executed proxy bearing a later date. Stockholders of Record may also vote in person if they attend the Annual Meeting even though they have executed and returned a proxy. See What should I do if I change my mind after submitting a proxy? on page 7 for more details.

THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Company is in compliance with the current corporate governance requirements imposed by the Sarbanes-Oxley Act of 2002 and NASDAQ. CalAmp s Board of Directors has adopted Corporate Governance Guidelines that provide the framework for the governance of our company and represent the Board s current views with respect to selected corporate governance issues considered to be of significance to stockholders. The current version of the Corporate Governance Guidelines is available in the Corporate Governance section of the Company s website at *www.calamp.com*.

Board Leadership Structure

CalAmp s Board of Directors does not have a formal policy with respect to whether the role of the Chairman and the Chief Executive Officer should be separate and, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee. However, our Corporate Governance Guidelines provide that, if the Chairman of the Board is not an independent director, then the Board shall designate one independent, non-employee director to serve as a lead director. The lead director will act as a liaison between the independent directors and management and would be responsible for assisting the Chairman in establishing the agenda for Board meetings, for coordinating the agenda for, and chairing, the executive session of the non-management directors, and for performing such other duties as may be specified by the Board from time to time.

CalAmp currently separates the roles of Chief Executive Officer and Chairman. The current Chairman is an independent, non-employee director. The Board of Directors believes this is the appropriate leadership for our company at this time because it permits our Chief Executive Officer to focus on setting the strategic direction of the company and the day-to-day leadership and performance of the company, while permitting the Chairman to focus on providing guidance to the Chief Executive Officer and setting the agenda for Board meetings. The Board also believes that the separation of the Chief Executive Officer and Chairman roles assists the Board in providing robust discussion and evaluation of strategic goals and objectives. However, our Board of Directors acknowledges that no single leadership model is right for all companies at all times. As such, our Board of Directors periodically reviews its leadership structure and may, depending on the circumstances, choose a different leadership structure in the future.

Board Oversight of Risk

The Board seeks to understand and oversee the most critical risks relating to our business, allocate responsibilities for the oversight of risks among the full Board and its committees, and see that management has in place effective systems and processes for managing risks facing us. Overseeing risk is an ongoing process and risk is inherently tied to our strategy and to strategic decisions. Accordingly, the Board considers risk throughout the year and with respect to specific proposed actions. While the Board is responsible for oversight and direction, management is charged with identifying risk and establishing appropriate internal processes and an effective internal control environment to identify and manage risks and to communicate information about risk to the Board. Committees of the Board also play an important role in risk oversight, including the Audit Committee, which oversees our processes for assessing risks and the effectiveness of our internal controls. In fulfilling its duties, the Audit Committee considers information from our independent auditing firm, SingerLewak LLP.

Relationship Between Compensation and Risk

The Compensation Committee periodically reviews the Company s compensation policies and practices with management to ensure that compensation supports the Company s goals and strategic objectives without creating risks that may have a counterproductive effect on the Company. The Compensation Committee also considers risk in establishing goals for executive officer incentive compensation. Quantitative goals used for incentive compensation purposes are financial measures that are defined in U.S. Generally Accepted Accounting Principles (GAAP) or are readily derived from such GAAP-based measures. When non-quantitative goals are used, the Compensation Committee strives to ensure that such goals are not only objective and verifiable, but are also sustainable and consistent with both the short-term and long-term interests of the Company s stockholders. Incentive compensation that is earned by the executive officers for a given fiscal year is not paid until the Company s independent public accounting firm has completed its audit of the Company s financial statements for such year, and not until both the Compensation Committee and the Board of Directors have approved such payouts. The Compensation Committee believes that an appropriate balance between short-term and long-term incentive compensation elements for officers, including equity awards that vest over several years, helps mitigate risk associated with incentive compensation.

Director Independence

The Board of Directors presently consists of seven members, five of whom are independent. A director s independence is determined by the Board of Directors pursuant to the rules of NASDAQ. The Board has determined that each director is independent, with the exception of Rick Gold, former Chief Executive Officer of the Company and currently Vice Chairman, and Michael Burdiek, who serves as the Company s President and Chief Executive Officer.

Executive Sessions

Non-management directors of the Board and Board committees meet in executive session routinely and regularly. During the executive sessions, the non-management directors have access to the Chief Executive Officer and other members of senior management. In addition, the Audit Committee meets periodically with the Company s independent auditing firm without management present at such times as it deems appropriate. The Chairman of the Board or the Chair of the Board committee, as applicable, presides over these executive sessions.

Number of Directorships

The Company has a policy that limits the number of public company boards that its directors may serve on. Under this policy, directors who also serve as CEOs or in equivalent positions should not serve on more than two other public company boards in addition to the CalAmp Board, and other directors should not serve on more than five public company boards in addition to the CalAmp Board.

Director Stock Ownership

The Company has stock ownership guidelines for directors and executive officers. Pursuant to these guidelines, directors are expected to own shares of the Company s common stock with an aggregate acquisition date market value of at least three times the amount of the annual base retainer of $40,000. At the end of fiscal 2012, all directors were in compliance with the stock ownership guidelines. The stock ownership guidelines for executive officers are discussed on page 34.

Changes in Director Occupation or Status

The Company has a policy that requires a director to tender a letter of resignation to the Chair of the Governance and Nominating Committee in the event the director's principal occupation or business association changes substantially from the position he or she held when the director originally joined the Company's Board of Directors. The Governance and Nominating Committee will review whether the new occupation, or retirement, of the director is consistent with the specific rationale for originally selecting that individual and the guidelines for board membership, and will recommend action to be taken by the Board, if any, regarding the resignation based on the circumstances of the new position or retirement.

Attendance of Directors at Annual Meetings

It is a policy of the Board of Directors that all directors are expected to attend the annual meeting of stockholders. All of the Company's directors attended last year's annual meeting except Larry Wolfe, who could not attend due to a temporary medical condition.

Identifying and Evaluating Nominees for Directors

Pursuant to the policy set forth in the charter of the Governance and Nominating Committee, the Committee will utilize a variety of methods for identifying and evaluating nominees for director. The

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Governance and Nominating Committee s policy is to assess the appropriate size of the Board and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance and Nominating Committee may consider various potential candidates for director. Candidates may come to the attention of the Governance and Nominating Committee through current Board members, stockholders or other parties such as retained recruiting firms. These candidates will be evaluated at meetings of the Governance and Nominating Committee, and may be considered at any point during the year. As described below, the Governance and Nominating Committee will consider properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Governance and Nominating Committee at a regularly scheduled meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Governance and Nominating Committee.

Contacting the Board of Directors

Stockholders interested in communicating directly with the Board of Directors, any committee of the Board, the Chairman, or the non-management directors as a group may do so by sending a letter to the CalAmp Board of Directors, c/o Corporate Secretary, CalAmp Corp., 1401 North Rice Avenue, Oxnard, California 93030. The Corporate Secretary will review the correspondence and forward it to the Chairman of the Board, Chair of the Governance and Nominating Committee, Audit Committee, Compensation Committee or to any individual director or group of directors of the Board to whom the communication is directed, as applicable, if the communication is relevant to CalAmp's business and financial operations, policies and corporate philosophies.

Code of Business Conduct

The Company has a written Code of Business Conduct and Ethics ("Code of Business Conduct") that applies to all of the Company's directors, officers and employees. Section 14 of this Code of Business Conduct contains a Financial Management Code of Ethics that applies specifically to the Company's Chief Executive Officer and all finance and accounting employees, including the Company's senior financial officers, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the Securities and Exchange Commission promulgated thereunder. The Code of Business Conduct is available on the Company's corporate website at *www.calamp.com*. In the event that the Company makes changes in, or provides waivers from, the provisions of this Code of Business Conduct that are required to be disclosed by SEC regulations, the Company intends to disclose these events on its corporate website.

COMMITTEES OF THE BOARD

The Board of Directors has delegated certain of its authority to three committees: the Audit Committee, the Compensation Committee and the Governance and Nominating Committee. These three Board committees operate under written charters defining their functions and responsibilities. The charters of these committees are available on the Company's website at *www.calamp.com*.

The following table provides membership for each of the Board committees during fiscal 2012.

Name	Audit	Compensation	Governance and Nominating
Frank Perna, Jr.	X	X	X
Kimberly Alexy	X	X	
Bert Moyer	X		X *
Thomas Pardun		X *	X
Larry Wolfe	X *	X	

* Committee Chair.

Audit Committee

The primary functions of the Audit Committee are to review and approve the scope of audit procedures performed by the Company's independent auditors, to review the audit reports rendered by the Company's independent auditors, to monitor the internal control environment within the Company, and to pre-approve the fees for all audit and non-audit services charged by the independent auditors. The Audit Committee reports to the Board of Directors with respect to such matters and makes recommendations with respect to its findings. The Board of Directors has determined that Mr. Wolfe is an audit committee financial expert within the meaning of SEC regulations. The Board has also determined that each member of the Audit Committee is independent as defined in the rules of NASDAQ. See also the Report of the Audit Committee beginning on page 25.

Compensation Committee

The primary functions of the Compensation Committee are to review and make recommendations to the Board of Directors with respect to the compensation of the Company's executive officers and non-employee directors, and to administer the Company's stock option plans. The Board of Directors has determined that each member of the Compensation Committee is independent as defined in the rules of NASDAQ. See also the Compensation Discussion and Analysis beginning on page 29.

Governance and Nominating Committee

The primary functions of the Governance and Nominating Committee are to review and make recommendations on the composition of the Board and its committees, to evaluate and recommend candidates for election to the Board, and to review and make recommendations to the full Board on corporate governance matters. The Board of Directors has determined that each member of the Governance and Nominating Committee is independent as defined in the rules of NASDAQ. The Governance and Nominating Committee has the authority to obtain advice and assistance from, and receive appropriate funding from CalAmp for, outside legal, accounting or other advisors as the Committee deems necessary to assist it in the performance of its functions.

The bylaws of CalAmp permit stockholders to nominate director candidates to stand for election to the Board at an annual meeting of stockholders. Nominations may be made by the Board or by any stockholder. Under the Company's bylaws, a stockholder may nominate a person for election as a director at a particular stockholder meeting only if written notice has been given to the Company not later than 60 days in advance of the meeting or, if later, the seventh day following the first public announcement of the date of such meeting. Any stockholder nominations proposed for consideration by the Governance and Nominating Committee should include the nominee s name and qualifications for Board membership and should be addressed to the Governance and Nominating Committee, c/o Corporate Secretary, CalAmp Corp., 1401 North Rice Avenue, Oxnard, California 93030.

The policy of the Governance and Nominating Committee is to consider properly made stockholder nominations for directors as described above. In evaluating such nominations, like all nominations, the Board s criteria will include business experience and skills, independence, judgment, integrity, the ability to commit sufficient time and attention to Board activities, and the absence of potential conflicts with CalAmp s interests.

The Governance and Nominating Committee has adopted a director diversity policy pursuant to which it will consider and evaluate director candidates in the context of an assessment of the anticipated needs of the Board as a whole in order to achieve a diversity of occupational and personal backgrounds and a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee the Company's business.

Board of Director and Committee Meeting Attendance

In fiscal year 2012, the Board of Directors held eight meetings, the Audit Committee held five meetings, the Compensation Committee held seven meetings, and the Governance and Nominating Committee held three meetings. All directors attended more than 75% of the aggregate meetings of the Board and committees on which the directors serve that were held during fiscal year 2012.

COMPENSATION OF DIRECTORS

The following table shows all compensation awarded to, or earned by or paid to, each of the Company's non-employee directors in fiscal 2012.

Name	Fees Earned or Paid in Cash (A)	Grant Date Fair Value for Stock Awards (B)	Total
Frank Perna, Jr.	$ 80,000	$ 55,000	$ 135,000
Kimberly Alexy	50,000	55,000	105,000
A.J. "Bert" Moyer	55,000	55,000	110,000
Thomas Pardun	55,000	55,000	110,000
Larry Wolfe	65,000	55,000	120,000

(A) Under the Company's director cash compensation plan adopted in 2005 and revised in 2007, non-employee directors of the Company are each paid cash fees as follows:

1. A base annual retainer of $40,000.

2. Incremental retainers above the base annual retainer as follows:

Annual retainer for each Board committee served on	$5,000
Additional retainer for Chair of Audit Committee	$15,000
Additional retainer for Chairs of other Board committees	$5,000
Additional retainer for Chairman of the Board	$25,000

All non-employee directors are paid 1/12th of their retainer amounts each month for as long as they serve.

(B) On July 28, 2011, each incumbent non-employee director received a restricted stock grant of 14,745 shares that had a grant date fair value of $55,000, calculated in accordance with FASB ASC Topic 718. These restricted stock awards will vest on July 28, 2012, one year from date of grant. In addition to these shares of restricted stock, at February 28, 2012, Messrs. Perna, Moyer and Pardun held options to purchase 12,000, 26,000 and 4,899 shares, respectively, of the Company's common stock.

Pursuant to the provisions of the Company's 2004 Incentive Stock Plan as amended, on the day of each annual meeting of stockholders at which directors are elected, each non-employee director shall receive an equity award consisting of some combination of stock options, stock appreciation rights, restricted stock, restricted stock units, phantom stock and stock bonuses not to exceed 20,000 shares of Company stock.

Directors are also reimbursed for out-of-pocket expenses incurred in connection with attending meetings. Directors who are also employees of the Company receive no additional compensation for their services on the Board.

PROPOSALS REQUIRING YOUR VOTE

PROPOSAL ONE

ELECTION OF DIRECTORS

A board of seven directors will be elected at the Annual Meeting. At the Annual Meeting, it is intended that the shares of Common Stock represented by each proxy, unless otherwise specified on the proxy, will be voted for the election to the Board of Directors of each of the seven nominees set forth below. Directors shall be elected by a plurality of the votes of shares present in person or represented by proxy at the meeting. The term of office of each person elected as director will continue until the next Annual Meeting of Stockholders, or until his or her successor has been elected and qualified.

The Board of Directors recommends a vote "FOR" each of the seven nominees.

In the event that any of the nominees for director listed below should become unavailable for election for any currently unforeseen reason, the persons named in the accompanying proxy have the right to use their discretion to vote for such other person as may be determined by the holders of such proxies. To the best of the Company's knowledge, all nominees are and will be available to serve.

The following table sets forth the name and age of each nominee for director, the calendar year each was first elected as a director and the position or positions each currently holds with the Company:

Name	Age	Capacities in Which Served	Director Since
Frank Perna, Jr.	74	Chairman of the Board of Directors	2000
Kimberly Alexy	42	Director	2008
Michael Burdiek	53	Director, President and Chief Executive Officer	2011
Richard Gold	57	Vice Chairman of the Board and former CEO	2000
A.J. "Bert" Moyer	68	Director	2004
Thomas Pardun	68	Director	2006
Larry Wolfe	61	Director	2008

Frank Perna, Jr. has been a director of the Company since May 2000 and Chairman of the Board since February 2008. He is Chairman Emeritus of MSC Software, where he served as Chairman and Chief Executive Officer from 1998 to 2005. Mr. Perna was Chairman and Chief Executive Officer of EOS Corporation from 1994 to 1998, and was President and Director (Chief Executive Officer from 1990) of Magnetek from 1984 to 1993. Mr. Perna also serves as a director of Ping Identity Corp., a venture-funded provider of single sign-on and identity management software, Chairman of Interneer, Inc., a private company providing products and services for web-based enterprise applications, and a director of LibertadCard, Inc., a privately held provider of reloadable debit cards. He also serves on the Board of Trustees of Kettering University. Mr. Perna holds a BS degree in Mechanical Engineering from Kettering University, a Master's degree in Electrical Engineering from Wayne State University, and an MBA from Massachusetts Institute of Technology.

We believe Mr. Perna's experience as CEO of several technology companies and his 12 years of service on CalAmp's Board, including the last 4 years as Chairman, make him qualified to serve as one of our directors.

Kimberly Alexy was appointed a director of the Company in June 2008. She is the Principal of Alexy Capital Management, a private investment management firm that she founded in 2005. From 1998 to 2003, she was senior vice president and managing director of equity research for Prudential

Securities, where she served as principal technology hardware analyst for the firm. Prior to joining Prudential, Ms. Alexy was vice president of equity research at Lehman Brothers, where she covered the computer hardware sector, and assistant vice president of corporate finance at Wachovia Bank. Ms. Alexy also served on the boards of SMART Modular Technologies (WWH), Inc., a supplier of memory modules and solid state drives, from September 2009 until August 2011 (when SMART Modular was taken private), SouthWest Water Company, a water and wastewater public utility and system operator, from August 2009 until September 2010 (when SouthWest Water was acquired by J.P. Morgan Asset Management and Water Asset Management, LLC), Dot Hill Systems Corp., a provider of networked storage and data management systems, from December 2005 until May 2010, and Maxtor Corporation from August 2005 until May 2006 (when Maxtor was acquired by Seagate Technology LLC). Ms. Alexy is a Chartered Financial Analyst (CFA), and holds a BA degree in Psychology from Emory University and an MBA with a concentration in Finance and Accounting from the College of William and Mary.

Ms. Alexy's extensive experience in the financial services industry, including her positions as a technology equity research analyst, brings an institutional investor perspective to our Board. We believe this, combined with her service on other public company boards, qualify her to serve as one of our directors.

Michael Burdiek joined CalAmp as Executive Vice President in June 2006 and was appointed President of the Company's Wireless DataCom segment in March 2007. He was appointed Chief Operating Officer of the Company in June 2008 and was promoted to President and COO in April 2010. Effective June 1, 2011, Mr. Burdiek was appointed President and Chief Executive Officer of the Company and was also appointed to the Board of Directors. Prior to joining CalAmp, Mr. Burdiek was the President and CEO of Telenetics Corporation, a manufacturer of data communications products. From 2004 to 2005, he worked as an investment partner and advisor in the private equity sector. From 1987 to 2003, Mr. Burdiek held a variety of technical and general management positions with Comarco, Inc., a provider of test solutions to the wireless industry, most recently as Senior Vice President and General Manager of Comarco's Wireless Test Systems unit. Mr. Burdiek began his career as a design engineer with Hughes Aircraft Company. He holds MBA and MSEE degrees from California State University - Fullerton, and a BS degree in Electrical Engineering from Kansas State University.

We believe Mr. Burdiek s general management experience in the wireless industry and his six years of service with CalAmp in positions of increasing executive management responsibility make him qualified to serve as one of our directors.

Richard Gold joined the Company in February 2008 and was appointed President and Chief Executive Officer in March 2008. In April 2010, Mr. Gold relinquished the title of President but retained the title of Chief Executive Officer in conjunction with the promotion of Mr. Burdiek to President and Chief Operating Officer. Effective June 1, 2011, Mr. Gold was appointed Vice Chairman of the Board of Directors upon Mr. Burdiek s promotion to President and Chief Executive Officer. Mr. Gold has been a director of the Company since December 2000 and served as Chairman of the Board from July 2004 to February 2008. Prior to joining the Company, Mr. Gold was a Managing Director of InnoCal Venture Capital, a position he held from 2004 to 2008. From 2002 until 2004, he served as President and Chief Executive Officer of Nova Crystals, Inc., a supplier of optical sensing equipment. He was Chairman of Radia Communications, Inc., a supplier of wireless communications semiconductors, from 2002 to 2003. Prior to this, he was the President and Chief Executive Officer of Genoa Corp. and Pacific Monolithics, Inc., and Vice President and General Manager of Adams-Russell Semiconductor. He began his career as an engineer with Hewlett-Packard Co. Mr. Gold received a BS degree in Engineering Physics from Cornell University, an MBA from Northeastern University, and an MS and PhD in Electrical Engineering from Stanford University.

We believe Mr. Gold's extensive experience in the technology industry as an engineer, entrepreneur, executive, and venture capitalist, his 12 years of service on CalAmp's Board, including 4 years as Chairman, and his 3 years of service as the Company s CEO, make him qualified to serve as one of our directors.

A.J. "Bert" Moyer has been a director of the Company since February 2004. Mr. Moyer, a business consultant and private investor, served as Executive Vice President and Chief Financial Officer of QAD Inc., a publicly held software company that is a provider of enterprise resource planning software applications, from 1998 until 2000, and he subsequently served as a consultant to QAD, assisting in the Sales Operations of the Americas Region. Prior to joining QAD in 1998, Mr. Moyer served as Chief Financial Officer of Allergan Inc., a specialty pharmaceutical company based in Irvine, California, from 1995 to 1998. Earlier in his career Mr. Moyer served as Chief Financial Officer of Western Digital, National Semiconductor and Coldwell Banker. Mr. Moyer currently serves on the boards of Collectors Universe, Inc., a company engaged in authentication and grading services for high-end collectibles, Virco Manufacturing Corporation, which designs and produces furniture for the commercial and education markets, and MaxLinear, Inc., a provider of semiconductor products for broadband communications. He also served on the boards of Lasercard and Occam Networks until January and February 2011, respectively, when those companies were acquired. Mr. Moyer received a BS degree in Finance from Duquesne University and graduated from the Advanced Management Program at the University of Texas, Austin. Mr. Moyer holds an Advanced Professional Director Certification from the American College of Corporate Directors, a national public company director education and credentialing organization.

We believe Mr. Moyer's many years of financial management and technology industry experience, including experience as CFO of large public and private companies, and his service on the board of directors of several other companies, bring financial and accounting knowledge to our Board and qualify him to serve as one of our directors.

Thomas Pardun was appointed a director of the Company in June 2006. Mr. Pardun is Chairman of the Board of Western Digital Corporation, a leading information storage provider, where he has served as a director since 1993. Mr. Pardun was President of MediaOne International, Asia-Pacific (previously U.S. West International), an owner/operator of international properties in cable television, telephone services and wireless communications, from May 1996 until his retirement in July 2000. Before joining U.S. West, Mr. Pardun was President of the Central Group for Sprint and previously held a variety of management positions during his 19-year tenure with IBM. In addition to his service on the board of Western Digital, Mr. Pardun serves as a director of Calix, Inc., a supplier of broadband access systems to communications service providers, Finisar Corporation, a provider of optical products for high-speed data communications, and MaxLinear, Inc., a provider of semiconductor products for broadband communications. Mr. Pardun also served as a director of Occam Networks, a broadband networking equipment provider, until February 2011 when that company was acquired by Calix. Mr. Pardun received a Bachelor's degree in Business Administration with emphasis in Economics and Marketing from the University of Iowa and Management School Certificates from Harvard Business School, Stanford University and The Tuck School of Business at Dartmouth College.

We believe Mr. Pardun's executive management experience with large telecommunication companies, his many years of management experience with other technology companies, and his extensive service as a director on the boards of public companies bring valuable industry knowledge and practical experience to our Board and qualify him to serve as one of our directors.

Larry Wolfe was appointed a director of the Company in June 2008. From 2006 to January 2010, Mr. Wolfe was the President and CEO of Taxcient, Inc., a privately held provider of sales and use tax compliance software and services. In 2010, Taxcient was merged with Avalara, Inc., and Mr. Wolfe joined Avalara's Board of Directors. From 2002 to 2006, Mr. Wolfe served as a director of QAD Inc., a publicly held software company that is a provider of enterprise resource planning software applications. From 1987 until 2001, Mr. Wolfe was employed by Intuit Inc. and certain predecessor companies, most recently as senior vice president responsible for the tax division. In addition to his role as senior vice president, Mr. Wolfe was vice president and general manager of Intuit's Personal Tax Group where he guided the successful launch of the online version of TurboTax for web-based tax return preparation and filing services. Mr. Wolfe is also a former board member of the San Diego Software Industry Council. Earlier in his career, Mr. Wolfe was a managing partner at two certified public accounting firms, Wolfe & Co. and Strand Wolfe & Lutton. He began his career at the accounting firm Deloitte Haskins & Sells, where he earned his CPA license. Mr. Wolfe received a BS degree in Business Administration from the University of Southern California.

We believe Mr. Wolfe's experience as a successful entrepreneur and executive in the financial software industry, his several years of service on the board of another public company, and his public accounting background bring a unique perspective to our Board and qualify him to serve as one of our directors. Mr. Wolfe also qualifies as an audit committee financial expert .

Vote Required and Recommendation of the Board of Directors

The nominees receiving the highest number of affirmative votes of the holders of shares of outstanding stock entitled to vote and present at the meeting, either in person or by proxy, will be elected as directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF EACH OF THE SEVEN DIRECTOR NOMINEES LISTED ABOVE.

PROPOSAL TWO

APPROVAL ON A NON-BINDING, ADVISORY BASIS OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (SAY-ON-PAY)

We are seeking an advisory vote from our stockholders to approve the compensation paid to our NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC.

In deciding how to vote on this proposal, you are encouraged to consider CalAmp s executive compensation philosophy and objectives, the design principles and the elements of CalAmp s executive compensation program described in the Compensation Discussion and Analysis section beginning on page 29. As described more fully in the Compensation Discussion and Analysis , our executive compensation program is designed and reviewed at least annually to achieve the following goals:

- attract, develop, reward and retain highly qualified and talented individuals;
- motivate executives to improve the overall performance of our company as a whole as well as the business group for which each executive is responsible, and reward executives when specified measurable results have been achieved;
- encourage accountability by determining salaries and incentive awards based on each executive s individual contribution and performance;
- tie incentive awards to financial metrics that drive the performance of our common stock over the long term to further reinforce the linkage between the interests of our stockholders and our executives; and
- help ensure compensation levels are both externally competitive and internally equitable.

We urge stockholders to read the Compensation Discussion and Analysis section which describes how our executive compensation program is designed to achieve these goals and key fiscal 2012 compensation decisions. Highlights of our executive compensation program include the following:

- *Base Salary.* We target base salaries for executive officers at the median of composite market data in order to help attract and retain highly qualified executive talent and to compensate executives for sustained individual performance.

- *Annual Bonus.* Our executive officers are eligible to earn annual incentive pay under our short-term incentive plan based on our performance against pre-established performance goals, generally consolidated revenues and consolidated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. Our short-term incentive plan is designed primarily to motivate executives to achieve specified performance goals that are important to the continued growth and success of the company and to align the interests of management with the interests of stockholders. We target bonus opportunities at a level such that when added to base salary, the executive officer s target total cash compensation is near the median based on composite market data.
- *Long-Term Incentives.* Our executive officers are also eligible to receive long-term incentive pay in the form of a combination of stock options and restricted stock awards. These long-term incentives are generally granted annually and vest over a four-year period, resulting in overlapping vesting periods that are designed to discourage short-term risk-taking, reinforce the link between the interests of stockholders and our executives and motivate executives to improve the multi-year financial performance of the Company. We target long-term incentive opportunities at a level such that when added to target total cash compensation, the executive s target total direct compensation is near the median based on composite market data.

You have the opportunity to vote For or Against or to Abstain from voting on the following non-binding resolution relating to executive compensation:

Resolved, that the stockholders approve, on an advisory basis, the compensation paid to the Company s NEOs as disclosed in the Company s proxy statement for the 2012 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables and the narrative discussion of the proxy statement.

Vote Required and Recommendation of the Board of Directors

To be approved, on a non-binding and advisory basis, the compensation paid to our NEOs, as disclosed in this Proxy Statement pursuant to Section 14A of the Securities Exchange Act, must receive a For vote from the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on the proposal. Abstentions and broker non-votes will be counted towards a quorum. Abstentions will have the same effect as an Against vote for purposes of determining whether this matter has been approved. Broker non-votes will not be counted for any purpose in determining whether this matter has been approved.

While your vote on this proposal is advisory and will not be binding on the Board, the Compensation Committee of the Board or CalAmp, the Board values the opinions of CalAmp s stockholders on executive compensation matters and will take the results of this advisory vote into consideration when making future decisions regarding CalAmp s executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION PAID TO THE NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

PROPOSAL THREE

APPROVAL ON A NON-BINDING, ADVISORY BASIS WHETHER SAY-ON-PAY SHOULD OCCUR EVERY ONE YEAR, EVERY TWO YEARS OR EVERY THREE YEARS (SAY-ON-FREQUENCY)

We are seeking an advisory vote from our stockholders as to whether the stockholder advisory vote on executive compensation (similar to that set forth in Proposal Two described in this Proxy Statement) should occur every one year, every two years, or every three years. Accordingly, you have the opportunity to choose the option of every One year, every Two years, every Three years, or to Abstain from voting on the following non-binding resolution relating to the frequency of the stockholder advisory vote on executive compensation:

Resolved, that the option of every 1 year, every 2 years, or every 3 years that receives the affirmative vote of the holders of a majority in voting power of the shares of the Company s common stock entitled to vote at the meeting will be determined to be the recommended frequency for which the Company should hold a stockholder advisory vote to approve the compensation paid to the Company s NEOs as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation discussion and analysis, the compensation tables, the narrative discussion and any related material disclosed in this proxy statement, provided that if none of the options receives a majority vote, the option receiving the greatest number of votes cast will be determined to be the recommended frequency for which the Company should hold such a stockholder advisory vote.

Vote Required and Recommendation of the Board of Directors

To constitute the recommendation of the stockholders, on a non-binding and advisory basis, regarding the frequency of stockholder advisory votes on executive compensation, the applicable One year, Two years or Three years option must receive the affirmative vote of the holders of a majority in voting power of the shares of common stock which are present in person or by proxy and entitled to vote on this proposal. However, if none of the frequency alternatives (one year, two years or three years) receives a majority vote, we will consider the frequency that receives the highest number of votes by stockholders to be the frequency that has been selected by our stockholders. Abstentions and broker non-votes will be counted towards a quorum, but will otherwise not be counted for any purpose in determining whether this matter has been approved.

The Board has determined that an advisory Say-on-Pay vote on the compensation of our NEOs that occurs on an *annual* basis is the most appropriate alternative for CalAmp. Accordingly, the Board recommends that the advisory vote on the compensation of our NEOs occur *every year*. The Board believes that an annual advisory say-on-pay vote will allow our stockholders to provide timely, direct input on CalAmp s executive compensation philosophy, policies and practices as disclosed in the proxy statement each year.

As your vote on this proposal is advisory and will not be binding on the Board, the Compensation Committee of the Board, or CalAmp, the Board may decide that it is in the best interests of CalAmp and its stockholders to hold a stockholder advisory vote on executive compensation more or less frequently than the option recommended by our stockholders. However, we value the opinions of our stockholders on executive compensation matters and we will take the results of this advisory vote into consideration when making future decisions regarding the frequency with which CalAmp holds a stockholder advisory vote on the compensation paid to the Company s NEOs.

This non-binding Say-on Frequency vote is required to be submitted to our stockholders at least once every six years.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ONE YEAR REGARDING THE FREQUENCY OF THE STOCKHOLDER ADVISORY VOTE ON EXECUTIVE COMPENSATION.

PROPOSAL FOUR

APPROVAL OF AN AMENDMENT TO CALAMP'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

Background

CalAmp is currently authorized to issue 43,000,000 shares of capital stock, divided into 40,000,000 shares of common stock, $0.01 par value per share, and 3,000,000 shares of preferred stock, $0.01 par value per share. As of June 6, 2012, 28,725,676 shares of CalAmp common stock were issued and outstanding, 2,068,899 authorized but unissued shares were reserved for exercise of outstanding stock options, 1,038,250 authorized but unissued shares were reserved for vesting of outstanding restricted stock unit awards to employees, 797,729 authorized but unissued shares were reserved for equity awards available for grant under the Company s 2004 Incentive Stock Plan, and 485,000 authorized but unissued shares were reserved for exercise of issued and outstanding common stock purchase warrants, leaving 6,884,446 unreserved authorized shares available for issuance. As of June 6, 2012, there were no shares of CalAmp preferred stock issued or outstanding.

If this amendment to increase the authorized number of shares of common stock is approved by the stockholders, it will become effective when we file with the Secretary of State of the State of Delaware the Amended and Restated Certificate of Incorporation.

We believe that it is advisable and in the best interests of the stockholders to have available additional authorized shares of common stock in an amount adequate to provide for our future needs. We currently have no specific plans to issue the additional 40 million shares of common stock that would be authorized by this proposal. However, these shares will provide additional flexibility to use our capital stock for business and financial purposes in the future. The additional shares may be used for various purposes, including the following:

- raising capital;
- expanding our business or product lines through the acquisition of other businesses or products; and
- establishing strategic relationships with other companies.

Increase of Authorized Shares of Common Stock from 40,000,000 Shares to 80,000,000 Shares

On April 24, 2012, the Board of Directors of the Company adopted a resolution approving the amendment to CalAmp's certificate of incorporation. The Board of Directors unanimously recommends the proposed amendment to CalAmp s certificate of incorporation, which would increase the number of authorized shares of CalAmp common stock from 40,000,000 shares to 80,000,000 shares. The effect of the proposed amendment is to give the Board the flexibility to issue shares of CalAmp common stock to meet the recurring needs of the Company s business (including in connection with potential future acquisitions) without undue delay. This increase would not affect the rights of CalAmp s stockholders to approve an issuance of CalAmp common stock in circumstances specified by the Company s by-laws, the rules of NASDAQ or applicable law.

All shares of CalAmp common stock, including those now authorized and those that would be authorized by the proposed amendment to the Company s certificate of incorporation, are equal in rank and have the same voting, dividend and liquidation rights. Holders of CalAmp common stock do not have preemptive rights.

Ability of Board to Issue Authorized Shares; Certain Issuances Requiring Stockholder Approval

Once authorized, additional shares of CalAmp common stock may be issued upon approval by the Board of Directors and without further approval of the stockholders unless stockholder approval is required by applicable law or the rules of NASDAQ.

The rules of NASDAQ require the prior approval of stockholders representing the majority of the votes cast (assuming the presence of a quorum) in the following situations:

- when a stock option or purchase plan is to be established or materially amended or other equity compensation arrangement made or materially amended, pursuant to which options or stock may be acquired by officers, directors, employees, or consultants, except for:

- warrants or rights issued generally to all security holders of the company or stock purchase plans available on equal terms to all security holders of the company (such as a typical dividend reinvestment plan); or

- tax qualified, non-discriminatory employee benefit plans (e.g., plans that meet the requirements of Section 401(a) or 423 of the Internal Revenue Code) or parallel nonqualified plans, provided such plans are approved by the issuer's independent compensation committee or a majority of the issuer's independent directors; or plans that merely provide a convenient way to purchase shares on the open market or from the issuer at fair market value; or

- plans or arrangements relating to an acquisition or merger as permitted under the rules of NASDAQ; or

- issuances to a person not previously an employee or director of the company, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the company, provided such issuances are approved by either the issuer's independent compensation committee or a majority of the issuer's independent directors. Promptly following an issuance of any employment inducement grant in reliance on this exception, a company must disclose in a press release the material terms of the grant, including the recipient(s) of the grant and the number of shares involved.

- when the issuance or potential issuance will result in a change of control of the issuer;

- in connection with the acquisition of the stock or assets of another company if:

- any director, officer or substantial stockholder of the issuer has a 5% or greater interest (or such persons collectively have a 10% or greater interest), directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction or series of related transactions and the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, could result in an increase in outstanding common shares or voting power of 5% or more; or

- where, due to the present or potential issuance of common stock, or securities convertible into or exercisable for common stock, other than a public offering for cash:

- the common stock has or will have upon issuance voting power equal to or in excess of 20% of the voting power outstanding before the issuance of stock or securities convertible into or exercisable for common stock; or

- the number of shares of common stock to be issued is or will be equal to or in excess of 20% of the number of shares or common stock outstanding before the issuance of the stock or securities.

- in connection with a transaction other than a public offering involving:

- the sale, issuance or potential issuance by the issuer of common stock (or securities convertible into or exercisable for common stock) at a price less than the greater of book or market value which together with sales by officers, directors or substantial stockholders of the company equals 20% or more of common stock or 20% or more of the voting power outstanding before the issuance; or

- the sale, issuance or potential issuance by the company of common stock (or securities convertible into or exercisable common stock) equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of the holders of a majority of the outstanding shares of common stock on the Record Date is necessary to approve this amendment to the certificate of incorporation.

The Board of Directors recommends a vote FOR the approval of the amendment to CalAmp s certificate of incorporation to increase the authorized shares of common stock from 40,000,000 shares to 80,000,000 shares.

PROPOSAL FIVE

RATIFICATION OF INDEPENDENT AUDITING FIRM

General

At the Annual Meeting, we are seeking ratification of the appointment of SingerLewak LLP ("SingerLewak") as our independent auditing firm for our fiscal year 2013. SingerLewak has served as the Company's independent auditing firm beginning with fiscal year 2009. A representative of SingerLewak is expected to be present at the Annual Meeting. The representative will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

The Audit Committee of the Board of Directors has appointed SingerLewak as our independent auditing firm to audit our consolidated financial statements for the fiscal year ending February 28, 2013. In the event the stockholders fail to ratify the appointment of SingerLewak as our independent auditing firm, the Audit Committee will reconsider its selection. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditing firm at any time if the Audit Committee believes that such a change would be in the best interests of CalAmp and its stockholders. Stockholder ratification of the selection of SingerLewak is not required by our bylaws or otherwise. The Board of Directors is submitting the selection of SingerLewak to the stockholders for ratification as a matter of good corporate practice.

Fees

Fees of SingerLewak during the fiscal 2012 and 2011 fiscal years are summarized below:

	Fiscal 2012 Fees	**Fiscal 2011 Fees**
Audit fees	$ 438,700	$ 350,300
Audit-related fees	$ -0-	$ 6,000
Tax fees	$ 2,500	$ 2,000
All other fees	$ -0-	$ -0-

The year-over-year increase in the amount shown for Audit fees reflects the fact that the auditors performed additional work in fiscal 2012 compared to fiscal 2011 because an auditor s attestation report on the Company s evaluation of internal controls over financial reporting was required to be issued for fiscal 2012 but not for fiscal 2011. The amount shown for Audit-related fees represents fees for advising on the adoption of new accounting pronouncements and on the accounting treatment of various transactions. The amount shown for "Tax fees" represents income tax advisory services. In addition to the foregoing fees paid to SingerLewak for fiscal years 2012 and 2011, the Company paid fees of $55,000 and $56,000 in fiscal 2012 and 2011, respectively, to another public accounting firm to assist the Company with management's assessment of internal control over financial reporting pursuant to the requirements of Section 404 of the Sarbanes-Oxley Act. The Audit Committee pre-approved all of the foregoing fees in accordance with the Audit Committee's pre-approval policy described below.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor

The Audit Committee s policy is to pre-approve all audit and non-audit services provided by the independent auditor. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The Audit Committee may delegate pre-approval authority to one or more of its members, and the member or members to whom such authority is delegated must report any pre-approval decision to the Audit Committee at its next scheduled meeting. The Audit Committee cannot delegate its responsibilities to pre-approve services performed by the independent auditor to management. The Audit Committee's pre-approval policy includes a list of prohibited non-audit services, such as financial information systems design and implementation, that the independent auditor cannot perform for the Company under any circumstances.

Determination of Independence

The Audit Committee has determined that the provision of the above non-audit services by SingerLewak LLP is compatible with their maintenance of accountant independence.

Vote Required and Recommendation of the Board of Directors

Ratification of the appointment of SingerLewak LLP requires the affirmative vote of a majority of the outstanding shares of our stock that are present in person or by proxy and entitled to vote at the Annual Meeting.

THE BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE SELECTION OF SINGERLEWAK LLP TO SERVE AS OUR INDEPENDENT AUDITING FIRM FOR OUR 2013 FISCAL YEAR AND RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THIS PROPOSAL.

REPORT OF THE AUDIT COMMITTEE

The following Audit Committee Report does not constitute soliciting material and shall not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates this Audit Committee Report by reference therein.

The members of the Audit Committee have been appointed by the Board of Directors. The Audit Committee operates under a written charter that was adopted by the Board in 2001 and last amended in April 2012, a copy of which is available on the Company's website at *www.calamp.com*. The Audit Committee consists of four directors, none of whom were or are officers or employees of the Company. The current members of the Audit Committee are Larry Wolfe, who serves as Chair, Kimberly Alexy, A.J. "Bert" Moyer and Frank Perna, Jr. Each is an "independent" director within Section 4200(a)(15) of the National Association of Securities Dealers' Marketplace Rules.

Duties of the Audit Committee during the period covered by this Report were to:

- oversee the Company's internal accounting and operational controls as well as its financial and regulatory reporting,
- select the Company's independent auditors and assess their performance on an ongoing basis,
- review the Company's interim and year-end financial statements and audit findings with management and the Company's independent auditors, and take any action considered appropriate by the Audit Committee and the Board,

- review the Company's general policies and procedures regarding audits, accounting and financial controls, the scope and results of the auditing engagement, and the extent to which the Company has implemented changes suggested by the auditors,
- review the results of each audit by the Company's independent accountants and discuss with them any factors, including, without limitation, the provision of any non-audit services, that may affect their independence,
- perform other oversight functions as requested by the full Board, and
- report activities performed to the full Board.

Management is responsible for the Company's internal controls. The Company's independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee reviewed CalAmp's audited financial statements for the fiscal year ended February 28, 2012 and discussed these financial statements with both the management of the Company and SingerLewak LLP ("SingerLewak"), CalAmp's independent public accountants. The Company's management, which has primary responsibility for the Company's financial statements, represented to the Audit Committee that its audited financial statements were prepared in accordance with accounting principles generally accepted in the United States.

The Audit Committee also discussed with SingerLewak the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA Professional Standards Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received from SingerLewak the written disclosures and letter required by Public Company Accounting Oversight Board (PCAOB) Rule 3526, Communications with Audit Committees Concerning Independence," and discussed with SingerLewak the independence of that firm. For the fiscal year ended February 28, 2012, SingerLewak received fees for the audit of CalAmp's consolidated financial statements and for related tax advisory services. The Audit Committee also considered whether the provision of these services is compatible with maintaining the independence of SingerLewak.

Based on the review and discussions as described above, and in reliance thereon, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2012.

During fiscal 2012, management evaluated the Company's system of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Audit Committee received periodic updates at its meetings. Once the documentation, testing and evaluation were completed, the Audit Committee reviewed and discussed with management its assessment and report on the effectiveness of the Company's internal control over financial reporting as of February 28, 2012.

Also during fiscal 2012, the Audit Committee met with SingerLewak, with and without management present, to discuss the results of its quarterly reviews and annual audit and its observations and recommendations regarding the Company's internal control over financial reporting. The Audit Committee also reviewed and discussed with SingerLewak its review and report on the Company s internal control over financial reporting. The Company filed this report with the SEC in its Annual Report on Form 10-K for the fiscal year ended February 28, 2012.

AUDIT COMMITTEE
Larry Wolfe, Chair
Kimberly Alexy
A.J. "Bert" Moyer
Frank Perna, Jr.

OWNERSHIP OF SECURITIES

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock as of June 6, 2012 by (i) each person or entity who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) each director and nominee for director, (iii) each individual appearing in the Summary Compensation Table appearing elsewhere in this Proxy Statement that was serving as an executive officer at the end of the latest fiscal year, and (iv) all directors and executive officers as a group. The Company knows of no agreements among its stockholders that relate to voting or investment power over its Common Stock.

Name and Address of Beneficial Owner (1)	**Shares Beneficially Owned** (2)(3)	**Ownership Percent** (4)
Frank Perna, Jr., Chairman of the Board of Directors	404,745	1.4%
Kimberly Alexy, Director	73,885	*
Michael Burdiek, President, Chief Executive Officer and Director	708,906	2.4%
Richard Gold, Vice Chairman of the Board and former CEO	1,239,169	4.2%
A.J. "Bert" Moyer, Director	109,245	*
Thomas Pardun, Director	147,117	*
Larry Wolfe, Director	114,745	*
Garo Sarkissian, Vice President Corporate Development	320,383	1.1%
Richard Vitelle, Vice President Finance and CFO	686,804	2.4%
All directors and executive officers as a group (9 persons)	3,804,999	12.6%

* Less than 1.0% ownership

(1) The address of each named officer and director is c/o CalAmp, 1401 N. Rice Avenue, Oxnard, CA 93030.

(2) Amounts include shares purchasable upon exercise of stock options that were exercisable as of June 6, 2012 or within 60 days thereafter, in the following amounts:

Frank Perna, Jr.	12,000
Richard Gold	488,000
A.J. "Bert" Moyer	26,000
Thomas Pardun	4,899
Michael Burdiek	315,500
Garo Sarkissian	139,000
Richard Vitelle	363,500
All officers and directors as a group	1,348,899

(3) Amounts include shares purchasable upon exercise of warrants that were exercisable as of June 6, 2012 in the following amounts:

Frank Perna, Jr.	20,000
Michael Burdiek	2,500
Richard Vitelle	10,000
All officers and directors as a group	32,500

(4) For the purposes of determining the percentage of outstanding Common Stock held by the persons set forth in the table and by all officers and directors as a group, the number of shares is divided by the sum of the number of outstanding shares of the Company's Common Stock on June 6, 2012 (28,725,676 shares) and the number of shares of Common Stock subject to options and warrants exercisable currently or within 60 days of June 6, 2012 by such persons or by the officer and director group as a whole.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

At February 28, 2012, the Company had two equity award plans, the 1999 Stock Option Plan and the 2004 Incentive Stock Plan (the 2004 Stock Plan). Under the 2004 Stock Plan, various types of equity awards can be made, including stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), phantom stock and bonus stock. To date, only stock options, restricted stock, RSUs and bonus stock have been granted under the 2004 Stock Plan. Options can no longer be granted under the 1999 Stock Option Plan. The 1999 Stock Option Plan and the 2004 Stock Plan were both approved by the Company's stockholders.

The following table sets forth information regarding securities authorized for issuance under equity compensation plans as of February 28, 2012:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the second column)
Equity compensation plans approved by stockholders	3,251,649 (1)	$ 4.78 (2)	717,041
Common stock purchase warrants not approved by stockholders	520,000 (3)	$ 3.90	-0-
Total	3,771,649	$ 4.61 (2)	717,041

(1) Includes 1,088,250 shares issuable upon vesting of outstanding RSUs under the 2004 Stock Plan.

(2) The weighted-average exercise price does not take into account the shares issuable upon vesting of 1,088,250 outstanding RSUs as there is no exercise price associated with these equity awards.

(3) Amount is comprised of 20,000 warrants issued to a key supplier in October 2009 and 500,000 warrants issued in December 2009 and January 2010 in conjunction with the issuance of $5 million in subordinated promissory notes.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

Compensation Discussion and Analysis

Role of the Compensation Committee

The members of the Compensation Committee have been appointed by the Board of Directors. The Compensation Committee currently consists of four directors, all of whom are "independent directors" as defined in the listing standards of the NASDAQ Marketplace Rules. The current members of the Compensation Committee are Thomas Pardun, who serves as Chair, Kimberly Alexy, Frank Perna, Jr. and Larry Wolfe.

The Compensation Committee operates under a written charter that was originally adopted by the Board in 2002 and which has subsequently been amended from time to time, most recently in 2010. The charter of the Compensation Committee is posted on the Company s website at *www.calamp.com*.

The Compensation Committee is responsible for monitoring the performance and compensation of the executive officers listed in the Summary Compensation Table below (the executive officers), reviewing the compensation plans, including bonuses, and administering the Company's equity award plans. While the Company's Board of Directors is responsible for the final approval of executive compensation, it relies heavily on the advice and recommendations of the Compensation Committee.

Compensation Philosophy and Programs

The Company s executive compensation programs are designed to attract, motivate and retain executives who will contribute significantly to the long-term success of the Company and the enhancement of stockholder value. Consistent with this philosophy, the following goals provide a framework for the Compensation Committee's administration of the executive compensation program:

- executive compensation should be comparable to the average or median compensation level of comparable companies (as discussed in further detail below) to allow the Company to attract and retain talented management;
- annual variable compensation should reward the executives for achieving specific results that are intended to increase stockholder value;
- total compensation for each executive should be related to overall Company performance as well as individual performance;
- the compensation program should align the interests of the Company's executives with those of its stockholders; and
- supplemental benefits and perquisites that reward executives without regard to performance should be minimal.

Elements of Compensation

In order to achieve the above goals, the total compensation package of the executive officers includes base salary, an annual cash bonus, and long-term compensation in the form of equity awards. *Salary* is set at a competitive level (as discussed in further detail below) to attract and retain qualified candidates. *Bonuses* are tied specifically to performance of the Company or a specific business unit of the Company and/or individual contributions. *Equity-based incentive awards* are granted in amounts the Compensation Committee believes are necessary to provide incentives for future performance, taking into account competitive long-term incentive practices of similar companies, responsibilities and duties of each officer, and individual performance. This mix of compensation elements is intended to place a significant portion of compensation at risk and emphasizes performance.

The Company also provides executive officers with benefit plans that are generally available to all regular full-time employees of CalAmp. The Compensation Committee believes that appropriately balancing the total compensation package and ensuring the viability of each component of the package (both on its own and taken together as a whole) is necessary in order to provide market-competitive compensation. The Compensation Committee strives to balance the various components of the officer compensation program in order to motivate executives to improve the Company's results on a cost-effective basis. The factors that are used to determine individual compensation packages are generally similar for each named executive officer, including the CEO.

Role of Management in the Compensation Determination Process

The Compensation Committee periodically meets with the Company's Chief Executive Officer and Chief Financial Officer to obtain information with respect to compensation programs. The CEO makes recommendations to the Compensation Committee on the base salaries, incentive targets and measures, and equity compensation for the Company's executive officers. The Compensation Committee considers, but is not bound by and does not always accept, management s recommendations with respect to executive officer compensation. The Compensation Committee also periodically seeks input from compensation consultants or other independent information sources prior to making any final determinations. The CEO and CFO attend most of the Compensation Committee s meetings, but the Compensation Committee also regularly holds executive sessions not attended by any members of management. The Compensation Committee discusses the CEO's compensation package with him, but generally makes decisions with respect to the CEO's compensation without him present. The Compensation Committee has not delegated any of its authority with respect to compensation of executive officers to any member of management.

Role of Compensation Consultants in the Compensation Determination Process

The Compensation Committee has the authority to engage its own compensation consultants and other independent advisors to assist in creating and administering the Company's executive compensation policies. Periodically since 2003, the Compensation Committee has retained the services of independent compensation consulting firms to conduct various compensation-related studies and analyses. During this time period, the independent consulting firms have not provided any other services to the Company and have received no compensation other than with respect to services provided to the Compensation Committee. No outside compensation consultant was engaged for the determination of fiscal 2012 officer compensation. Instead, as described below, an analytical approach used by an outside compensation consultant in earlier years was utilized by the Compensation Committee to evaluate and establish fiscal 2012 compensation of the executive officers.

Determination of Executive Officer Compensation for Fiscal 2012

Comparative Analysis

Prior to the beginning of fiscal 2012, acting pursuant to a directive from the Compensation Committee, management prepared a competitive assessment of the cash and equity compensation for executive management for fiscal 2012 utilizing the same analytical methodology and framework that had been employed by an independent compensation consultant for the preceding year. This competitive compensation analysis was prepared by comparing the cash and equity-based compensation of the Company's executive officers with the combined, or blended, compensation data of the Radford Executive Survey and of a public company peer group (the "Peer Group") as reported in proxy statements and other public filings. The Peer Group for fiscal 2012, consisting of 13 companies of similar size and profile to CalAmp, was compiled by management and was approved by the Compensation Committee. These peer companies are Anaren Inc., BigBand Networks Inc., Communications Systems Inc., Digi International Inc., Globecomm Systems Inc., KVH Industries Inc., LoJack Corporation, Numerex Corp., Occam Networks Inc., PC-TEL Inc., Spectrum Control Inc., Symmetricom Inc. and Zhone Technologies Inc. At the time of preparing this analysis, CalAmp s consolidated revenue for the trailing 12 month period was at the 42nd percent rank of the Peer Group, and CalAmp s enterprise value was at the 34th percent rank of the Peer Group. The compensation data was blended by giving equal weighting to the 50th percentile compensation amounts per the Radford Executive Survey and the mean, or average, compensation amounts of the Peer Group.

Mean values were used for the Peer Group compensation data instead of 50th percentile values because the latter can vary significantly from the mean as a result of the relatively small population size.

The competitive compensation analysis for fiscal 2012 was reviewed and discussed at meetings of the Compensation Committee on February 17, 2011 and April 25, 2011.

Base Salary

Base salary for executive officers, including that of the CEO, is set according to the responsibilities of the position, the specific skills and experience of the individual and the competitive market for executive talent. The Compensation Committee reviews salaries annually and adjusts them as appropriate to reflect changes in market conditions, individual performance and responsibilities, and the Company s financial position. The aggregate value of total cash compensation (base salary and bonus) for executive officers is generally targeted at approximately the 50th percentile of executive compensation at comparable companies, based on the blended Radford Executive Survey data and Peer Group data, with the intent that superior performance under incentive bonus plans would enable the executive officer to elevate his total cash compensation to levels that are above the average of comparable companies.

The base salary of Michael Burdiek was increased from $320,000 to $400,000 effective June 1, 2011 upon his promotion from President and Chief Operating Officer to President and Chief Executive Officer. In establishing this new base salary amount for Mr. Burdiek, the Compensation Committee considered the fact that the competitive compensation analysis for fiscal 2012, described above, indicated that CEO market salaries for companies similar in size and nature of operations to CalAmp are $372,000 and $431,000 at the 25th and 50th percentiles, respectively. The Compensation Committee concluded that a starting CEO salary for Mr. Burdiek of $400,000, which is essentially the midpoint of the market salaries at the 25th and 50th percentile levels, would be competitive and appropriate in the circumstances.

Richard Gold, who had served as the Company s CEO from March 2008, voluntarily resigned that position effective June 1, 2011 concurrent with the appointment of Mr. Burdiek as the Company s new CEO. The Board of Directors determined that Mr. Gold should continue to serve as a full-time employee with the title of Vice Chairman, a position to which he was appointed effective June 1, 2011. In this capacity, Mr. Gold has continued to serve as a member of the Board of Directors and perform such duties as are reasonably determined by the Board, in consultation with the CEO. In conjunction with the transition in Mr. Gold s role from CEO to Vice Chairman, his base annual salary was reduced from $425,000 to $300,000.

Fiscal 2012 base salary amounts for Messrs. Burdiek, Gold and the other named executive officers are disclosed in the Summary Compensation Table on page 36.

Short-Term Incentive Compensation Plan

The Company s annual incentive bonus plan for executive officers reflects the Compensation Committee s belief that a meaningful component of executive compensation should be contingent on the financial performance of the Company. The aggregate value of total cash compensation (base salary and bonus) for executive officers is generally targeted at approximately the 50th percentile of executive compensation at comparable companies, based on the blended data of the Radford Executive Survey and the Peer Group companies, with the intent that superior performance under the incentive compensation plan would enable each executive to elevate his total cash compensation to a level that is above the average of comparable companies.

At the Compensation Committee's February 17, 2011 meeting, the CEO presented the proposed parameters of the executive officer short-term incentive plan for fiscal 2012, including weighting factors, incentive amounts as a percentage of base salary, and quantitative goals. The quantitative goals proposed for the fiscal 2012 short-term incentive plan were consolidated revenue and consolidated earnings before interest, taxes, depreciation, amortization and stock-based compensation expense, or EBITDA, per the fiscal 2012 Annual Operating Plan ("AOP"). These measures are believed to best reflect the short-term performance of the Company, as they are directly influenced by management's actions. The Compensation Committee approved the fiscal 2012 executive officer short-term incentive plan at this meeting.

At a meeting on May 17, 2011, the Compensation Committee took certain actions affecting the fiscal 2012 short-term incentive plan in conjunction with the appointments of Mr. Gold to Vice Chairman and Mr. Burdiek to President and CEO effective June 1, 2011. First, the Committee approved an amendment to Mr. Gold s employment agreement that, among other provisions, stipulated that for purposes of calculating his bonus for fiscal 2012 his pre-reduction base salary of $425,000 was to be used. And second, the Committee approved changes in the fiscal 2012 short-term incentive plan for Mr. Burdiek in consideration of his increased responsibility associated with his promotion to CEO.

Pursuant to the actions taken by the Compensation Committee at its meetings on February 17 and May 17, 2011, as ratified by the Board of Directors at meetings held on February 27 and May 24, 2011, the fiscal 2012 short-term incentive plan was established consisting of the following payout percentages at the Threshold, Target and Maximum performance levels:

	Incentive Amounts as a % of Base Salary		
	Threshold	Target	Maximum
Vice Chairman and former CEO (Mr. Gold)	15%	50%	100%
President & CEO (Mr. Burdiek)	15%	60%	120%
VP Finance & CFO	15%	40%	80%
VP Corporate Development	15%	35%	70%

The Compensation Committee believes that this short-term incentive plan structure rewards the executive officers for overachievement of the Company's quantitative goals and provides limited downside protection in the event of performance that is close to, but below, the target level. For fiscal 2012, the quantitative goals at the Target level were set equal to consolidated revenue and consolidated EBITDA as shown in the fiscal 2012 AOP, which is consistent with the methodology used for the short-term incentive plans of previous years. Quantitative goals at the Threshold and Maximum performance levels were determined by varying the goal amounts up or down from the projected revenue and EBITDA amounts shown in the fiscal 2012 AOP. The AOP is established by management and approved by the Board at the beginning of each fiscal year, and reflects performance levels that the Board feels are challenging but achievable with significant effort. The Maximum levels for each measure are generally set so as to represent both extremely challenging performance goals and outstanding achievement. Payouts are prorated on a straight-line basis for achievement between the Threshold and Target levels or the Target and Maximum levels. If the Company does not achieve at least the Threshold performance level for a measure, no payout is made for that measure.

The fiscal 2012 quantitative goals were as follows (in millions):

	Threshold	Target	Maximum
Consolidated revenue	$ 121.8	$ 135.3	$ 155.6
Consolidated EBITDA	$ 5.6	$ 8.0	$ 11.2

For fiscal 2012, the Compensation Committee established weighting factors of 50% each on consolidated revenue and consolidated EBITDA for each of the Company s officers. For fiscal 2012, actual consolidated revenue of $138.8 million was above the Target performance level, and actual consolidated EBITDA of $12.2 million was above the Maximum performance level. Incentive plan payout amounts for fiscal 2012 are disclosed in the Summary Compensation Table on page 36.

Equity Awards

The Compensation Committee believes that equity compensation plans are an essential tool to align the long-term interests of stockholders and employees, particularly members of executive

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management, and serve to motivate executive officers to make decisions that will, in the long run, provide the best returns to stockholders. The Compensation Committee also believes that broad-based equity plans remain an essential element of a competitive compensation package, given that such plans are offered currently by most public technology companies with whom the Company competes for both executives and non-executive employees.

In conjunction with his promotion to CEO, effective June 1, 2011 Mr. Burdiek was granted 200,000 shares of restricted stock and 100,000 non-qualified stock options, both vesting 25% annually over four years. In determining these equity award amounts, the Compensation Committee considered several factors, including the value of annual equity awards made in previous years to the Company s CEO, the time until the next annual grant, and the value associated with the promotion to CEO.

At a meeting of the Compensation Committee held on July 28, 2011, the CEO presented proposed equity awards for the non-CEO executive officers that consisted of a combination of stock options and restricted stock. The Compensation Committee and the Board believe that the use of such equity awards as part of the executive officer compensation program helps drive long-term Company performance, aligns the interests of the officers with those of the Company's stockholders, and provides a retention factor through long-term vesting of equity awards.

During this meeting the Compensation Committee considered the information on Total Direct Compensation (base salary, cash bonus plus equity compensation) contained in the fiscal 2012 competitive compensation assessment described above that compared the compensation of the Company s executive officers with blended compensation data from the Radford Executive Survey and the Peer Group companies. In evaluating the proposed executive officer equity awards for fiscal 2012, the Compensation Committee also considered factors such as the ratio of proposed equity awards for executive officers and non-executive officer employees of the Company, the prevailing stock price, estimates of stock compensation expense, longevity projections of the equity award plan pool of available units, and equity award burn rate estimates. It was noted during this Compensation Committee meeting that Total Direct Compensation of the Company s non-CEO executive officers would be approximately 5% less than market as represented by the median Total Direct Compensation amount of the Radford Executive Survey and the Peer Group companies. Following the Compensation Committee's review and deliberation at this meeting, the Committee approved equity awards for the executive officers, and these awards were ratified by the full Board. These equity awards are detailed in the Grants of Plan-Based Awards for Fiscal 2012 table on page 37.

Equity Award Practices

The Compensation Committee or the Board of Directors approves all equity awards. Equity awards, typically consisting of stock options, restricted stock or RSUs, are generally made when a key employee, including an executive officer, joins the Company, and generally on an annual basis thereafter. These executive officer and key employee equity awards typically vest over a four-year period. Stock options are granted at an exercise price equal to the fair market value of the Company s common stock on the date of grant. The date of grant is the date on which the Compensation Committee or the Board meets and approves the particular option grant or grants. Since fiscal 2008 it has been the Company s practice to make annual equity award grants to executive officers and key employees on the day of the annual meeting of stockholders, at the same time that equity awards are made to non-employee directors pursuant to the provisions of the Company's 2004 Stock Plan.

The size of an initial equity award to an executive officer is based upon the position, responsibilities and expected contribution of the individual, with subsequent grants also taking into account the individual s performance and potential contributions. In establishing the amount and type of equity awards to the Company s executive officers, the Compensation Committee takes into consideration each executive officer's duties and responsibilities, individual performance, and the competitive compensation analysis in which the executive officers' total direct compensation is benchmarked against blended compensation data from the Radford Executive Survey and the Peer Group companies. The Compensation Committee also takes into consideration the equity award burn rate in relation to industry averages published by RiskMetrics Group and the financial statement impact of proposed equity awards.

The Company does not schedule the granting of equity awards to coincide with any favorable or unfavorable news released by the Company. The timing of initial grants is driven by the date of hire of new employees. The annual meeting of stockholders, at which time the Compensation Committee reviews and approves annual equity grants for officers and key employees, is typically held during the last week of July on a date established about three months in advance.

Executive Officer Stock Ownership Guidelines and Equity Holding Period

In 2004, the Compensation Committee adopted minimum stock ownership guidelines for executive officers. For the CEO, the guideline stock ownership amount is 2.5 times annual base salary, and for all other executive officers the guideline stock ownership amount is 1.5 times annual base salary. The market value of the stock on the date of acquisition serves as the basis for determining compliance with the guidelines. At the end of fiscal 2012, all executive officers were in compliance with these stock ownership guidelines.

The Company does not currently have a policy that specifies a minimum holding period for Company stock acquired by the executive officers as the result of restricted stock awards or option exercises. The Board of Directors believes that the executive officer stock ownership guidelines are sufficient to ensure that the Company s officers maintain a meaningful ownership interest in the Company.

Retirement Benefits

The Company does not provide pension benefits or deferred compensation plans to any of its employees, including the executive officers, other than a 401(k) plan that is open to all regular, full-time U.S. employees. The 401(k) plan is a tax-qualified retirement savings plan pursuant to which all U.S. employees, including the named executive officers, are permitted to contribute up to the limit prescribed by the Internal Revenue Service on a before-tax basis. The Company matches 50% of the first 4% of pay contributed to the 401(k) plan each year, except that during the period from April 6, 2009 to December 31, 2010 the Company s 401(k) matching contributions were suspended as part of a company-wide cost reduction program.

Adjustment or Recovery of Payments

Under Section 304 of the Sarbanes-Oxley Act of 2002, CEOs and CFOs of companies that have to restate earnings because of financial misconduct must pay back the bonuses and incentive compensation that they received from their companies. Beyond this statutory requirement, CalAmp does not currently have a policy requiring a fixed course of action with respect to compensation adjustments following later restatements of performance targets. Under those circumstances, it is anticipated that the Compensation Committee and the Board would evaluate whether other compensation adjustments in addition to those mandated under the Sarbanes-Oxley Act were appropriate based upon the facts and circumstances surrounding the restatement.

Severance and Change of Control Payments

The Company's Board of Directors has provided executive officers with severance and change of control arrangements in order to promote stability and continuity, and to mitigate a potential disincentive for the executives to pursue and execute an acquisition of the Company, particularly where the services of these executive officers may not be required by the acquirer. For a more detailed description of these severance and change of control benefits, please see the discussion under Employment Contracts and Change-In-Control Arrangements on page 40.

Other Compensation

Other elements of executive compensation include life and long-term disability insurance and health benefits. These benefits are also available to all regular, full-time U.S. employees of the Company, except that the Company pays the entire disability and health insurance premiums for the executive officers. The executive officers are also covered by a supplemental medical insurance program that reimburses the officer for out-of-pocket eligible medical costs up to an annual limit of $100,000 per officer. Company payments for executive officers pursuant to these other elements of compensation in fiscal 2012 are included in the All Other Compensation column in the Summary Compensation Table on page 36.

Tax and Accounting Implications

As part of its role, the Compensation Committee reviews and considers the deductibility of executive officer compensation under Section 162(m) of the Internal Revenue Code, which provides that the Company may not deduct compensation of more than $1,000,000 that is paid to certain individuals. To qualify for deductibility under Section 162(m), compensation in excess of $1,000,000 per year paid to the named executive officers (other than the CFO) at the end of such fiscal year generally must be performance-based compensation as determined under Section 162(m). The Compensation ComFACE="Times New Roman" SIZE="2">(65) 35 $30,795 $(13,418) $17,377

		December 31, 2006	
(In thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Patents	$ 9,911	$ (3,202)	$ 6,709
Intellectual property	10,084	(5,232)	4,852
Customer contracts and contractual relationships	8,000	(2,454)	5,546
Existing technology	2,700	(1,153)	1,547
Non-competition agreement	100	(57)	43
	$ 30,795	$ (12,098)	$ 18,697

Amortization expense for intangible assets for the three months ended March 31, 2007 and 2006 was $1.3 million and $1.3 million, respectively.

The estimated future amortization expense of intangible assets as of March 31, 2007 was as follows (amounts in thousands):

Fiscal year ending December 31:	**Amount**
2007 (remaining 9 months)	$ 3,961
2008	4,346
2009	2,948
2010	1,916
2011	1,593
Thereafter	2,613
	$ 17,377

12. Convertible Notes

On February 1, 2005, Rambus issued $300.0 million aggregate principal amount of zero coupon convertible senior notes due February 1, 2010 to Credit Suisse First Boston LLC and Deutsche Bank Securities in a private offering that were then sold to institutional investors.

The convertible notes are unsecured senior obligations, ranking equally in right of payment with all of Rambus existing and future unsecured senior indebtedness, and senior in right of payment to any future indebtedness that is expressly subordinated to the convertible notes.

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The convertible notes are convertible at any time prior to the close of business on the maturity date into, in respect of each $1,000 principal of convertible notes:

cash in an amount equal to the lesser of

(1) the principal amount of each note to be converted and

(2) the conversion value, which is equal to (a) the applicable conversion rate, multiplied by (b) the applicable stock price, as defined.

if the conversion value is greater than the principal amount of each note, a number of shares of Rambus Common Stock (the net shares) equal to the sum of the daily share amounts, calculated as defined. However, in lieu of delivering net shares, Rambus, at its option, may deliver cash, or a combination of cash and shares of its Common Stock, with a value equal to the net shares amount.

The initial conversion price is $26.84 per share of Common Stock (which represents an initial conversion rate of 37.2585 shares of Rambus Common Stock per $1,000 principal amount of convertible notes). The initial conversion price is subject to adjustment as defined.

The convertible notes are carried at par at March 31, 2007 and December 31, 2006 due to the cash settlement feature. The convertible notes are subject to repurchase in cash in the event of a fundamental change involving Rambus at a price equal to 100% of the principal amount. Rambus may be obligated to pay an additional premium (payable in shares of Common Stock) in the event the convertible notes are converted following a fundamental change. The premium is based on numerous factors and could be up to 33% per $1,000 principal amount of convertible notes.

Upon the occurrence of an event of default, Rambus obligations under the convertible notes may become immediately due and payable. An event of default is defined as:

default in the payment when due of any principal of any of the convertible notes at maturity, upon exercise of a repurchase right or otherwise;

default in the payment of liquidated damages, if any, which default continues for 30 days;

default in Rambus obligation to provide notice of the occurrence of fundamental change when required by the indenture;

failure to comply with any of Rambus other agreements in the convertible notes or the indenture upon its receipt of notice to it of such default from the trustee or to Rambus and the trustee from holders of not less than 25% in aggregate principal amount at maturity of the convertible notes, and Rambus fails to cure (or obtain a waiver of) such default within 60 days after it receives such notice;

failure to pay when due the principal of, or acceleration of, any indebtedness for money borrowed by Rambus or any of its subsidiaries in excess of $30.0 million principal amount, if such indebtedness is not discharged, or such acceleration is not annulled, by the end of a period of ten days after written notice to Rambus by the trustee or to Rambus and the trustee by the holders of at least 25% in principal amount of the outstanding convertible notes; and

certain events of bankruptcy, insolvency or reorganization relating to Rambus.
Rambus may not redeem the convertible notes prior to their maturity date.

During 2005, Rambus repurchased $140.0 million face value of the outstanding convertible notes, for a price of approximately $113.0 million, leaving a net balance of $160.0 million at December 31, 2005. These repurchases were financed from Rambus investment portfolio. At the time of the issuance, Rambus recorded $7.2 million of related note issuance costs in long-term other assets related to these repurchases, which was subsequently reduced to $4.2 million. Amortization of note issuance costs was $0.2 million for the three months ended March 31, 2006. There is no amortization of note issuance costs in 2007 due to the acceleration of the remaining amortization into the fourth quarter of 2006 in connection with the notice of acceleration relative to the convertible notes as discussed below.

On August 17, 2006, Rambus received a notice of default from U.S. Bank National Association, as trustee (the Trustee) for the convertible notes. The notice asserted that the Company s failure to file its Form 10-Q for the quarter ended June 30, 2006 constituted a default under Sections 7.2 and 14.1 of the indenture, dated as of February 1, 2005 between Rambus and the Trustee (the Indenture). The notice stated that per Section 9.1 of the Indenture, if Rambus did not cure the default within sixty days of August 17, 2006, an event of default would occur. On October 25, 2006, Rambus received a notice from the Trustee stating that since the Company had not cured the default that had been asserted by the Trustee within the sixty day cure period, an event of default had in fact occurred as of October 16, 2006. On January 22, 2007, Rambus received an additional notice of default from the Trustee relating to the Company s failure to file its Form 10-Q for the quarter ended September 30, 2006. On

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July 31, 2007, Rambus received a notice of acceleration from the Trustee stating that under direction received from holders of more than 25% in aggregate principal amount of the outstanding convertible notes, the Trustee was declaring the unpaid principal plus accrued interest and unpaid liquidated damages immediately due and payable.

On September 20, 2007, Rambus received a notice from the Trustee for the convertible notes, rescinding the acceleration of the convertible notes contained in the letter from the Trustee dated July 31, 2007 and waiving all existing Events of Default as defined in the Indenture. The notice indicated that the Trustee had received direction from holders holding a majority in aggregate principal amount of the convertible notes outstanding to waive all existing Events of Default and to rescind the acceleration of the convertible notes.

As of December 31, 2006, Rambus had reclassified the aggregate principal amount of the convertible notes of $160.0 million from non-current liabilities to current liabilities and reflected them as due in less than one year. In addition, all remaining related issuance costs of approximately $2.4 million were accelerated into the quarter ended December 31, 2006, such that no unamortized note issuance costs remained outstanding as of December 31, 2006. As of March 31, 2007, the convertible notes are classified as current liabilities as the Company continued to be delinquent in its SEC filings.

13. Litigation and Asserted Claims

Stock option investigation related claims

On May 30, 2006, the Audit Committee commenced an internal investigation of the timing of past stock option grants and related accounting issues. The investigation was completed in August 2007. As a result of this investigation, the Company restated its financial statements through March 31, 2006 and recorded additional stock-based compensation of $172.0 million through that date. See the Company s Annual Report on Form 10-K for the year ended December 31, 2006 for more information.

On May 31, 2006, the first of three shareholder derivative actions was filed in the Northern District of California against Rambus (as a nominal defendant) and certain current and former executives and board members. On August 9, 2006, these actions were consolidated for all purposes under the caption, *In re Rambus Inc. Derivative Litigation*, Master File No. C-06-3513-JF (N.D. Cal.), and Howard Chu and Gaetano Ruggieri were appointed lead plaintiffs. On October 2, 2006, a consolidated complaint was filed. On November 3, 2006, plaintiffs filed an amended consolidated complaint. The complaint alleges violations of certain federal and state securities laws as well as other state law causes of action. The complaint seeks disgorgement and damages in an unspecified amount, unspecified equitable relief, and attorneys fees and costs.

On July 24, 2006, another shareholder derivative action was filed in Santa Clara Superior Court against Rambus (as a nominal defendant) and certain current and former executives and board members (*Soffer v. Tate et al.,* 1-06-cv-067853 (Santa Clara Sup. Court)). Rambus filed a motion to dismiss this suit on August 23, 2006. On October 10, 2006, the California court heard oral argument on Rambus motion. In an order filed on October 20, 2006, the California court granted Rambus motion and dismissed the complaint.

On August 22, 2006, another shareholder derivative action was filed in Delaware Chancery Court against Rambus (as a nominal defendant) and certain current and former executives and board members (*Bell v. Tate et al.,* 2366-N (Del. Chancery)). Pursuant to agreement of the parties, no deadline for Rambus to respond to the complaint has been set.

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

On August 24, 2007, the final written report setting forth the findings of the Special Litigation Committee was filed with the California court. As set forth in its report, the SLC determined that all claims should be terminated and dismissed against the named defendants in *In re Rambus Inc. Derivative Litigation* with the exception of claims against named defendant Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of the Company. These settlements are conditioned upon the dismissal of the claims asserted against these individuals in *In re Rambus Inc. Derivative Litigation.* The aggregate value of the settlements to the Company exceeds $6.5 million in cash and cash equivalents as well as substantial additional value to the Company relating to the relinquishment of claims to over 2.7 million stock options. The SLC stated its intent to assert control over the litigation. The conclusions and recommendations of the SLC are subject to review by the California court. On October 5, 2007, Rambus filed a motion to terminate in accordance with the SLC s recommendations. Plaintiffs have stated their intention to oppose Rambus motion and to file a motion for leave to amend their complaint. The California court scheduled a hearing on both motions for January 18, 2008.

On August 30, 2007, another shareholder derivative action was filed in the Southern District of New York against Rambus (as a nominal defendant) and PricewaterhouseCoopers LLP. On September 25, 2007, PricewaterhouseCoopers LLP filed a motion to transfer the action to the Northern District of California. Rambus joined the motion of PricewaterhouseCoopers LLP. Rambus believes that this action should be made part of *In re Rambus Inc. Derivative Litigation*, Master File No. C-06-3513-JF (N.D. Cal.), pursuant to the consolidation order dated August 9, 2006. A response to the complaint is due within twenty days after the motion to transfer is decided. Plaintiff may file an opposition to the transfer motion by October 23, 2007, and reply papers may be filed by October 30, 2007. No hearing has been scheduled for this motion.

On July 17, 2006, the first of six class action lawsuits was filed in the Northern District of California against Rambus and certain current and former executives and board members. On September 26, 2006, these class action suits were consolidated under the caption, *In re Rambus Inc. Securities Litigation*, C-06-4346-JF (N.D. Cal.). On November 9, 2006, Ronald L. Schwarcz was appointed lead plaintiff. An amended consolidated complaint was filed on February 14, 2007, naming as defendants Rambus, certain of its current and former executives and board members, and PricewaterhouseCoopers LLP. The complaint alleges violations of various federal securities laws. The complaint seeks damages in an unspecified amount as well as attorneys fees and costs. On April 2, 2007, Rambus and certain individual defendants filed a motion to dismiss the lawsuit. PricewaterhouseCoopers LLP filed a motion to dismiss on May 7, 2007. Per agreement of the parties, briefing on the motions to dismiss has been suspended, and a hearing on the motion to dismiss previously scheduled for June 22, 2007 was taken off the court s calendar. No new date for the hearing has been set. Subject to approval by the California court, the parties have agreed in principle to settle this dispute. The settlement, which is subject to final documentation as well as review by the California court, provides for a payment by Rambus of $18.0 million and would lead to a dismissal with prejudice of all claims against all defendants in the class action litigation.

On March 1, 2007, a pro se lawsuit was filed in the Northern District of California by two alleged Rambus shareholders against Rambus, certain current and former executives and board members and PricewaterhouseCoopers LLP (*Kelley et al. v. Rambus, Inc. et al.* C-07-01238-JF (N.D. Cal.)). On April 25, 2007, the plaintiffs filed an amended complaint adding Wilson Sonsini Goodrich & Rosati, P.C., as a defendant. The plaintiffs filed second and third amended complaints without leave of court on May 8 and 14, 2007, respectively. On May 14, 2007 this case was related to the class action, *In re Rambus Inc. Securities Litigation*, C-06-4346-JF. Rambus and the other named defendants filed or joined various motions to dismiss the third amended complaint on June 4 and 5, 2007. On May 8, 2007, a substantially identical pro se lawsuit was filed in the Northern District of California by another purported Rambus shareholder against the same parties. These two pro se lawsuits each allege violations of federal and state securities laws, and state law claims for fraud and breach of fiduciary duty. The two lawsuits were consolidated into a single action by court order dated June 25, 2007. Rambus pending motion to dismiss was taken off calendar, and plaintiffs filed a consolidated amended complaint on July 25, 2007. Rambus and other defendants filed motions to dismiss on August 10, 2007. The California court heard oral argument on these motions on September 7, 2007. On October 15, 2007, the California court granted Rambus motion with leave to file an amended complaint within 30 days.

All of these cases relate to stock options issues. There can be no assurance that additional claims or actions arising out of or related to stock option issues will not be asserted against Rambus and its current or former executives and board members.

FTC Complaint

On June 19, 2002, the Federal Trade Commission, or FTC, filed a complaint against Rambus. The FTC alleged that through Rambus action and inaction at a standards setting organization called JEDEC, Rambus violated Section 5 of the FTC Act in a way that allowed Rambus to obtain monopoly power in-or that by acting with intent to monopolize it created a dangerous probability of monopolization in synchronous DRAM technology markets. The FTC also alleged that Rambus action and practices at JEDEC constituted unfair methods of competition in violation of Section 5 of the FTC Act. As a remedy, the FTC sought to enjoin Rambus right to enforce patents with priority dates prior to June 1996 as against products made pursuant to certain existing and future JEDEC standards.

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On February 17, 2004, the FTC Chief Administrative Law Judge issued his initial decision dismissing the FTC s complaint against Rambus on multiple independent grounds (the Initial Decision). The FTC s Complaint Counsel (Complaint Counsel) appealed this decision.

On August 2, 2006, the FTC released its July 31, 2006, opinion and order reversing and vacating the Initial Decision and determining that Rambus violated Section 5 of the Federal Trade Commission Act. The FTC characterized Complaint Counsel s proposal for a full ban on enforcement of Rambus patents as extreme[] and ordered further briefing on issues relating to remedy. Rambus and Complaint Counsel each filed simultaneous briefs on September 15 and 29, 2006. Following submission of briefs by Complaint Counsel, Rambus, and various amici curiae, the FTC heard oral argument on remedy issues on November 15, 2006.

On February 5, 2007, the FTC released its February 2, 2007, opinion and order on remedy. The remedy order sets the maximum royalty rate that Rambus can collect on the manufacture, use or sale in the United States of certain JEDEC-compliant parts after the Order becomes effective, as follows: 0.25% for SDRAM products; 0.5% for DDR SDRAM products; 0.5% for SDRAM memory controllers or other non-memory chip components; and 1.0% for DDR SDRAM memory controllers or other non-memory chip components. The order specifies that these maximum rates will be in effect for three years, after which time the maximum rates for these products will be 0%. The order also mandates that Rambus offer a license for these products at rates no higher than the maximums set by the FTC, including a further cap on rates for the affected non-memory products. The order further requires Rambus to take certain steps to comply with the terms of the order and applicable disclosure rules of any standard setting organization of which it may become a member.

The FTC s order explicitly does not set maximum rates or other conditions with respect to Rambus royalty rates for DDR2 SDRAM, other post-DDR JEDEC standards, or for non-JEDEC-standardized technologies such as those used in RDRAM or XDR DRAM.

On February 16, 2007, Rambus filed with the FTC: i) a motion for a stay of the remedy order pending its appeal; and ii) a petition for reconsideration of the remedy order. On February 26, 2007, Complaint Counsel filed an opposition in part to Rambus motion to stay and a response to Rambus petition for reconsideration.

On March 16, 2007, the FTC issued an order granting in part and denying in part Rambus motion for a stay. The March 16 order permits Rambus to acquire rights to royalty payments for use of the patented technologies affected by the February 2 remedy order during the period of the stay in excess of the FTC-imposed maximum royalty rates on SDRAM and DDR SDRAM products, provided that funds above the maximum allowed rates be placed into an escrow account to be distributed in accordance with the ultimate decision of the court of appeals. In an opinion accompanying its order, the FTC clarified that it intended its remedy to be forward-looking and prospective only, and therefore unlikely to be construed to require Rambus to refund royalties already paid or to restrict Rambus from collecting royalties for the use of its technologies during past periods.

On April 4, 2007, Rambus filed a petition for review of the FTC s liability and remedy orders in the United States Court of Appeals for the District of Columbia.

On April 27, 2007, the FTC issued an order granting in part and denying in part Rambus petition for reconsideration of the remedy order. The FTC s order and accompanying opinion on Rambus petition for reconsideration clarified the remedy order in certain respects. For example, a) the FTC explicitly stated that the remedy order does not require Rambus to make refunds or prohibit it from collecting royalties in excess of maximum allowable royalties that accrue up to the effective date of the remedy order (i.e., April 12, 2007); b) the remedy order was modified to specifically permit Rambus to seek damages in litigation up to three times the specified maximum allowable royalty rates on the ground of willful infringement and any allowable attorneys fees; and c) under the remedy order, licensees may pay Rambus a flat fee in lieu of running royalties, even if this resulted in payments above the FTC s rate caps in certain circumstances.

On May 3, 2007, Rambus filed a petition for review of the FTC s order granting in part and denying in part Rambus petition for reconsideration of the remedy order in the United States Court of Appeals for the District of Columbia. On June 27, 2007, this petition was consolidated with its earlier-filed petition appealing the FTC s liability and remedy orders. Rambus filed its opening appellate brief on September 21, 2007. The Commission may file an opposition by November 21, 2007; any reply by Rambus is due by December 21, 2007. No hearing date has been set.

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Infineon Litigation

On August 8, 2000, Rambus filed suit in the U.S. District Court for the Eastern District of Virginia (the Virginia court) against Infineon, and its North American subsidiary for infringement of two U.S. patents. In February 2005, the Virginia court held a four-day bench trial on Infineon s unclean hands defense, which included allegations of litigation misconduct and spoliation of evidence. On March 1, 2005, the Virginia court orally stated that Infineon had proven that Rambus had unclean hands, that Rambus had spoliated evidence, and that dismissal of Rambus patent infringement case was the appropriate sanction. On March 21, 2005, before the Virginia court issued written findings of fact and conclusions of law, the parties reached a global settlement of all disputes between them, and dismissed with prejudice all outstanding lawsuits between the companies worldwide. Although the parties settled their dispute, in one patent infringement action in Germany, Infineon s attorneys disputed the amount of court fees that Rambus is required to pay under German law following the European Patent Office s dismissal of a Rambus European patent, EP 0 525 068 (the 068 patent). On August 21, 2006, the Mannheim court issued decisions setting Rambus owed court costs at approximately 330,000 Euros, and applying a statutory multiple. Rambus appealed the issue of whether the statutory multiple is properly applied. On June 20, 2007, Rambus appeal was denied, resulting in an aggregate liability of 840,000 Euros. Payment of this amount in August 2007 has now finally resolved all liabilities arising out of the disputes between Rambus and Infineon worldwide.

Hynix Litigation

U.S District Court of the Northern District of California

On August 29, 2000, Hynix (formerly Hyundai) and various subsidiaries filed suit against Rambus in the U.S. District Court for the Northern District of California. The case was assigned to the Honorable Ronald M. Whyte. The complaint, as amended, asserts claims for breach of contract, fraud, negligent misrepresentation, and violations of federal antitrust laws and deceptive practices in connection with Rambus participation in JEDEC, and seeks a declaratory judgment that the Rambus patents-in-suit are invalid and not infringed by Hynix, compensatory and punitive damages, and attorneys fees. Rambus denied Hynix s claims and filed counterclaims alleging that Hynix has infringed and is infringing 59 patent claims in 15 Rambus patents.

The California court divided the case into three phases: (1) Hynix s unclean hands and spoliation of evidence defenses; (2) Rambus patent infringement case and Hynix s patent-related affirmative defenses; and (3) Hynix s claims arising from Rambus conduct at JEDEC and other alleged misconduct not directly tied to patent issues.

Relying on the Virginia court s oral ruling in the *Infineon* case in March 2005, Hynix moved to dismiss this case on the grounds of collateral estoppel. The California court denied Hynix s motion on April 25, 2005.

The first phase of the Hynix-Rambus trial on unclean hands and spoliation began on October 17, 2005 and concluded on November 1, 2005. On January 4, 2006, the California court issued its Findings of Fact and Conclusions of Law. Among other things, the court found that Rambus did not adopt its document retention policy in bad faith, did not engage in unlawful spoliation of evidence, and that while Rambus disposed of some relevant documents pursuant to its document retention policy, Hynix was not prejudiced by the destruction of Rambus documents. Accordingly, the California court held that Hynix s unclean hands defense failed. On February 23, 2006, the California court denied a motion filed by Hynix for a new trial and its request for an immediate appeal. On September 15, 2006, Hynix moved to certify for interlocutory appeal (1) the April 25, 2005, order denying Hynix s motion to dismiss for unclean hands on the basis of collateral estoppel; and (2) the January 4, 2006, Findings of Fact and Conclusions of Law rejecting Hynix s unclean hands defense. The California court denied Hynix s motion on December 19, 2006.

The second phase of the Hynix-Rambus trial on patent infringement, validity and damages began on March 15, 2006, and was submitted to the jury on April 13, 2006. On April 24, 2006, the jury returned a verdict in favor of Rambus on all issues, and awarded Rambus a total of approximately $307 million in damages, excluding prejudgment interest. Specifically, the jury found that each of the ten selected patent claims was supported by the written description, and was not anticipated or rendered obvious by prior art; therefore, none of the patent claims were invalid. The jury also found that Hynix infringed all eight of the patent claims for which the jury was asked to determine infringement; the California court had previously determined on summary judgment that Hynix infringed the other two claims at issue in the trial. The jury further found that Rambus suffered approximately $31 million in damages as a result of infringement by Hynix s SDR SDRAM products and approximately $276 million in damages as a result of infringement by Hynix s DDR SDRAM products.

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On May 5, 2006, Hynix filed motions for judgment as a matter of law and new trial on certain issues relating to validity, infringement, and damages; Rambus filed a motion for prejudgment interest. The California court held a hearing on the parties post-trial motions on June 27, 2006, and took them under submission. On July 17, 2006, the California court granted Hynix s motion for a new trial on the issue of damages unless Rambus agreed within 30 days to a reduction of the total jury award to approximately $134 million. The California court found that while the royalty rates in certain negotiated Rambus patent licenses (.75% for SDR SDRAM and 3.5% for DDR SDRAM) were conservative and could be adjusted upward to calculate damages, the evidence did not support the adjustment applied by the jury. Rather, the California court found that the record supported a maximum royalty rate of 1% for SDR SDRAM and 4.25% for DDR SDRAM, which the court applied to the stipulated U.S. sales of infringing Hynix products through December 31, 2005 to reach the approximately $134 million. On July 27, 2006, Rambus elected remittitur of the jury s award to approximately $134 million. No opinion has issued to date on any of the parties other post-trial motions.

The third phase of the Hynix-Rambus trial involves Hynix s allegations that Rambus engaged in misconduct in connection with, *inter alia*, a standard setting body. On February 24, 2006, Rambus filed four motions relating to this phase of the trial. The California court heard oral argument on these motions on March 31, 2006. On July 6, 2006, the California court granted Rambus motion for summary adjudication on Hynix s antitrust and unfair competition claims to the extent they were based on Hynix s alleged theories of RDRAM dominance and DDR suppression, but denied Rambus motion for judgment on the pleadings on Hynix s equitable estoppel defense. On July 7, 2006, the California court granted Rambus motion for summary adjudication that Rambus use or threats of litigation to enforce its patents is protected petitioning activity, and that Hynix s claims are thus barred to the extent they are solely based on Rambus litigation activities. On July 17, 2006, the California court issued an order (i) granting Rambus motion for summary judgment on Hynix s breach of contract, promissory estoppel, and constructive fraud claims; (ii) denying Rambus motion for summary judgment on Hynix s actual fraud claim; (iii) granting summary adjudication on certain issues relating to Rambus alleged duty to disclose; and (iv) denying summary adjudication on certain other issues relating to Rambus alleged duty to disclose, including whether any alleged breach caused no injury to Hynix.

The third phase of the trial was scheduled to begin on August 21, 2006. However, prior to the start of trial, the Federal Trade Commission (the FTC) issued its liability opinion finding that Rambus engaged in deceptive conduct at JEDEC in violation of Section 5 of the Federal Trade Commission Act (see above). At a pretrial conference hearing on August 3, 2006, the California court ordered the parties to submit briefs addressing the issue of what effect, if any, the FTC s liability opinion might have on the third phase of the trial. On August 22, 2006, the California court stayed the third phase of the trial until the earlier of February 2, 2007, or issuance of a final order of the FTC. The stay was conditioned upon (a) Hynix s agreement to post security adequate to ensure payment of previously awarded damages, prejudgment interest, and royalties for infringing sales between January 1, 2006 and February 2, 2007; and (b) Hynix s designation within ninety days of any specific findings by the FTC that Hynix contends should be accorded prima facie evidentiary effect in the third phase of the trial. Hynix formally agreed to the conditions of the stay on August 24, 2006, and posted a bond in the amount of approximately $192 million on September 22, 2006. The California court has since granted Hynix s motion for release of the bond following the automatic expiration of the stay on February 2, 2007.

In the latter half of 2006, the parties filed several motions relating to the impact, if any, of the FTC s liability opinion on the third phase of the Hynix trial. On October 16, 2006, Hynix filed its brief seeking to give prima facie evidentiary effect to certain findings by the FTC in the third phase of the Hynix trial. Hynix also filed a motion in which it argued that the FTC had made findings entitling it to summary judgment on its state unfair competition claim and its equitable estoppel defense. On October 16, 2006, Rambus filed a motion for partial reconsideration of the California court s August 22 order to the extent that it had suggested that any portion of the FTC s opinion could be given evidentiary effect in the third phase of the trial. On December 1, 2006, Hynix filed a motion for new trial on patent damages based on the FTC s liability opinion. The California court heard oral argument on all four of these motions on January 26, 2007. At the hearing, the California court indicated that it would deny Rambus motion for partial reconsideration. On August 15, 2007, the California court denied without prejudice Hynix s motion for a new trial on patent damages based on the FTC s liability opinion. On September 25, 2007, the California court denied Hynix s motion for summary judgment. The California court has not yet issued an order on Hynix s motion to give prima facie evidentiary effect to certain findings by the FTC.

On April 4, 2007, the California court held a case management conference involving Rambus, Hynix, Micron, Samsung, and Nanya to discuss how each of the various actions involving Rambus and these other parties should proceed. On April 24, 2007, the California court ordered that this action (*Hynix v Rambus*, Case No. C 00-20905 RMW) and three others pending before the same court (*Rambus Inc. v. Samsung Electronics Co. Ltd. et al.,* Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.,* Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.,* Case No. C 06-00244 RMW, each described in further detail below) shall have a coordinated trial beginning on January 22, 2008, of certain common claims and defenses related to the claims set to be tried in the third phase of the *Hynix* 00-20905 action. The order states that it is the California court s intention that the *Hynix* 00-20905 action will be ready for entry of final judgment shortly after the conclusion of the January 22, 2008 trial.

As a result of the coordinated proceedings, the California court permitted supplemental briefing on issues relating to what effect, if any, the FTC opinion has on the claims to tried in the January 22, 2008 trial (see below).

On June 27, 2007, the California court granted Hynix s request to file a brief regarding what effect, if any, the Supreme Court s decision in *KSR* has on the patent verdict. Hynix filed its opening brief on July 6, 2007. Rambus filed an opposition brief on August 3, 2007. No decision has been issued to date.

European Patent Infringement Case

Beginning on September 4, 2000, Rambus filed suit against Hynix in multiple European jurisdictions for infringement of the 068 patent. Rambus later filed a further infringement action against Hynix in Mannheim, Germany on a second patent, EP 1 004 956 (the 956 patent). Both patents were opposed by Hynix, Micron, and Infineon in the European Patent Office (EPO). The 068 patent was revoked by an Appeal Board in 2004, and the 956 patent was revoked in the first instance by an Opposition Board on January 13, 2005. The decision with respect to the 956 patent is being appealed.

Micron Litigation

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

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

On January 13, 2006, the Delaware court issued an order lifting the stay that had prevented Rambus from filing certain new patent litigation against Micron since February 27, 2002. Also on January 13, 2006, the Delaware court issued an order confirming that the trial there will proceed in three phases in the same general order as in the *Hynix* case: (1) unclean hands; (2) patent infringement; and (3) antitrust, equitable estoppel, and related issues (conduct).

On April 25, 2006, the Virginia court transferred Micron s RICO and conspiracy case (described below as *U.S District Court in Delaware: Case No. 06-269*) to the District of Delaware. On May 8, 2006, Micron filed a motion to consolidate its RICO and conspiracy action into the Delaware unclean hands trial. Rambus filed an opposition to Micron s motion to consolidate on May 22, 2006. During a hearing on June 14, 2006, Micron withdrew its motion to consolidate.

On June 29, 2006, Micron moved for leave to file a second amended complaint to add new factual allegations and a claim for unfair competition under California Business & Professions Code sections 17200 *et seq.,* to be tried as part of the conduct phase. On July 13, 2007, the Delaware court granted Micron s motion to amend. Micron filed a second amended complaint on September 5, 2007, and Rambus filed an answer to Micron s new allegations on September 19, 2007.

On September 18, 2006, the Delaware court postponed the unclean hands trial previously scheduled for October 23, 2006, and later reset the trial date to May 2007 in view of Judge Kent A. Jordan s nomination to the United States Court of Appeals for the Third Circuit. On December 15, 2006, this action was reassigned to the vacant judicial position left by the elevation of Judge Jordan to the Third Circuit, and the trial dates were subsequently vacated. On March 26, 2007, Rambus filed a renewed motion to transfer this case to the Northern District of California. On April 2, 2007, this case was reassigned to Judge Joseph J. Farnan. On June 14, 2007, the Delaware court denied Rambus motion to transfer. On July 16, 2007, this case was reassigned to Judge Sue L. Robinson. A bench trial on Micron s unclean hands defense is scheduled to begin on November 8, 2007.

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U.S. District Court in Delaware: Case No. 06-269

On February 21, 2006, Micron filed suit against Rambus in the U.S. District Court in the Eastern District of Virginia, asserting claims for violation of the federal civil Racketeer Influenced and Corrupt Organizations Act (RICO) and Virginia state conspiracy laws. Among other things, the complaint alleges document spoliation and litigation misconduct. Rambus believes these claims lack merit. On February 28, 2006, Rambus filed a motion to enjoin Micron from pursuing its RICO and conspiracy suit in the Eastern District of Virginia. On March 29, 2006, the Delaware court granted Rambus motion to enjoin Micron s suit in the Eastern District of Virginia. On April 10, 2006, the parties notified the Virginia court that the Delaware court had granted Rambus motion to enjoin Micron from pursuing its suit in the Eastern District of Virginia. On April 21, 2006, the Virginia court entered an order transferring the case to the U.S. District Court in Delaware.

On May 26, 2006, Rambus moved to dismiss Micron s complaint on the grounds that, among other things: (1) Micron s claims are barred by the statute of limitations; (2) Micron s claims fail on the merits; and (3) Micron s claims are barred by the *Noerr-Pennington* doctrine. Briefing on this motion is complete. Micron has requested oral argument, but no hearing date has been set. On December 15, 2006, this action was reassigned to the vacant judicial position left by the elevation of Judge Kent A. Jordan to the United States Court of Appeals for the Third Circuit.

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

Following the lifting of the stay by the Delaware court, Rambus filed suit against Micron in the U.S. District Court in the Northern District of California on January 13, 2006. In its amended complaint, filed April 7, 2006, Rambus alleges that 14 Rambus patents are infringed by Micron s DDR2, GDDR3, and other advanced memory products. Rambus seeks compensatory and punitive damages, attorneys fees, and injunctive relief. On June 2, 2006, Micron filed an answer denying Rambus allegations and alleging counterclaims for violations of federal antitrust laws, unfair trade practices, equitable estoppel, breach of contract, fraud and negligent misrepresentation in connection with Rambus participation in JEDEC. Micron seeks a declaration of monopolization by Rambus, injunctive relief, compensatory and punitive damages, attorneys fees, and a declaratory judgment of invalidity, unenforceability, and noninfringement of the 14 patents in suit.

Following a case management conference held on October 6, 2006, the California court temporarily stayed this action until February 2, 2007, upon which the stay automatically expired. On March 23, 2007, Rambus filed a motion to dismiss certain of Micron s counterclaims. On June 19, 2007, the California court issued an order denying Rambus motion. On July 9, 2007, Rambus filed its reply to Micron s amended counterclaims, as well as its own counterclaims asserting infringement by Micron s DDR3 products. On July 30, 2007, Micron filed a motion to strike, or alternatively to stay, Rambus infringement counterclaims in reply. Rambus filed an opposition to Micron s motion on September 25, 2007. A hearing on Micron s motion is currently set for October 26, 2007.

On April 24, 2007, the California court ordered that *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.,* Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.,* Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.,* Case No. C 06-00244 RMW, shall have a coordinated trial beginning on January 22, 2008, of certain common claims and defenses related to the claims set to be tried in the third phase of the *Hynix* 00-20905 action. The California court also coordinated these cases for certain other purposes, including discovery and preparation (but not trial) of the patent infringement claims and defenses. A claim construction hearing is currently scheduled for March 25-26, 2008, and one or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

As a result of the coordinated proceedings, the California court permitted supplemental briefing on issues relating to what effect, if any, the FTC opinion has on the claims to tried in the January 22, 2008 trial. On June 28, 2007, Micron, Nanya, and Samsung filed (1) a joint motion seeking to give prima facie evidentiary effect to certain findings by the FTC in the January 22, 2008 trial; and (2) a joint brief in support of Hynix s motion for summary judgment in the *Hynix* 00-20905 action on Hynix s state unfair competition claim and equitable estoppel defense based on findings made by the FTC. Rambus filed opposition briefs to these motions on July 16, 2007. Micron, Nanya, and Samsung filed reply briefs on July 23 and 24, 2007. Oral argument on these motions was held on August 3, 2007. On September 25, 2007, the California court denied Hynix s motion for summary judgment. The California court has not yet issued an order on the motions to give prima facie evidentiary effect to certain findings by the FTC.

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On September 21, 2007, Rambus filed a motion to strike Micron s demand that certain of its claims and affirmative defenses be tried to a jury in the January 22, 2008 trial. Micron filed an opposition on October 5, 2007 and Rambus filed a reply on October 12, 2007. A hearing on this motion is scheduled for October 26, 2007.

On October 5, 2007, the parties filed cross-motions for summary judgment on infringement and validity. These motions will be heard as part of the claim construction hearing currently scheduled for March 25-26, 2008.

European Patent Infringement Cases

On September 11, 2000, Rambus filed suit against Micron in multiple European jurisdictions for infringement of its 068 patent (described above), which was later revoked. Additional suits were filed pertaining to the 956 patent and a third Rambus patent, EP 1 022 642 (the 642 patent). Rambus suit against Micron for infringement of the 642 patent in Mannheim, Germany, has not been active.

One proceeding in Italy relating to the 642 patent was adjourned at a hearing on June 15, 2007, each party bearing its own costs. In a second proceeding in Italy relating to the 956 patent, the court has scheduled a hearing for November 8, 2007, regarding continuation of the proceedings. On September 29, 2005, Rambus received a letter from Micron seeking to toll a statute of limitations period in Italy for a purported cause of action resulting from a seizure of evidence in Italy in 2000 carried out by Rambus pursuant to a court order. Micron asserts that its damages allegedly caused by this seizure equal or exceed $30.0 million. Micron formally filed suit against Rambus relating to this seizure in February 2006. Rambus filed its written defense on April 24, 2006. The Italian court has ordered further briefing on issues related to Rambus suit in Italy for infringement of its 068 patent. A hearing in the Italian court is set for October 30, 2007, on both proceedings involving the 068 patent and Micron s claim for damages related to seizure of evidence.

DDR2, GDDR2 & GDDR3 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 in the Northern District of California court against Hynix, Infineon, Nanya, and Inotera regarding DDR2 and GDDR2, and GDDR3 products. Pursuant to the settlement with Infineon noted above, Rambus dismissed Infineon with prejudice from this litigation. Rambus added Samsung as a defendant on June 6, 2005. Inotera was dismissed from the lawsuit without prejudice by way of stipulated order on October 5, 2005. Accordingly, this case is currently pending against Hynix, Samsung, and Nanya only. These defendants have all filed answers denying Rambus claims and asserting counterclaims against Rambus.

On February 21, 2006, Rambus filed a motion to dismiss certain of Samsung s amended defenses and counterclaims. A hearing on Rambus motion was held on April 7, 2006. On January 4, 2007, the California court granted Rambus motion with leave to amend. On January 31, 2007, Samsung filed second amended defenses and counterclaims.

Following a case management conference held on October 6, 2006, the California court temporarily stayed this action until February 2, 2007, upon which the stay automatically expired. On March 23, 2007, Rambus filed motions to dismiss certain of Samsung s, Hynix s, and Nanya s counterclaims. On June 19, 2007, the California court issued orders denying Rambus motions as to Hynix s and Nanya s counterclaims. No opinion on the motion to dismiss Samsung s counterclaims has issued to date. On July 9, 2007, Rambus filed replies to Hynix, Nanya, and Samsung s respective amended counterclaims, as well as its own counterclaims asserting infringement by defendants respective DDR3 products as well as the GDDR4 products of Hynix and Samsung. On July 30, 2007, Hynix filed an answer to Rambus counterclaims and a motion to strike certain of Rambus affirmative defenses. On August 2, 2007, Samsung and Nanya filed separate motions to strike Rambus infringement counterclaims in reply. On August 20, 2007, Rambus filed a response to Hynix s counterclaims in reply, and on September 6, 2007, Hynix filed a further motion to strike certain of Rambus affirmative defenses. Rambus filed an opposition to Samsung and Nanya s motion on September 25, 2007, and an opposition to Hynix s motions to strike on October 1, 2007. A hearing on these motions to strike is currently set for October 26, 2007.

On April 4, 2007, Samsung filed a motion for summary judgment on the ground that findings in the proceeding before the U.S. District Court in the Eastern District of Virginia (described below) should be given collateral estoppel effect in this action. A hearing on each of those motions was held on May 24, 2007. On June 19, 2007, the California court issued an order deferring any ruling on Samsung s motion for summary judgment until after the Federal Circuit issues its decision in the matter Rambus is appealing from the U.S. District Court in the Eastern District of Virginia, described below.

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On April 24, 2007, the California court ordered that Hynix v Rambus, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.,* Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.,* Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.,* Case No. C 06-00244 RMW, shall have a coordinated trial beginning on January 22, 2008, of certain common claims and defenses related to the claims set to be tried in the third phase of the *Hynix* 00-20905 action. The California court also coordinated these cases for certain other purposes, including discovery and preparation (but not trial) of the patent infringement claims and defenses. A claim construction hearing is currently scheduled for March 25-26, 2008, and one or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

As a result of the coordinated proceedings, the California court permitted supplemental briefing on issues relating to what effect, if any, the FTC opinion has on the claims to be tried in the January 22, 2008 trial. On June 28, 2007, Micron, Nanya, and Samsung filed (1) a joint motion seeking to give prima facie evidentiary effect to certain findings by the FTC in the January 22, 2008 trial; and (2) a joint brief in support of Hynix s motion for summary judgment in the *Hynix* 00-20905 action on Hynix s state unfair competition claim and equitable estoppel defense based on findings made by the FTC. Rambus filed opposition briefs to these motions on July 16, 2007, and Micron, Nanya, and Samsung filed reply briefs on July 23 and 24, 2007. Oral argument on these motions was held on August 3, 2007. On September 25, 2007, the California court denied Hynix s motion for summary judgment. The California court has not yet issued an order on the motions to give prima facie evidentiary effect to certain findings by the FTC.

On September 21, 2007, Rambus filed (1) a motion to strike the manufacturer parties demand that certain of their claims and defenses be tried to a jury in the January 22, 2008 trial; and (2) a motion for summary judgment on Samsung s claims for unfair competition and unenforceability of Rambus patents on the ground that Samsung s claims are barred pursuant to the release in the patent license agreement between Rambus and Samsung executed in 2000. Opposition briefs to these motions were filed on October 5, 2007, and Rambus filed replies on October 12, 2007. A hearing on both of these motions is scheduled for October 26, 2007.

On October 5, 2007, the parties filed cross-motions for summary judgment on infringement and validity. These motions will be heard as part of the claim construction hearing currently scheduled for March 25-26, 2008.

Samsung Litigation

U.S District Court in the Northern District of California

On June 6, 2005, Rambus filed a lawsuit against Samsung in the U.S. District Court in the Northern District of California. The suit alleges that Samsung s manufacture, use and sale of SDRAM and DDR SDRAM parts infringe 9 of Rambus patents. Samsung has denied Rambus claims and asserted counterclaims for non-infringement, invalidity and unenforceability of the patents, violations of various antitrust and unfair competition statutes, breach of license, and breach of duty of good faith and fair dealing. Samsung has also counterclaimed that Rambus aided and abetted breach of fiduciary duty and intentionally interfered with Samsung s contract with a former employee by knowingly hiring a former Samsung employee who allegedly misused proprietary Samsung information. On July 15, 2005, Rambus denied Samsung s counterclaims and moved to dismiss certain of Samsung s defenses and counterclaims. On October 28, 2005, the California court granted Rambus motion and gave Samsung leave to amend its pleading. On November 17, 2005, Samsung filed amended defenses and counterclaims.

On February 21, 2006, Rambus filed a motion to dismiss certain of Samsung s amended defenses and counterclaims. A hearing on Rambus motion was held on April 7, 2006. On January 4, 2007, the California court granted Rambus motion with leave to amend. On January 24, 2007, Samsung filed second amended defenses and counterclaims.

Following a case management conference held on October 6, 2006, the California court temporarily stayed this action until February 2, 2007, upon which the stay automatically expired. On March 23, 2007, Rambus filed a motion to dismiss certain of Samsung s amended counterclaims. The court has not yet ruled on Rambus motion. On July 9, 2007, Rambus filed its reply to Samsung s amended counterclaims. On August 2, 2007, Samsung filed a motion to strike Rambus infringement counterclaims in reply. On September 25, 2007, Rambus filed an opposition to Samsung s motion to strike. A hearing on Samsung s motion is currently set for October 26, 2007.

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On April 4, 2007, Samsung filed a motion for summary judgment on the ground that findings in the proceeding before the U.S. District Court in the Eastern District of Virginia (described below) should be given collateral estoppel effect in this action. A hearing on each of those motions was held on May 24, 2007. On June 19, 2007, the California court issued an order deferring any ruling on Samsung s motion for summary judgment until after the Federal Circuit issues its decision in the matter Rambus is appealing from the U.S. District Court in the Eastern District of Virginia, described below.

On April 24, 2007, the California court ordered that *Hynix v Rambus*, Case No. C 00-20905 RMW, *Rambus Inc. v. Samsung Electronics Co. Ltd. et al.,* Case No. 05-02298 RMW, *Rambus Inc. v. Hynix Semiconductor Inc., et al.,* Case No. 05-00334, and *Rambus Inc. v. Micron Technology, Inc., et al.,* Case No. C 06-00244 RMW, shall have a coordinated trial beginning on January 22, 2008, of certain common claims and defenses related to the claims set to be tried in the third phase of the Hynix 00-20905 action. The California court also coordinated these cases for certain other purposes, including discovery and preparation (but not trial) of the patent infringement claims and defenses. A claim construction hearing is currently scheduled for March 25-26, 2008, and one or more trials on Rambus patent infringement claims is set to begin on January 19, 2009.

As a result of the coordinated proceedings, the California court permitted supplemental briefing on issues relating to what effect, if any, the FTC opinion has on the claims to tried in the January 22, 2008 trial. On June 28, 2007, Micron, Nanya, and Samsung filed (1) a joint motion seeking to give prima facie evidentiary effect to certain findings by the FTC in the January 22, 2008 trial; and (2) a joint brief in support of Hynix s motion for summary judgment in the *Hynix* 00-20905 action on Hynix s state unfair competition claims and equitable estoppel defenses based on findings made by the FTC. Rambus filed opposition briefs to these motions on July 16, 2007. Micron, Nanya, and Samsung filed reply briefs on July 23 and 24, 2007. Oral argument on these motions was held on August 3, 2007. On September 25, 2007, the California court denied Hynix s motion for summary judgment. The California court has not yet issued an order on the motions to give prima facie evidentiary effect to certain findings by the FTC.

On September 21, 2007, Rambus filed (1) a motion to strike Micron, Nanya, and Samsung s demand that certain of their claims and defenses be tried to a jury in the January 22, 2008 trial; and (2) a motion for summary judgment on Samsung s claims for unfair competition and unenforceability of Rambus patents on the ground that Samsung s claims are barred pursuant to the release in the patent license agreement between Rambus and Samsung executed in 2000. Samsung filed opposition briefs to these motions on October 5, 2007, and Rambus filed replies on October 12, 2007. A hearing on both of these motions is scheduled for October 26, 2007.

On October 5, 2007, the parties filed cross-motions for summary judgment on infringement and validity. These motions will be heard as part of the claim construction hearing currently scheduled for March 25-26, 2008.

U.S District Court in the Eastern District of Virginia

On June 7, 2005, Samsung sued Rambus in the U.S. District Court in the Eastern District of Virginia seeking a declaratory judgment that four Rambus patents are invalid, unenforceable and/or not infringed. Rambus answered the complaint, disputing Samsung s claims. Rambus granted Samsung two separate covenants not to sue Samsung for infringement of the four patents for which Samsung sought declaratory relief: one covenant for U.S. patent nos. 5,954,804 and 6,032,214, and a second covenant for U.S. patent nos. 5,953,263 and 6,034,918.

On September 27, 2005, Rambus filed a motion to dismiss this action on the ground that the two covenants not to sue divested the Virginia court of subject matter jurisdiction. On October 3, 2005, Rambus submitted an offer to Samsung to pay its attorneys fees; Rambus believes that this offer mooted any claim by Samsung for attorneys fees. Samsung did not accept the offer and opposed Rambus motion to dismiss on October 5, 2005, arguing that it was entitled to a judicial determination of whether this litigation was exceptional warranting the payment of its attorneys fees under 35 U.S.C. § 285. Samsung sought to recover more than $476,000 in attorneys fees. On November 8, 2005, the Virginia court issued orders (1) granting Rambus motion to dismiss with respect to Samsung s claims for declaratory judgment but denying the motion with respect to Samsung s claim for attorney s fees pursuant to 35 U.S.C. § 285; and (3) ordering that the *Rambus v. Infineon* record shall be made part of the record in this action for purposes of deciding the exceptional case issue.

Rambus notified the Virginia court that it made a Rule 68 offer of judgment to Samsung on November 30, 2005, and that this offer divested the court of any remaining subject matter jurisdiction. Samsung did not accept the Rule 68 offer. A hearing on the jurisdiction issue and supplemental argument on the exceptional case issue was held

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on February 21, 2006. The court subsequently ordered that the *Hynix v. Rambus* record from the phase one unclean hands trial in California should be made part of the record in the Samsung action and took the jurisdictional issue and the exceptional case issue under submission.

On July 19, 2006, the Virginia court issued orders filed the day before on the jurisdictional and exceptional case issues. The court found that: (1) it had subject matter jurisdiction over Samsung s motions; (2) Samsung is a prevailing party; (3) Rambus had spoliated evidence in anticipation of litigation against DRAM manufacturers such as Samsung; (4) Rambus spoliation rendered the case exceptional; (5) Rambus did not assert its counterclaims in subjective bad faith or for the purpose of vexation; (6) Rambus counterclaims were not objectively baseless at the time they were filed; and (7) Samsung was not entitled to an award of attorneys fees.

Rambus filed a notice of appeal to the Federal Circuit on August 16, 2006. On September 11, 2006, Rambus moved for a preliminary ruling that it lacked standing to appeal on the ground that Rambus was the prevailing party on the issue of Samsung s request for attorneys fees and that the Virginia court s determinations could have no future preclusive effect. Samsung opposed Rambus motion. In an order dated October 12, 2006, the Federal Circuit denied Rambus motion for preliminary ruling without prejudice.

Rambus filed its opening appellate brief on December 5, 2006, Samsung filed its opposition brief on March 2, 2007, and Rambus filed its reply brief on April 2, 2007. Oral argument was heard on August 7, 2007. No opinion has issued to date.

Delaware Chancery Court

On June 23, 2005, Samsung sued Rambus in the Delaware Chancery Court asserting claims similar to its counterclaims in the Northern District of California action. The suit seeks a declaration that Rambus patents claiming a priority date prior to the termination of its former employee s employment with Samsung be declared unenforceable as against Samsung as a result of Samsung s allegations charging Rambus with aiding and abetting breach of fiduciary duty and intentional interference with contract. Rambus filed an answer on July 18, 2005, denying Samsung s claims. On September 6, 2006, Rambus filed a motion for summary judgment on the ground that Samsung s claims are barred because it released its claims pursuant to the patent license agreement between Rambus and Samsung executed in 2000. At the conclusion of oral argument on December 4, 2006, the Delaware Chancery Court indicated that it would deny Rambus motion for summary judgment without prejudice to the reassertion of the motion after the completion of further discovery and that it would stay the action until after the next status conference in the actions with similar counterclaims pending in the Northern District of California. At the request of the Delaware Chancery Court, the parties submitted separate updates on the status of this matter on September 7, 2007.

Indirect Purchaser Class Action

On August 10, 2006, the first of nine class action lawsuits were filed against Rambus in 2006 alleging violations of federal and state antitrust laws, violations of state consumer protection laws, and various common law claims based almost entirely on the same conduct which was the subject of the FTC s July 31, 2006, opinion. Five of these lawsuits were filed in the Northern District of California (*Chernomorets v. Rambus,* C-06-4852 JCS (filed August 10, 2006), *Grande v. Rambus,* C-06-4853 RS (filed August 10, 2006), *Seley v. Rambus,* C-06-4937 PVT (filed August 17, 2006), *Alvarez v. Rambus,* C-06-4997 RS (filed August 18, 2006), *Winder v. Rambus,* C-06-5455 RS (filed September 6, 2006)). Those five cases have been consolidated under the caption, *In re Rambus Antitrust Litigation,* 06-4852 RMW (N.D. Cal.). On January 12, 2007, plaintiffs filed a consolidated complaint. The complaint seeks injunctive and declaratory relief, disgorgement, restitution and compensatory and punitive damages in an unspecified amount, and attorneys fees and costs. On March 28, 2007, Rambus filed a motion to dismiss the consolidated complaint. Plaintiffs filed an opposition brief on May 25, 2007, and Rambus filed a reply on June 25, 2007. At a hearing on Rambus motion on July 27, 2007, the California court heard oral argument and took the matter under submission. No final order has issued to date.

Two substantially similar class action lawsuits were filed in the Southern District of New York (*Ratanyake v. Rambus,* 06cv6418 (filed August 23, 2006) and *Rhodes v. Rambus,* 06cv6551 (filed August 30, 2006)), and another was filed in the Eastern District of Michigan (*Austin v. Rambus,* 06cv13666 (filed August 17, 2006)). Pursuant to agreement of the parties, these three cases have been dismissed without prejudice to refiling in the Northern District of California.

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A ninth substantially similar class action lawsuit was filed on April 2, 2007, in the Northern District of California. That case was consolidated into the *In re Rambus Antitrust Litigation* proceeding pursuant to the California court s earlier consolidation order.

European Commission Competition Directorate-General

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

Price-Fixing Case

Superior Court of California for the County of San Francisco

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

Pursuant to its settlement with Infineon, Rambus dismissed with prejudice Infineon and Siemens from this action on March 21, 2005. On May 23, 2005, Hynix filed a motion to compel arbitration of Rambus dispute with the Hynix defendants. The San Francisco court denied Hynix s motion to compel arbitration at a hearing on July 12, 2005.

On June 15, 2005, after receiving access to documents produced by Micron and Hynix to the Department of Justice (the DOJ) Rambus added three Samsung-related entities as defendants. On September 29, 2005, Samsung filed a motion to compel arbitration of Rambus dispute with the Samsung defendants. The San Francisco court denied Samsung s motion on October 31, 2005, and entered its Statement of Decision on January 3, 2006.

Hynix and Samsung appealed the San Francisco court s denial of their respective motions to compel arbitration. The California appellate court heard oral argument on November 15, 2006, and on January 3, 2007, it affirmed the San Francisco court s denial of the motions to compel arbitration. On February 13, 2006, Hynix filed, and Samsung joined, a petition for review of the appellate court s affirmance in the California Supreme Court. On March 21, 2007, the California Supreme Court denied the petition for review. On March 26, 2007, the California appellate court issued a remittitur returning full jurisdiction of the case to the San Francisco court. On June 20, 2007, Hynix filed a petition seeking review of the denial of its motion to compel arbitration by the U.S. Supreme Court. Rambus filed an opposition to this petition on August 17, 2007 and Hynix filed a reply on September 5, 2007. On October 1, 2007, the U.S. Supreme Court denied certiorari.

The San Francisco court had held that certain limited discovery could be conducted during the pendency of the arbitration appeals. Now that the denial of arbitration has been finally affirmed by the state courts, full discovery is ongoing. On April 2, 2007, Hynix filed a motion for summary judgment on the ground that Rambus claims should have been brought as compulsory counterclaims in its pending patent infringement litigation with Hynix. After hearing oral argument on Hynix s motion on July 16, 2007, the San Francisco court denied Hynix s motion for summary judgment.

Alberta Telecommunications Research Centre Litigation

On November 15, 2005, Alberta Telecommunications Research Centre, dba TR Labs, a Canadian company, filed suit against Rambus in the U.S. District Court in the Eastern District of Virginia. The complaint

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alleges that Alberta is the owner of U.S. patent no. 5,361,277 (the 277 patent), and asserts claims for interferences-in-fact pursuant to 35 U.S.C. § 291 between the 277 patent and Rambus U.S. patent nos. 5,243,703 (the 703 patent) and 5,954,804 (the 804 patent); infringement of the 277 patent by Rambus; and unjust enrichment. Alberta seeks an order assigning the claims of the 703 and 804 patent to Alberta, disgorgement of Rambus profits from licensing the 703 and 804 patents, compensatory and punitive damages, attorneys fees, and injunctive relief. Rambus filed an answer on February 10, 2006, denying Alberta s claims.

Rambus moved to dismiss Alberta s claims on January 26, 2006, and to transfer the action to the Northern District of California. On April 13, 2006, the Virginia court ordered that this matter be transferred to the Northern District of California in its entirety (without deciding Rambus motion to dismiss). The case was filed in the Northern District of California on April 17, 2006. On October 23, 2006, the California court granted in part Rambus motion to dismiss with leave to amend. Alberta filed an amended complaint on November 8, 2006, and Rambus moved to dismiss the amended complaint 19 days later. On August 2, 2007, the California court denied Rambus motion to dismiss. On August 30, 2007, Rambus filed an answer denying the allegations in the complaint. Discovery in this case is ongoing.

General Litigation Matters

The Company is a party from time to time to lawsuits. Litigation, in general, and intellectual property and securities litigation in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings are difficult to predict. The Company has accrued its best estimate of settlements and/or judgments in the cases noted above when such outcome is deemed by the Company as probable, as that term is defined in SFAS 5, including the $18.0 million to settle the shareholder class action lawsuit related to the stock option investigation which was accrued in accrued litigation expenses as of the period ended September 30, 2006.

In addition to all of the litigation described above, participants in the DRAM and controller markets continue to adopt Rambus technologies into various products. Rambus has notified many of these companies of their use of Rambus technology and continues to evaluate how to proceed on these matters. There can be no assurance that any ongoing or future litigation will be successful. Rambus spends substantial company resources defending its intellectual property in litigation, which may continue for the foreseeable future given the multiple pending litigations. The outcomes of these litigations, as well as any delay in their resolution, could affect Rambus ability to license its intellectual property going forward.

14. Commitments and Contingencies

Rambus leases its present office facilities in Los Altos, California, under an operating lease agreement through December 31, 2010. As part of this lease transaction, the Company provided a letter of credit restricting $600,000 of its cash as collateral for certain obligations under the lease. The cash is restricted as to withdrawal and is managed by a third party subject to certain limitations under the Company s investment policy. Rambus also leases a facility in Mountain View, California, through November 11, 2009, Chapel Hill, North Carolina through November 15, 2009 and leases a facility for the Company s design center in Bangalore, India through November 30, 2009. In addition, as a result of the Company s acquisition of GDA in 2005, it entered into a lease for an additional facility in Bangalore, India through March 31, 2007, which was recently extended to mid-November 2007. The Company also leases office facilities in Austin, Texas and various international locations under non-cancelable leases that range in terms from month-to-month to one year.

In May 2006, Rambus signed an agreement to lease a new office facility in Bangalore, India into which it intends to consolidate all of the Company s Bangalore operations. Rambus is currently awaiting receipt of a certificate of occupancy or confirmation of deemed occupancy under local statutes in order for Rambus to occupy the building.

As discussed more fully in Note 12, Convertible Notes, the Company has $160.0 million zero coupon convertible senior notes (the convertible notes) outstanding at March 31, 2007.

On August 17, 2006, Rambus received a notice of default from U.S. Bank National Association, as trustee (the Trustee) for the convertible notes. The notice asserted that the Company s failure to file its Form 10-Q for the

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quarter ended June 30, 2006 constituted a default under Sections 7.2 and 14.1 of the indenture, dated as of February 1, 2005 between Rambus and the Trustee (the Indenture). The notice stated that per Section 9.1 of the Indenture, if Rambus did not cure the default within sixty days of August 17, 2006, an event of default would occur.

On October 25, 2006, Rambus received a notice from the Trustee stating that since the Company had not cured the default that had been asserted by the Trustee within the sixty-day cure period, an event of default had in fact occurred as of October 16, 2006. On January 22, 2007, Rambus received an additional notice of default from the Trustee relating to the Company s failure to file its Form 10-Q for the quarter ended September 30, 2006. On July 31, 2007, Rambus received a notice of acceleration from the Trustee stating that under direction received from holders of more than 25% in aggregate principal amount of the outstanding convertible notes, the Trustee was declaring the unpaid principal plus accrued interest and unpaid liquidated damages immediately due and payable.

On September 20, 2007, Rambus received a notice from the Trustee for the convertible notes, rescinding the acceleration of the convertible notes contained in the letter from the Trustee dated July 31, 2007 and waiving all existing Events of Default as defined in the Indenture. The notice indicated that the Trustee had received direction from holders holding a majority in aggregate principal amount of the convertible notes outstanding to waive all existing Events of Default and rescind the acceleration of the convertible notes.

In connection with the notice in October 2006 of the purported event of default, the Company reclassified the aggregate principal amount of the convertible notes of $160.0 million from non-current liabilities to current liabilities and reflected them as due in less than one year. As of March 31, 2007, the convertible notes are classified as current liabilities. See Note 12, Convertible Notes, for a detailed discussion of this matter.

In connection with certain German litigation, the German courts have requested that the Company set aside adequate funds to cover potential court cost claims. Accordingly, approximately $1.7 million is restricted as to withdrawal, managed by a third party subject to certain limitations under our investment policy and included in restricted cash to cover the German court requirements.

As of March 31, 2007, Rambus material contractual obligations are:

		Payments due by period			
(In thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual Obligations (2)					
Operating Leases	$ 21,339	$ 6,019	$ 11,521	$ 3,799	$
Convertible Debt	160,000	160,000			
Purchased software and licenses (1)	3,994	3,326	668		
Total	$ 185,333	$ 169,345	$ 12,189	$ 3,799	$

(1) Rambus has commitments with various software vendors for non-cancellable license agreements that generally have terms longer than one year. The above table summarizes those contractual obligations as of March 31, 2007, which are also recorded on Rambus balance sheet under current and other long-term liabilities.

(2) The above table does not reflect possible payments in connection with income tax contingencies associated with FIN 48. As noted below, 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 Compensation Committee approved the granting of a total of 160,000 restricted stock units (RSUs) to executives in December 2006 and February 2007. These RSUs will be granted as soon as practicable after the Company becomes current with its SEC filings and registers its 2006 Equity Incentive Plan under which these units would be granted.

Indemnifications

Rambus enters into standard license agreements in the ordinary course of business. Although Rambus does not indemnify most of its customers, there are times when an indemnification is a necessary means of doing business. Indemnifications cover customers for losses suffered or incurred by them as a result of any patent, copyright, or other intellectual property infringement claim by any third party with respect to Rambus products. The maximum amount of indemnification Rambus could be required to make under these agreements is generally limited to fees received by Rambus. Rambus estimates the fair value of its indemnification obligation as insignificant, based upon its history of litigation concerning product and patent infringement claims. Accordingly, Rambus has no liabilities recorded for indemnification under these agreements as of March 31, 2007 or December 31, 2006.

Several securities fraud class actions, private lawsuits and shareholder derivative actions were filed in state and federal courts against certain of the Company s current and former officers and directors related to the stock

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option granting actions under investigation in 2006. As permitted under Delaware law, Rambus has agreements whereby its officers and directors are indemnified for certain events or occurrences while the officer or director is, or was serving, at Rambus request in such capacity. The term of the indemnification period is for the officer s or director s term in such capacity. The maximum potential amount of future payments Rambus could be required to make under these indemnification agreements is unlimited. Rambus has a director and officer insurance policy that reduces Rambus exposure and enables Rambus to recover a portion of amounts paid. As a result of these indemnification agreements, Rambus has made and continues to make payments on behalf of current and former officers and recognize the expense in the statements of operations. Through March 31, 2007, the Company has made payments of approximately $2.3 million on their behalf, including $1.4 million during the quarter ended March 31, 2007. During the second quarter of 2007, the Company made additional payments of approximately $2.1 million.

Warranties

Rambus offers some of its customers a warranty that its products will conform to their functional specifications. To date, there have been no payments or material costs incurred related to fulfilling these warranty obligations. Accordingly, Rambus has no liabilities recorded for these warranties as of March 31, 2007 or December 31, 2006. Rambus assesses the need for a warranty accrual on a quarterly basis, and there can be no guarantee that a warranty accrual will not become necessary in the future.

Income Tax Contingencies

Rambus maintains liabilities for uncertain tax benefits within its income taxes payable accounts. These liabilities involve considerable 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. Rambus is currently under examination by various taxing authorities. Although the outcome of any tax audit is uncertain, the Company believes it has adequately provided for any additional taxes that may be required to be paid as a result of such examinations. If the Company determines that no payment will ultimately be required, the reversal of these tax liabilities would result in tax benefits being recognized in the period when that conclusion is reached. However, if an ultimate tax assessment exceeds the recorded tax liability for that item, an additional tax provision may need to be recorded. The impact of such adjustments in the Company s tax accounts could have a material impact on the consolidated results of operations in future periods.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the adoption of FIN 48, the Company s unrecognized tax benefits decreased by $0.3 million, which was accounted for as a decrease to the opening balance of accumulated deficit. In addition, upon the adoption of FIN 48, $2.7 million of unrecognized tax benefits were reclassified from long-term deferred tax assets to long-term taxes payable.

On January 1, 2007 the Company had $12.4 million of unrecognized tax benefits, including $7.4 million in long-term deferred tax assets, which is net of approximately $2.3 million of federal tax benefits. If recognized, approximately $10.1 million, net of federal benefits, would be recorded as an income tax benefit in the consolidated statements of operations.

As of March 31, 2007, the Company had $12.7 million of unrecognized tax benefits, including $7.4 million in long-term deferred tax assets, net of approximately $2.3 million of federal tax benefits. The additional unrecognized tax benefits recorded in 2007 are included in long-term 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.

Rambus recognizes interest and penalties related to uncertain tax positions as a component of the income tax provision (benefit). At January 1, 2007 and March 31, 2007, an insignificant amount of interest and penalties are included in long-term taxes payable.

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Rambus files U.S. federal income tax returns as well as income tax returns in various states and foreign jurisdictions. The Company is subject to general examination by the Internal Revenue Service (IRS) for tax years 2004 through 2006. The Company is also subject to general examination by the State of California for tax years March 31, 2003 through December 31, 2006. In addition, any R&D credit carryforward generated in prior years and utilized in these or future years may also be subject to examination by the IRS and the State of California. The Company is also subject to examination in various other jurisdictions for various periods.

15. Subsequent Events

In connection with the recently completed stock option investigation, the Board of Directors established a Special Litigation Committee (the SLC) to evaluate potential claims or other actions arising from the Company s stock option granting activities. In August 2007, the SLC concluded its review of claims relating to stock option practices that are asserted in derivative actions against a number of the Company s present and former officers and directors. The SLC determined that all claims should be terminated and dismissed against the named defendants in the derivative actions with the exception of claims against Ed Larsen, who served as Vice President, Human Resources from September 1996 until December 1999, and then Senior Vice President, Administration until July 2004. The SLC entered into settlement agreements with certain former officers of the Company. These settlements are conditioned upon the dismissal of the claims asserted against these individuals in the derivative actions. The aggregate value of the settlements to the Company exceeds $6.5 million in cash and equivalent value, as well as substantial additional value to the Company relating to the relinquishment of claims by these individuals to over 2.7 million stock options. On August 24, 2007, the written report setting out the findings of the SLC was filed with the U.S. District Court for the Northern District of California. The conclusions of the SLC are subject to review by the court.

On August 17, 2007, the Company was notified by the Nasdaq Listings Qualification Panel that it was given an extension until October 17, 2007 to become current on all of its delinquent SEC filings for fiscal periods in 2006 and 2007.

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

The following discussion contains forward-looking statements, including, without limitation, our expectations regarding revenues, expenses and results of operations. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future actual results to differ materially from our recent results or those projected in the forward-looking statements include, but are not limited to, those discussed in the Special Note Regarding Forward-Looking Statements, Item 1A of Part II, Risk Factors, and below. We assume no obligation to update the forward-looking statements or such risk factors.

Rambus, RDRAM, XDR, FlexIO and FlexPhase are trademarks or registered trademarks of Rambus Inc. Other trademarks that may be mentioned in this quarterly report on Form 10-Q are the property of their respective owners.

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

Advanced Backplane	ABP
Double Data Rate	DDR
Dynamic Random Access Memory	DRAM
Fully Buffered Dual Inline Memory Module	FB-DIMM
Gigabytes per second	Gb/s
Graphics Double Data Rate	GDDR
Input/Output	I/O
Peripheral Component Interconnect	PCI
Rambus Dynamic Random Access Memory	RDRAM
Single Data Rate	SDR
Synchronous Dynamic Random Access Memory	SDRAM
eXtreme Data Rate	XDR

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

Advanced Micro Devices Inc.	AMD
ARM Holdings plc	ARM
Cadence Design Systems, Inc.	Cadence
Cisco Systems, Inc.	Cisco
Elpida Memory, Inc.	Elpida
Fujitsu Limited	Fujitsu
GDA Technologies, Inc.	GDA
Hewlett-Packard Company	Hewlett-Packard
Hynix Semiconductor, Inc.	Hynix
Infineon Technologies AG	Infineon
Inotera Memories, Inc.	Inotera
Intel Corporation	Intel
International Business Machines Corporation	IBM
Joint Electron Device Engineering Council	JEDEC
Juniper Networks, Inc.	Juniper
Matsushita Electrical Industrial Co.	Matsushita
Micron Technologies, Inc.	Micron
Nanya Technology Corporation	Nanya
NEC Electronics Corporation	NECEL
Optical Internetworking Forum	OIF
Qimonda AG (formerly Infineon s DRAM operations)	Qimonda
Peripheral Component Interconnect Special Interest Group	PCI-SIG
Renesas Technology Corporation	Renesas
S3 Graphics, Inc.	S3 Graphics

Samsung Electronics Co., Ltd.	Samsung
Sony Computer Electronics	Sony
Spansion, Inc.	Spansion
ST Microelectronics	ST Micro
Synopsys Inc.	Synopsys
Tessera Technologies, Inc.	Tessera
Texas Instruments Inc.	Texas Instruments
Toshiba Corporation	Toshiba
Velio Communications	Velio

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Business Overview

We design, develop and license chip interface technologies and architectures that are foundational to nearly all digital electronics products. Our chip interface technologies are designed to improve the time-to-market, performance and cost-effectiveness of our customers semiconductor and system products for computing, communications and consumer electronics applications.

As of September 30, 2007, our chip interface technologies are covered by more than 650 U.S. and international patents. Additionally, we have approximately 500 patent applications currently pending. These patents and patent applications cover important inventions in memory and logic chip interfaces, in addition to other technologies. We believe that our chip interface technologies provide a higher performance, lower risk, and more cost-effective alternative for our customers than can be achieved through their own internal research and development efforts.

We offer our customers two alternatives for using our chip interface technologies in their products:

First, we license our broad portfolio of patented inventions to semiconductor and system 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. Patent license agreements are royalty bearing.

Second, we develop leadership (which are Rambus-proprietary products widely licensed to our customers) and industry-standard chip interface products that we provide to our customers under license for incorporation into their semiconductor and system products. Because of the often complex nature of implementing state-of-the art chip interface technology, we offer our customers a range of engineering services to help them successfully integrate our chip interface products into their semiconductors and systems. Product license agreements may have both a fixed price (non-recurring) component and ongoing royalties. Engineering services are customarily bundled with our product licenses, and are generally performed on a fixed price basis. Further, under product licenses, our customers may receive licenses to our patents necessary to implement the chip interface in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts.

We derive the majority of our annual revenues by licensing our broad portfolio of patents for chip interfaces to our customers. Such licenses may cover part or all of our patent portfolio. Leading semiconductor and system companies such as AMD, Elpida, Fujitsu, Qimonda, Intel, Matsushita, NECEL, Renesas, Spansion and Toshiba have licensed our patents for use in their own products.

We derive additional revenues by licensing our leadership and industry-standard chip interface products to our customers for use in their semiconductor and system products. Our customers include leading companies such as Elpida, Fujitsu, IBM, Intel, Matsushita, Texas Instruments, Sony, ST Micro, Qimonda and Toshiba. Due to the complex nature of implementing our technologies, we provide engineering services under certain of these licenses to help successfully integrate our chip interface products into their semiconductors and systems. Additionally, product licensees may receive, as an adjunct to their chip interface license agreements, patent licenses as necessary to implement the chip interface in their products with specific rights and restrictions to the applicable patents elaborated in their individual contracts.

Royalties represent a substantial portion of our total revenues. The remaining part of our revenue is engineering 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 revenues or unbilled receivables in any given period.

We have a high degree of revenue concentration, with our top five licensees representing 69% and 67% of our revenues for the three months ended March 31, 2007 and 2006, respectively. For the three months ended March 31, 2007, revenues from Fujitsu, Qimonda and Elpida each accounted for 10% or more of our total revenues. For the three months ended March 31, 2006, revenues from Intel, Infineon, Elpida, Fujitsu and AMD each accounted for 10% or more of total revenues.

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Our revenue from companies headquartered outside of the United States accounted for 87% and 64% of our total revenues for the three months March 31, 2007 and 2006, respectively. We expect that we may continue to experience significant revenue concentration and have significant revenues from sources outside the United States for the foreseeable future.

Historically, we have been involved in significant litigation stemming from the unlicensed use of our inventions. Our litigation expenses have been high and difficult to predict and we anticipate future litigation expenses to continue to be significant, volatile and difficult to predict. If we are successful in the litigation and/or related licensing, our revenue could be substantially higher in the future; if we are unsuccessful, our revenue would likely decline.

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

Results of Operations

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

	Three Months Ended March 31,	
	2007	**2006**
Revenues:		
Contract revenues	12.8 %	12.0 %
Royalties	87.2	88.0
Total revenues	100.0	100.0
Costs and expenses:		
Cost of contract revenues *	12.4	15.6
Research and development *	46.7	38.1
Marketing, general and administrative *	49.8	52.5
Costs of restatement and related legal activities	14.0	
Total costs and expenses	122.9	106.2
Operating loss	(22.9)	(6.2)
Interest and other income, net	10.4	7.2
Income (loss) before income taxes	(12.5)	1.0
Benefit from income taxes	(4.8)	(0.3)
Net income (loss)	(7.8)%	1.3 %

* Includes stock-based compensation:		
Cost of contract revenues	2.2 %	4.2 %
Research and development	6.7	8.8
Marketing, general and administrative	9.9	10.3
Total stock-based compensation	18.8 %	23.3 %

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The following table presents the split of total revenues between contract revenues and royalties:

(Dollars in millions)	**Three Months Ended March 31, 2007**	**2006**	**Variance in Dollars**	**Variance in Percent**
Total Revenues				
Contract revenues	$ 6.4	$ 5.6	$ 0.8	14.3%
Royalties	43.8	41.7	2.1	5.0%
Total revenues	$ 50.2	$ 47.3	$ 2.9	6.1%

Contract Revenue

Percentage-of-Completion Contracts

Percentage of completion contract revenue decreased approximately $0.1 million for the three months ended March 31, 2007 as compared to the same period in 2006 due to the completion of leadership chip interface contracts during 2006. We believe that percentage-of-completion contract revenues recognized will continue to fluctuate over time based on our ongoing contractual requirements, the amount of work performed, and by changes to work required, as well as new contracts booked in the future.

Other Contracts

Revenue for other contracts increased approximately $0.9 million for the three months ended March 31, 2007 as compared to the corresponding period in 2006 due to increased revenue from leadership chip interface contracts including FlexIO and XDR, offset in part by a decrease in revenue from industry standard chip interface contracts. We believe that other contracts revenue will continue to fluctuate over time based on our ongoing contract requirements, the timing of completing engineering deliverables, as well as new contracts booked in the future.

Royalty Revenues

Patent Licenses

In the three months ended March 31, 2007, our largest source of royalties was related to the license of our patents for SDR and DDR-compatible products. Royalties increased approximately $9.5 million for SDR and DDR-compatible products in the three months ended March 31, 2007, as compared to the same period in 2006, primarily due to increased revenue from Fujitsu and Matsushita.

As of March 31, 2007, we had both variable and fixed royalty agreements for our SDR and DDR- compatible licenses. On December 31, 2005, we entered into a five-year patent license agreement with AMD. We are recognizing royalty revenues under the AMD agreement on a quarterly basis as amounts become due and payable because the contractual terms of the agreement provide for payments on an extended term basis. We expect to recognize royalty revenues of $15.0 million in fiscal years 2007 through 2009 and $11.3 million in the fiscal year 2010 under the AMD agreement. The AMD agreement provides a license of our patented technology used in the design of DDR2, DDR3, FB-DIMM, PCI Express and XDR controllers as well as other current and future high-speed memory and logic controller interfaces.

On March 16, 2006, we entered into a five-year patent license agreement with Fujitsu. We expect to recognize royalty revenues under the Fujitsu agreement on a quarterly basis as amounts become due and payable as the contractual terms of the agreement provide for payments on an extended term basis. The Fujitsu agreement provides a license that covers semiconductors, components and systems, but does not include a license to Fujitsu for its own manufacturing of commodity SDRAM other than limited amounts of SDR SDRAM annually.

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

There was no royalty revenue recorded from the Intel patent cross-license in the three months ended March 31, 2007 because the term of the agreement expired in June 2006, but it represented the second largest source of royalties in the three months ended March 31, 2006. Royalties under this agreement decreased by approximately $10.0 million in the three months ended March 31, 2007 as compared to the same period in

2006.

As explained in more detail in Risk Factors, Part II, Item 1A and Note 13. Litigation and Asserted Claims of the Notes to the Unaudited Condensed Consolidated Financial Statements, the FTC remedy order sets the

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maximum royalty rate that we can collect on the manufacture, use or sale in the United States of certain JEDEC-compliant parts after the FTC Order became effective on April 12, 2007. We have provided our licensees with the FTC Order and we are using our best efforts to ensure that our variable royalty rate licensees are paying us royalties as per the requirements of the FTC Order.

Product Licenses

In the three months ended March 31, 2007, royalties from XDR, FlexIO, DDR and serial link-compatible products represented the second largest category of royalties. Royalties from XDR, FlexIO, DDR and serial link-compatible products increased approximately $3.3 million during the three months ended March 31, 2007 as compared to the same period in 2006. This increase was primarily due to higher royalties from FlexIO and XDR products associated with the Sony PLAYSTATION®3 product. In the future, we expect royalties from XDR, FlexIO, DDR and serial link-compatible products will continue to vary from period to period based on our licensees shipment volumes, sales prices and product mix

In the three months ended March 31, 2007, royalties from RDRAM-compatible products represented the third largest source of royalties. Royalties from RDRAM memory chips and controllers decreased approximately $0.7 million during the three months ended March 31, 2007 as compared to the same period in 2006. RDRAM is approaching end-of-life and in the future, we expect RDRAM royalties will continue to decline.

Engineering expenses:

(Dollars in millions)	**Three Months Ended March 31, 2007**	**2006**	**Variance in Dollars**	**Variance in Percent**
Engineering expenses				
Cost of contract revenues	$ 5.1	$ 5.4	$ (0.3)	(5.6)%
Stock-based compensation	1.1	2.0	(0.9)	(45.0)%
Total cost of contract revenues	6.2	7.4	(1.2)	(16.2)%
Percentage of total revenues	12.4%	15.6%		
Research and development expenses	20.0	13.8	6.2	44.9%
Stock-based compensation	3.4	4.2	(0.8)	(19.0)%
Total research and development expenses	23.4	18.0	5.4	30.0%
Percentage of total revenues	46.7%	38.1%		
Total engineering expenses	$ 29.6	$ 25.4	$ 4.2	16.5%
Percentage of total revenues	59.1%	53.7%		

Total engineering expenses increased 16.5% for the three months ended March 31, 2007 as compared to the same period in 2006 primarily due to expenses associated with tax reimbursement expenses of approximately $4.1 million and increased salary expense of approximately $1.0 million associated with an increase in headcount. The tax reimbursement expenses are associated with the Company s decision to reimburse current and former non-executive employees for the Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006.

In certain periods, the cost of contract revenues may exceed contract revenues. This can be a result of expensing pre-contract costs, expensing completed contract costs where the realizability of an asset is uncertain, and low utilization of project resources.

In the near term, we expect engineering expenses will continue to increase as we make investments in the infrastructure and technologies required to maintain our leadership position in chip interface technologies and increase headcount.

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Marketing, general and administrative expenses:

(Dollars in millions)	Three Months Ended March 31, 2007	2006	Variance in Dollars	Variance in Percent
Marketing, general and administrative expenses				
Marketing, general and administrative	$ 15.2	$ 11.5	$ 3.7	32.2%
Litigation expense	4.9	8.5	(3.6)	(42.4)%
Stock-based compensation	4.9	4.9		0.0%
Total marketing, general and administrative expenses including stock-based compensation	$ 25.0	$ 24.9	$ 0.1	0.4%
Percentage of total revenues	49.8%	52.5%		

Total marketing, general and administrative expenses increased 0.4% for the three months ended March 31, 2007 as compared to the same period in 2006 due to expenses associated with tax reimbursement expenses associated with Internal Revenue Code Section 409A of approximately $2.5 million and increased salary expense of approximately $1.0 million associated with an increase in headcount, offset in part by decreased litigation expenses of approximately $3.6 million due delays in litigations and trials in 2007. The tax reimbursement expenses are associated with the Company s decision to reimburse current and former non-executive employees for the Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006.

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

Costs of restatement and related legal activities:

(Dollars in millions)	Three Months Ended March 31, 2007	2006	Variance in Dollars	Variance in Percent
Costs of restatement and related legal activities	$ 7.0	$	$ 7.0	N/A
Percentage of total revenues	14.0%	N/A		

Costs of restatement and related legal activities consist primarily of investigation, audit, legal and other professional fees related to the stock option investigation. Costs of restatement and related legal activities were zero for the three months ended March 31, 2006 because the independent investigation regarding the granting of stock options commenced in May 2006. We anticipate that there could be additional costs relating to these matters in the future.

Interest and other income, net:

(Dollars in millions)	Three Months Ended March 31, 2007	2006	Variance in Dollars	Variance in Percent
Interest and other income, net	$ 5.2	$ 3.4	$ 1.8	52.9%
Percentage of total revenues	10.4%	7.2%		

Interest and other income, net consists of interest income generated from investments in high quality fixed income securities. The increase in interest and other income, net for the three months ended March 31, 2007 as compared to the same period in 2006 was due to an increase in interest income as a result of higher investment yields and higher average cash and investment balances. In addition, the three months ended March 31, 2006 include amortization of note issuance costs of $0.2 million related to the convertible notes. Note issuance costs were fully amortized as of December 31, 2006.

In the future, we expect that interest and other income, net will vary from period to period based on the amount of cash and marketable securities and interest rates.

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Benefit from income taxes:

(Dollars in millions)	Three Months Ended March 31, 2007	2006
Benefit from income taxes	$ (2.4)	$ (0.1)
Effective tax rate	(38.0)%	(22.4)%

The effective tax rate for the three months ended March 31, 2007 of (38.0%) differed from the statutory rate primarily due to research and development tax credits, stock compensation expense related to our officers and employees, state income taxes and foreign income taxes. The effective tax rate for the three months ended March 31, 2006 of (22.4%) differed from the statutory rate primarily due to research and development tax credits, stock compensation expense related to our officers and employees, state income taxes and foreign income taxes.

As of March 31, 2007, including the impact of FIN 48, our balance sheet included net deferred tax assets of approximately $115.8 million, relating primarily to the difference between tax and book treatment of depreciation and amortization, employee stock related compensation expenses, litigation expenses, net operating loss carryovers and tax credits.

The ability to realize our net deferred tax assets is dependent on sufficient levels of future taxable income and other factors. We regularly assess all available evidence, both positive and negative, to determine the realizability of our deferred tax asset and have concluded it is more likely than not that such assets will be realized.

As a result of the adoption of FIN 48 on January 1, 2007, our unrecognized tax benefits decreased by $0.3 million, which was accounted for as a decrease to the opening balance of accumulated deficit. In addition, upon the adoption of FIN 48, $2.7 million of unrecognized tax benefits were reclassified from long-term deferred tax assets to long-term taxes payable. Our policy of including interest and penalties related to unrecognized tax benefits within the provision for (benefit from) income taxes did not change as a result of adopting the provisions of FIN 48.

Liquidity and Capital Resources

(In millions)	March 31, 2007	December 31, 2006
Cash and cash equivalents	$ 56.8	$ 73.3
Marketable securities	382.3	351.1
Marketable securities, long-term	6.0	12.0
Total cash, cash equivalents, and marketable securities	$ 445.1	$ 436.4

(In millions)	Three Months Ended March 31, 2007	2006
Net cash provided by operating activities	$ 17.7	$ 17.5
Net cash provided by (used in) investing activities	$ (27.3)	$ 16.3
Net cash provided by (used in) financing activities	$ (7.0)	$ 22.0

Liquidity

We derive our liquidity and capital resources primarily from our cash flows from operations. We continue to generate positive operating cash flows. We currently use cash generated from operations for capital expenditures, investments and repurchases of our common stock. Based on past performance and current expectations, we believe our current available sources of funds including cash, cash equivalents, and marketable securities, plus the anticipated cash generated from operations, will be adequate to finance our operations and capital expenditures for at least the next year.

Our positive cash flows from operating activities of $17.7 million for the three months ended March 31, 2007 were primarily attributable to a net loss of $3.9 million, which included $7.0 million for the cost of restatement and related legal expenses, offset for non-cash items including stock-based compensation expense of $9.4 million, depreciation and amortization of $4.4 million, increased by cash inflows of $7.8 million primarily from changes in our working capital, excluding cash. Non-cash working capital changes primarily included a $14.6 million increase in accounts payable and accrued liabilities (including the accrual of our decision to reimburse current and former non-executive employees for $6.6 million in Internal Revenue Code Section 409A penalty taxes imposed on them in connection with their exercise of repriced options in 2006, the accrual of the liability associated with software licensing agreements, the earn-out of additional consideration due GDA, and additional restatement and legal expenses), a $5.6 million increase in deferred revenue, a $1.5 million decrease in accounts receivable, offset by a $7.4 million increase to prepaids assets, deferred taxes and other assets (primarily related to increases associated with the $2.4 million deferred tax asset resulting from our operating loss and $3.5 million in prepaid software maintenance agreements), and a $6.4 million decrease in deferred revenue.

Cash used in investing activities for the three months ended March 31, 2007 primarily consisted of purchases of available-for-sale investments of $152.0 million, offset by proceeds from the maturities of available-for-sale investments of $127.0 million. During the three months ended March 31, 2007, we spent $2.3 million on capital expenditures, compared to $3.1 million in the three months ended March 31, 2006. The decrease was due primarily to completing of capital equipment purchases and improvements to our Bangalore, India facility.

Net cash used by financing activities was $7.0 million for the three months ended March 31, 2007. We repaid approximately $7.0 million against an installment payment plan used to acquire capitalized software and related maintenance agreements. No other financing activities occurred in the quarter primarily due to the stock option investigation and restatement, during which the Company suspended its common stock repurchase program and suspended employee stock option exercises and purchases under its employee stock purchase plan. In the same three month period in 2006, net cash provided from financing activities was $22.0 million. We received proceeds from the issuance of stock from the exercise of stock options of $43.3 million, paid $0.4 million under an installment arrangement, and repurchased and retired $21.0 million of our common stock.

Contractual Obligations

We lease our present office facilities in Los Altos, California, under an operating lease agreement through December 31, 2010. As part of this lease transaction, we provided a letter of credit restricting $600,000 of our cash as collateral for certain of our obligations under the lease. The cash is restricted as to withdrawal and is managed by a third party subject to certain limitations under our investment policy. We also lease a facility in Mountain View, California, through November 11, 2009, Chapel Hill, North Carolina through November 15, 2009 and lease a facility for our design center in Bangalore, India through November 30, 2009. In addition, as a result of our acquisition of GDA in 2005, we entered into a lease for an additional facility in Bangalore, India through March 31, 2007, which was recently extended through mid-November 2007. The Company also leases office facilities in Austin, Texas and various international locations under non-cancelable leases that range in terms from month-to-month to one year.

In May 2006, we signed an agreement to lease a new office facility in Bangalore, India into which we intend to consolidate all of our Bangalore operations. We are currently awaiting receipt of a certificate of occupancy or confirmation of deemed occupancy under local statutes in order for us to occupy the building.

As discussed more fully in Note 12, Convertible Notes, of the Notes to the Unaudited Condensed Consolidated Financial Statements, we have $160.0 million zero coupon convertible senior notes (the convertible notes) outstanding at March 31, 2007.

On August 17, 2006, we received a notice of default from U.S. Bank National Association, as trustee (the Trustee) for the convertible notes. The notice asserted that our failure to file our Form 10-Q for the quarter ended June 30, 2006 constituted a default under Sections 7.2 and 14.1 of the Indenture, dated as of February 1, 2005 between us and the Trustee (the Indenture). The notice stated that per Section 9.1 of the Indenture, if we did not cure the default within sixty days of August 17, 2006, an event of default would occur. On October 25, 2006, we received a notice from the Trustee stating that since we had not cured the default that had been asserted by the Trustee within the sixty-day cure period, an event of default had in fact occurred as of October 16, 2006. On January 22, 2007, we received an additional notice of default from the Trustee relating to our failure to file our Form 10-Q for the quarter ended September 30, 2006. On July 31, 2007, we received a notice of acceleration from the Trustee stating that under direction received from holders of more than 25% in aggregate principal amount of the outstanding convertible notes, the Trustee was declaring the unpaid principal plus accrued interest and unpaid liquidated damages immediately due and payable.

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On September 20, 2007, we received a notice from the Trustee for the convertible notes, rescinding the acceleration of the convertible notes contained in the letter from the Trustee dated July 31, 2007 and waiving all existing Events of Default as defined in the Indenture. The notice indicated that the Trustee had received direction from holders holding a majority in aggregate principal amount of the convertible notes outstanding to waive all existing Events of Default and rescind the acceleration of the convertible notes.

In connection with the notice in October 2006 of the purported event of default, we reclassified the aggregate principal amount of the convertible notes of $160.0 million from non-current liabilities to current liabilities and reflected them as due in less than one year. As of March 31, 2007, the convertible notes are classified as current liabilities. See Note 12, Convertible Notes, of the Notes to the Unaudited Condensed Consolidated Financial Statements for a detailed discussion of this matter.

In connection with certain German litigation, the German courts have requested that we set aside adequate funds to cover potential court cost claims. Accordingly, approximately $1.7 million is restricted as to withdrawal, managed by a third party subject to certain limitations under our investment policy and included in restricted cash to cover the German court requirements.

As of March 31, 2007, our material contractual obligations are:

	Payments due by period				
(In thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual Obligations (2)					
Operating Leases	$ 21,339	$ 6,019	$ 11,521	$ 3,799	$
Convertible Debt	160,000	160,000			
Purchased software and licenses (1)	3,994	3,326	668		
Total	$ 185,333	$ 169,345	$ 12,189	$ 3,799	$

(1) We have commitments with various software vendors for non-cancellable license agreements that generally have terms longer than one year. The above table summarizes those contractual obligations as of March 31, 2007, which are also recorded on our balance sheet under current and other long-term liabilities.

(2) The above table does not reflect possible payments in connection with uncertain tax benefits associated with FIN 48. As noted in Note 14, Commitments and Contingencies of the Notes to the Unaudited Condensed Consolidated Financial Statements, 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.

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. To date, the Board has approved the authorization to repurchase up to 19.0 million shares of our outstanding Common Stock over an undefined period of time. As of March 31, 2007, we had repurchased a cumulative total of 13.2 million shares of our Common Stock at an average price per share of $13.95 since the commencement of this program. As of March 31, 2007, there remained an outstanding authorization to repurchase 5.8 million shares of our outstanding Common Stock. In connection with the recently completed stock option investigation, repurchases of Common Stock under this program were suspended as of July 19, 2006. Therefore, there were no repurchases during the three months ended March 31, 2007. We will not repurchase additional shares until after we are current with our SEC filings.

We record stock repurchases as a reduction to stockholders equity. As prescribed by APB Opinion No. 6, Status of Accounting Research Bulletins, we record a portion of the purchase price of the repurchased shares as an increase to accumulated deficit when the cost of the shares repurchased exceeds the average original proceeds per share received from the issuance of Common Stock.

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Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, investments, income taxes, litigation and other contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our critical accounting estimates include those regarding (1) revenue recognition, (2) litigation, (3) income taxes and (4) stock-based compensation. For a discussion of our critical accounting estimates, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in our Annual Report on Form 10-K for the year ended December 31, 2006.

Our critical accounting policies and estimates for the quarter ended March 31, 2007 differed from those set out in our Annual Report on Form 10-K for the year ended December 31, 2006 due to our adoption on January 1, 2007 of the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48) to account for uncertain tax positions. As a result of the adoption of FIN 48, our unrecognized tax benefits decreased by $0.3 million, which was accounted for as a decrease of $0.3 million to the opening balance of accumulated deficit. In addition, $2.7 million of unrecognized tax benefits were reclassified from long-term deferred tax assets to long-term taxes payable. The application of income tax law is inherently complex. Tax laws and regulations are at times ambiguous, and interpretations of and guidance regarding income tax laws and regulations change over time. This requires us to make many subjective assumptions and judgments regarding our income tax exposure. Changes in our assumptions and judgments can materially affect our condensed consolidated balance sheets, statements of operations and statements of cash flows.

Recent Accounting Pronouncements

See Note 2 Recent Accounting Pronouncements of Notes to Unaudited Condensed Consolidated Financial Statements for discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, primarily arising from the effect of interest rate fluctuations on our investment portfolio. Interest rate fluctuation may arise from changes in the market s view of the quality of the security issuer, the overall economic outlook, and the time to maturity of our portfolio. We mitigate this risk by investing only in high quality, highly liquid instruments. Securities with original maturities of one year or less must be rated by two of the three industry standard rating agencies as follows: A1 by Standard & Poor s, P1 by Moody s and/or F-1 by Fitch. Securities with original maturities of greater than one year must be rated by two of the following industry standard rating agencies as follows: AA- by Standard & Poor s, Aa3 by Moody s and/or AA- by Fitch. By corporate policy, we limit the amount of our credit exposure to $10.0 million for any one commercial issuer. Our policy requires that at least 10% of the portfolio be in securities with a maturity of 90 days or less. In addition, we may make investments in securities with maturities up 36 months. However, the bias of our investment policy is toward shorter maturities.

We invest our cash equivalents and short-term investments in a variety of U.S. dollar financial instruments such as U.S. Treasuries, U.S. Government Agencies, Repurchase Agreements, Commercial Paper and Bankers Acceptance. 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 March 31, 2007, we had an investment portfolio of fixed income marketable securities of $388.3 million excluding cash and cash equivalents. A hypothetical 10% movement in interest rates during the investment term would not likely have a material impact on the fair value of our portfolio.

We bill 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 sales development offices of from 3 to 11 people in any one country and one design center in India. We monitor our foreign currency exposure; however, as of March 31, 2007, our foreign currency exposure is not material enough to warrant foreign currency hedging.

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Item 4. Controls and Procedures

Management s Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our current Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q (the Evaluation Date).

The purpose of this evaluation is to determine if, as of the Evaluation Date, our disclosure controls and procedures were designed and operating effectively to provide reasonable assurance that the information, required to be disclosed in our Exchange Act filings (i) was recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have concluded that as of the Evaluation Date, our disclosure controls and procedures were not effective because of the material weakness described below. As more fully described in our 2006 Form 10-K, we determined that we lacked a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. Specifically, this control deficiency resulted in audit adjustments that corrected an understatement of revenue and audit adjustments to deferred revenue, deferred rent, property and equipment, depreciation, consulting expenses and certain accrual accounts and disclosures in the consolidated financial statements for the year ended December 31, 2006. These adjustments were caused primarily from an insufficient review by us as to relevant information obtained through communications with personnel in operations and through review of certain key contracts and agreements of unique transactions for such accounts. Additionally, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined this control deficiency constitutes a material weakness.

Consequently, we concluded that as of December 30, 2006, we had a material weakness in our internal control over financial reporting.

Because of this material weakness, which we are still in the process of remediating, management has concluded that we did not maintain effective internal control over financial reporting as of March 31, 2007, based on the criteria established in Internal Control Integrated Framework issued by the COSO. We have undertaken the remediation steps described below and in connection with the preparation of this Quarterly Report, our management undertook and completed reconciliations, analyses, reviews and control procedures in addition to those historically completed to confirm that this Quarterly Report fairly presents in all material aspects our financial position, results of operations and cash flows as of, and for the period presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a 15(f) and 15(d) 15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting, other than those activities described further below.

Implemented or Planned Remedial Actions of the Material Weakness

Subsequent to the quarter ended March 31, 2007, as of the date of this filing, in response to the identification of the material weakness described above, management has initiated the following corrective actions:

- We have hired a new VP of Finance, with experience in public accounting as well as senior accounting roles in a public company, who will oversee all of our accounting functions, and we intend to add additional experienced personnel in accounting.

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We are actively seeking to ensure additional training is taken by our finance, accounting and stock administration functions in the various areas of generally accepted accounting principles, particularly in the areas of revenue recognition and stock-based compensation.

We have ongoing efforts to improve communications between finance personnel responsible for completing reviews of our revenue agreements and operations personnel responsible for the execution of the work on those transactions, through mid-quarter meetings and post-quarter close meetings involving finance, engineering and program management.

Additionally, management is investing in ongoing efforts to continuously improve our internal control over financial reporting and has committed considerable resources to the improvement of the design, implementation, documentation, testing and monitoring of our internal controls. As of the date of this filing, we believe that we have made progress in the implementation of the corrective actions, noted above, toward remediation of the material weakness.

Limitation on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures may deteriorate. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Risks Related to Litigation and Regulation; Business Risks Related to our Intellectual Property

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

We seek to diligently protect our intellectual property rights. In connection with the extension of our licensing program to SDR SDRAM-compatible and DDR SDRAM-compatible products in 2000 and 2001, we became involved in litigation related to such efforts. As of the date of this report, we are in litigation with four such potential SDR SDRAM-compatible and DDR SDRAM-compatible licensees. In each of these cases, we have claimed infringement of our patents, while the potential licensees have generally sought damages and a determination that certain of our patents at suit are invalid, unenforceable, and not infringed. These potential licensees have relied or may rely upon defenses and counterclaims (some not yet formally asserted) that our patents are unenforceable based on various allegations concerning our alleged conduct in the 1990 s and early 2000 s, including that we engaged in document spoliation, litigation misconduct and/or acted improperly during our 1991 to 1995 participation in the JEDEC standard setting organization (including allegations of antitrust violations and unfair competition).

For example, Hynix s claims attempt to include our 1990 s relationship with Intel and our alleged disparagement of SDRAM and DDR SDRAM products in the 1990 s and early 2000 s. As further discussed below, Hynix has also asserted that the Federal Trade Commission s (the FTC) finding that we acted improperly at JEDEC should be given prima facie evidentiary effect in the private action and/or should entitle it to summary judgment on certain counterclaims. Micron, Samsung, and Nanya (collectively with Hynix, the Manufacturers) recently asserted similar arguments in support of their respective counterclaims. While we have opposed the Manufacturers attempt to use the FTC s findings in private litigation, there can be no assurance that we will succeed. If any Manufacturer prevails, we could be limited in our ability to enforce certain of our patents. Furthermore, in August of 2007, the Company received a Statement of Objections from the European Commission, alleging violations of competition law arising from the same basic facts as the FTC decision. There is no assurance that the ultimate decision in that case will not restrict our ability to enforce certain of our patents. In addition, Micron, Hynix, Samsung and Nanya have alleged that we have unclean hands based on alleged litigation misconduct and document spoliation, allegations that overlap with those successfully used by Infineon to obtain the early 2005 dismissal of our patent claims in our case against Infineon in Virginia. Micron has also attempted to assert claims against us for violation of the federal civil Racketeer Influenced and Corrupt Organizations Act (RICO) and Virginia state conspiracy laws based in part on the same allegations. Although we defeated Hynix s unclean hands and spoliation claims based on a subset of these allegations, a federal district court in Virginia subsequently found that we had spoliated evidence and engaged in litigation misconduct in the course of deciding, and ultimately denying, Samsung s motion for attorneys fees. There can be no assurance that such claims or counterclaims will not again be reasserted or successfully used to defeat or limit our patent or other claims.

There can be no assurance that parties will not succeed, either at the trial or appellate level, with such claims or counterclaims against us or that they will not in some other way establish broad defenses against our patents, achieve conflicting results, or otherwise avoid or delay paying what we believe to be appropriate royalties for the use of our patented technology. In addition, there is the risk that the pending litigations and other circumstances may cause us to accept less than what we now believe to be fair consideration in settlement. Among other things, there can be no assurance that we will succeed in negotiating future settlements or licenses on terms better than those extended in our Infineon settlement. There can be no assurances that the circumstances under which we negotiated our Infineon settlement will turn out to be significantly different from the circumstances of future cases and future settlements, although we currently believe that significant differences do exist.

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Any of these matters, whether or not determined in our favor or settled by us, is costly, may cause delays, will tend to discourage future design partners, will tend to impair adoption of our existing technologies and divert the efforts and attention of our management and technical personnel from other business operations. In addition, we may be unsuccessful in our litigation if we have difficulty obtaining the cooperation of former employees and agents who were involved in our business during the relevant periods related to our litigation and are now needed to assist in cases or testify on our behalf. Furthermore, any adverse determination or other resolution in litigation could result in our losing certain rights beyond the rights at issue in a particular case, including, among other things: our being effectively barred from suing others for violating certain or all of our intellectual property rights; our patents being held invalid or unenforceable or not infringed; our being subjected to significant liabilities; our being required to seek licenses from third parties; our being prevented from licensing our patented technology; or our being required to renegotiate with current licensees on a temporary or permanent basis. Delay or any or all of these adverse results could cause a substantial decline in our revenues and stock price.

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 research and development programs. We have also been named in the past, and may in the future be named, as a defendant in lawsuits claiming that our technology infringes upon the intellectual property rights of third parties. In the event of a third-party claim or a successful infringement action against us, we may be required to pay substantial damages, to stop developing and licensing our infringing technology, to develop non-infringing technology, and to obtain licenses, which could result in our paying substantial royalties or our granting of cross licenses to our technologies. We may not be able to obtain licenses from other parties at a reasonable cost, or at all, which could cause us to expend substantial resources, or result in delays in, or the cancellation of, new product.

An adverse resolution by or with a governmental agency, such as the Federal Trade Commission or the European Commission, could result in severe limitations on our ability to protect and license our intellectual property, and would cause our revenues to decline substantially .

If there were an adverse determination by, or other resolution with, a government agency, it might limit our ability to enforce our intellectual property rights or to obtain licenses, which would cause our revenues to decline substantially. For example, in June 2002, the FTC filed a complaint against us alleging, among other things, that we had failed to disclose certain patents and patent applications during our membership in JEDEC while it established SDRAM standards and that we, therefore, should be precluded from enforcing certain of our intellectual property rights in patents with a priority date prior to June 1996. In August 2006, the FTC found that our conduct at JEDEC was improper. On February 2, 2007, the FTC issued its remedy order, which among other things, imposes maximum royalty rates that we can charge for certain SDR and DDR SDRAM products made, used or sold in the United States; the FTC subsequently granted a partial stay of this order, which allows us to charge but not collect royalties above the FTC-imposed maximums, pending our anticipated appeal of the FTC s decision. The FTC has required that royalties above these maximums be placed into an escrow account or held through a contingent contractual agreement. Despite this partial stay, the FTC s remedy order may significantly limit our ability to enforce or license our patents or collect royalties from existing or potential licensees. The European Commission has issued a Statement of Objections, similar to the filing of a complaint under U.S. law, relating to similar topics. Proceedings by one of these agencies, or any other governmental agency, have already and may result in outcomes that could limit our ability to enforce or license our intellectual property, and could cause our revenues to decline substantially.

In addition, third parties have and may attempt to use the FTC s findings to limit our ability to enforce our patents in private litigations and to assert claims for monetary damages against us. Several class actions were filed in various federal courts against us alleging violations of federal and state antitrust laws, violations of state consumer protection laws and various common law claims based almost entirely on the same conduct as the FTC s findings. There can be no assurance that such third parties will not be successful or that additional claims or actions arising out of the FTC s findings will not be asserted against us.

Further, in Fall 2006, Samsung filed three inter partes reexamination requests with respect to three of our patents: U.S. Patent Nos. 6,426,916; 6,182,184; and 6,324,120. These requests ask the United States Patent & Trademark Office (the PTO) to reconsider the patentability of the inventions claimed in the patents. An adverse decision by the PTO could invalidate some or all of these patent claims and could also result in additional adverse consequences affecting other related U.S. patents. If a sufficient number of such patents are impaired, our ability to

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enforce or license our intellectual property would be significantly weakened and this could cause our revenues to decline substantially. There can be no assurance that Samsung will not be successful or that additional inter partes reexamination requests will not be filed by Samsung or other third parties against us.

On May 13, 2004, a Technical Appeals Board of the European Patent Office issued its written opinion as to the revocation of European Patent No. 0525068. In addition, on January 13, 2005, an opposition board of the European Patent Office revoked our European Patent No. 1 004 956, and issued its written decision on February 9, 2005. We are appealing this decision to an appellate panel of the European Patent Office. While this result still leaves us with additional issued patents in Europe relating to one or both of SDR and DDR SDRAM memory products, there are similar pending opposition proceedings with respect to some of those patents as well. If a sufficient number of such patents are similarly impaired or revoked, our ability to enforce or license our intellectual property would be significantly impaired and this could cause our revenues to decline substantially.

As explained in more detail in Note 13, Litigation and Asserted Claims of this Quarterly Report on Form 10-Q, the FTC remedy order sets various limitations on the maximum royalties that we can collect on the manufacture, use or sale in the United States of certain JEDEC-compliant parts after the Order became effective on April 12, 2007. We have provided our licensees with the FTC Orders, we have communicated these limitations as appropriate, and we are using our best efforts to ensure that amounts in excess of these royalties are placed into an FTC approved escrow account or held by our licensees pursuant to a contingent contractual agreement as per the requirements of the Order. There can be no assurance that, despite our best efforts to comply with the FTC s Orders, the FTC will interpret its orders in the same way, or that any differences will not cause changes, delays or further restatements to our licensing revenue.

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

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

- any current or future U.S. or foreign patent applications will be approved and not be challenged by third parties;
- our issued patents will protect our intellectual property and not be challenged by third parties;
- the validity of our patents will be upheld;
- our patents will not be declared unenforceable;
- the patents of others will not have an adverse effect on our ability to do business;
- the Congress or the U.S. courts or foreign countries will not change the nature or scope of rights afforded patents or patent owners or alter in an adverse way the process for seeking patents;
- new legal theories and strategies utilized by our competitors will not be successful; or
- others will not independently develop similar or competing chip interfaces or design around any patents that may be issued to us.

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

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

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

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We might experience payment disputes for amounts owed to us under our licensing agreements, and this may harm our results of operations.

Many of our license agreements require our licensees to document the manufacture and sale of products that incorporate our technology and report this data to us on a quarterly basis. While licenses with such terms give us the right to audit books and records of our licensees to verify this information, audits can be expensive, time consuming, and potentially detrimental to our ongoing business relationship with our licensees. We have performed royalty audits from time to time, using accounting firms other than our independent registered public accounting firm, but we primarily rely on the accuracy of the reports from licensees without independently verifying the information in them. Our failure to audit our licensees books and records may result in our receiving more or less royalty revenues than we are entitled to under the terms of our license agreements. The result of such royalty audits could result in an increase, as a result of a licensee s underpayment, or decrease, as a result of a licensee s overpayment, to previously reported royalty revenues. Such adjustments are recorded in the period they are determined. Any adverse material adjustments resulting from royalty audits or dispute resolutions may result in us missing analyst estimates and causing our stock price to decline. Royalty audits may also trigger disagreements over contract terms with our licensees and such disagreements could hamper customer relations, divert the efforts and attention of our management from normal operations and impact our business operations and financial condition.

We may not be able to satisfy the requirements under the Qimonda settlement and license agreement that would require Qimonda to pay us up to an additional $100.0 million in royalty payments.

On March 21, 2005, we entered into a settlement and license agreement with Infineon (and its former parent Siemens), which was assigned to Qimonda in October 2006 in connection with Infineon s spin-off of Qimonda. The settlement and license agreement, among other things, requires Qimonda to pay to us aggregate royalties of $50.0 million in quarterly installments of approximately $5.85 million, which started on November 15, 2005. The settlement and license agreement further provides that if we enter into licenses with certain other DRAM manufacturers, Qimonda will be required to make additional royalty payments to us that may aggregate up to $100.0 million. We may not succeed in entering into these additional license agreements necessary to trigger Qimonda s obligations under the settlement and license agreement to pay to us additional royalty payments, thereby reducing the value of the settlement and license agreement to us.

An acquisition of all of Qimonda s DRAM operations could make it more difficult for us to obtain royalty rates we believe are appropriate and could reduce the number of companies in our antitrust litigation.

Our license with Qimonda (formerly Infineon s DRAM operations), which was part of our settlement with Infineon, provides for the extension of certain benefits under that license to a successor in interest that, under certain conditions, acquires all of Qimonda s DRAM operations. If such an acquisition were to occur, such successor would be entitled to the extension of such benefits, including the ability to pay a royalty calculated by multiplying the Qimonda rate by the percentage increase in DRAM volume represented by the successor company s combined operations. Such an extension of benefits could also make it more difficult for us to obtain the royalty rates we believe are appropriate from the market as a whole. Such an extension of benefits would, in addition, also operate to extend a release of claims to such successor, thus reducing the number of companies from which we may seek compensation for the antitrust injury alleged by us in our pending price-fixing action in San Francisco.

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

In any potential dispute involving our patents or other intellectual property, our licensees could also become the target of litigation. While we generally do not indemnify our licensees, some of our license agreements provide limited indemnities, some require us to provide technical support and information to a licensee that is involved in litigation involving use of our technology, and we may agree to indemnify others in the future. Our indemnification and support obligations could result in substantial expenses. In addition to the time and expense required for us to indemnify or supply such support to our licensees, a licensee s development, marketing and sales of licensed semiconductors could be severely disrupted or shut down as a result of litigation, which in turn could severely hamper our business operations and financial condition.

Risks Related to the Investigation of Past Stock Option Practices and the Related Restatement of our Prior Financial Results.

The matters relating to the independent investigation of our historical stock option granting practices and the restatement of our financial statements have required, and may continue to require, a significant amount of management time and accounting, financial and legal resources, which could adversely affect our business, financial condition, results of operations and cash flows.

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On May 30, 2006, we announced the commencement of our Audit Committee s internal investigation of the timing of stock option grant practices and related accounting issues. The Audit Committee has determined that a significant number of our historical stock option grants were not correctly dated and our previous accounting should be adjusted. As a result of the Audit Committee s investigation and our own review of our historical financial statements, we concluded that certain of our previously filed financial statements for periods ended on or prior to March 31, 2006 should no longer be relied upon. We have restated the affected periods by filing our Annual Report on Form 10-K for the year ended December 31, 2006, which included restatements of the various previously filed financial statements as detailed therein.

On October 18, 2006, our Board of Directors established a Special Litigation Committee (the SLC) to evaluate potential claims or other actions arising from our stock option granting activities. The SLC has now concluded its review of claims relating to stock option practices that are asserted in derivative actions against a number of our present and former officers and directors and filed a written report setting out its findings with the U.S. District Court for the Northern District of California.

Addressing all the matters related to the Audit Committee s investigation, the SLC s work and the financial restatement has and will continue to require significant management and financial resources which could otherwise be devoted to the operation of our business. The costs of becoming current with our periodic reports and any settlements, payment of claims, fines, taxes and other costs of the stock option investigation as detailed throughout these risk factors and our reports will cause us to incur substantial expenses and could materially affect our cash balance and cash flow from operations. In addition, the recent restatement of our financial results, the ongoing investigations and any negative outcome that may occur from these investigations could impact our reputation, including our relationships with our investors and our licensees, our ability to hire and retain qualified personnel, our ability to acquire new licensees and other business partners and, ultimately, our ability to generate revenue. Furthermore, considerable legal and accounting expenses related to these matters have been incurred to date and significant expenditures may continue to be incurred in the future.

We have been named as a party to several lawsuits arising from matters relating to the investigation 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.

Several shareholder derivative actions were filed in state and federal courts against certain of our current and former officers and directors, as well as our current auditors, related to the stock option granting actions under investigation by the Audit Committee and the SLC. The actions were brought by persons identifying themselves as shareholders and purporting to act on our behalf. We are named solely as a nominal defendant against whom the plaintiffs seek no recovery. The complaints allege that certain of these defendants violated securities laws and/or breached their fiduciary duties to us and obtained unjust enrichment in connection with grants of stock options to certain of our officers that were allegedly improperly dated. The SLC was formed to evaluate potential claims or other actions arising from the stock option granting activities. The complaints seek unspecified monetary damages and disgorgement from the defendants, as well as unspecified equitable relief.

Additionally, several securities fraud class actions and individual lawsuits were filed in federal court against us and certain of our current and former officers and directors. The complaints generally allege that the defendants violated the federal securities laws by filing documents with the SEC containing false statements regarding our accounting treatment of the stock option granting actions under investigation. The individual lawsuits allege not only federal and state securities law violations, but also state law claims for fraud and breach of fiduciary duty. The class actions have been consolidated into a single proceeding. On September 7, 2007, the parties to this proceeding advised the court that they had reached a settlement in principle of the litigation. The settlement, which is subject to final documentation and approval by the court, provides for a payment of $18 million by us for a dismissal with prejudice of all claims against all defendants.

There can be no assurance that further lawsuits by parties who allege they suffered injury as a consequence of our past stock option granting practices will not be filed in the future. The amount of time to resolve these current and any future lawsuits is uncertain, and these matters could require significant management and financial resources which could otherwise be devoted to the operation of our business. Although we have accrued an estimate of certain liabilities that we believe will result from certain of these actions, the actual costs and expenses to defend and satisfy all of these lawsuits and any potential future litigation will exceed our current estimated accruals, possibly significantly. Unfavorable outcomes and significant judgments, settlements and legal expenses in the litigation related to our past stock option granting practices could have material adverse impacts on our business, financial condition, results of operations and the trading price of our Common Stock.

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We are subject to the risk of regulatory proceedings, actions or litigation in connection with the investigation and the restatement of our financial statements, which could require significant management time and result in unfavorable outcomes and significant judgments, settlements and legal expenses which could have an adverse effect on our business, financial condition and results of operations.

We have periodically met and discussed the results of the stock option investigation with the staff of the SEC and the United States Attorney s Office for the Northern District of California. Such government agencies will likely review such findings and may pursue inquiries of their own, which could lead to further investigations and government action, such as fines or injunctions. At this time, we cannot predict what, if any, government actions may result from the completion of the investigation of stock option grants. We are also under remote examination by the Internal Revenue Service (IRS) on the various tax reporting implications resulting from the investigation. There is no assurance that other regulatory inquiries will not be commenced by other U.S. federal, state or foreign regulatory agencies, including the IRS and other tax authorities. In addition, while we believe that we have made appropriate judgments in determining the correct measurement dates for our stock option grants, the SEC may disagree with the manner in which we accounted for and reported, or failed to report, the corresponding financial impact. Accordingly, there is a risk that we may have to further restate our prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated. Any potential regulatory proceeding or action may be time consuming, expensive and distracting from the conduct of our business. An unfavorable outcome or significant judgments, settlements and legal expenses related to resolution of any potential regulatory proceeding or action, or further restatement of our financial statements, could have a material adverse effect on our business, financial condition and results of operations.

We may suffer adverse tax consequences in connection with our historical stock option practices, which could have a negative impact on our results of operations and financial condition.

As a result of our investigation into historical stock option practices, we have determined that certain options that had formerly been classified as ISO grants may not qualify for such ISO tax treatment because the grants had an exercise price below the fair market value of our Common Stock on the actual grant date. The IRS is currently auditing us with respect to this issue. In addition, we could face penalties, certain payment obligations for our employees or other costs in connection with the treatment of certain stock options impacted by the deferred compensation rules under Section 409A of the Internal Revenue Code (and other similar provisions of the California and other state tax laws). Also, we were unable to record additional deferred tax assets related to stock-based compensation in accordance with limits imposed by Section 162(m) of the Internal Revenue Code which reduced our available tax net operating loss carry-forwards for certain historical periods. These and other tax consequences related to our historical stock option practices could give rise to monetary liabilities for us and/or our current and former employees which may have to be satisfied in a future period. There can be no assurance that further regulatory inquiries or actions will not be commenced by the IRS or other state or foreign regulatory taxation authorities regarding the tax implications of our historical stock option practices. The unfavorable resolution of any potential tax regulatory proceeding or action could require us to make significant payments in overdue taxes, penalties and fines or otherwise record charges (or reduce tax assets) that may adversely affect our results of operations and financial condition.

We may be required to indemnify our current and former directors, officers and employees in connection with the litigation and other actions related to the investigation which could result in significant legal expenses and other costs to us.

Our bylaws and certain indemnification agreements require us to indemnify our current and former directors, officers, employees and agents against most actions of a civil, criminal, administrative or investigative nature unless such person acted criminally, in a manner opposed to our best interests or did not act in good faith. Generally, we are required to advance indemnification expenses prior to any final adjudication of an individual s culpability. Therefore, the expense of indemnifying our current and former directors, officers and employees and agents in their defense or related expenses as a result of the derivative, class action and any regulatory actions related to the investigation and financial restatement may be significant. While we have a director and officer insurance policy that in some circumstances limits our exposure and enables us to recover a portion of any amounts to be paid, our insurance coverage will not be sufficient to cover our liabilities in all of the current actions. Furthermore, the underwriters of our directors and officer insurance policy may seek to rescind or otherwise deny coverage in some or all of these matters, in which case we may be required to pay the indemnification amounts owed to such directors and officers without any insurance coverage. Finally, we may be delayed or otherwise unable to recover any indemnification that we advanced to persons that are finally determined not to be protected by our indemnification obligations due to their actions. Therefore, our indemnification obligations could result in the diversion of our financial resources that adversely affects our business, financial condition and results of operations.

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It may be difficult or costly to obtain director and officer insurance coverage in the future as a result of our stock options problems.

We expect that the issues arising from our historical stock option granting practices will make it more difficult to obtain director and officer insurance coverage in the future. If we are able to obtain this coverage, it could be significantly more costly than in the past, which would have an adverse effect on our financial results and cash flow. In the event that we are unable to obtain sufficient director and officer insurance coverage, as a result of this and related factors, our directors and officers could face increased risks of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified directors and officers, which could adversely affect our business.

We have not been in compliance with SEC reporting requirements and The Nasdaq Global Select Market listing requirements and may continue to face compliance issues with both, which could cause a material adverse effect on the Company and our stockholders.

Due to our recently completed stock option investigation and the resulting restatements contained in our Annual Report on Form 10-K for the year ended December 31, 2006, we were unable to file certain of our periodic reports for periods ended in fiscal years 2006 and 2007 with the SEC on a timely basis and, as a result, faced the possibility of delisting of our stock from The Nasdaq Global Select Market. With the filing of our Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2007, we have now filed all delinquent periodic reports that we believe are necessary for us to regain compliance with our Nasdaq filing requirements. However, even after filing all these reports with the SEC and receiving concurrence from Nasdaq that we are in compliance with applicable listing requirements, we may still face comments from the SEC that may require us to file amended reports. As a result, we may not be able to maintain an effective listing of our Common Stock on The Nasdaq Global Select Market or any other national securities exchange. A delisting would likely reduce the liquidity in the market for our Common Stock. Any possible delisting may adversely affect the market price of our Common Stock, which may make it difficult for holders to resell their shares when desired or at attractive prices. In addition, we would be subject to a number of restrictions or delays regarding the registration of our Common Stock under federal securities laws, and we may not be able to issue certain equity awards to our employees or allow them to exercise their outstanding options, which could adversely affect our ability to hire and retain our employees and, thus, our business.

Risks Associated With Our Business, Industry and Market Conditions

If market leaders do not adopt our chip interface products, our results of operations could decline.

An important part of our strategy is to penetrate market segments for chip interfaces by working with leaders in those market segments. This strategy is designed to encourage other participants in those segments to follow such leaders in adopting our chip interfaces. If a high profile industry participant adopts our chip interfaces but fails to achieve success with its products or adopts and achieves success with a competing chip interface, our reputation and sales could be adversely affected. In addition, some industry participants have adopted, and others may in the future adopt, a strategy of disparaging our memory solutions adopted by their competitors or a strategy of otherwise undermining the market adoption of our solutions.

By way of example, we target system companies to adopt our chip interface technologies, particularly those that develop and market high volume business and consumer products such as PCs and video game consoles. We are subject to many risks beyond our control that influence whether or not a particular system company will adopt our chip interfaces, including, among others:

- competition faced by a system company in its particular industry;
- the timely introduction and market acceptance of a system company s products;
- the engineering, sales and marketing and management capabilities of a system company;
- technical challenges unrelated to our chip interfaces faced by a system company in developing its products;

the financial and other resources of the system company;

the supply of semiconductors from our licensees in sufficient quantities and at commercially attractive prices;

the ability to establish the prices at which the chips containing our chip interfaces are made available to system companies; and

the degree to which our licensees promote our chip interfaces to a system company.

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Our strategy also includes gaining acceptance of our technology in high volume consumer applications, including video game consoles, such as the Sony PlayStation®2 and Sony PLAYSTATION® 3, digital TVs and set top boxes. There can be no assurance that consumer products that currently use our technology will continue to do so, nor can there be any assurance that the consumer products that incorporate our technology will be successful in their segments thereby generating expected royalties, nor can there be any assurance that any of our technologies selected for licensing will be implemented in a commercially developed or distributed product.

If any of these events occur and market leaders do not successfully adopt our technologies, our strategy may not be successful and, as a result, our results of operations could decline.

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

For the three months ended March 31, 2007 and 2006, revenues from our top five licensees accounted for approximately 69% and 67% of our revenues, respectively. For the three months year ended March 31, 2007, revenues from Fujitsu, Elpida and Qimonda each accounted for 10% or more of our total revenues. For the three months ended March 31, 2006, revenues from Intel, Elpida, Infineon, Fujitsu and AMD each accounted for 10% or more of our total revenues. We may continue to experience significant revenue concentration for the foreseeable future.

Substantially all of our licensees have the right to cancel their licenses. Failure to renew licenses and/or the loss of any of our top five licensees would cause revenues to decline substantially. Intel has been one of our largest customers and is an important catalyst for the development of new memory and logic chip interfaces in the semiconductor industry. We have a patent cross-license agreement with Intel for which we received quarterly royalty payments through the second quarter of 2006. The patent cross-license agreement expired in September 2006. Intel now has a paid up license for the use of all of our patents which claimed priority prior to September 2006. We have other licenses with Intel, in addition to the patent cross-license agreement, for the development of serial link chip interfaces. If we do not continue to replace the revenues we previously received under the Intel contract, our results of operations may decline significantly.

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

We are in negotiations with licensees and prospective licensees to reach SDR and DDR patent license agreements. We expect SDR and DDR patent license royalties will continue to vary from period to period based on our success in renewing existing license agreements and adding new licensees, as well as the level of variation in our licensees reported shipment volumes, sales price and mix, offset in part by the proportion of licensee payments that are fixed. If we are unsuccessful in renewing any of our SDR and DDR-compatible contracts, our results of operations may decline significantly.

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

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

Our continued success depends on our ability to introduce and patent enhancements and new generations of our chip interface technologies that keep pace with other changes in the semiconductor industry and which achieve rapid market acceptance. We must continually devote significant engineering resources to addressing the ever

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increasing need for higher speed chip interfaces associated with increases in the speed of microprocessors and other controllers. The technical innovations that are required for us to be successful are inherently complex and require long development cycles, and there can be no assurance that our development efforts will ultimately be successful. In addition, these innovations must be:

- completed before changes in the semiconductor industry render them obsolete;
- available when system companies require these innovations; and
- sufficiently compelling to cause semiconductor manufacturers to enter into licensing arrangements with us for these new technologies.

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

If we cannot successfully respond to rapid technological changes in the semiconductor industry by developing new products in a timely and cost effective manner our operating results will suffer.

We face intense competition that may cause our results of operations to suffer.

The semiconductor industry is intensely competitive and has been impacted by price erosion, rapid technological change, short product life cycles, cyclical market patterns and increasing foreign and domestic competition. Some semiconductor companies have developed and support competing logic chip interfaces including their own serial link chip interfaces and parallel bus chip interfaces. We also face competition from semiconductor and intellectual property companies who provide their own DDR memory chip interface technology and solutions. In addition, most DRAM manufacturers, including our XDR licensees, produce versions of DRAM such as SDR, DDRx and GDDRx SDRAM which compete with XDR chips. We believe that our principal competition for memory chip interfaces may come from our licensees and prospective licensees, some of which are evaluating and developing products based on technologies that they contend or may contend will not require a license from us. In addition, our competitors are also taking a system approach similar to ours in seeking to solve the application needs of system companies. Many of these companies are larger and may have better access to financial, technical and other resources than we possess.

JEDEC has standardized what it calls extensions of DDR, known as DDR2 and DDR3. Other efforts are underway to create other products including those sometimes referred to as GDDR4 and GDDR5, as well as new ways to integrate products such as system-in-package DRAM. To the extent that these alternatives might provide comparable system performance at lower or similar cost than XDR memory chips, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and prospective licensees may adopt and promote alternative technologies. Even to the extent we determine that such alternative technologies infringe our patents, there can be no assurance that we would be able to negotiate agreements that would result in royalties being paid to us without litigation, which could be costly and the results of which would be uncertain. In the industry standard and leadership serial link chip interface business, we face additional competition from semiconductor companies that sell discrete transceiver chips for use in various types of systems, from semiconductor companies that develop their own serial link chip interfaces, as well as from competitors, such as ARM and Synopsys, who license similar serial link chip interface products and digital controllers. At the 10 Gb/s speed, competition will also come from optical technology sold by system and semiconductor companies. There are standardization efforts under way or completed for serial links from standard bodies such as PCI-SIG and OIF. We may face increased competition from these types of consortia in the future that could negatively impact our serial link chip interface business.

In the FlexIO processor bus chip interface market segment, we face additional competition from semiconductor companies who develop their own parallel bus chip interfaces, as well as competitors who license similar parallel bus chip interface products. We may also see competition from industry consortia or standard setting bodies that could negatively impact our FlexIO processor bus chip interface business.

As with our memory chip interface products, to the extent that competitive alternatives to our serial or parallel logic chip interface products might provide comparable system performance at lower or similar cost, or are perceived to require the payment of no or lower royalties, or to the extent other factors influence the industry, our licensees and prospective licensees may adopt and promote alternative technologies, which could negatively impact our memory and logic chip interface business.

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

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

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

Future revenues are difficult to predict for several reasons, including our lengthy and costly license negotiation cycle, and our failure to predict revenues accurately may cause us to miss analysts estimates and result in our stock price declining.

The process of persuading system companies to adopt and license our chip interface technologies can be lengthy and, even if successful, there can be no assurance that our chip interfaces will be used in a product that is ultimately brought to market, achieves commercial acceptance, or results in significant royalties to us. In addition, a portion of our revenue comes from development and support services provided to our licensees. Depending upon the nature of the services, a portion of the related revenue may be recognized ratably over the support period, or may be recognized according to contract accounting. Contract revenue accounting may result in deferral of the service fees to the completion of the contract, or may be recognized over the period in which services are performed on a percentage-of-completion basis. There can be no assurance that the product development schedule for these projects will not be changed or delayed. All of these factors make it difficult to predict future licensing revenue and may result in our missing analysts estimates which would likely cause our stock price to decline.

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

Our Common Stock currently is listed on The Nasdaq Global Select Market under the symbol RMBS. The trading price of our Common Stock has been subject to wide fluctuations which may continue in the future in response to, among other things, the following:

- any progress, or lack of progress, in the development of products that incorporate our chip interfaces;
- our signing or not signing new licensees;
- new litigation or developments in current litigation as discussed above;
- announcements of our technological innovations or new products by us, our licensees or our competitors;
- developments related to the stock option investigation;
- positive or negative reports by securities analysts as to our expected financial results;
- developments with respect to patents or proprietary rights and other events or factors; and
- any delisting of our Common Stock from The Nasdaq Global Select Market

In addition, the equity markets have experienced volatility that has particularly affected the market prices of equity securities of many high technology companies and that often has been unrelated or disproportionate to the operating performance of such companies.

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

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

- semiconductor and system companies acceptance of our chip interface products;

- the success of high volume consumer applications, such as the Sony PLAYSTATION®3;

- the dependence of our royalties upon fluctuating sales volumes and prices of licensed chips that include our technology;

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- the seasonal shipment patterns of systems incorporating our chip interface products;
- the loss of any strategic relationships with system companies or licensees;
- semiconductor or system companies discontinuing major products incorporating our chip interfaces;
- the unpredictability of the timing and amount of any litigation expenses;
- changes in our chip and system company customers development schedules and levels of expenditure on research and development;
- our licensees terminating or failing to make payments under their current contracts or seeking to modify such contracts; and
- changes in our strategies, including changes in our licensing focus and/or possible acquisitions of companies with business models different from our own.

For the three months ended March 31, 2007 and 2006, royalties accounted for 87% and 88% of our total revenues, respectively, and we believe that royalties will continue to represent a majority of total revenues for the foreseeable future. Royalties are recognized in the quarter in which we receive a report from a licensee regarding the sale of licensed chips in the prior quarter; however, royalties are only recognized if collectibility is reasonably assured. As a result of these uncertainties and effects being outside of our control, royalty revenues are difficult to predict and make accurate financial forecasts difficult to achieve, which could cause our stock price to become volatile and decline.

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

For the three months ended March 31, 2007 and 2006, revenues from our sales to international customers constituted approximately 87% and 64% of our total revenues, respectively. We currently have international operations in India (design), Japan (business development), Taiwan (business development), Germany (business development) and Korea (business development). As a result of our continued focus on international markets, we expect that future revenues derived from international sources will continue to represent a significant portion of our total revenues.

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

Our international operations and revenues are subject to a variety of risks which are beyond our control, including:

- export controls, tariffs, import and licensing restrictions and other trade barriers;
- profits, if any, earned abroad being subject to local tax laws and not being repatriated to the United States or, if repatriation is possible, limited in amount;

changes to tax codes and treatment of revenues from international sources, including being subject to foreign tax laws and potentially being liable for paying taxes in that foreign jurisdiction;

foreign government regulations and changes in these regulations;

social, political and economic instability;

lack of protection of our intellectual property and other contract rights by jurisdictions in which we may do business to the same extent as the laws of the United States;

changes in diplomatic and trade relationships;

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

operating centers outside the United States;

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

geo-political issues.

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

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

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations, as described elsewhere in this report. Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of share-based compensation expense under Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R)), requires us to use valuation methodologies which were not developed for use in valuing employee stock options and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, and the exercise behavior of our employees. Furthermore, there are no means, under applicable accounting principles, to compare and adjust our expense if and when we learn about additional information that may affect the estimates that we previously made, with the exception of changes in expected forfeitures of share-based awards. Factors may arise that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time. Changes in forecasted stock-based compensation expense could impact our cost of contract revenues, research and development expenses, marketing, general and administrative expenses and our effective tax rate, which could have an adverse impact on our results of operations.

Our business and operating results will be harmed if we are unable to manage growth in our business.

Our business has experienced periods of rapid growth that have placed, and may continue to place, significant demands on our managerial, operational and financial resources. In order to manage this growth, we must continue to improve and expand our management, operational and financial systems and controls. We also need to continue to expand, train and manage our employee base. We cannot assure you that we will be able to timely and effectively meet demand and maintain the quality standards required by our existing and potential customers and licensees. If we ineffectively manage our growth or we are unsuccessful in recruiting and retaining personnel, our business and operating results will be harmed.

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

We may continue to make investments in companies, products or technologies or enter into mergers, strategic transactions or other arrangements. If we buy a company or a division of a company, we may experience difficulty integrating that company s or division s personnel and operations, which could negatively affect our operating results. In addition:

- the key personnel of the acquired company may decide not to work for us;
- we may experience additional financial and accounting challenges and complexities in areas such as tax planning, cash management and financial reporting;
- our ongoing business may be disrupted or receive insufficient management attention;
- we may not be able to recognize the cost savings or other financial benefits we anticipated; and
- our increasing international presence resulting from acquisitions may increase our exposure to international currency, tax and political risks.

In connection with future acquisitions or mergers, strategic transactions or other arrangements, we may incur substantial expenses regardless of whether the transaction occurs. In addition, we may be required to assume the liabilities of the companies we acquire. By assuming the liabilities, we may incur liabilities such as those related to intellectual property infringement or indemnification of customers of acquired businesses for similar claims, which could materially and adversely affect our business. We may have to incur debt or issue equity securities to pay for any future acquisition, the issuance of which could involve restrictive covenants or be dilutive to our existing stockholders.

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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 who can enhance our existing technologies and introduce new technologies. Competition for qualified personnel, particularly those with significant industry experience, is intense. In addition, the consequences of the stock option investigation and restatements could cause increased attrition of our current personnel and negatively impact our reputation with potential employees. We are also dependent upon our senior management personnel. The loss of the services of any of our senior management personnel, or key sales personnel in critical markets, or critical members of staff, or of a significant number of our engineers could be disruptive to our development efforts or business relationships and could cause our business and operations to suffer.

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

Changing laws, regulations and standards relating to corporate governance and public disclosure, including new SEC regulations and Nasdaq rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

If we fail to remediate any material weaknesses in our internal control over financial reporting, we may be unable to accurately report our financial results or reasonably prevent fraud which could result in a loss of investor confidence in our financial reports and have an adverse effect on our business and operating results and our stock price.

Effective internal control over financial reporting is essential for us to produce reliable financial reports and prevent fraud. If we cannot provide reliable financial information or prevent fraud, our business and operating results, as well as our stock price, could be harmed. We have in the past discovered, and may in the future discover, material weaknesses in our internal control over financial reporting. A failure to implement and maintain effective internal control over financial reporting, could harm our operating results, result in a material misstatement of our financial statements, cause us to fail to meet our financial reporting obligations or prevent us from providing reliable and accurate financial reports or avoiding or detecting fraud. This, in turn, could result in a loss of investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

Our operations are subject to risks of natural disasters, acts of war, terrorism or widespread illness 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 facility, computer systems and personnel, which are primarily located in the San Francisco Bay Area. The San Francisco Bay Area is in close proximity to known earthquake fault zones. Our facility and transportation for our employees are susceptible to damage from earthquakes and other natural disasters such as fires, floods and similar events. Should an earthquake or other catastrophes, such as fires, floods, power loss, communication failure or similar events disable our facilities, we do not have readily available alternative facilities from which we could conduct our business, which stoppage could have a negative effect on our operating results. Acts of terrorism, widespread illness and war could also have a negative effect at our international and domestic facilities.

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, and to defend our intellectual property.

We have indebtedness. On February 1, 2005, we issued $300.0 million aggregate principal amount of zero coupon convertible senior notes (convertible notes) due February 1, 2010, of which $160.0 million remains outstanding as of the date of this report.

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The degree to which we are leveraged could have important consequences, including, but not limited to, the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes may be limited;
- a substantial portion of our cash flows from operations will be dedicated to the payment of the principal of our indebtedness as we are required to pay the principal amount of the convertible notes in cash when due;
- if we elect to pay any premium on the convertible notes with shares of our Common Stock or we are required to pay a make-whole premium with our shares of Common Stock, our existing stockholders interest in us would be diluted; and
- we may be more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in responding to changing business and economic conditions.

A failure to comply with the covenants and other provisions of our debt instruments could result in events of default under such instruments, which could permit acceleration of the convertible notes under such instruments and in some cases acceleration of any future debt under instruments that may contain cross-default or cross-acceleration provisions. For instance, as a result of the stock option investigation, in July 2007, the trustee of the convertible notes accelerated the convertible notes due to an alleged event of default that had occurred under the convertible notes because of our non-compliance with the SEC reporting covenant. While the trustee subsequently rescinded this acceleration and waived all existing events of default under the indenture governing the convertible notes, any required repayment would lower our current cash on hand such that we would not have those funds available for the use in our business.

If we are at any time unable to generate sufficient cash flow 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.

Our certificate of incorporation and bylaws, our stockholder rights plan, and Delaware law 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, our stockholder rights plan and Delaware law contain provisions that might enable our management to discourage, delay or prevent 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. Among these provisions are:

- 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;
- 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, advanced notice requirements and the stockholders acting by written consent may only be amended with the approval of stockholders holding $66^{2}/_{3}\%$ of our outstanding voting stock;

- the ability of our stockholders to call special meetings of stockholders is prohibited; and

- our board of directors is expressly authorized to make, alter or repeal our bylaws.

In addition, the provisions in our stockholder rights plan could make it more difficult for a potential acquirer to consummate an acquisition of our company. 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.

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

Not Applicable

Item 3. Defaults Upon Senior Securities

On August 17, 2006, we received a notice of default from U.S. Bank National Association, as trustee (the Trustee) for the Company s Zero Coupon Convertible Senior Notes (the convertible notes). The notice asserted that our failure to file our Form 10-Q for the quarter ended June 30, 2006 constituted a default under Sections 7.2 and 14.1 of the Indenture, dated as of February 1, 2005 between Rambus and the Trustee (the Indenture). The notice stated that per Section 9.1 of the Indenture, if we did not cure the default within sixty days of August 17, 2006, an event of default would occur. On October 25, 2006, we received a notice from the Trustee stating that since we had not cured the default that had been asserted by the Trustee within the sixty-day cure period, an event of default had in fact occurred as of October 16, 2006. On January 22, 2007, we received an additional notice of default from the Trustee relating to our failure to file our Form 10-Q for the quarter ended September 30, 2006. On July 31, 2007, we received a notice of acceleration from the Trustee stating that under direction received from holders of more than 25% in aggregate principal amount of the outstanding convertible notes, the Trustee was declaring the unpaid principal plus accrued interest and unpaid liquidated damages immediately due and payable.

On September 20, 2007, we received a notice from the Trustee for the convertible notes, rescinding the acceleration of the convertible notes contained in the letter from the Trustee dated July 31, 2007 and waiving all existing events of default as defined in the Indenture. The notice indicated that the Trustee had received direction from holders holding a majority in aggregate principal amount of the convertible notes outstanding to waive all existing events of default and rescind the acceleration of the convertible notes.

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

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

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SIGNATURE

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

RAMBUS INC.

Date: October 17, 2007

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

Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description of Document
31.1	Certification of Principal Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.