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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-26844

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**RADISYS CORPORATION**

(Exact name of registrant as specified in its charter)

OREGON

(State or other jurisdiction of incorporation or organization)

93-0945232

(I.R.S. Employer Identification No.)

5435 N.E. Dawson Creek Drive, Hillsboro, OR

(Address of principal executive offices)

97124

(Zip Code)

(503) 615-1100

(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

Number of shares of common stock outstanding as of August 1, 2012: 28,212,932

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**RADISYS CORPORATION**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**RADISYS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except per share amounts, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenues	\$ 77,584	\$ 79,856	\$ 153,071	\$ 153,483
Cost of sales:				
Cost of sales	48,542	54,933	98,547	107,167
Amortization of purchased technology	2,391	1,163	4,833	2,327
Total cost of sales	50,933	56,096	103,380	109,494
Gross margin	26,651	23,760	49,691	43,989
Research and development	11,713	9,600	24,259	18,607
Selling, general and administrative	10,173	10,875	22,173	21,910
Intangible asset amortization	1,304	192	2,608	384
Restructuring and acquisition-related charges, net	1,039	2,481	2,483	2,521
Income (loss) from operations	2,422	612	(1,832)	567
Interest expense	(422)	(456)	(843)	(952)
Other income (expense), net	126	(12)	290	(49)
Income (loss) before income tax expense (benefit)	2,126	144	(2,385)	(434)
Income tax expense (benefit)	819	(46)	1,123	(95)
Net income (loss)	\$ 1,307	\$ 190	\$ (3,508)	\$ (339)
Net income (loss) per share:				
Basic	\$ 0.05	\$ 0.01	\$ (0.13)	\$ (0.01)
Diluted	\$ 0.05	\$ 0.01	\$ (0.13)	\$ (0.01)
Weighted average shares outstanding:				
Basic	26,759	24,334	26,708	24,341
Diluted	28,256	24,475	26,708	24,341

The accompanying notes are an integral part of these financial statements.

**RADISYS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In thousands, unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Net income (loss)	1,307	190	\$ (3,508)	\$ (339)
Other comprehensive income (loss):				
Translation adjustments	(769)	125	(549)	256
Net adjustment for fair value of hedge derivatives <sup>(A)</sup>	(846)	(55)	(673)	57
Other comprehensive income (loss)	(1,615)	70	(1,222)	313
Comprehensive income (loss)	\$ (308)	\$ 260	\$ (4,730)	\$ (26)

(A) For the three months ended June 30, 2012 and 2011, the amounts are net of deferred taxes of \$(5) and \$10 and for the six months ended June 30, 2012 and 2011 the amounts are net of deferred taxes of \$24 and \$48.

The accompanying notes are an integral part of these financial statements.

**RADISYS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, unaudited)

	<b>June 30, 2012</b>	<b>December 31, 2011 (A)</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,852	\$ 47,770
Accounts receivable, net	48,385	49,212
Other receivables	3,405	4,036
Inventories, net	22,638	27,011
Inventory deposit, net	8,102	8,443
Other current assets	5,631	5,080
Deferred tax assets, net	5,165	5,507
Total current assets	139,178	147,059
Property and equipment, net	15,998	15,366
Goodwill	29,748	29,748
Intangible assets, net	77,603	85,043
Long-term deferred tax assets, net	12,266	12,266
Other assets	7,358	7,791
Total assets	\$ 282,151	\$ 297,273
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 38,347	\$ 37,874
Accrued wages and bonuses	7,507	10,808
Deferred income	8,730	11,602
Convertible senior notes	27,000	—
Other accrued liabilities	11,931	16,195
Total current liabilities	93,515	76,479
Long-term liabilities:		
Convertible senior notes	18,000	45,000
Other long-term liabilities	8,420	9,061
Total long-term liabilities	26,420	54,061
Total liabilities	119,935	130,540
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock — no par value, 100,000 shares authorized; 28,173 and 27,949 shares issued and outstanding at June 30, 2012 and December 31, 2011	301,438	301,225
Accumulated deficit	(139,720)	(136,212)
Accumulated other comprehensive income:		
Cumulative translation adjustments	1,945	2,494
Unrealized loss on hedge instruments	(1,447)	(774)
Total accumulated other comprehensive income	498	1,720
Total shareholders' equity	162,216	166,733
Total liabilities and shareholders' equity	\$ 282,151	\$ 297,273

(A) As adjusted to reflect the impact of additional tax-related adjustments to the Company's purchase accounting for Continuous Computing in accordance with ASC 805-10 "Business Combinations". See Note 2 — *Acquisitions* for additional information.

The accompanying notes are an integral part of these financial statements.

**RADISYS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands, unaudited)

	For the Six Months Ended	
	June 30,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,508)	\$ (339)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,108	4,990
Inventory valuation allowance	1,031	822
Deferred income taxes	380	(69)
Non-cash interest expense	222	224
Loss on disposal of property and equipment	102	107
Stock-based compensation expense	(584)	2,137
Other	356	243
Changes in operating assets and liabilities:		
Accounts receivable	824	(5,893)
Other receivables	536	(1,399)
Inventories	3,276	(997)
Inventory deposit	341	(1,190)
Other current assets	(129)	570
Accounts payable	979	8,513
Accrued wages and bonuses	(3,235)	(212)
Accrued restructuring	(2,183)	(88)
Deferred income	(3,172)	2,851
Other accrued liabilities	(3,090)	(777)
Net cash provided by operating activities	<u>3,254</u>	<u>9,493</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(5,831)	(2,142)
Purchase of long-term assets	—	(500)
Net cash used in investing activities	<u>(5,831)</u>	<u>(2,642)</u>
<b>Cash flows from financing activities:</b>		
Repurchases of common stock	—	(1,258)
Proceeds from issuance of common stock	810	914
Other financing activities	(42)	(147)
Net cash provided by (used in) financing activities	<u>768</u>	<u>(491)</u>
Effect of exchange rate changes on cash	(109)	194
Net increase (decrease) in cash and cash equivalents	<u>(1,918)</u>	<u>6,554</u>
Cash and cash equivalents, beginning of period	47,770	129,078
Cash and cash equivalents, end of period	<u>\$ 45,852</u>	<u>\$ 135,632</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 619	\$ 688
Income taxes	\$ 624	\$ 355

The accompanying notes are an integral part of these financial statements.

**RADISYS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 1 — Significant Accounting Policies**

Radisys Corporation (the “Company” or “Radisys”) has adhered to the accounting policies set forth in its Annual Report on Form 10-K for the year ended December 31, 2011 in preparing the accompanying interim consolidated financial statements. The preparation of these statements in conformity with U.S. generally accepted accounting principles (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Additionally, the accompanying financial data as of June 30, 2012 and for the three and six months ended June 30, 2012 and 2011 has been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

The financial information included herein reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for interim periods.

**Note 2 — Acquisitions**

During the six months ended June 30, 2012, the Company revised the purchase price allocation for the acquisition of Continuous Computing Corporation (“Continuous Computing”) as a result of final measurement period adjustments. This revision is the result of finalizing the accounting for certain tax matters, which was completed during the three months ended March 31, 2012. These adjustments resulted in an additional release of the Company’s valuation allowance provided against its U.S. net deferred tax assets, which results in additional deferred tax benefit reported in third-quarter 2011 financial information of approximately \$2.7 million. As required by ASC 805-10, the Company’s December 31, 2011 balance sheet has been revised to reflect the impact of these measurement period adjustments.

The following tables summarize the purchase price allocation and the impact of these measurement period adjustments to the Company’s previously filed December 31, 2011 balance sheet:

Total purchase price	\$	119,731
Fair value of net tangible assets acquired and liabilities assumed:		
Cash and cash equivalents	\$	2,214
Accounts receivable		13,434
Inventories		4,036
Prepaid expenses and other current assets		3,316
Fixed assets		2,469
Other assets		614
Accounts payable		(5,368)
Accrued expenses		(6,891)
Deferred revenue		(1,825)
Other long-term liabilities		(1,226)
		10,773
Fair value of identifiable intangible assets acquired		89,240
Net deferred tax liability		(9,870)
Goodwill	\$	29,588

	December 31, 2011 - As reported	Purchase accounting entry	December 31, 2011 - Revised
<b>Current assets:</b>			
Deferred tax assets, net	\$ 5,875	\$ (368)	\$ 5,507
Total current assets	147,427	(368)	147,059
Goodwill	26,599	3,149	29,748
Total assets	294,492	2,781	297,273
<b>Current liabilities:</b>			
Other accrued liabilities	16,106	89	16,195
Total current liabilities	76,390	89	76,479
<b>Long-term liabilities:</b>			
Other long-term liabilities	9,065	(4)	9,061
Total long-term liabilities	54,065	(4)	54,061
Total liabilities	130,455	85	130,540
<b>Shareholders' equity:</b>			
Accumulated deficit	(138,908)	2,696	(136,212)
Total shareholders' equity	164,037	2,696	166,733
Total liabilities and shareholders' equity	294,492	2,781	297,273

### Note 3 — Fair Value of Financial Instruments

The Company measures at fair value certain financial assets and liabilities. GAAP specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair-value hierarchy:

Level 1— Quoted prices for identical instruments in active markets;

Level 2— Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3— Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Foreign currency forward contracts are measured at fair value using models based on observable market inputs such as foreign currency exchange rates; therefore, they are classified within Level 2 of the valuation hierarchy. The cash surrender value of life insurance contracts is measured at fair value using quoted market prices for similar instruments; therefore, they are classified within Level 2 of the valuation hierarchy.

The Company has obligations ("contingent consideration"), to be paid in cash, related to the acquisition of Continuous Computing based on the amount of product royalty revenues generated by a specified set of contracts associated with certain of Continuous Computing's products over a period of 36 months after closing. The contingent consideration liability was established at the time of acquisition and is evaluated at the end of each reporting period. As the significant inputs used in determining the fair value are unobservable, this liability is classified within Level 3 of the fair value hierarchy.

The fair value of this contingent consideration is determined by calculating the net present value of the expected payments using significant inputs that are not observable in the market, including revenue projections and discount rates consistent with the level of risk of achievement; therefore the Company developed its own assumptions for the expected product royalty revenues generated under the arrangement. The fair value of the contingent consideration is affected most significantly by changes in the amount and timing of the revenue projections. If the revenue projections increase or decrease, the fair value of the contingent consideration will increase or decrease accordingly, in amounts that will vary based on the timing of the projected revenues and the timing of the expected payments.

The following table summarizes the fair value measurements for the Company's financial instruments (in thousands):

	Fair Value Measurements as of June 30, 2012			
	Total	Level 1	Level 2	Level 3
Cash surrender value of life insurance contracts	\$ 3,450	\$ —	\$ 3,450	\$ —
Foreign currency forward contracts	(1,119)	—	(1,119)	—
Contingent consideration liability	(6,556)	—	—	(6,556)
Total	\$ (4,225)	\$ —	\$ 2,331	\$ (6,556)

  

	Fair Value Measurements as of December 31, 2011			
	Total	Level 1	Level 2	Level 3
Cash surrender value of life insurance contracts	\$ 3,394	\$ —	\$ 3,394	\$ —
Foreign currency forward contracts	(647)	—	(647)	—
Contingent consideration liability	(7,594)	—	—	(7,594)
Total	\$ (4,847)	\$ —	\$ 2,747	\$ (7,594)

The following table summarizes our Level 3 activity for the Company's contingent consideration liability (in thousands):

	Level 3
Balance at December 31, 2011	\$ 7,594
Change in estimate	(1,562)
Accretion	524
Balance at June 30, 2012	\$ 6,556

The Company records all changes in estimate and accretion on the contingent consideration liability to restructuring and acquisition-related charges, net in the Condensed Consolidated Statements of Operations. Of the \$6.6 million contingent consideration liability, \$0.6 million is recorded in other accrued liabilities and \$6.0 million is recorded in other long-term liabilities on our Condensed Consolidated Balance Sheet at June 30, 2012.

#### Note 4 — Accounts Receivable and Other Receivables

Accounts receivable consists of sales to the Company's customers which are generally based on standard terms and conditions. Accounts receivable balances consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Accounts receivable, gross	\$ 49,177	\$ 50,040
Less: allowance for doubtful accounts	(792)	(828)
Accounts receivable, net	\$ 48,385	\$ 49,212

As of June 30, 2012 and December 31, 2011, the balance in other receivables was \$3.4 million and \$4.0 million. Other receivables consisted primarily of non-trade receivables including receivables for value-added taxes and inventory transferred to the Company's contract manufacturing partners on which the Company does not recognize revenue. In addition, at December 31, 2011 other receivables included \$1.3 million for a sale of components partially fulfilled in 2011 which were not invoiced until the first quarter of 2012 when the remaining components were shipped.

## Note 5 — Inventories

Inventories consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
Raw materials	\$ 10,385	\$ 10,925
Work-in-process	705	599
Finished goods	14,012	20,127
	25,102	31,651
Less: inventory valuation allowance	(2,464)	(4,640)
Inventories, net	\$ 22,638	\$ 27,011
	June 30, 2012	December 31, 2011
Inventory deposit <sup>(A)</sup>	\$ 11,091	\$ 11,578
Less: inventory deposit valuation allowance	(2,989)	(3,135)
Inventory deposit, net	\$ 8,102	\$ 8,443

(A) The Company is contractually obligated to reimburse its contract manufacturers for the cost of excess inventory that has been purchased as a result of the Company's forecasted demand when there is no alternative use. The Company's inventory deposit represents a cash deposit paid to its contract manufacturers for inventory in excess of near term demand. The deposit is recorded net of adverse purchase commitment liabilities, and therefore the net balance of the deposit represents inventory the Company believes will be utilized. The deposit will be applied against future adverse purchase commitments owed to the Company's contract manufacturers or reduced based on the usage of inventory. See Note 9 - *Commitments and Contingencies* for additional information regarding the Company's adverse purchase commitment liability.

Consigned inventory is held at third-party locations, including the Company's contract manufacturing partners and customers. The Company retains title to the inventory until purchased by the third-party. Consigned inventory, consisting of raw materials and finished goods, was \$0.7 million and \$3.8 million at June 30, 2012 and December 31, 2011.

The Company recorded the following charges associated with the valuation of inventory, inventory deposit and the adverse purchase commitment liability (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Inventory, net	\$ 578	\$ 364	\$ 1,031	\$ 822
Inventory deposit, net	64	193	363	408
Adverse purchase commitments	(102)	546	(28)	797

## Note 6 — Accrued Restructuring

Accrued restructuring, which is included in other accrued liabilities in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011, consisted of the following (in thousands):

	June 30, 2012	December 31, 2011
2009 restructuring charges	\$ —	\$ 84
Fourth quarter 2010 restructuring charge	22	218
Continuous Computing restructuring	664	3,900
2012 lease abandonment charge	1,333	—
Total accrued restructuring charges	\$ 2,019	\$ 4,202

The Company evaluates the adequacy of the accrued restructuring charges on a quarterly basis. Reversals are recorded in the period in which the Company determines that expected restructuring obligations are less than the amounts accrued.

### **2009 Restructurings**

During 2012, all remaining activities related to the 2009 plan were completed.

### **Fourth Quarter 2010 Restructuring**

During the six months ended June 30, 2012, the Company recorded a net reversal of \$4,000 for previously estimated amounts associated with the fourth quarter 2010 restructuring plan. The activity reflects the re-assignment of employees initially included in the plan and changes in previously estimated amounts for employee severance and associated payroll costs.

The following table summarizes the changes to the fourth quarter 2010 restructuring costs during the six months ended June 30, 2012, (in thousands):

	<b>Employee Termination and Related Costs</b>
Balance accrued as of December 31, 2011	\$ 218
Additions	15
Reversals	(19)
Expenditures	(192)
Balance accrued as of June 30, 2012	\$ 22

### **Continuous Computing Related Restructuring**

In the second quarter of 2011, the Company initiated a restructuring plan associated with the acquisition of Continuous Computing. The plan included the identification of 117 positions at various locations that will be eliminated. The primary intent of these integration activities was to eliminate the staffing redundancies that resulted from the Company's acquisition of Continuous Computing. In addition, these integration activities align with the Company's corporate objective to transfer a significant portion of its research and development activities to lower cost geographies. To date, under this plan, the Company has incurred restructuring costs of \$5.9 million, which consisted of severance and related payroll costs as well as healthcare benefits and legal fees. The Company expects additional charges associated with the restructuring plan to be substantially complete by the third quarter of 2012.

During the six months ended June 30, 2012, under the Continuous Computing restructuring plan, the Company recorded net expense of \$0.9 million for the severance of a named executive officer and various other employees, net of the reduction resulting from the re-assignment of employees initially included in the plan and changes in previously estimated amounts for employee severance and associated payroll costs.

The following table summarizes activity associated with the Continuous Computing restructuring plan during the six months ended June 30, 2012, (in thousands):

	<b>Employee Termination and Related Costs</b>
Balance accrued as of December 31, 2011	\$ 3,900
Additions	1,032
Reversals	(165)
Expenditures	(4,103)
Balance accrued as of June 30, 2012	\$ 664

## 2012 Lease Abandonments

During the six months ended June 30, 2012 the Company recorded charges of \$1.3 million related to the abandonment of two leased facilities. The charges recorded represent the present value of the remaining rental obligations and lease exit charges for these facilities, offset by estimated sublease income during the remaining lease term.

The following table summarizes the activity associated with the 2012 lease abandonments restructuring costs during the six months ended June 30, 2012, (in thousands):

	<b>Lease Charges</b>
Additions	\$ 1,333
Balance accrued as of June 30, 2012	\$ 1,333

## Note 7 — Short-Term Borrowings

### *Silicon Valley Bank*

The Company has a \$40.0 million secured revolving line of credit agreement (as amended, the "Agreement") with Silicon Valley Bank ("SVB") maturing on September 30, 2014. The secured revolving credit facility is available for cash borrowings, with \$20.0 million of the Agreement available on a non-formula basis and the remaining \$20.0 million subject to a borrowing formula based upon eligible accounts receivable. Eligible accounts receivable (as defined in the Agreement) include 80% of US and 65% of foreign accounts receivable for our U.S. companies, limited to concentration by certain customers, not greater than 60 days past due and no greater than 120 days from original invoice date. Borrowings under the Agreement bear interest at the prime rate, which was 3.25% as of June 30, 2012, or LIBOR, which was 0.24% as of June 30, 2012, plus 1.25%, with either interest rate determined by the Company's election. The Company is required to make interest payments monthly. The Company was further required to pay a commitment fee equal to \$35,000 on the closing date of the Agreement and annually thereafter and to pay quarterly in arrears an unused facility fee in an amount equal to 0.375% per year of the unused amount of the facility.

The Agreement requires the Company to make and maintain certain financial covenants, representations, warranties and other agreements that are customary in credit agreements of this type. The Agreement also requires the Company to maintain the following specific financial covenants:

- minimum quarterly liquidity ratio of 1.25 during the term of the Agreement. The liquidity ratio is defined as cash, cash equivalents and short term investments (with cash and cash equivalents held by the Company's foreign subsidiaries not to exceed \$10.0 million and excluding any investments held by the Company's foreign subsidiaries) plus eligible accounts receivable (as defined in the Agreement), divided by the sum of obligations owing to SVB under the Agreement;
- minimum two quarter positive rolling EBITDA (earnings before interest, taxes, depreciation, amortization, stock based compensation, goodwill impairment charges, and non-cash restructuring and integration expenses associated with the acquisition of Continuous Computing) of \$3.0 million beginning with the quarter ending December 31, 2012. Prior to December 31, 2012, the minimum two quarter rolling EBITDA requirements increase on a quarterly basis with the quarter ending September 30, 2011 as follows: (\$8.3) million, \$(8.5) million (\$2.1) million, (\$0.5) million and \$2.0 million; and
- capital expenditures may not exceed \$20.0 million during the period January 1, 2011 to December 31, 2012 and \$8.0 million in subsequent years.

As of June 30, 2012 and December 31, 2011, the Company had no outstanding balances or letters of credit issued on its behalf under the Agreement. At June 30, 2012, the Company had \$40.0 million of available capacity under the Agreement. As of June 30, 2012, the Company was in compliance with all covenants.

## Note 8 - Convertible Debt

### 2013 Convertible Senior Notes

During February 2008, the Company offered and sold in a public offering pursuant to the shelf registration statement \$55.0 million aggregate principal amount of 2.75% convertible senior notes due 2013 (the "2013 convertible senior notes"). Interest is payable semi-annually, in arrears, on each August 15 and February 15, beginning on August 15, 2008, to the holders of record at the close of business on the preceding August 1 and February 1, respectively. The 2013 convertible senior notes mature on February 15, 2013. Holders of the 2013 convertible senior notes may convert their notes into a number of shares of the Company's common stock determined as set forth in the indenture governing the notes at their option on any day to and including the business day prior to the maturity date. The 2013 convertible senior notes are initially convertible into 76,7448 shares of the Company's common stock per \$1,000 principal amount of the notes (which is equivalent to a conversion price of approximately \$13.03 per share), subject to adjustment upon the occurrence of certain events. Upon the occurrence of a fundamental change, holders of the 2013 convertible senior notes may require the Company to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. In addition, if certain fundamental changes occur, the Company may be required in certain circumstances to increase the conversion rate for any 2013 convertible senior notes converted in connection with such fundamental changes by a specified number of shares of the Company's common stock. The 2013 convertible senior notes are the Company's general unsecured obligations and rank equal in right of payment to all of its existing and future senior indebtedness, and senior in right of payment to the Company's future subordinated debt. The Company's obligations under the 2013 convertible senior notes are not guaranteed by, and are effectively subordinated in right of payment to all existing and future obligations of its subsidiaries and are effectively subordinated in right of payment to its future secured indebtedness to the extent of the assets securing such debt.

In connection with the issuance of the 2013 convertible senior notes, the Company entered into a capped call transaction with a hedge counterparty. The capped call transaction is expected to reduce the potential dilution upon conversion of the 2013 convertible senior notes in the event that the market value per share of the Company's common stock, as measured under the terms of the capped call transaction, at the time of exercise is greater than the strike price of the capped call transaction of approximately \$13.03. The strike price of the capped call transaction corresponds to the initial conversion price of the 2013 convertible senior notes and is subject to certain adjustments similar to those contained in the notes. The capped call transaction provides for net-share settlement in the event that the volume-weighted average price per share of the Company's common stock on the settlement date exceeds the strike price of approximately \$13.03 per share. In such event, the hedge counterparty would deliver to the Company a number of shares equal to a formula determined by the quotient resulting from (a) the shares being settled times the difference between the volume-weighted average price on the settlement date and the strike price of approximately \$13.03 per share, divided by (b) the volume-weighted average price on the settlement date. If the volume-weighted average price on the settlement date equals or exceeds the cap price of \$23.085 per share, the difference in (a) would be \$23.085 minus \$13.03, or \$10.055. If the market value per share of the Company's common stock exceeds the cap price of the capped call transaction of \$23.085, as measured under the terms of the capped call transaction, the dilution mitigation under the capped call transaction will be limited, which means that there would be dilution to the extent that the then market value per share of the Company's common stock exceeds the cap price of the capped call transaction. Although the capped call transaction covers approximately 4.2 million shares, in order to facilitate an orderly settlement process, the shares are divided into tranches of approximately 211,000 shares each, settling on the twenty consecutive trading days prior to the date of maturity of the Company's convertible notes. Thus, on each settlement date, approximately 211,000 shares would be settled, assuming a volume-weighted average price on such settlement date of \$23.085. Assuming a volume-weighted average price of \$23.085, the hedge counterparty would deliver to the Company approximately 91,904 shares on each settlement date, calculated as follows:  $211,000 \times (\$23.085 - \$13.03) / \$23.085 = 91,904$ .

The following table outlines the effective interest rate, contractually stated interest costs, and costs related to the amortization of issuance costs for the Company's 2013 convertible senior notes:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Effective interest rate	3.73%	3.64%	3.73%	3.64%
Contractually stated interest costs	\$ 309	\$ 344	\$ 618	\$ 688
Amortization of interest costs	\$ 111	\$ 112	\$ 221	\$ 224

During the six months ended June 30, 2012, the Company exchanged, in a private offering, \$18.0 million aggregate principal amount of the 2013 convertible senior notes for \$18.0 million aggregate principal amount of 4.50% convertible senior notes due 2015 (the "2015 convertible senior notes"). The Company accounted for the exchange in accordance with the relevant accounting guidance for debt exchanges and modifications. Refer below for further details of the 2015 convertible senior notes.

### ***2015 Convertible Senior Notes***

On June 20, 2012, the Company entered into subscription agreements with certain holders of the Company's 2013 convertible senior notes. Pursuant to the subscription agreements, on June 29, 2012 the Company exchanged \$18.0 million aggregate principal amount of the 2013 convertible senior notes for \$18.0 million aggregate principal amount of the Company's 2015 convertible senior notes. The 2015 convertible senior notes mature on February 15, 2015. Holders of the 2015 convertible senior notes may convert their notes into a number of shares of the Company's common stock determined as set forth in the indenture governing the notes at their option on any day to and including the business day prior to the maturity date. The 2015 convertible senior notes are initially convertible into 117,2333 shares of the Company's common stock per \$1,000 principal amount of the notes (which is equivalent to a conversion price of approximately \$8.53 per share), subject to adjustment upon the occurrence of certain events. Upon the occurrence of a fundamental change, holders of the 2015 convertible senior notes may require the Company to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. In addition, if certain fundamental changes occur, the Company may be required in certain circumstances to increase the conversion rate for any 2015 convertible senior notes converted in connection with such fundamental changes by a specified number of shares of the Company's common stock. The 2015 convertible senior notes are the Company's general unsecured obligations and rank equal in right of payment to all of its existing and future senior indebtedness, and senior in right of payment to the Company's future subordinated debt. The Company's obligations under the 2015 convertible senior notes are not guaranteed by, and are effectively subordinated in right of payment to all existing and future obligations of its subsidiaries and are effectively subordinated in right of payment to its future secured indebtedness to the extent of the assets securing such debt.

As of June 30, 2012 and December 31, 2011, the Company had outstanding 2013 and 2015 convertible senior notes with a combined face value of \$45.0 million, of which \$27.0 million was classified as current liabilities as of June 30, 2012 in the Condensed Consolidated Balance Sheets. As of June 30, 2012 and December 31, 2011, the fair value of the Company's 2013 and 2015 convertible senior notes were \$44.1 million and \$41.8 million, which is based on quoted prices of the Company's publicly traded debt on each balance sheet date.

## **Note 9 - Commitments and Contingencies**

### ***Adverse Purchase Commitments***

The Company is contractually obligated to reimburse its contract manufacturers for the cost of excess inventory used in the manufacture of the Company's products, if there is no alternative use. This liability, referred to as adverse purchase commitments, is presented in other accrued liabilities in the accompanying Condensed Consolidated Balance Sheets. Estimates for adverse purchase commitments are derived from reports received on a quarterly basis from the Company's contract manufacturers. Increases to this liability are charged to cost of goods sold. When and if the Company takes possession of inventory reserved for in this liability, the liability is transferred from other accrued liabilities to the excess and obsolete inventory valuation allowance (Note 5 —*Inventories*).

### ***Guarantees and Indemnification Obligations***

As permitted under Oregon law, the Company has agreements whereby it indemnifies its officers, directors and certain finance employees for certain events or occurrences while an officer, director or employee is or was serving in such capacity at the request of the Company. The term of the indemnification period is for the officer's, director's or employee's lifetime. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has a Director and Officer insurance policy that limits its exposure and enables the Company to recover a portion of any future amounts paid. To date, the Company has not incurred any costs associated with these indemnification agreements and, as a result, management believes the estimated fair value of these indemnification agreements is minimal. Accordingly, the Company has not recorded any liabilities for these agreements as of June 30, 2012.

The Company enters into standard indemnification agreements in its ordinary course of business. Pursuant to these agreements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally the Company's business partners or customers, in connection with patent, copyright or other intellectual property infringement claims by any third party with respect to the Company's current products, as well as claims relating to property damage or personal injury resulting from the performance of services by us or the Company's subcontractors. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is generally limited. Historically, the Company's costs to defend lawsuits or settle claims relating to such indemnity agreements have been minimal and accordingly management believes the estimated fair value of the agreements is immaterial.

***Accrued Warranty***

The Company provides for the estimated cost of product warranties at the time it recognizes revenue. Products are generally sold with warranty coverage for a period of 12 months to 24 months after shipment. Parts and labor are covered under the terms of the warranty agreement. The workmanship of the Company's products produced by contract manufacturers is covered under warranties provided by the contract manufacturer for a specified period of time ranging from 12 months to 15 months. The warranty provision is based on historical experience by product family. The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its components suppliers; however ongoing failure rates, material usage and service delivery costs incurred in correcting product failure, as well as specific product class failures out of the Company's baseline experience affect the estimated warranty obligation. If actual product failure rates, material usage or service delivery costs differ from estimates, revisions to the estimated warranty liability would be required.

The following is a summary of the change in the Company's warranty accrual reserve (in thousands):

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2012</b>	<b>2011</b>
Warranty liability balance, beginning of the period	\$ 3,438	\$ 3,025
Product warranty accruals	1,759	1,286
Utilization of accrual	(2,301)	(1,521)
Warranty liability balance, end of the period	<u>\$ 2,896</u>	<u>\$ 2,790</u>

The warranty liability balance is included in other accrued liabilities in the accompanying Condensed Consolidated Balance Sheets as of June 30, 2012 and December 31, 2011.

## Note 10 — Basic and Diluted Net Income (Loss) per Share

A reconciliation of the numerator and the denominator used to calculate basic and diluted net income (loss) per share is as follows (in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Numerator — Basic</b>				
Net income (loss)	\$ 1,307	\$ 190	\$ (3,508)	\$ (339)
<b>Numerator — Diluted</b>				
Net income (loss)	\$ 1,307	\$ 190	\$ (3,508)	\$ (339)
Interest on convertible notes, net of tax benefit <sup>(B)</sup>	—	—	—	—
Net income (loss), diluted	\$ 1,307	\$ 190	\$ (3,508)	\$ (339)
<b>Denominator — Basic</b>				
Weighted average shares used to calculate net income (loss)				
per share, basic	26,759	24,334	26,708	24,341
<b>Denominator — Diluted</b>				
Weighted average shares used to calculate net income (loss)				
per share, basic	26,759	24,334	26,708	24,341
Effect of escrow shares <sup>(A)</sup>	1,344	—	—	—
Effect of convertible notes <sup>(B)</sup>	—	—	—	—
Effect of dilutive restricted stock <sup>(C)(D)</sup>	78	122	—	—
Effect of dilutive stock options <sup>(C)</sup>	75	19	—	—
Weighted average shares used to calculate net income (loss)				
per share, diluted	28,256	24,475	26,708	24,341
<b>Net income (loss) per share</b>				
Basic	\$ 0.05	\$ 0.01	\$ (0.13)	\$ (0.01)
Diluted <sup>(A), (B)</sup>	\$ 0.05	\$ 0.01	\$ (0.13)	\$ (0.01)

(A) For the six months ended June 30, 2012, the 1.3 million contingently issuable shares were excluded from the calculation as their effect would have been anti-dilutive.

(B) For the three and six months ended June 30, 2012 and 2011, 3.5 million and 3.8 million as-if converted shares associated with the Company's 2013 and 2015 convertible senior notes were excluded from the calculation as their effect would have been anti-dilutive.

(C) For the three and six months ended June 30, 2012 and 2011, the following equity awards, by type, were excluded from the calculation, as their effect would have been anti-dilutive (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Dilutive stock options	2,330	2,369	2,400	2,495
Dilutive restricted stock units	399	80	478	401
Total equity award shares excluded	2,729	2,449	2,878	2,896

(D) For the three and six months ended June 30, 2012 and 2011 the Company excluded restricted shares of 728,700 and 847,900 granted under the Long-Term Incentive Plan, as the performance criteria required for issuance of the awards was not satisfied as of these dates.

## Note 11 — Income Taxes

The Company's effective tax rate for the three months ended June 30, 2012 and 2011 differs from the statutory rate primarily due to a full valuation allowance provided against its United States ("U.S.") net deferred tax assets, Canadian research and experimental development claims, the impact of stock option expense, the amortization of goodwill for tax purposes and taxes on foreign income that differ from the U.S. tax rate. The Company utilizes the asset and liability method of accounting for income taxes. The Company records deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent financial performance. Based upon the Company's review of all positive and negative evidence, including its three year U.S. cumulative pre-tax book loss and taxable loss, it concluded that a full valuation allowance should continue to be recorded against its U.S. net deferred tax assets at June 30, 2012. In certain other foreign jurisdictions, where the Company does not have cumulative losses or other negative evidence, the Company had net deferred tax assets of \$17.4 million at June 30, 2012 and \$18.1 million at December 31, 2011. In the future, if the Company determines that it is more likely than not that it will realize its U.S. net deferred tax assets, it will reverse the applicable portion of the valuation allowance and recognize an income tax benefit in the period in which such determination is made.

The Company's unrecognized tax benefits and related interest and penalties during the three months ended June 30, 2012 decreased by \$0.1 million primarily due to the India income tax examination for the financial year 2007. The ending balance for the unrecognized tax benefits was approximately \$2.6 million at June 30, 2012. The related interest and penalties were \$0.3 million and \$0.2 million, respectively. The uncertain tax positions that are reasonably possible to decrease in the next twelve months are insignificant.

The Company is currently under tax examination in India. The periods covered under examination are the Company's financial years 2005 through 2008. The examination is in various stages of appellate proceedings and all material uncertain tax positions associated with the examination have been taken into account in the ending balance of the unrecognized tax benefits at June 30, 2012. As of June 30, 2012, the Company is not under examination by tax authorities in any other jurisdictions.

## Note 12 — Stock-based Compensation

The following table summarizes the awards granted under the Radisys Corporation 2007 Stock Plan (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Stock options	29	53	73	61
Restricted stock	63	196	77	196
Total	92	249	150	257

Stock-based compensation was recognized and allocated as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Cost of sales	\$ (134)	\$ 170	\$ (205)	\$ 355
Research and development	(296)	293	31	606
Selling, general and administrative	(1,076)	273	(410)	1,176
Total	\$ (1,506)	\$ 736	\$ (584)	\$ 2,137

In the second quarter of 2012, the Company determined that it was improbable that the long-term incentive plan ("LTIP") performance goal would be attained prior to the end of the measurement period and, as a result, reversed life-to-date LTIP expense of \$2.4 million. To achieve the minimum threshold for share vesting under the LTIP, the Company must achieve a minimum level of non-GAAP earnings per share (including the application of a 20% tax rate as stated in the LTIP versus current financial projections of 5%) on a rolling four quarter basis by December 31, 2012.

### Note 13 — Common Stock Repurchase Program

In December 2010, the Board of Directors authorized the repurchase of up to \$20.0 million of the Company's common stock through open-market transactions and privately negotiated transactions from time to time at the discretion of management. The duration of the repurchase program is two years, although it may be extended, suspended or discontinued without prior notice, at the discretion of the Board of Directors. Under the program, the Company repurchased common stock with a value of \$3.9 million in 2011, leaving \$16.1 million available for future repurchases of the Company's common stock. No amounts were repurchased during the six months ended June 30, 2012.

### Note 14 — Hedging

The Company's activities expose it to a variety of market risks, including the effects of changes in foreign currency exchange rates. The Company manages these risks through the use of forward exchange contracts, designated as foreign-currency cash flow hedges, in an attempt to reduce the potentially adverse effects of foreign currency exchange rate fluctuations that occur in the normal course of business. As such, the Company's hedging activities are all employed solely for risk management purposes. All hedging transactions are conducted with, in the opinion of management, financially stable and reputable financial institutions. As of June 30, 2012 and December 31, 2011, the only hedge instruments executed by the Company are associated with its exposure to fluctuations in the Canadian Dollar and Indian Rupee which result from obligations such as payroll and rent paid in these respective currencies.

These derivatives are recognized on the balance sheet at their fair value. Unrealized gain positions are recorded as other current assets and unrealized loss positions are recorded as other current liabilities. Changes in the fair values of the outstanding derivatives that are highly effective are recorded in other comprehensive income until net income is affected by the variability of the cash flows of the hedged transaction. Typically, hedge ineffectiveness could result when the amount of the Company's hedge contracts exceed the Company's forecasted or actual transactions for which the hedge contracts were designed to hedge. Once a hedge contract matures, the associated gain (loss) on the contract will remain in other comprehensive income (loss) until the underlying hedged transaction affects net income (loss), at which time the gain (loss) will be recorded to the expense line item being hedged, which is primarily research and development expense. The Company only enters into derivative contracts in order to hedge foreign currency exposure, and these contracts do not exceed two years from inception. If the Company entered into a contract for speculative reasons or if the Company's current hedge position becomes ineffective, changes in the fair values of the derivatives would be recognized in earnings in the current period.

The Company assesses, both at the inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives are expected to remain highly effective in future periods. For the six months ended June 30, 2012 and 2011 and for the year ended December 31, 2011 the Company had no hedge ineffectiveness.

During the three and six months ended June 30, 2012, the Company entered into 20 and 41 new foreign currency forward contracts, with total notional contractual values of \$2.4 million and \$6.9 million. During the three months ended June 30, 2011, the Company did not enter into any new foreign currency contracts, while during the six months ended June 30, 2011, the Company entered into 12 new foreign currency forward contracts, with total notional contractual values of \$2.2 million.

A summary of the aggregate contractual or notional amounts, balance sheet location and estimated fair values of derivative financial instruments designated as cash flow hedges at June 30, 2012 is as follows (in thousands):

<u>Type of Cash Flow Hedge</u>	<u>Contractual/Notional Amount</u>	<u>Condensed Consolidated Balance Sheet Classification</u>	<u>Estimated Fair Value</u>	
			<u>Asset</u>	<u>(Liability)</u>
Foreign currency forward exchange contracts	\$ 14,649	Other accrued liabilities	\$ —	\$ (1,119)

A summary of the aggregate contractual or notional amounts, balance sheet location and estimated fair values of derivative financial instruments designated as cash flow hedges at December 31, 2011 is as follows (in thousands):

<u>Type of Cash Flow Hedge</u>	<u>Contractual/Notional Amount</u>	<u>Condensed Consolidated Balance Sheet Classification</u>	<u>Estimated Fair Value</u>	
			<u>Asset</u>	<u>(Liability)</u>
Foreign currency forward exchange contracts	\$ 15,480	Other accrued liabilities	\$ —	\$ (647)

The effect of derivative instruments on the consolidated financial statements for the three months ended June 30, 2012 was as follows (in thousands):

<u>Type of Cash Flow Hedge</u>	Effective Portion			Ineffective Portion	
	Hedge Loss Recognized in Other Comprehensive Loss	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	\$ (846)				
		Cost of sales	\$ 76	None	\$ —
		Research and development	37	None	—
		Selling, general and administrative	(25)	None	—

The effect of derivative instruments on the consolidated financial statements for the six months ended June 30, 2012 was as follows (in thousands):

<u>Type of Cash Flow Hedge</u>	Effective Portion			Ineffective Portion	
	Hedge Loss Recognized in Other Comprehensive Loss	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	\$ (673)				
		Cost of sales	\$ 68	None	\$ —
		Research and development	46	None	—
		Selling, general and administrative	(16)	None	—

The effect of derivative instruments on the consolidated financial statements for the three months ended June 30, 2011 was as follows (in thousands):

<u>Type of Cash Flow Hedge</u>	Effective Portion			Ineffective Portion	
	Hedge Loss Recognized in Other Comprehensive Loss	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain Reclassified from Accumulated Other Comprehensive Income	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	\$ (55)				
		Cost of sales	\$ 20	None	\$ —
		Research and development	127	None	—
		Selling, general and administrative	31	None	—

The effect of derivative instruments on the consolidated financial statements for the six months ended June 30, 2011 was as follows (in thousands):

Type of Cash Flow Hedge	Effective Portion			Ineffective Portion	
	Hedge Gain Recognized in Other Comprehensive Loss	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain Reclassified from Accumulated Other Comprehensive Income	Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	\$ 57				
		Cost of sales	\$ 35	None	\$ —
		Research and development	230	None	—
		Selling, general and administrative	74	None	—

Over the next twelve months, the Company expects to reclassify into earnings a loss of approximately \$0.8 million currently recorded as other comprehensive loss, as a result of the maturity of currently held forward exchange contracts.

The bank counterparties in these contracts expose the Company to credit-related losses in the event of their nonperformance. However, to mitigate that risk, the Company only contracts with counterparties who meet its minimum requirements regarding counterparty credit worthiness. In addition, the Company monitors credit ratings, credit spreads and potential downgrades prior to entering into any new hedging contracts.

#### Note 15 — Segment Information

The Company's Chief Operating Decision Maker, our Chief Executive Officer, reviews our results of operations on a consolidated level. Therefore, the Company is one operating segment. Key resources, decisions, and assessment of performance are also analyzed on a company-wide level.

Revenues on a product and services basis are as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
Hardware	\$ 62,170	\$ 71,227	\$ 125,640	\$ 139,692
Software royalties and licenses	7,162	4,508	11,413	5,991
Technical support services	3,740	2,664	7,276	5,039
Engineering and other services	4,512	1,457	8,742	2,761
Total revenues	\$ 77,584	\$ 79,856	\$ 153,071	\$ 153,483

Generally, the Company's customers are not the end-users of its products. The Company ultimately derives revenues from the four product groups as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
ATCA Platforms	36,518	22,891	\$ 74,181	\$ 50,460
COM Express and Rackmount Server	11,931	14,124	24,103	27,041
Software-Solutions	16,102	9,925	28,162	13,533
Other Products	13,033	32,916	26,625	62,449
Total revenues	\$ 77,584	\$ 79,856	\$ 153,071	\$ 153,483

Information about the Company's geographic revenues and long-lived assets by geographical area is as follows (in thousands):

**Geographic Revenues**

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
United States	\$ 25,530	\$ 23,651	\$ 54,291	\$ 42,357
Other North America	861	252	1,661	592
North America	26,391	23,903	55,952	42,949
Europe, the Middle East and Africa ("EMEA")	12,371	16,340	31,819	41,796
Asia Pacific	38,822	39,613	65,300	68,738
Total	\$ 77,584	\$ 79,856	\$ 153,071	\$ 153,483

**Long-lived assets by Geographic Area**

	June 30, 2012	December 31, 2011
<b>Property and equipment, net</b>		
United States	\$ 8,808	\$ 8,748
Other North America	521	568
EMEA	2,899	2,928
Asia Pacific	3,770	3,122
Total property and equipment, net	\$ 15,998	\$ 15,366
<b>Goodwill</b>		
United States	\$ 29,588	\$ 29,588
EMEA	160	160
Total goodwill	\$ 29,748	\$ 29,748
<b>Intangible assets, net</b>		
United States	\$ 75,878	\$ 82,975
Other North America	299	386
EMEA	1,426	1,682
Total intangible assets, net	\$ 77,603	\$ 85,043

The following customers accounted for more than 10% of the Company's total revenues:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Nokia Siemens Networks	20.3%	51.9%	22.8%	47.3%
NEC	16.3%	NA	11.8%	NA

The following customer accounted for more than 10% of accounts receivable:

	June 30, 2012	December 31, 2011
Nokia Siemens Networks	23.2%	23.4%

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

### Introduction

You should read the following discussion and analysis in conjunction with our condensed consolidated financial statements and the related notes thereto included in this Report on Form 10-Q and with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

This report contains forward-looking statements including:

- expectations and goals for revenues, gross margin, research and development expenses ("R&D"), selling, general, and administrative expenses ("SG&A") and profits;
- the impact of our restructuring events on future operating results;
- our projected liquidity;
- future operations and market conditions;
- industry trends or conditions and the business environment;
- future levels of inventory and backlog and new products introductions;
- expected synergies and other expense savings and operational and administrative efficiencies, opportunities, timing, expense and effects of the acquisition of Continuous Computing;
- financial performance, revenue growth, management changes or other attributes of Radisys following the acquisition; and
- other statements that are not historical facts.

All statements that relate to future events or to our future performance are forward-looking statements. In some cases, forward-looking statements can be identified by terms such as "may," "will," "should," "expect," "plans," "seeks," "anticipate," "believe," "estimate," "predict," "potential," "continue," "seek to continue," "consider," "intends," or other comparable terminology. These forward-looking statements are made pursuant to safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results or our industries' actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

These factors include, among others, the Company's high degree of customer concentration, the Company's transition to one contract manufacturer and use of the single contract manufacturer for a significant portion of the production of our products, key employee attrition, the anticipated amount and timing of revenues from design wins due to the Company's customers' product development schedule, cancellations or delays, matters affecting the embedded system industry, including changes in industry standards, changes in customer requirements and new product introductions, currency exchange rate fluctuations, changes in tariff and trade policies and other risks associated with foreign operations, actions by regulatory authorities or other third parties, actions by Continuous Computing's former shareholders, costs and difficulties related to integration of acquired businesses, delays, costs and difficulties related to the transaction, market conditions, the Company's ability to successfully integrate the business and operations of Continuous Computing and higher than expected costs of integration, the Company's ability to successfully manage the transition from 10G to 40G ATCA product technologies, performance and customer acceptance of the Trillium line of products, the combined companies' financial results and performance, satisfaction of closing conditions, and other factors described in "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2011, as updated in the subsequent quarterly reports on Form 10-Q. Although forward-looking statements help provide additional information about us, investors should keep in mind that forward-looking statements are only predictions, at a point in time, and are inherently less reliable than historical information.

We do not guarantee future results, levels of activity, performance or achievements, and we do not assume responsibility for the accuracy and completeness of these statements. The forward-looking statements contained in this report are made and based on information as of the date of this report. We assume no obligation to update any of these statements based on information after the date of this report.

Unless required by context, or as otherwise indicated, "we," "us," "our" and similar terms, as well as references to the "Company" and "Radisys" refer to Radisys Corporation and include all of our consolidated subsidiaries.

## Overview

Radisys Corporation is a leading provider of embedded wireless infrastructure solutions for telecom, aerospace, defense and public safety applications. Radisys' market-leading Advanced Telecommunications Computing Architecture ("ATCA"), Internet Protocol ("IP") Media Server, Computer-on-Module ("COM") Express, Rackmount Server platforms and world-renowned Trillium software coupled with an expert professional services organization and market expertise enable Radisys customers to bring high-value products and services to market faster with lower investment and risk. Radisys solutions are used in a wide variety of 3G & 4G / Long-Term Evolution ("LTE") mobile network applications including: Radio Access Networks ("RAN") solutions from femtocells to picocells and macrocells, wireless core network applications, Deep Packet Inspection ("DPI") and policy management, conferencing and media services including voice, video and data, as well as customized mobile network applications that support the aerospace, defense and public safety markets.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011, in the first quarter of 2012 we changed our revenue reporting to align with how management began assessing revenues in 2012. Specifically, revenue will be disclosed in the following four product groups: ATCA Platforms, COM Express and Rackmount Server Products, Software-Solutions and Other Products. The total ATCA Platforms and Software-Solutions revenue represents the previously disclosed Next Generation Communications Networks revenue; COM Express and Rackmount Server revenue represents most of the previously disclosed Commercial Products revenue and Other Products revenue represents the previously disclosed Legacy Communications revenue as well as previously reported Commercial Products revenue that is not COM Express or Rackmount Server products. We have conformed prior period presentation to align our management's discussion and analysis with our new revenue reporting policy.

## Second Quarter 2012 Summary

- Revenues decreased \$2.3 million to \$77.6 million for the three months ended June 30, 2012 from \$79.9 million for the three months ended June 30, 2011. The decrease was primarily the result of an expected decline in Other Products revenue as these hardware centric products trend towards end of life. This decline was offset by an increase in ATCA and Software-Solutions revenue due to the July 2011 acquisition of Continuous Computing Corporation ("Continuous Computing").
- Our gross margin increased 4.6 percentage points in the three months ended June 30, 2012 to 34.4% from 29.8% of revenue in the three months ended June 30, 2011. The increase reflects favorable product mix towards our ATCA and Software-Solutions products and the impact of synergy cost savings resulting from the integration of Continuous Computing.
- R&D expense increased \$2.1 million to \$11.7 million for the three months ended June 30, 2012 from \$9.6 million for the three months ended June 30, 2011 due to the acquisition of Continuous Computing and increased product development costs associated with the development of our T-series 40G ATCA products. These increases were offset by a lower cost structure per employee resulting from the transition of R&D resources to lower cost geographies.
- SG&A expense decreased \$0.7 million to \$10.2 million for the three months ended June 30, 2012 from \$10.9 million for the three months ended June 30, 2011. The decrease is the result of a decrease in restructuring related expenses as well as the reversal of Long Term Incentive Plan ("LTIP") stock compensation expense. These decreases are offset by the increase in expenses related to the acquisition of Continuous Computing.
- Cash and cash equivalents decreased \$1.9 million to \$45.9 million at June 30, 2012 from \$47.8 million at December 31, 2011. The decrease in cash and cash equivalents was primarily due to capital expenditures associated with the build out of our international facilities, other integration related activities associated with the acquisition of Continuous Computing and the addition of 40G ATCA test equipment.

## Comparison of the Three and Six Months Ended June 30, 2012 and 2011

### Results of Operations

The following table sets forth certain operating data as a percentage of revenues for the three and six months ended June 30, 2012 and 2011:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales:				
Cost of sales	62.5	68.7	64.3	69.8
Amortization of purchased technology	3.1	1.5	3.2	1.5
Total cost of sales	65.6	70.2	67.5	71.3
Gross margin	34.4	29.8	32.5	28.7
Research and development	15.1	12.1	15.8	12.1
Selling, general, and administrative	13.1	13.6	14.5	14.3
Intangible asset amortization	1.7	0.2	1.7	0.3
Restructuring and acquisition-related charges, net	1.4	3.1	1.7	1.6
Income (loss) from operations	3.1	0.8	(1.2)	0.4
Interest expense	(0.6)	(0.6)	(0.6)	(0.6)
Interest income	—	—	—	—
Other income (expense), net	0.2	—	0.2	(0.1)
Income (loss) before income tax expense (benefit)	2.7	0.2	(1.6)	(0.3)
Income tax expense (benefit)	1.0	—	0.7	(0.1)
Net income (loss)	1.7 %	0.2 %	(2.3)%	(0.2)%

### Revenues

The following table sets forth our revenues by market (in thousands) for the three and six months ended June 30, 2012 and 2011:

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
ATCA Platforms ("ATCA")	\$ 36,518	\$ 22,891	59.5 %	\$ 74,181	\$ 50,460	47.0 %
COM Express and Rackmount Server	11,931	14,124	(15.5)	24,103	27,041	(10.9)
Software-Solutions	16,102	9,925	62.2	28,162	13,533	108.1
Other Products	13,033	32,916	(60.4)	26,625	62,449	(57.4)
Total revenues	\$ 77,584	\$ 79,856	(2.8)%	\$ 153,071	\$ 153,483	(0.3)%

Revenues in the ATCA product group increased \$13.6 million and \$23.7 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. Increased deployment to customers in the Japanese market to alleviate network capacity constraints resulted in an increase to ATCA revenue of \$4.9 million and \$3.5 million for the three and six months ending June 30, 2012. In addition, the July 2011 acquisition of Continuous Computing contributed \$14.0 million and \$24.0 million to ATCA revenue for the three and six months ending June 30, 2012. This increase is offset by softening of demand from our existing customer base due to weakening telecom spending. We expect telecom spending to remain weak throughout the remainder of 2012; however, we expect 10-15% long-term revenue growth in our ATCA product group.

Revenues in the COM Express and Rackmount Server product group decreased \$2.2 million and \$2.9 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. We expect revenues from the Rackmount Server

product line to decline in 2012; however, in 2011 we began reinvesting in this product line and expect revenue growth to resume in 2013.

Revenues in the Software-Solutions product group increased \$6.2 million and \$14.6 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. The increase in revenue reflects the addition of Trillium products as a result of the acquisition of Continuous Computing which contributed \$4.9 million and \$9.5 million for the three and six months ended June 30, 2012. In addition, strong demand for our Media Server products resulting from timing of deployments by our largest customer resulted in an increase of \$1.4 million and \$5.6 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. A decline in Software-Solutions revenues is expected during the second half of 2012 due to the timing of deployments with our largest customers; however, we expect 10-15% long-term revenue growth in our Software-Solutions product group.

Revenues in the Other Products product group decreased \$19.9 million and \$35.8 million for the three and six months ended June 30, 2012 from the comparable periods in 2011, as these hardware centric products trend towards end of life.

### Revenue by Geography

The following tables outline overall revenue dollars and the percentage of revenues, by geographic region, for the three and six months ended June 30, 2012 and 2011:

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
North America	\$ 26,391	\$ 23,903	10.4 %	\$ 55,952	\$ 42,949	30.3 %
Europe, the Middle East and Africa ("EMEA")	12,371	16,340	(24.3)	31,819	41,796	(23.9)
Asia Pacific	38,822	39,613	(2.0)	65,300	68,738	(5.0)
Total	\$ 77,584	\$ 79,856	(2.8)%	\$ 153,071	\$ 153,483	(0.3)%

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
North America	34.0%	29.9%	36.5%	28.0%
EMEA	15.9	20.5	20.8	27.2
Asia Pacific	50.1	49.6	42.7	44.8
Total	100.0%	100.0%	100.0%	100.0%

*North America.* Revenues from the North America region increased \$2.5 million and \$13.0 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. ATCA products decreased \$1.3 million and increased \$7.3 million for the three and six months ended June 30, 2012 compared to the comparable periods of 2011 due to timing of deployments with our largest customers as shipments to these customers were heavily weighted towards the first quarter of 2012. In addition, Software-Solutions revenue for the three and six months ended June 30, 2012 increased \$5.7 million and \$9.3 million from the comparable periods in 2011 due to the addition of Trillium products and timing of deployments with our largest Media Server customers.

*EMEA.* Revenues from the EMEA region decreased \$4.0 million and \$10.0 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. The decrease is attributable to continued softening demand from telecom providers due to economic uncertainty in Europe.

*Asia Pacific.* Revenues from the Asia Pacific region decreased \$0.8 million and \$3.4 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. The decrease reflects a decline of \$11.8 million and \$17.9 million in Other Products revenue for the three and six months ended June 30, 2012 from the comparable periods in 2011 due to an expected decline in revenues as these hardware centric products trend towards end of life. This decrease was offset by increases in ATCA revenue of \$13.8 million and \$17.8 million for the three and six months ended June 30, 2012 from the comparable periods in 2011 as a result of deployments by our Japanese customers.

We currently expect continued fluctuations in the percentage of revenue from each geographic region. Additionally, we expect non-U.S. revenues to remain a significant portion of our revenues.

### ***Gross Margin***

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
Cost of Sales	\$ 48,542	\$ 54,933	(11.6)%	\$ 98,547	\$ 107,167	(8.0)%
Amortization of Purchased Technology	2,391	1,163	105.6	4,833	2,327	107.7
Total Cost of Sales	\$ 50,933	\$ 56,096	(9.2)	\$ 103,380	\$ 109,494	(5.6)
Gross Margin	34.4%	29.8%	15.4 %	32.5%	28.7%	13.2 %

Gross margin as a percentage of revenues increased 4.6 and 3.8 percentage points for the three and six months ended June 30, 2012 from the comparable periods in 2011. Gross margin was favorably impacted as our higher margin ATCA and Software-Solutions products comprised a larger share of our revenues as compared to the comparable periods in 2011. For the three and six months ended June 30, 2012, gross margin for ATCA and Software-Solutions products was 48% and 44% as compared to gross margin for our Other Products of 12% and 15%. Gross margin on our ATCA and Software-Solutions products increased due to customer mix within ATCA products as our largest customer represented a smaller share of our total revenue and a greater share of Software-Solutions revenues.

### ***Operating Expenses***

The following table summarizes our operating expenses (in thousands) for the three and six months ended June 30, 2012 and 2011:

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
Research and development	\$ 11,713	\$ 9,600	22.0 %	\$ 24,259	\$ 18,607	30.4 %
Selling, general and administrative	10,173	10,875	(6.5)	22,173	21,910	1.2
Intangible asset amortization	1,304	192	579.2	2,608	384	579.2
Restructuring and acquisition-related charges, net	1,039	2,481	(58.1)	2,483	2,521	(1.5)
Total	\$ 24,229	\$ 23,148	4.7 %	\$ 51,523	\$ 43,422	18.7 %

### ***Research and Development***

R&D expenses consist primarily of salary, bonuses and benefits for product development staff, and cost of design and development supplies and equipment, net of reimbursements for nonrecurring engineering services. R&D expenses increased \$2.1 million and \$5.7 million for the three and six months ended June 30, 2012 from the comparable periods in 2011, reflecting higher product development costs associated with the development of our T-series 40G ATCA product introductions and increased headcount. Total R&D headcount was 468 at June 30, 2012 and 235 at June 30, 2011, with the increase attributable to our acquisition of Continuous Computing. These increases were offset by a decreased cost structure per employee as we have transitioned additional R&D resources to lower cost geographies.

### ***Selling, General, and Administrative***

SG&A expenses consist primarily of salary, commissions, bonuses and benefits for sales, marketing, executive and administrative personnel, as well as professional services and costs of other general corporate activities. SG&A expenses decreased \$0.7 million for the three months ended June 30, 2012 from the comparable periods in 2011. This decrease is due to the reversal of previously recognized LTIP stock compensation expense of \$2.4 million, as discussed further under stock compensation expense, and offset by increased employee headcount which resulted in an increase to payroll, commissions and payroll-related expenses of \$1.2 million and a \$0.4 million increase in depreciation expense resulting from the Continuous Computing acquisition, introduction of our T-series 40G ATCA products, and the build out of international facilities. Total SG&A headcount was 213 at June 30, 2012 and 173 at June 30, 2011, with increases resulting from the acquisition of Continuous Computing.

SG&A expenses increased \$0.3 million for the six months ended June 30, 2012. The increase in SG&A expenses reflects an increase in payroll, commissions, and payroll-related costs of \$2.7 million and offset by the reversal of previously recognized LTIP stock compensation expense of \$2.4 million.

### ***Intangible Asset Amortization***

Intangible asset amortization increased \$1.1 million and \$2.2 million for the three and six months ended June 30, 2012 from the comparable periods in 2011. Intangible asset amortization increased primarily due to the acquisition of Continuous Computing. We perform reviews for impairment of the purchased intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

### ***Restructuring and Acquisition-Related Charges, Net***

Restructuring and acquisition-related charges, net include expenses associated with restructuring activities as well as integration, transaction and legal fees, and retention bonuses incurred in connection with our acquisition of Continuous Computing. We evaluate the adequacy of the accrued restructuring charges on a quarterly basis. As a result, we record reversals to the accrued restructuring in the period in which we determine that expected restructuring and other obligations are less than the amounts accrued.

The \$1.4 million decrease in restructuring and acquisition-related charges, net for the three months ended June 30, 2012 is consistent with expectations as the majority of the expenses related to the acquisition of Continuous Computing were incurred in prior periods. For the six months ended June 30, 2012, restructuring and acquisition-related charges, net decreased by \$38,000 from the comparable period in 2011.

Restructuring and acquisition-related charges, net for the three months ended June 30, 2012 include the following:

- \$1.3 million - exit charge for certain North American facilities resulting from facilities rationalization;
- \$0.7 million - acquisition related charges largely associated with overlap of notified employees as we transition our R&D activities to lower cost geographies; and
- (\$1.3) million - decrease in fair value of Continuous Computing earnout liability.

Restructuring and acquisition-related charges, net for the six months ended June 30, 2012 include the following:

- \$1.3 million - acquisition related charges largely associated with overlap of notified employees as we transition our R&D activities to lower cost geographies;
- \$1.3 million - exit charge for certain North American facilities resulting from facilities rationalization;
- \$0.8 million - restructuring charges related to the Continuous Computing restructuring plan; and
- (\$1.0) million - decrease in fair value of Continuous Computing earnout liability.

### ***Stock-based Compensation Expense***

Included within cost of sales, R&D and SG&A are expenses associated with stock-based compensation. Stock-based compensation expense consists of amortization of stock-based compensation associated with unvested stock options, restricted stock units and the employee stock purchase plan ("ESPP").

We incurred and recognized stock-based compensation expense as follows (in thousands):

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
Cost of sales	\$ (134)	\$ 170	(178.8)%	\$ (205)	\$ 355	(157.7)%
Research and development	(296)	293	(201.0)	31	606	(94.9)
Selling, general and administrative	(1,076)	273	(494.1)	(410)	1,176	(134.9)
Total	\$ (1,506)	\$ 736	(304.6)%	\$ (584)	\$ 2,137	(127.3)%

Stock-based compensation expense for the three months ended June 30, 2012 decreased over the comparable period due to a decrease in LTIP expense. In the second quarter of 2012, the Company determined it was improbable that the LTIP performance goal would be attained prior to the end of the measurement period and, as a result, previously recognized LTIP

expense was reversed during the quarter ended June 30, 2012. The impact of this reversal by functional income statement classification is as follows: Cost of Sales (\$0.2) million, R&D \$(0.6) million, and SG&A \$(1.6) million. To achieve the minimum threshold for share vesting under the LTIP, the Company must achieve a minimum level of non-GAAP earnings per share (including the application of a 20% tax rate as stated in the LTIP versus current financial projections of 5%) on a rolling four quarter basis by December 31, 2012.

### ***Non-Operating Expenses***

The following table summarizes our non-operating expenses (in thousands):

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
Interest expense	\$ (422)	\$ (456)	(7.5)%	\$ (843)	\$ (952)	(11.4)%
Interest Income	8	35	(77.1)	12	91	(86.8)
Other income (expense), net	118	(47)	(351.1)	278	(140)	(298.6)
Total	\$ (296)	\$ (468)	(36.8)%	\$ (553)	\$ (1,001)	(44.8)%

### ***Interest Expense***

Interest expense includes interest incurred on our convertible notes and our lines of credit. The decrease in interest expense during the three and six months ended June 30, 2012, compared to the same periods in 2011, was due to the December 2011 repurchase of \$5.0 million of our 2013 convertible senior notes.

### ***Other Income (Expense), Net***

For the three and six months ended June 30, 2012, other income (expense), net increased \$0.1 million and \$0.3 million from the comparable periods in 2011 primarily as a result of the strengthening of the US Dollar ("USD") against currencies of our non-USD functional currency subsidiaries and the recognition of forward points associated with our hedge contracts for the Indian Rupee.

### ***Income Tax Provision***

	For the Three Months Ended			For the Six Months Ended		
	June 30,			June 30,		
	2012	2011	Change	2012	2011	Change
Income tax expense (benefit)	819	(46)	NM	1,123	(95)	NM

We recorded tax expense of \$0.8 million and \$1.1 million for the three and six months ended June 30, 2012. Our effective tax rates for the three months ended June 30, 2012 and 2011 were 37.7% and (31.3%). The effective tax rate fluctuations are due to the jurisdictions in which pretax income (loss) is being earned and income tax rate differences between the jurisdictions.

## Liquidity and Capital Resources

The following table summarizes selected financial information as of the dates indicated:

	June 30, 2012	December 31, 2011	June 30, 2011
(Dollar amounts in thousands)			
Cash and cash equivalents	\$ 45,852	\$ 47,770	\$ 135,632
Working capital	\$ 45,663	\$ 70,580	\$ 151,877
Accounts receivable, net	\$ 48,385	\$ 49,212	\$ 48,748
Inventories, net	\$ 22,638	\$ 27,011	\$ 15,954
Accounts payable	\$ 38,347	\$ 37,874	\$ 37,703
2013 convertible senior notes	\$ 27,000	\$ 45,000	\$ 50,000
2015 convertible senior notes	\$ 18,000	\$ —	\$ —

### Cash Flows

Cash and cash equivalents decreased by \$1.9 million to \$45.9 million at June 30, 2012 from \$47.8 million at December 31, 2011. As of June 30, 2012, the amount of cash held by foreign subsidiaries was \$27.5 million. If these funds are needed for our operations in the U.S., we would be required to accrue U.S. taxes to repatriate these funds. Our intent is to permanently reinvest these funds outside the U.S.; however, if needed, we may repatriate these funds for use in our U.S. operations although our current plans do not require any repatriation of these funds. Any repatriation may not result in actual cash payments as the taxable event would likely be offset by the utilization of then-available net operating losses and tax credits .

Activities impacting cash and cash equivalents were as follows:

	For the Six Months Ended June 30,	
	2012	2011
(In thousands)		
Operating Activities		
Net loss	\$ (3,508)	\$ (339)
Non-cash adjustments	12,615	8,454
Changes in working capital	(5,853)	1,378
Cash provided by operating activities	3,254	9,493
Cash used in investing activities	(5,831)	(2,642)
Cash provided by (used in) financing activities	768	(491)
Effects of exchange rate changes	(109)	194
Net increase (decrease) in cash and cash equivalents	\$ (1,918)	\$ 6,554

Cash provided by operating activities during the six months ended June 30, 2012 was \$3.3 million and consisted of a net loss of \$3.5 million, adjustments for non-cash items of \$12.6 million and cash used in working capital and other activities of \$5.9 million. For the six months ended June 30, 2012 primary drivers to changes in our working capital consisted of the following:

- Inventories decreased \$4.4 million due to our continued focus on reducing our buffer stock inventory that was built up in anticipation of our transition to one contract manufacturer;
- Net trade accounts receivable decreased \$0.8 million primarily as the result of decreased revenues and the timing of our shipments;
- Accrued wages and bonuses decreased \$3.3 million due to payment of the 2011 incentive compensation plan and timing of payroll-related accruals; and
- Deferred income decreased \$2.9 million due to recognition of revenues on prior-period customer billings as the undelivered elements or acceptance provisions contained in certain arrangements were satisfied. In addition, we recognized \$2.3 million of previously deferred revenue related to one of our distributors resulting from a change in the terms of our agreement with the distributor.

Cash provided by operating activities during the six months ended June 30, 2011 was \$9.5 million and consisted of a net loss of \$0.3 million, adjustments for non-cash items of \$8.5 million and cash provided by working capital and other activities of \$1.4 million. For the six months ended June 30, 2011 primary drivers to changes in our working capital consisted of the following:

- Net trade accounts receivable increased \$5.9 million primarily as a result of increased revenue and an increase in days sales outstanding;
- Accounts payable increased \$8.5 million as a result of our cash management and timing of vendor payments; and
- Deferred income increased \$2.9 million as the result of billings that were not recognized as income due to undelivered elements or acceptance provisions associated with certain arrangements.

Cash used in investing activities during the six months ended June 30, 2012 of \$5.8 million was due to capital expenditures related principally to capitalization of costs associated with integrating Continuous Computing into our enterprise resource planning system ("ERP"), the build out of our international facilities and the addition of 40G test equipment.

Cash used in investing activities during the six months ended June 30, 2011 of \$2.6 million was attributable to \$2.1 million in capital expenditures principally for infrastructure to support our contract manufacturing model as well as our transfer to one contract manufacturer and \$0.5 million for the purchase of other assets.

Cash provided by financing activities during the six months ended June 30, 2012 of \$0.8 million reflects cash received for net payments related to stock-based award activities. Cash used in financing activities in the six months ended June 30, 2011 of \$0.5 million was due to repurchases of our common stock of \$1.3 million under the Company's repurchase program and offset by cash received for net payments related to stock-based award activities of \$0.9 million.

As of June 30, 2012 and December 31, 2011, working capital was \$45.7 million and \$70.6 million. The decrease in our working capital from December 31, 2011 is primarily due to the reclassification of our 2013 convertible senior notes to current liabilities. The 2013 convertible senior notes mature on February 15, 2013.

### ***Line of Credit***

#### *Silicon Valley Bank*

We have a \$40.0 million secured revolving line of credit agreement (as amended, the "Agreement") with Silicon Valley Bank ("SVB") maturing on September 30, 2014. The secured revolving credit facility is available for cash borrowings, with \$20.0 million of the Agreement available on a non-formula basis and the remaining \$20.0 million subject to a borrowing formula based upon eligible accounts receivable. Eligible accounts receivable (as defined in the Agreement) include 80% of US and 65% of foreign accounts receivable for our U.S. companies, limited to concentration by certain customers, not greater than 60 days past due and no greater than 120 days from original invoice date. Borrowings under the Agreement bear interest at the prime rate, which was 3.25% as of June 30, 2012, or LIBOR, which was 0.24% as of June 30, 2012, plus 1.25%, with either interest rate determined at our election. We are required to make interest payments monthly. In addition, we are required to pay a commitment fee equal to \$35,000 on the closing date of the Agreement and annually thereafter and to pay quarterly in arrears an unused facility fee in an amount equal to 0.375% per year of the unused amount of the facility.

The Agreement requires us to make and maintain certain financial covenants, representations, warranties and other agreements that are customary in credit agreements of this type. The Agreement also requires us to maintain the following specific financial covenants:

- minimum quarterly liquidity ratio of 1.25 during the term of the Agreement. The liquidity ratio is defined as cash, cash equivalents and short term investments (with cash and cash equivalents held by our foreign subsidiaries not to exceed \$10.0 million and excluding any investments held by our foreign subsidiaries) plus eligible accounts receivable (as defined in the Agreement), divided by the sum of obligations owing to SVB under the Agreement;
- minimum two quarter positive rolling EBITDA (earnings before interest, taxes, depreciation, amortization, stock based compensation, goodwill impairment charges, and non-cash restructuring and integration expenses associated with the acquisition of Continuous Computing) of \$3.0 million beginning with the quarter ending December 31, 2012. Prior to December 31, 2012, the minimum two quarter rolling EBITDA requirements increase on a quarterly basis with the quarter ending September 30, 2011 as follows: (\$8.3) million, (\$8.5) million, (\$2.1) million, (\$0.5) million and \$2.0 million; and

- capital expenditures may not exceed \$20.0 million during the period January 1, 2011 to December 31, 2012 and \$8.0 million in subsequent years.

As of June 30, 2012 and December 31, 2011, we had no outstanding balances or letters of credit issued on its behalf under the Agreement. At June 30, 2012, we had \$40.0 million of available capacity under the Agreement. As of June 30, 2012, we were in compliance with all covenants.

### ***2013 Convertible Senior Notes***

During February 2008, we offered and sold in a public offering pursuant to the shelf registration statement \$55.0 million aggregate principal amount of 2.75% convertible senior notes due 2013 (the “2013 convertible senior notes”). Interest is payable semi-annually, in arrears, on each August 15 and February 15, beginning on August 15, 2008, to the holders of record at the close of business on the preceding August 1 and February 1, respectively. The 2013 convertible senior notes mature on February 15, 2013. Holders of the 2013 convertible senior notes may convert their notes into a number of shares of our common stock determined as set forth in the indenture governing the notes at their option on any day up to and including the business day prior to the maturity date. The 2013 convertible senior notes are initially convertible into 76,744.8 shares of our common stock per \$1,000 principal amount of the notes (which is equivalent to a conversion price of approximately \$13.03 per share), subject to adjustment upon the occurrence of certain events. Upon the occurrence of a fundamental change, holders of the 2013 convertible senior notes may require us to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. In addition, if certain fundamental changes occur, we may be required in certain circumstances to increase the conversion rate for any 2013 convertible senior notes converted in connection with such fundamental changes by a specified number of shares of our common stock. The 2013 convertible senior notes are our general unsecured obligations and rank equal in right of payment to all of our existing and future senior indebtedness, and senior in right of payment to our future subordinated debt. Our obligations under the 2013 convertible senior notes are not guaranteed by, and are effectively subordinated in right of payment to all existing and future obligations of our subsidiaries and are effectively subordinated in right of payment to our future secured indebtedness to the extent of the assets securing such debt.

In connection with the issuance of the 2013 convertible senior notes, we entered into a capped call transaction with a hedge counterparty. The capped call transaction is expected to reduce the potential dilution upon conversion of the 2013 convertible senior notes in the event that the market value per share of our common stock, as measured under the terms of the capped call transaction, at the time of exercise is greater than the strike price of the capped call transaction of approximately \$13.03. The strike price of the capped call transaction corresponds to the initial conversion price of the 2013 convertible senior notes and is subject to certain adjustments similar to those contained in the notes. The capped call transaction provides for net-share settlement in the event that the volume-weighted average price per share of our common stock on the settlement date exceeds the strike price of approximately \$13.03 per share. In such event, the hedge counterparty would deliver to us a number of shares equal to a formula determined by the quotient resulting from (a) the shares being settled times the difference between the volume-weighted average price on the settlement date and the strike price of approximately \$13.03 per share, divided by (b) the volume-weighted average price on the settlement date. If the volume-weighted average price on the settlement date equals or exceeds the cap price of \$23.085 per share, the difference in (a) would be \$23.085 minus \$13.03, or \$10.055. Because the maximum number of shares deliverable under the capped call transaction is less than the number of shares issuable upon conversion of the 2013 convertible senior notes, we refer to this effect as “dilution mitigation.” If the market value per share of our common stock exceeds the cap price of the capped call transaction of \$23.085, as measured under the terms of the capped call transaction, no additional shares would be delivered under the capped call transaction, and correspondingly, the dilution mitigation under the capped call transaction will be limited, which means that there would be dilution to the extent that the then market value per share of our common stock exceeds the cap price of the capped call transaction. Although the capped call transaction covers approximately 4.2 million shares, in order to facilitate an orderly settlement process, the shares are divided into tranches of approximately 211,000 shares each, settling on the twenty consecutive trading days prior to the date of maturity of our convertible notes. Thus, on each settlement date, approximately 211,000 shares would be settled, assuming a volume-weighted average price on such settlement date of \$23.085. Assuming volume-weighted average price of \$23.085, the hedge counterparty would deliver to us approximately 91,904 shares on each settlement date, calculated as follows:  $211,000 \times (\$23.085 - \$13.03) / \$23.085 = 91,904$ .

We were advised by the hedge counterparty that, in order to hedge or manage its risk of having to deliver shares under the capped call transaction, depending on whether our stock price rises or falls, the counterparty may purchase our common stock in the open market or enter into derivative transactions equivalent to purchasing our stock (in which case its derivative counterparty would be expected to purchase common stock or accomplish the equivalent in derivative transactions) and/or may sell our common stock, enter into derivative transactions equivalent to selling our stock or unwind (that is, cancel upon

payment of agreed consideration) previous derivative transactions (which would be the equivalent of selling our common stock). These types of transactions are commonly referred to as “modifying hedge positions.” Such modifications to our counterparty’s hedge positions may have an effect on our stock price.

During the six months ended June 30, 2012, we exchanged, in a private offering, \$18 million of the 2013 convertible senior notes, for \$18 million of 4.5% convertible senior notes due 2015 (the “2015 convertible senior notes”). We accounted for the exchange in accordance with the relevant accounting guidance for debt exchanges and modifications. Refer below for further details of the 2015 convertible senior notes.

### ***2015 Convertible Senior Notes***

On June 20, 2012, we entered into subscription agreements with certain holders of the 2013 convertible senior notes. Pursuant to the subscription agreements, on June 29, 2012 we exchanged \$18.0 million aggregate principal amount of the 2013 convertible senior notes for \$18.0 million aggregate principal amount of the new 2015 convertible senior notes. The 2015 convertible senior notes mature on February 15, 2015. Holders of the 2015 convertible senior notes may convert their notes into a number of shares of our common stock determined as set forth in the indenture governing the notes at their option on any day to and including the business day prior to the maturity date. The 2015 convertible senior notes are initially convertible into 117.2333 shares of our common stock per \$1,000 principal amount of the notes (which is equivalent to a conversion price of approximately \$8.53 per share), subject to adjustment upon the occurrence of certain events. Upon the occurrence of a fundamental change, holders of the 2015 convertible senior notes may require us to repurchase some or all of their notes for cash at a price equal to 100% of the principal amount of the notes being repurchased, plus accrued and unpaid interest, if any. In addition, if certain fundamental changes occur, we may be required in certain circumstances to increase the conversion rate for any 2015 convertible senior notes converted in connection with such fundamental changes by a specified number of shares of our common stock. The 2015 convertible senior notes are general unsecured obligations and rank equal in right of payment to all of our existing and future senior indebtedness, and senior in right of payment to our future subordinated debt. Our obligations under the 2015 convertible senior notes are not guaranteed by, and are effectively subordinated in right of payment to all existing and future obligations of its subsidiaries and are effectively subordinated in right of payment to its future secured indebtedness to the extent of the assets securing such debt.

As of June 30, 2012 and December 31, 2011, we had outstanding 2013 and 2015 convertible senior notes with a combined face value of \$45.0 million, of which \$27 million and \$0 were classified in current liabilities as of the respective balance sheet dates. As of June 30, 2012 and December 31, 2011, the fair value of the 2013 and 2015 convertible senior notes was \$44.1 million and \$41.8 million.

On July 31, 2012, we received the consent of Silicon Valley Bank under the line of credit agreement to repurchase up to \$10.0 million of aggregate principal amount of the 2013 convertible senior notes on or before August 31, 2012, which we may do depending on market conditions.

### ***Contractual Obligations***

Our contractual obligations as of December 31, 2011 are summarized in Item 7 - "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations,*" of the Company's Annual Report on Form 10-K for the year ended December 31, 2011. For the six months ended June 30, 2012, there have been no material changes in our contractual obligations outside the ordinary course of business, except for the exchange of a portion of our 2013 convertible senior notes for our new 2015 convertible senior notes, remeasurement of our contingent consideration liability, and agreements entered into regarding new foreign currency forward contracts with total contractual values of \$6.9 million that mature through 2013.

As described above under “2015 Convertible Senior Notes,” on June 29, 2012 we exchanged \$18.0 million aggregate principal amount of the 2013 convertible senior notes for \$18.0 million aggregate principal amount of the 2015 convertible senior notes. As a result of the exchange, \$18.0 million of the \$45.0 million aggregate principal amount of 2013 convertible senior notes outstanding at December 31, 2011 is now due February 2015. In addition, the interest rate on the \$18.0 million aggregate principal amount of 2015 convertible senior notes is 4.50% compared to 2.75% on the remaining 2013 convertible senior notes. As disclosed in the Condensed Consolidated Balance Sheets, our 2013 convertible senior notes have been classified as current liabilities.

During the six months ended June 30, 2012 we also revised our estimate of future cash payments under the Continuous Computing earnout liability. The revised estimate has decreased our estimated future cash payments from \$10.6 million at December 31, 2011 to \$8.7 million at June 30, 2012. See Note 3 - *Fair Value of Financial Instruments* of the Notes to the

Consolidated Financial Statements for additional information regarding the contingent consideration.

In addition to the above, we have approximately \$3.2 million associated with unrecognized tax benefits. We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but do not believe the ultimate settlement of our obligations will materially affect our liquidity.

### ***Off-Balance Sheet Arrangements***

We do not engage in any activity involving special purpose entities or off-balance sheet financing.

### ***Liquidity Outlook***

At June 30, 2012, our cash and cash equivalents amounted to \$45.9 million. We believe that our current cash and cash equivalents, the cash generated from operations and our line of credit facility will satisfy our short and long-term expected working capital needs, capital expenditures, acquisitions, stock repurchases, convertible debt repayment and other liquidity requirements associated with our existing business operations.

### **Critical Accounting Policies and Estimates**

We reaffirm our critical accounting policies and use of estimates as reported in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no significant changes during the six months ended June 30, 2012 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011.

For the three months ended June 30, 2012, the actual revenues for certain of our product groups declined below our internal forecasts due to overall economic conditions. The decline in results led us to conclude that a triggering event for review of potential goodwill and long-lived asset impairment had occurred. Accordingly, we performed interim goodwill and long-lived asset impairment evaluations. As a result of these analyses, we concluded there was no goodwill impairment under the step one test as required by ASC 350 and no impairment of long-lived assets under ASC 360 as of June 30, 2012.

Subsequent to June 30, 2012, our internal forecast for the remainder of 2012 has been revised downward and our stock price has declined. Depending on our actual financial performance and the performance of our stock price, we may be required to perform further impairment testing for the quarter ended September 30, 2012.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risk from changes in interest rates, foreign currency exchange rates, and equity trading prices, which could affect our financial position and results of operations.

*Foreign Currency Risk.* We pay the expenses of our international operations in local currencies, namely, the Canadian Dollar, Euro, Chinese Yuan, Indian Rupee, Japanese Yen, Malaysian Ringgit, and British Pound Sterling. Our international operations are subject to risks typical of an international business, including, but not limited to: differing economic conditions, changes in political climate, differing tax structures, foreign exchange rate volatility and other regulations and restrictions. Accordingly, future results could be materially and adversely affected by changes in these or other factors. We are also exposed to foreign exchange rate fluctuations as the balance sheets and income statements of our foreign subsidiaries are translated into U.S. Dollars during the consolidation process. Because exchange rates vary, these results, when translated, may vary from expectations and adversely affect overall expected profitability.

Based on our policy, we have established a foreign currency exposure management program which uses derivative foreign exchange contracts to address nonfunctional currency exposures. In order to reduce the potentially adverse effects of foreign currency exchange rate fluctuations, we have entered into forward exchange contracts. These hedging transactions limit our exposure to changes in the U.S. Dollar to the Canadian Dollar and Indian Rupee exchange rates, and as of June 30, 2012 the total notional or contractual value of the contracts we held was \$14.6 million. These contracts will mature over the next 20 months.

Holding other variables constant, a 10% adverse fluctuation, in relation to our hedge positions, of the U.S. Dollar relative to the Canadian Dollar would require an adjustment of \$0.2 million and increase our Canadian Dollar hedge liability as of June 30, 2012, to \$0.2 million. A 10% favorable fluctuation, in relation to our hedge positions, of the U.S. Dollar relative to the

Canadian Dollar would require an adjustment of \$0.2 million, reversing our Canadian Dollar hedge liability and creating an asset as of June 30, 2012, in the amount of \$0.2 million. We do not expect a 10% fluctuation to have any impact on our operating results as the underlying hedged transactions will move in an equal and opposite direction. If there is an unfavorable movement in the Canadian Dollar relative to our hedged positions this would be offset by reduced expenses, after conversion to the U.S. Dollar, associated with obligations paid for in the Canadian Dollar.

Holding other variables constant, a 10% adverse fluctuation, in relation to our hedge positions, of the U.S. Dollar relative to the Indian Rupee would require an adjustment of \$1.4 million and increase our Indian Rupee hedge liability as of June 30, 2012, to \$2.4 million. A 10% favorable fluctuation, in relation to our hedge positions, of the U.S. Dollar relative to the Indian Rupee would result in an adjustment of \$1.1 million, reversing our Indian Rupee hedge liability and creating a hedge asset as of June 30, 2012, in the amount of \$50,000. We do not expect a 10% fluctuation to have any impact on our operating results as the underlying hedged transactions will move in an equal and opposite direction. If there is an unfavorable movement in the Indian Rupee relative to our hedged positions this would be offset by reduced expenses, after conversion to the U.S. Dollar, associated with obligations paid for in the Indian Rupee.

*Convertible Notes.* The fair value of the 2013 and 2015 convertible senior notes is sensitive to interest rate changes as well as changes in our stock price. Interest rate changes would result in an increase or decrease in the fair value of the 2013 and 2015 convertible senior notes due to differences between market interest rates and rates in effect at the inception of the obligation. Fluctuations in our stock price would result in an increase or decrease in the fair value of the 2013 and 2015 convertible senior notes due to the value of the notes derived from the conversion feature. Unless we elect to repurchase our 2013 and 2015 convertible senior notes in the open market, changes in the fair value of the 2013 and 2015 convertible senior notes have no impact on our cash flows or consolidated financial statements. The estimated fair value of the 2013 and 2015 convertible senior notes was \$44.1 million and \$41.8 million at June 30, 2012 and December 31, 2011.

#### **Item 4. Controls and Procedures**

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

During our most recent fiscal quarter ended June 30, 2012, no change occurred in the Company's "internal control over financial reporting" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1A. Risk Factors

There are many factors that affect our business and the results of our operations, many of which are beyond our control. In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results. The risks described in this report and our Annual Report on Form 10-K for the year ended December 31, 2011 are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

***Increased IT security requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.***

Increased global IT security requirements, vulnerabilities, threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data. While we attempt to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of our networks and systems, and maintenance of backup and protective systems, our systems, networks, products, and solutions remain potentially vulnerable to advanced persistent threats. We also may have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming and/or human errors that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness and results of operations.

***We may not realize the anticipated benefits of the acquisition of Continuous Computing, and integration of the Continuous Computing business may disrupt our operations and may adversely affect our future results.***

We believe that the acquisition of Continuous Computing will result in certain customer and strategic benefits, including expanded market reach and increased product offerings. However, to realize these anticipated benefits, Continuous Computing's business must be successfully integrated into our operations by focusing on engineering and marketing and sales cooperation. The success of the Continuous Computing acquisition will depend on our ability to realize these anticipated benefits from integrating Continuous Computing's business into our operations. We may fail to realize the anticipated benefits of the Continuous Computing acquisition on a timely basis, or at all. If we fail to realize the anticipated benefits, or experience other adverse business or market impacts, we may be required to recognize impairment charges for the goodwill and intangible assets resulting from the acquisition. Any charges relating to such impairments would adversely affect our results of operations in the periods recognized. In addition, the diversion of the attention of management from its current operations to the integration effort could adversely affect our business.

### Item 5. Other Information

#### *Consent for Convertible Senior Notes*

On July 31, 2012, the Company and Silicon Valley Bank entered into a consent agreement. Under the consent agreement, subject with its terms and conditions, Silicon Valley Bank consented to the repurchase of \$10.0 million in aggregate principal amount of the 2.75% convertible senior notes due February 15, 2013 on or before August 31, 2012.

#### *Executive Change of Control Agreement and Amended and Restated Executive Severance Agreement with Mr. Fred Barden*

On August 2, 2012, the Company entered into an executive change of control agreement with our Vice President of Worldwide Sales, Fred Barden. The change of control agreement provides that if the Company terminates Mr. Barden's employment (other than for cause, death or disability) or if he terminates his employment with the Company for good reason within 12 months following a change of control of the Company or within three (3) months preceding a change of control, Mr.

Barden will be entitled to receive severance pay in a cash amount equal to nine (9) months of his annual base pay at the highest annual rate in effect at any time within the 12-month period preceding the date of termination. Upon such termination, and in addition to severance pay, he will also be entitled to receive (i) COBRA benefits for nine (9) months, (ii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iii) partial cash-based incentive compensation plan payout, if any.

On August 2, 2012, the Company also entered into an amended and restated executive severance agreement with Mr. Barden in order to update a preexisting agreement. Under the severance agreement, if Mr. Barden's employment with the Company is terminated other than for cause, death or disability, or if he terminates his employment with the Company for good reason, he will be entitled to (i) a payment of six (6) months base pay at the rate in effect immediately prior to the date of termination, (ii) up to six (6) months of continued coverage pursuant to COBRA, (iii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iv) partial cash-based incentive compensation plan payout, if any.

The foregoing description of the executive change of control agreement and the amended and restated executive severance agreement with Mr. Barden does not purport to be complete and is qualified in its entirety by reference to the full text of the executive change of control agreement and the amended and restated severance agreement, as applicable, which are attached as Exhibits 10.7 and 10.8, respectively, to this Quarterly Report and are incorporated herein by reference.

#### *Executive Change of Control Agreement and Executive Severance Agreement with Mr. Keate Despain*

On August 1, 2012, the Company entered into an executive change of control agreement with our Vice President and General Manager, CBU & ATCA, Keate Despain. The change of control agreement provides that if the Company terminates Mr. Despain's employment (other than for cause, death or disability) or if he terminates his employment with the Company for good reason within 12 months following a change of control of the Company or within three (3) months preceding a change of control, Mr. Despain will be entitled to receive severance pay in a cash amount equal to nine (9) months of his annual base pay at the highest annual rate in effect at any time within the 12-month period preceding the date of termination. Upon such termination, and in addition to severance pay, he will also be entitled to receive (i) COBRA benefits for nine (9) months, (ii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iii) partial cash-based incentive compensation plan payout, if any.

On August 1, 2012, the Company also entered into an executive severance agreement with Mr. Despain. Under the severance agreement, if Mr. Despain's employment with the Company is terminated other than for cause, death or disability, or if he terminates his employment with the Company for good reason, he will be entitled to (i) a payment of six (6) months base pay at the rate in effect immediately prior to the date of termination, (ii) up to six (6) months of continued coverage pursuant to COBRA, (iii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iv) partial cash-based incentive compensation plan payout, if any.

The foregoing description of the executive change of control agreement and the executive severance agreement with Mr. Despain does not purport to be complete and is qualified in its entirety by reference to the full text of the executive change of control agreement and the executive severance agreement, as applicable, which are attached as Exhibits 10.9 and 10.10, respectively, to this Quarterly Report and are incorporated herein by reference.

#### *Amended and Restated Executive Change of Control Agreement and Amended and Restated Executive Severance Agreement with Mr. Amit Agarwal*

On August 3, 2012, the Company entered into an amended and restated executive change of control agreement with our Vice President & General Manager, Software and Solutions, Amit Agarwal, in order to update a preexisting agreement. The change of control agreement provides that if the Company terminates Mr. Agarwal's employment (other than for cause, death or disability) or if he terminates his employment with the Company for good reason within 12 months following a change of control of the Company or within three (3) months preceding a change of control, Mr. Agarwal will be entitled to receive severance pay in a cash amount equal to nine (9) months of his annual base pay at the highest annual rate in effect at any time

within the 12-month period preceding the date of termination. Upon such termination, and in addition to severance pay, he will also be entitled to receive (i) Consolidated Omnibus Budget Reconciliation Act of 1986 ("COBRA") benefits for nine (9) months, (ii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iii) partial cash-based incentive compensation plan payout, if any.

On August 3, 2012, the Company also entered into an amended and restated executive severance agreement with Mr. Agarwal in order to update a preexisting agreement. Under the severance agreement, if Mr. Agarwal's employment with the Company is terminated other than for cause, death or disability, or if he terminates his employment with the Company for good reason, he will be entitled to (i) a payment of six (6) months base pay at the rate in effect immediately prior to the date of termination, (ii) up to six (6) months of continued coverage pursuant to COBRA, (iii) stock-based incentive compensation plan payout under the LTIP pursuant to the terms of and within the periods specified in the LTIP and stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable and (iv) partial cash-based incentive compensation plan payout, if any.

The foregoing description of the amended and restated executive change of control agreement and the amended and restated executive severance agreement with Mr. Agarwal does not purport to be complete and is qualified in its entirety by reference to the full text of the amended and restated executive change of control agreement and the amended and restated executive severance agreement, as applicable, which are attached as Exhibits 10.11 and 10.12, respectively, to this Quarterly Report and are incorporated herein by reference.

## Item 6. Exhibits

### (a) Exhibits

<u>Exhibit No</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated May 2, 2011, by and among the Company, Radisys Holdings, Inc., Continuous Computing Corporation and Shareholder Representative Services LLC. Incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 3, 2011 (SEC File No. 000-26844).
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated June 22, 2011, by and among the Company, Radisys Holdings, Inc., Continuous Computing Corporation and Shareholder Representative Services LLC. Incorporated by reference from Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 11, 2011 (SEC File No. 000-26844).
3.1	Second Restated Articles of Incorporation and amendments thereto. Incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed on September 1, 2006, SEC File No. 333-137060, as amended by the Articles of Amendment incorporated by reference from Exhibit 3.1 in the Company's Current Report on Form 8-K filed on January 30, 2008.
3.2*	Amended and Restated Bylaws (composite as amended).
4.1	Second Supplemental Indenture, dated June 29, 2012, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 2, 2012 (SEC File No. 000-26844).
4.2	Form of Global Security for the 4.50% Convertible Senior Notes due 2015 (included in Exhibit 4.1).
10.1	Transition Agreement, dated April 23, 2012, by and between the Company and John T. Major. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 24, 2012 (SEC File No. 000-26844).
10.2	Form of Subscription Agreement, dated June 20, 2012, by and between the Company and certain holders of the Company's 2.75% Senior Convertible Notes due February 2013. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 26, 2012 (SEC File No. 000-26844).
10.3*	Consent, dated June 20, 2012, by and between the Company and Silicon Valley Bank.
10.4	Form of Registration Rights Agreement, dated June 29, 2012, by and between the Company and certain holders of the Company's 4.50% Convertible Senior Notes due 2015. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 2, 2012 (SEC File No. 000-26844).
10.5	RadiSys Corporation 2007 Stock Plan. Incorporated by reference from Appendix C to the Company's Proxy Statement on Schedule 14A, filed on May 17, 2012 (SEC File No. 000-26844).
10.6	RadiSys Corporation 1996 Employee Stock Purchase Plan. Incorporated by reference from Appendix D to the Company's Proxy Statement on Schedule 14A, filed on May 17, 2012 (SEC File No. 000-26844).
10.7*	Executive Change of Control Agreement dated August 2, 2012 between the Company and Fred Barden.
10.8*	Amended and Restated Executive Severance Agreement dated August 2, 2012 between the Company and Fred Barden.
10.9*	Executive Change of Control Agreement dated August 1, 2012 between the Company and Keate Despain.
10.10*	Executive Severance Agreement dated August 1, 2012 between the Company and Keate Despain.
10.11*	Executive Change of Control Agreement dated August 3, 2012 between the Company and Amit Agarwal.
10.12*	Executive Severance Agreement dated August 3, 2012 between the Company and Amit Agarwal.
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1*	Certification of the Chief 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 the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Presentation Linkbase
101.DEF**	XBRL Taxonomy Definition Linkbase

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\* Filed herewith

\*\* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 3, 2012	RADISYS CORPORATION
	By: _____ /s/ Michel Dagenais Michel Dagenais <i>Chief Executive Officer</i>
Dated: August 3, 2012	
	By: _____ /s/ Brian Bronson Brian Bronson <i>President, Chief Financial Officer and Principal Accounting Officer</i>

## EXHIBIT INDEX

<u>Exhibit No</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated May 2, 2011, by and among the Company, Radisys Holdings, Inc., Continuous Computing Corporation and Shareholder Representative Services LLC. Incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 3, 2011 (SEC File No. 000-26844).
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated June 22, 2011, by and among the Company, Radisys Holdings, Inc., Continuous Computing Corporation and Shareholder Representative Services LLC. Incorporated by reference from Exhibit 2.2 to the Company's Current Report on Form 8-K filed on July 11, 2011 (SEC File No. 000-26844).
3.1	Second Restated Articles of Incorporation and amendments thereto. Incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8, filed on September 1, 2006, SEC File No. 333-137060, as amended by the Articles of Amendment incorporated by reference from Exhibit 3.1 in the Company's Current Report on Form 8-K filed on January 30, 2008.
3.2*	Amended and Restated Bylaws (composite as amended).
4.1	Second Supplemental Indenture, dated June 29, 2012, by and between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee. Incorporated by reference from Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 2, 2012 (SEC File No. 000-26844).
4.2	Form of Global Security for the 4.50% Convertible Senior Notes due 2015 (included in Exhibit 4.1).
10.1	Transition Agreement, dated April 23, 2012, by and between the Company and John T. Major. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 24, 2012 (SEC File No. 000-26844).
10.2	Form of Subscription Agreement, dated June 20, 2012, by and between the Company and certain holders of the Company's 2.75% Senior Convertible Notes due February 2013. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 26, 2012 (SEC File No. 000-26844).
10.3*	Consent, dated June 20, 2012, by and between the Company and Silicon Valley Bank.
10.4	Form of Registration Rights Agreement, dated June 29, 2012, by and between the Company and certain holders of the Company's 4.50% Convertible Senior Notes due 2015. Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 2, 2012 (SEC File No. 000-26844).
10.5	RadiSys Corporation 2007 Stock Plan. Incorporated by reference from Appendix C to the Company's Proxy Statement on Schedule 14A, filed on May 17, 2012 (SEC File No. 000-26844).
10.6	RadiSys Corporation 1996 Employee Stock Purchase Plan. Incorporated by reference from Appendix D to the Company's Proxy Statement on Schedule 14A, filed on May 17, 2012 (SEC File No. 000-26844).
10.7*	Executive Change of Control Agreement dated August 2, 2012 between the Company and Fred Barden.
10.8*	Amended and Restated Executive Severance Agreement dated August 2, 2012 between the Company and Fred Barden.
10.9*	Executive Change of Control Agreement dated August 1, 2012 between the Company and Keate Despain.
10.10*	Executive Severance Agreement dated August 1, 2012 between the Company and Keate Despain.
10.11*	Executive Change of Control Agreement dated August 3, 2012 between the Company and Amit Agarwal.
10.12*	Executive Severance Agreement dated August 3, 2012 between the Company and Amit Agarwal.
31.1*	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1*	Certification of the Chief 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 the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Presentation Linkbase
101.DEF**	XBRL Taxonomy Definition Linkbase

\* Filed herewith

\*\* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**AMENDED AND RESTATED BYLAWS**  
**OF**  
**RADISYS CORPORATION**

(Composite as Amended through May 11, 2012)

ARTICLE I

SHAREHOLDERS MEETINGS AND VOTING

1.1 ANNUAL MEETING. The annual meeting of the shareholders shall be held on the third Tuesday in May of each year at 10:00 a.m., unless a different date or time is fixed by the Board of Directors and stated in the notice of the meeting. Failure to hold an annual meeting on the stated date shall not affect the validity of any corporate action.

1.2 SPECIAL MEETINGS. Special meetings of the shareholders, for any purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board or the Board of Directors and shall be called by the Chairman of the Board upon the written demand of the holders of not less than one-tenth of all the votes entitled to be cast on any issue proposed to be considered at the meeting. The demand shall describe the purposes for which the meeting is to be held and shall be signed, dated and delivered to the Secretary.

1.3 PLACE OF MEETINGS. Meetings of the shareholders shall be held at any place in or out of Oregon designated by the Board of Directors. If a meeting place is not designated by the Board of Directors, the meeting shall be held at the Corporation's principal office.

1.4 NOTICE OF MEETINGS. Written or printed notice stating the date, time and place of the shareholders meeting and, in the case of a special meeting or a meeting for which special notice is required by law, the purposes for which the meeting is called, shall be delivered by the Corporation to each shareholder entitled to vote at the meeting and, if required by law, to any other shareholders entitled to receive notice, not earlier than 60 days nor less than 10 days before the meeting date. If mailed, the notice shall be deemed delivered when it is mailed to the shareholder with postage prepaid at the shareholder's address shown in the Corporation's record of shareholders.

1.5 WAIVER OF NOTICE. A shareholder may at any time waive any notice required by law, these Bylaws or the Articles of Incorporation. The waiver shall be in writing, be signed by the shareholder entitled to the notice and be delivered to the Corporation for inclusion in the minutes for filing with the corporate records. A shareholder's attendance at a meeting waives objection to (i) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting, and (ii) consideration of a particular matter at the meeting that is not within the purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

1.6 FIXING OF RECORD DATE. The Board of Directors may fix a future date, or a later time on the date the board fixes the record date, as the record date to determine the share holders entitled to notice of a shareholders meeting, demand a special meeting, vote, take any other action or receive payment of any share or cash dividend or other distribution. This date shall not be earlier than 70 days before the meeting or action requiring a determination of shareholders. The record date for any meeting, vote or other action of the shareholders shall be the same for all voting groups. If not otherwise fixed by the Board of Directors, the record date to determine shareholders entitled to notice of and to vote at an annual or special shareholders meeting is the close of business on the day before the notice is first mailed or otherwise transmitted to shareholders. If not otherwise fixed by the Board of Directors, the record date to determine shareholders entitled to receive payment of any share or cash dividend or other distribution is the close of business on the day the Board of Directors authorizes the share or cash dividend or other distribution.

1.7 SHAREHOLDERS LIST FOR MEETING. After a record date for a meeting is fixed, the Corporation shall prepare an alphabetical list of all shareholders entitled to notice of the shareholders meeting. The list shall be arranged by voting group and, within each voting group, by class or series of shares, and it shall show the address of and number of shares held by each shareholder. The shareholders list shall be available for inspection by any shareholder, upon proper demand as may be required by law, beginning two business days after notice of the meeting is given and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. The Corporation shall make the shareholders list

available at the meeting, and any shareholder or the shareholder's agent or attorney shall be entitled to inspect the list at any time during the meeting or any adjournment. Refusal or failure to prepare or make available the shareholders list does not affect the validity of action taken at the meeting.

#### 1.8 QUORUM; ADJOURNMENT.

(1) Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. A majority of the votes entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter.

(2) A majority of votes represented at the meeting, although less than a quorum, may adjourn the meeting from time to time to a different time and place without further notice to any shareholder of any adjournment, except that notice is required if a new record date is or must be set for the adjourned meeting. At an adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally held.

(3) Once a share is represented for any purpose at a meeting, it shall be present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting. A new record date must be set if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

#### 1.9 VOTING REQUIREMENTS; ACTION WITHOUT MEETING.

(1) If a quorum exists, action on a matter, other than the election of directors, by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by law or the Articles of Incorporation. Unless otherwise provided in the Articles of Incorporation, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

(2) Action required or permitted by law to be taken at a shareholders meeting may be taken without a meeting if the action is taken by all the shareholders entitled to vote on the action. The action must be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action and delivered to the Secretary for inclusion in the minutes for filing with the corporate records.

Shareholder action taken by written consent is effective when the last shareholder signs the consent, unless the consent specifies an earlier or later effective date.

1.10 PROXIES. A shareholder may vote shares in person or by proxy. A shareholder may appoint a proxy by signing an appointment form either personally or by the shareholder's attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer of the Corporation authorized to tabulate votes. An appointment is valid for 11 months unless a different period is provided in the appointment form. An appointment is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest that has not been extinguished.

1.11 MEETING BY TELEPHONE CONFERENCE. Shareholders may participate in an annual or special meeting by, or conduct the meeting through, use of any means of communications by which all shareholders participating may simultaneously hear each other during the meeting, except that no meeting for which a written notice is sent to shareholders may be conducted by this means unless the notice states that participation in this manner is permitted and describes how any shareholder desiring to participate in this manner may notify the Corporation. Participation in a meeting by this means shall constitute presence in person at the meeting.

1.12 PROPER BUSINESS FOR SHAREHOLDERS' MEETING. To be properly brought before the meeting, business must be either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) otherwise properly brought before a meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive office of the Corporation not less than 50 days nor more than 75 days prior to the meeting;

PROVIDED, HOWEVER, that in the event that less than 65 days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. A shareholder's notice to the Secretary shall set forth (i) one or more matters appropriate for shareholder action that the shareholder proposes to bring before the meeting, (ii) a brief description of the matters desired to be brought before the meeting and the reasons for conducting such business at the meeting, (iii) the name and record address of the shareholder, (iv) the class and number of shares of the Corporation that the shareholder owns or is entitled to vote and (v) any material interest of the shareholder in such matters.

Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedure set forth in this Section 1.12; PROVIDED, HOWEVER, that nothing in this Section 1.12 shall be deemed to preclude discussion by any shareholder of any business properly brought before the meeting. The Chairman of the Board, or the President in the absence of the Chairman of the Board, shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting in accordance with the provisions of this Section 1.12 and if the Chairman of the Board, or the President in the absence of the Chairman of the Board, should so determine, shall so declare to the meeting any such business not properly brought before the meeting shall not be transacted.

### 1.13 SHAREHOLDER NOMINATION OF DIRECTORS.

(1) Not less than 50 days nor more than 75 days prior to the date of any annual meeting of shareholders, any shareholder who intends to make a nomination at the annual meeting shall deliver a notice to the Secretary of the Corporation setting forth (i) as to each nominee whom the shareholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the nominee, (b) the principal occupation or employment of the nominee, (c) the class and number of shares of capital stock of the Corporation that are beneficially owned by the nominee of shares of capital stock of the Corporation that are beneficially owned by the nominee and (d) any other information concerning the nominee that would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee; and (ii) as to the shareholder giving the notice, (a) the name and record address of the shareholder and (b) the class and number of shares of capital stock of the Corporation that are beneficially owned by the shareholder; PROVIDED, HOWEVER, that in the event that less than 65 days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, notice by the shareholder to be timely must be so delivered not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Such notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such nominee. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the corporation.

(2) Any shareholder who intends to make a nomination at any special meeting of shareholders held for the purpose of electing directors shall deliver a timely notice to the Secretary of the Corporation setting forth (i) as to each nominee whom the shareholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the nominee, (b) the principal occupation or employment of the nominee, (c) the class and number of shares of capital stock of the corporation that are beneficially owned by the nominee of shares of capital stock of the corporation that are beneficially owned by the nominee and (d) any other information concerning the nominee that would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee; and (ii) as to the shareholder giving the notice, (a) the name and record address of the shareholder and (b) the class and number of shares of capital stock of the Corporation that are beneficially owned by the shareholder. To be timely for these purposes, such notice must be given (i) if given by the shareholder (or any of the shareholders) who or that made a demand for a meeting pursuant to which such meeting is to be held, concurrently with the delivery of such demand, and (ii) otherwise, not later than the close of business on the 10th day following the date on which the notice of the special meeting was mailed. Such notice shall include a signed consent to serve as a director of the Corporation, if elected, of each such nominee. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

(3) The Chairman of the Board, or the President in the absence of the Chairman of the Board, shall, if the facts warrant, determine and declare that a nominee was not properly nominated in accordance with the provisions of this Section 1.13 and if the Chairman of the Board, or the President in the absence of the Chairman of the Board, should so determine, shall so declare to the meeting any such nominee shall not be considered by shareholders.

## ARTICLE II

### BOARD OF DIRECTORS

2.1 DUTIES OF BOARD OF DIRECTORS. All corporate powers of the Corporation shall be exercised by or under the authority of its Board of Directors; the business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

2.2 NUMBER, TERM AND QUALIFICATION. The number of directors of the Corporation shall be at least three and no more than eleven. Within this range, at the time of adoption of these Restated Bylaws the number of directors shall be six, and the number of directors shall otherwise be determined from time to time by the Board of Directors. The term of a director shall expire at the next annual meeting of shareholders after his or her election. Despite the expiration of a director's term, the director shall continue to serve until the director's successor is elected and qualified or the number of directors is decreased.

Directors need not be residents of the State of Oregon or shareholders of the Corporation.

2.3 REGULAR MEETINGS. A regular meeting of the Board of Directors may be held without notice other than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings in or out of Oregon without notice other than the resolution.

2.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chief Executive Officer or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place in or out of Oregon as the place for holding any special meeting of the Board of Directors called by them.

2.5 NOTICE. Notice of the date, time and place of any special meeting of the Board of Directors shall be given at least 24 hours prior to the meeting by notice communicated in person, by telephone, telegraph, teletype, other form of wire or wireless communication, mail or private carrier. If written, notice shall be effective at the earliest of (a) when received, (b) three days after its deposit in the United States mail, as evidenced by the postmark, if mailed postpaid and correctly addressed, or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested and the receipt is signed by or on behalf of the addressee. Notice by all other means shall be deemed effective when received by or on behalf of the director.

Notice of any regular or special meeting need not describe the purposes of the meeting unless required by law or the Articles of Incorporation.

2.6 WAIVER OF NOTICE. A director may at any time waive any notice required by law, these Bylaws or the Articles of Incorporation. Except as set forth below, the waiver must be in writing, be signed by the director entitled to the notice, specify the meeting for which notice is waived and be filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

2.7 QUORUM. A majority of the number of directors set forth in Section 2.2 of these Bylaws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. If less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

2.8 MANNER OF ACTING. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a different number is provided by law, the Articles of Incorporation or these Bylaws.

## 2.9 MEETING BY TELEPHONE CONFERENCE; ACTION WITHOUT MEETING.

(1) Directors may participate in a regular or special meeting by, or conduct the meeting through, use of any means of communications by which all directors participating may simultaneously hear each other during the meeting. Participation in a meeting by this means shall constitute presence in person at the meeting.

(2) Any action that is required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if one or more written consents describing the action taken are signed by all of the directors entitled to vote on the matter and included in the minutes or filed with the corporate records reflecting the action taken. The action shall be effective when the last director signs the consent, unless the consent specifies an earlier or later effective date.

2.10 VACANCIES. Any vacancy on the Board of Directors, including a vacancy resulting from an increase in the number of directors, may be filled by the shareholders, the Board of Directors, the remaining directors if less than a quorum (by the vote of a majority thereof) or by a sole remaining director. Any vacancy not filled by the directors shall be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A vacancy that will occur at a specified later date, by reason of a resignation or otherwise, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

2.11 COMPENSATION. By resolution of the Board of Directors, the directors may be paid reasonable compensation for services as directors and their expenses of attending meetings of the Board of Directors.

2.12 PRESUMPTION OF ASSENT. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors shall be deemed to have assented to the action taken at the meeting unless (a) the director's dissent or abstention from the action is entered in the minutes of the meeting, (b) the director delivers a written notice of dissent or abstention to the action to the presiding officer of the meeting before any adjournment or to the Corporation immediately after the adjournment of the meeting or (c) the director objects at the beginning of the meeting or promptly upon the director's arrival to the holding of the meeting or transacting business at the meeting. The right to dissent or abstain is not available to a director who voted in favor of the action.

2.13 RESIGNATION. Any director may resign by delivering written notice to the Board of Directors, its chairperson or the Corporation. Unless the notice specifies a later effective date, a resignation notice shall be effective upon the earlier of (a) receipt, (b) five days after its deposit in the United States mails, if mailed postpaid and correctly addressed, or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by addressee. Once delivered, a resignation notice is irrevocable unless revocation is permitted by the Board of Directors.

## ARTICLE III

### COMMITTEES OF THE BOARD

3.1 COMMITTEES. The Board of Directors may create one or more committees and appoint members of the Board of Directors to serve on them. Each committee shall have two or more members. The creation of a committee and appointment of members to it must be approved by a majority of all directors in office when the action is taken.

Subject to any limitation imposed by the Board of Directors or by law, each committee may exercise all the authority of the Board of Directors in the management of the Corporation. A committee may not take any action that a committee is prohibited from taking by the Oregon Business Corporation Act.

3.2 CHANGES OF SIZE AND FUNCTION. Subject to the provisions of law, the Board of Directors shall have the power at any time to change the number of committee members, fill committee vacancies, change any committee members and change the functions and terminate the existence of a committee.

3.3 CONDUCT OF MEETINGS. Each committee shall conduct its meetings in accordance with the applicable provisions of these Bylaws relating to meetings and action without meetings of the Board of Directors. Each committee shall adopt any further rules regarding its conduct, keep minutes and other records and appoint subcommittees and assistants as it deems appropriate.

3.4 COMPENSATION. By resolution of the Board of Directors, committee members may be paid reasonable compensation for services on committees and their expenses of attending committee meetings.

## ARTICLE IV

### OFFICERS

4.1 APPOINTMENT. The Board of Directors at its first meeting following its election each year shall appoint a Chairman of the Board of Directors (“Chairman of the Board”), a President and a Secretary. The Board of Directors or the President may appoint any other officers, assistant officers and agents. Any two or more offices may be held by the same person.

4.2 COMPENSATION. The Corporation may pay its officers reasonable compensation for their services as fixed from time to time by the Board of Directors, or, with respect to officers appointed by the President, as fixed from time to time by the President.

4.3 TERM. The term of office of all officers commences upon their appointment and continues until their successors are appointed or until their resignation or removal.

4.4 REMOVAL. Any officer or agent appointed by the Board of Directors or the Chairman of the Board may be removed by the Board of Directors at any time with or without cause. Any officer or agent appointed by the Chairman of the Board may be removed by the Chairman of the Board at any time with or without cause.

4.5 CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall perform any duties and responsibilities prescribed from time to time by the Board of Directors.

4.6 CHIEF EXECUTIVE OFFICER Subject to the provisions of these Bylaws and to the direction of the Board of Directors, the Chief Executive Officer shall have the responsibility for the general management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of chief executive or which are delegated to him or her by the Board of Directors. The Chief Executive Officer shall have the power to execute on behalf of the Corporation all stock certificates, contracts, bonds, mortgages and other instruments of the Corporation and shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, subject in all cases to the orders and resolutions of the Board of Directors.

The Chief Executive Officer shall from time to time report to the Board of Directors all matters within the Chief Executive Officer’s knowledge which should be brought to the attention of the Board of Directors. The Chief Executive Officer shall vote all shares of stock in other corporations owned by the Corporation, and shall be empowered to execute proxies, waivers of notice, consents and other instruments in the name of the Corporation with respect to such stock. The Chief Executive Officer shall have any other duties and responsibilities prescribed by the Board of Directors.

4.7 PRESIDENT. The President shall be the chief administrative officer of the Corporation. He or she shall have general responsibility for the management and control of the operations and administration of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of president or which are delegated to him or her by the Board of Directors. Subject to the direction of the Board of Directors and the Chief Executive Officer, the President may execute on behalf of the Corporation all stock certificates, contracts, bonds, mortgages and other instruments of the Corporation and shall have general supervision and direction of all of the other officers (other than the Chief Executive Officer), employees and agents of the Corporation, subject in all cases to the orders and resolutions of the Board of Directors and to the direction of the Chief Executive Officer.

The President shall from time to time report to the Chief Executive Officer and the Board of Directors all matters within the President’s knowledge which should be brought to the attention of the Chief Executive Officer and the Board of Directors. The President may vote all shares of stock in other corporations owned by the Corporation, and shall be empowered to execute proxies, waivers of notice, consents and other instruments in the name of the Corporation with respect to such stock. The President shall have any other duties and responsibilities prescribed by the Chief Executive Officer and the Board of Directors.

4.8 VICE PRESIDENTS. Each Vice President shall perform duties and responsibilities prescribed by the Board of Directors or the President. The Board of Directors or the President may confer a special title upon a Vice President.

#### 4.9 SECRETARY.

(1) The Secretary shall record and keep the minutes of all meetings of the directors and shareholders in one or more books provided for that purpose and perform any duties prescribed by the Board of Directors or the President.

(2) Any assistant secretary shall have the duties prescribed from time to time by the Board of Directors, the President or the Secretary. In the absence or disability of the Secretary, the Secretary's duties shall be performed by an assistant secretary.

4.10 CHIEF FINANCIAL OFFICER. The Chief Financial Officer shall have charge and custody and be responsible for all funds and securities of the Corporation and shall have other duties as prescribed from time to time by the Board of Directors or the President.

### ARTICLE V

#### INDEMNIFICATION

The Corporation shall indemnify to the fullest extent not prohibited by law, any person who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative or other (including an action, suit or proceeding by or in the right of the Corporation) by reason of the fact that such person is or was a director of the Corporation or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the Corporation, or serves or served at the request of the Corporation as a director or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise. The Corporation shall pay for or reimburse the reasonable expenses incurred by any such person in any such proceeding to the fullest extent not prohibited by law. No amendment to these Bylaws that limits the Corporation's obligation to indemnify any person shall have any effect on such obligation for any act or omission that occurs prior to the later to occur of the effective date of the amendment or the date notice of the amendment is given to the person. This Article shall not be deemed exclusive of any other provisions for indemnification or advancement of expenses of directors, officers, employees, agents and fiduciaries that may be included in the Articles of Incorporation or any statute, agreement, general or specific action of the Board of Directors, vote of shareholders or other document or arrangement.

### ARTICLE VI

#### ISSUANCE OF SHARES

6.1 ADEQUACY OF CONSIDERATION. Before the Corporation issues shares, the Board of Directors shall determine that the consideration received or to be received for the shares to be issued is adequate. The authorization by the Board of Directors of the issuance of shares for stated consideration shall evidence a determination by the Board that such consideration is adequate.

#### 6.2 CERTIFICATES FOR SHARES.

(1) Certificates representing shares of the Corporation shall be in any form determined by the Board of Directors consistent with the requirements of the Oregon Business Corporation Act and these Bylaws; provided that any shares of the Corporation may be uncertificated shares, whether upon original issuance, re-issuance or subsequent transfer. Shares represented by certificates shall be signed, either manually or in facsimile, by two officers of the Corporation, at least one whom shall be the Chairman of the Board, the President or a Vice President, and may be sealed with the seal of the Corporation, if any, or a facsimile thereof. All certificates for shares shall be consecutively numbered or otherwise identified. The signatures of officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or any assistant transfer agent or registered by a registrar, other than the Corporation itself or an employee of the Corporation. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. Except as otherwise provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificated shares shall be identical.

(2) Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with its transfer agent, if any, and on surrender for cancellation of the certificate for

such shares or upon proper instructions from the holder of uncertificated shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

(3) All certificates surrendered to the Corporation for transfer shall be canceled. The Corporation shall not issue a new certificate, or, upon request, evidence of the equivalent uncertificated shares, until the former certificate or certificates for a like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon terms prescribed by the Board of Directors. Upon receipt of proper transfer instructions from the holder of uncertificated shares, the Corporation shall cancel such uncertificated shares and issue new equivalent uncertificated shares, or, upon such holder's request, certificated shares, to the person entitled thereto, and record the transaction upon its books.

6.3 TRANSFER AGENT AND REGISTRAR. The Board of Directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the Corporation, with powers and duties determined by the Board of Directors.

6.4 OFFICER CEASING TO ACT. If the person who signed a share certificate, either manually or in facsimile, no longer holds office when the certificate is issued, the certificate is nevertheless valid.

## ARTICLE VII

### CONTRACTS, LOANS, CHECKS AND OTHER INSTRUMENTS

7.1 CONTRACTS. Except as otherwise provided by law, the Board of Directors may authorize any officers or agents to execute and deliver any contract or other instrument in the name of and on behalf of the Corporation, and this authority may be general or confined to specific instances.

7.2 LOANS. The Corporation shall not borrow money and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors. This authority may be general or confined to specific instances.

7.3 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money and notes or other evidences of indebtedness issued in the name of the Corporation shall be signed in the manner and by the officers or agents of the Corporation designated by the Board of Directors.

7.4 DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited to the credit of the Corporation in those banks, trust companies or other depositories as the Board of Directors or officers of the Corporation designated by the Board of Directors select, or be invested as authorized by the Board of Directors.

## ARTICLE VIII

### MISCELLANEOUS PROVISIONS

8.1 SEVERABILITY. A determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

8.2 AMENDMENTS. These Bylaws may be amended or repealed and new Bylaws may be adopted by the Board of Directors or the shareholders of the Corporation.

Amended May 11, 2012

**CONSENT**

**THIS CONSENT** (this “*Consent*”) is entered into this 20<sup>th</sup> day of June, 2012, by and among **RADISYS CORPORATION**, an Oregon corporation (“*Borrower*”), and **SILICON VALLEY BANK** (“*Bank*”). Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (as defined below).

**RECITALS**

**A.** Borrower and Bank have entered into that certain Amended and Restated Loan and Security Agreement dated as of November 1, 2011 (as has been and may be further amended, restated, or otherwise modified, the “*Loan Agreement*”), pursuant to which the Bank has extended and will make available to Borrower certain advances of money.

**B.** Borrower (a) contemplates an amendment to certain of the notes issued pursuant to the 2013 Indenture which will, among other things, extend the maturity of, and increase the interest rate on, such notes (the “*Securities Amendment*”), and (b) desires that Bank consent to the Securities Amendment upon the terms and conditions more fully set forth herein.

**C.** Subject to the representations and warranties of Borrower herein and upon the terms and conditions set forth in this Consent, Bank is willing to provide the consent contained herein.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

**1. CONSENT TO SECURITIES AMENDMENT.** Section 7.9 of the Loan Agreement prohibits amendments of the 2013 Indenture. So long as no Event of Default exists, Bank hereby consents to the Borrower’s execution, delivery and performance of a supplemental indenture agreement (the “*Securities Amendment*”) with each of Wolverine Capital and Mohican Capital to provide for the issuance of those certain 4.50% Convertible Senior Securities Due 2015 in exchange for those certain 2.75% Convertible Senior Securities Due 2013. Bank hereby agrees that the Securities Amendment shall not violate Section 7.9 and shall not, in and of itself, constitute an Event of Default under Section 8 of the Loan Agreement.

**2. BORROWER’S REPRESENTATIONS AND WARRANTIES.** Borrower represents and warrants that:

(a) immediately upon giving effect to this Consent (i) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (ii) no Event of Default has occurred and is continuing; and

(b) as of the date hereof, it has no defenses against the obligations to pay any amounts under the Obligations. Borrower acknowledges that Bank has acted in good faith and has conducted in a commercially reasonable manner its relationships with Borrower in connection with this Consent and in connection with the Loan Documents.

Borrower understands and acknowledges that Bank is entering into this Consent in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

**3. LIMITATION.** The consent set forth herein shall be limited precisely as written and shall not be deemed (a) to be a forbearance, waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which Bank may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein; (b) to be a consent to any future consent or modification, forbearance or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof; or (c) to limit or impair Bank's right to demand strict performance of all terms and covenants as of any date.

**4. COUNTERPARTS.** This Consent may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Consent.

**5. INTEGRATION.** This Consent and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Consent; except that any financing statements or other agreements or instruments filed by Bank with respect to Borrower shall remain in full force and effect.

**6. GOVERNING LAW; VENUE.** THIS CONSENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be executed as of the date first written above.

**BORROWER:**

**RADISYS CORPORATION**  
an Oregon corporation

By: /s/ Brian Bronson  
Printed Name: Brian Bronson  
Title: President and Chief Financial Officer

**BANK:**

**SILICON VALLEY BANK**

By: /s/ Ray Aguilar  
Printed Name: Ray Aguilar  
Title: Relationship Manager

**EXECUTIVE CHANGE OF CONTROL AGREEMENT**

August 2, 2012

Fred Barden **Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124 **the Company**

1. **Employment Relationship.** Executive is currently employed by the Company as Vice President Global Sales. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2. **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

3. **Additional Compensation Upon Certain Termination Events.**

3.1 **Change of Control.** In the event of a Termination of Executive's Employment (as defined in Section 6.1), and provided such Termination of Executive's Employment occurs within twelve (12) months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three (3) months preceding a Change of Control, and contingent upon Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 9, Executive shall be entitled to the following benefits:

(a) As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to nine (9) months of Executive's annual base pay at the highest annual rate in effect at any time within the 12-month period preceding the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive within 5 days following the Effective Date of the Release of Claims, and no later than two and one-half months following the last day of the calendar year of the Termination of Executive's Employment.

(b) As an additional severance benefit, the Company will provide Executive with up to nine (9) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 9-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c) The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under

each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

3.2 **Parachute Payments.** Notwithstanding the foregoing, if the total payments and benefits to be paid to or for the benefit of Executive under this Agreement (the "Payment") would cause any portion of those payments and benefits to be "parachute payments" as defined in Code Section 280G(b)(2), or any successor provision, the total payments and benefits to be paid to or for the benefit of Executive under this Agreement shall be reduced by the Company to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would otherwise result in no portion of the Payment being subject to the excise tax imposed by Code Section 4999 (the "Excise Tax") or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: first by reducing or eliminating the portion of the Payment that is payable in cash, second by reducing or eliminating the portion of the Payment that is not payable in cash (other than Payments as to which Treasury Regulations Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) applies ("Q/A-24(c) Payments")), and third by reducing or eliminating Q/A-24(c) Payments. In the event that any Q/A-24(c) Payment or acceleration is to be reduced, such Q/A-24(c) Payment shall be reduced or cancelled in the reverse order of the date of grant of the awards. The independent public accounting firm serving as the Company's auditing firm immediately prior to the effective date of the Change of Control (the "Accountants") shall make in writing in good faith, subject to the terms and conditions of this Section 3.2, all calculations and determinations under this Section, including the assumptions to be used in arriving at such calculations and determinations, whether any payments are to be reduced, and the manner and amount of any reduction in the payments. For purposes of making the calculations and determinations under this Section, the Accountants may make reasonable assumptions and approximations concerning the application of Code Sections 280G and 4999. Executive shall furnish to the Accountants and the Company such information and documents as the Accountants or the Company may reasonably request to make the calculations and determinations under this Section. The Company shall bear all fees and costs the Accountants may reasonably charge or incur in connection with any calculations contemplated by this Section. The Accountants shall provide its determination, together with detailed supporting calculations regarding any relevant matter, both to the Company and to Executive by no later than ninety (90) days following the Termination of Executive's Employment.

#### 4. **Withholding; Subsequent Employment.**

4.1 **Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

4.2 **Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

5. **Other Agreements.** Any cash severance pay paid to Executive under any other agreement with the Company or any of its subsidiaries or affiliates (including but not limited to any employment agreement, but excluding for this purpose any stock option, stock appreciation right, restricted stock, restricted stock unit,

performance share, performance unit or other similar award agreement that may provide for accelerated vesting or related benefits) shall reduce the amount of cash severance pay payable under this Agreement.

## 6. Definitions.

**6.1 Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company or the surviving company in Executive's base pay from the highest annual rate in effect at any time within the 12-month period preceding the Change of Control, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) a material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on Company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company immediately prior to the Change of Control.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder.

A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company, and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

**6.2 Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

**6.3 Change of Control.** A Change of Control shall mean that one of the following events has taken place:

(a) The shareholders of the Company approve one of the following:

(i) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which Common Stock would be converted into cash, securities or other property, other than a Merger involving the

Company in which the holders of Common Stock immediately prior to the Merger continue to represent more than 50 percent of the voting securities of the surviving corporation after the Merger; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company.

(b) A tender or exchange offer, other than one made by the Company, is made for Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities representing more than 50 percent of the voting power of outstanding securities of the Company.

(c) The Company receives a report on Schedule 13D of the Exchange Act reporting the beneficial ownership by any person, or more than one person acting as a group, of securities representing more than 50 percent of the voting power of outstanding securities of the Company, except that if such receipt shall occur during a tender offer or exchange offer described in (b) above, a Change of Control shall not take place until the conclusion of such offer.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

**6.4 Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

**7. Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

**8. Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the termination of Executive's employment with the Company under the conditions described in Section 3.1, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Severance Agreement and Change of Control, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement. Further, Executive agrees to waive any entitlement to any severance or other payment under any such agreement and that such waiver shall inure to the benefit of the Company, its successors and assigns, and any third parties.

**9. Resignation of Corporate Offices; Reasonable Assistance.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive further agrees that, if requested by the Company or the surviving company following a Change of Control, Executive will continue his employment with the Company or the surviving company for a period of up to six months following the Change of Control in any capacity requested, consistent with Executive's area of expertise, provided that Executive receives the same salary and substantially the same benefits as in effect prior to the Change of Control. Executive agrees to provide the Company such written resignation(s) and assistance upon request and that no severance pay or other benefits will be paid until after such resignation(s) or services are provided.

10. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

11. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

12. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

13. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if this Agreement and the severance pay and other benefits provided hereunder are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 13 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 13 shall be payable in accordance with their original payment schedule.

14. **Costs and Attorneys' Fees.** In the event of any administrative or civil action brought by Executive to enforce the provisions of this Agreement, the Company shall pay Executive's reasonable attorneys' fees through trial and/or on appeal. The payment or reimbursement of expenses described in this Section 14 shall be made promptly and in no event later than December 31 of the year following the year in which such expenses were incurred, and the amount of such expenses eligible for payment or reimbursement in any year shall not affect the amount of such expenses eligible for payment or reimbursement in any other year nor shall such right to payment or reimbursement be subject to liquidation or exchange for another benefit.

15. **Prohibition on Acceleration of Payments.** The time or schedule of any payment or amount scheduled to be paid pursuant to the terms of this Agreement may not be accelerated except as otherwise permitted under Code Section 409A and the guidance and Treasury regulations issued thereunder.

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_  
Fred Barden, VP of Global Sales

**EXHIBIT A**  
**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Fred Barden and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties .**

For the purposes of this Release, "Executive" means Fred Barden, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties .**

For the purposes of this Release the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose .**

Executive was employed by the Company. Executive's employment is ending effective \_\_\_\_\_ under the conditions described in Section 3.1 of the Executive Change of Control Agreement ("Agreement") by and between Executive and the Company dated \_\_\_\_\_, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.**

Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement.

Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive expressly waives any rights or benefits under Section 1542 of the California Civil Code, or any equivalent statute. California Civil Code Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

### 3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- (a) this Release is worded in an understandable way;
- (b) claims under ADEA that may arise after the date of this Release are not waived;
- (c) the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- (d) Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- (e) Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the “Statutory Period”), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- (f) any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

### 3.2 **Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

### 3.3 **No Admission Of Liability .**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and

enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

\_\_\_\_\_ Dated: \_\_\_\_\_  
Fred Barden, VP of Global Sales

STATE OF OREGON ) )ss.  
County of \_\_\_\_\_ )

Personally appeared the above named Fred Barden and acknowledged the foregoing instrument to be his voluntary act and deed.

Before  
me:  
\_\_\_\_\_

NOTARY PUBLIC – OREGON  
My commission expires: \_\_\_\_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_ Dated: \_\_\_\_\_

Its:  
\_\_\_\_\_  
On Behalf of RadiSys Corporation and "Company"

**AMENDED AND RESTATED  
EXECUTIVE SEVERANCE AGREEMENT**

August 2, 2012

Fred Barden **Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124 **the Company**

1. **Employment Relationship.** Executive is currently employed by the Company as Vice President Global Sales. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2. **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

**3. Additional Compensation Upon Certain Termination Events.**

3.1 In the event of a Termination of Executive's Employment (as defined in Section 5.1) and contingent upon the Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 8, Executive shall be entitled to the following benefits:

(a) As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to six (6) months of Executive's annual base pay at the rate in effect immediately prior to the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive within 5 days following the Effective Date of the Release of Claims, and no later than two and one-half months following the last day of the calendar year of the Termination of Executive's Employment.

(b) As an additional severance benefit, the Company will provide Executive with up to six (6) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 6-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c) The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received

under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

#### **4. Withholding; Subsequent Employment.**

4.1 **Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

4.2 **Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

#### **5. Definitions.**

**5.1 Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 5.2), death or Disability (as defined in Section 5.3), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company in Executive's annual base salary, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) a material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office was previously located, except for required travel on Company business to the extent substantially consistent with Executive's business travel obligations on behalf of the Company.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder. A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

**5.2 Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by

Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

5.3 **Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

6. **Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

7. **Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the matters covered by this Agreement, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Amended and Restated Employment Agreement by and between Continuous Computing Corporation and Executive dated December 9, 2010, and the Executive Severance Agreement by and between Executive and the Company dated, May 2, 2011 and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement; provided, however, this Agreement does not supersede or replace the Executive Change of Control Agreement by and between Executive and the Company dated, August 1, 2012.

8. **Resignation of Corporate Offices.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive agrees to provide the Company such written resignation(s) upon request and that no severance pay or other benefits will be paid until after such resignation(s) are provided.

9. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

10. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

11. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

12. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if this Agreement and the severance pay and other benefits provided hereunder are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise

protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 12 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 12 shall be payable in accordance with their original payment schedule.

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_

Fred Barden, VP of Global Sales

**EXHIBIT A**

**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Fred Barden and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties.**

For the purposes of this Release, "Executive" means Fred Barden, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties.**

For the purposes of this Release, the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose.**

Executive was employed by the Company. Executive's employment is ending effective \_\_\_\_\_ under the conditions described in Section 3.1 of the Executive Severance Agreement ("Agreement") by and between Executive and the Company dated \_\_\_\_\_, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.**

Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement.

Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive expressly waives any rights or benefits under Section 1542 of the California Civil Code, or any equivalent statute. California Civil Code Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

### **3.1 IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- a. this Release is worded in an understandable way;
- b. claims under ADEA that may arise after the date of this Release are not waived;
- c. the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- d. Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- e. Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the "Statutory Period"), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- f. any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

### **3.2 Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

### **3.3 No Admission Of Liability.**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom

liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final

and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

Dated: \_\_ \_\_, \_\_

Fred Barden

STATE OF OREGON ) )  
County of \_\_)

Personally appeared the above named Fred Barden and acknowledged the foregoing instrument to be his voluntary act and deed.

Before me: \_\_

NOTARY PUBLIC - OREGON  
My commission expires: \_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
On Behalf of RadiSys Corporation and "Company"

Dated: \_\_\_\_\_

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## EXECUTIVE CHANGE OF CONTROL AGREEMENT

August 1, 2012

Keate Despain

**Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124 **the Company**

1. **Employment Relationship.** Executive is currently employed by the Company as Vice President Platforms. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2. **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

3. **Additional Compensation Upon Certain Termination Events.**

3.1 **Change of Control.** In the event of a Termination of Executive's Employment (as defined in Section 6.1), and provided such Termination of Executive's Employment occurs within twelve (12) months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three (3) months preceding a Change of Control, and contingent upon Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 9, Executive shall be entitled to the following benefits:

(a) As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to nine (9) months of Executive's annual base pay at the highest annual rate in effect at any time within the 12-month period preceding the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive within 5 days following the Effective Date of the Release of Claims, and no later than two and one-half months following the last day of the calendar year of the Termination of Executive's Employment.

(b) As an additional severance benefit, the Company will provide Executive with up to nine (9) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 9-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c) The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The

Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

**3.2 Parachute Payments.** Notwithstanding the foregoing, if the total payments and benefits to be paid to or for the benefit of Executive under this Agreement (the "Payment") would cause any portion of those payments and benefits to be "parachute payments" as defined in Code Section 280G(b)(2), or any successor provision, the total payments and benefits to be paid to or for the benefit of Executive under this Agreement shall be reduced by the Company to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would otherwise result in no portion of the Payment being subject to the excise tax imposed by Code Section 4999 (the "Excise Tax") or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: first by reducing or eliminating the portion of the Payment that is payable in cash, second by reducing or eliminating the portion of the Payment that is not payable in cash (other than Payments as to which Treasury Regulations Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) applies ("Q/A-24(c) Payments")), and third by reducing or eliminating Q/A-24(c) Payments. In the event that any Q/A-24(c) Payment or acceleration is to be reduced, such Q/A-24(c) Payment shall be reduced or cancelled in the reverse order of the date of grant of the awards. The independent public accounting firm serving as the Company's auditing firm immediately prior to the effective date of the Change of Control (the "Accountants") shall make in writing in good faith, subject to the terms and conditions of this Section 3.2, all calculations and determinations under this Section, including the assumptions to be used in arriving at such calculations and determinations, whether any payments are to be reduced, and the manner and amount of any reduction in the payments. For purposes of making the calculations and determinations under this Section, the Accountants may make reasonable assumptions and approximations concerning the application of Code Sections 280G and 4999. Executive shall furnish to the Accountants and the Company such information and documents as the Accountants or the Company may reasonably request to make the calculations and determinations under this Section. The Company shall bear all fees and costs the Accountants may reasonably charge or incur in connection with any calculations contemplated by this Section. The Accountants shall provide its determination, together with detailed supporting calculations regarding any relevant matter, both to the Company and to Executive by no later than ninety (90) days following the Termination of Executive's Employment.

#### **4. Withholding; Subsequent Employment.**

**4.1 Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

**4.2 Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

**5. Other Agreements.** Any cash severance pay paid to Executive under any other agreement with the Company or any of its subsidiaries or affiliates (including but not limited to any employment agreement, but excluding for this purpose any stock option, stock appreciation right, restricted stock, restricted stock unit, performance share, performance unit or other similar award agreement that may provide for accelerated vesting or related benefits) shall reduce the amount of cash severance pay payable under this Agreement.

6. **Definitions.**

6.1 **Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company or the surviving company in Executive's base pay from the highest annual rate in effect at any time within the 12-month period preceding the Change of Control, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) a material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on Company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company immediately prior to the Change of Control.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder.

A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company, and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

6.2 **Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

6.3 **Change of Control.** A Change of Control shall mean that one of the following events has taken place:

(a) The shareholders of the Company approve one of the following:

(i) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which Common Stock would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger continue to represent more than 50 percent of the voting securities of the surviving corporation after the Merger; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company.

(b) A tender or exchange offer, other than one made by the Company, is made for Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities representing more than 50 percent of the voting power of outstanding securities of the Company.

(c) The Company receives a report on Schedule 13D of the Exchange Act reporting the beneficial ownership by any person, or more than one person acting as a group, of securities representing more than 50 percent of the voting power of outstanding securities of the Company, except that if such receipt shall occur during a tender offer or exchange offer described in (b) above, a Change of Control shall not take place until the conclusion of such offer.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

**6.4 Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

**7. Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

**8. Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the termination of Executive's employment with the Company under the conditions described in Section 3.1, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Employee Severance Agreement, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement. Further, Executive agrees to waive any entitlement to any severance or other payment under any such agreement and that such waiver shall inure to the benefit of the Company, its successors and assigns, and any third parties.

**9. Resignation of Corporate Offices; Reasonable Assistance.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive further agrees that, if requested by the Company or the surviving company following a Change of Control, Executive will continue his employment with the Company or the surviving company for a period of up to six months following the Change of Control in any capacity requested, consistent with Executive's area of expertise, provided that Executive receives the same salary and substantially the same benefits as in effect prior to the Change of Control. Executive agrees to provide the Company such written resignation(s) and assistance upon request and that no severance pay or other benefits will be paid until after such resignation(s) or services are provided.

**10. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

11. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

12. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

13. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if this Agreement and the severance pay and other benefits provided hereunder are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 13 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 13 shall be payable in accordance with their original payment schedule.

14. **Costs and Attorneys' Fees.** In the event of any administrative or civil action brought by Executive to enforce the provisions of this Agreement, the Company shall pay Executive's reasonable attorneys' fees through trial and/or on appeal. The payment or reimbursement of expenses described in this Section 14 shall be made promptly and in no event later than December 31 of the year following the year in which such expenses were incurred, and the amount of such expenses eligible for payment or reimbursement in any year shall not affect the amount of such expenses eligible for payment or reimbursement in any other year nor shall such right to payment or reimbursement be subject to liquidation or exchange for another benefit.

15. **Prohibition on Acceleration of Payments.** The time or schedule of any payment or amount scheduled to be paid pursuant to the terms of this Agreement may not be accelerated except as otherwise permitted under Code Section 409A and the guidance and Treasury regulations issued thereunder.

**RADISYS CORPORATION**

By:

\_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_  
Keate Despain, VP of Platforms

**EXHIBIT A**  
**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Keate Despain and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties .**

For the purposes of this Release, "Executive" means Keate Despain, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties .**

For the purposes of this Release the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose .**

Executive was employed by the Company. Executive's employment is ending effective \_\_\_\_\_ under the conditions described in Section 3.1 of the Executive Change of Control Agreement ("Agreement") by and between Executive and the Company dated \_\_\_\_\_, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right**

**to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.** Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement. Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

**3.1 IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- (a) this Release is worded in an understandable way;
- (b) claims under ADEA that may arise after the date of this Release are not waived;
- (c) the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- (d) Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- (e) Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the "Statutory Period"), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- (f) any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

**3.2 Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

**3.3 No Admission Of Liability .**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

\_\_\_\_\_  
Keate Despain, VP of Platforms

Dated: \_\_\_\_\_

STATE OF OREGON ) )ss.  
County of \_\_\_\_\_ )

Personally appeared the above named Keate Despain and acknowledged the foregoing instrument to be his voluntary act and deed.

Before  
me:

\_\_\_\_\_

NOTARY PUBLIC – OREGON  
My commission expires: \_\_\_\_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its:  
  
\_\_\_\_\_  
On Behalf of RadiSys Corporation and "Company"

**EXECUTIVE SEVERANCE AGREEMENT**

August 1, 2012

Keate Despain **Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124 **the Company**

1. **Employment Relationship.** Executive is currently employed by the Company as Vice President of Platforms. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2. **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

**3. Additional Compensation Upon Certain Termination Events.**

3.1 In the event of a Termination of Executive's Employment (as defined in Section 5.1) and contingent upon the Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 8, Executive shall be entitled to the following benefits:

(a) As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to six (6) months of Executive's annual base pay at the rate in effect immediately prior to the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive within 5 days following the Effective Date of the Release of Claims, and no later than two and one-half months following the last day of the calendar year of the Termination of Executive's Employment.

(b) As an additional severance benefit, the Company will provide Executive with up to six (6) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 6-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c) The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his

cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

#### **4. Withholding; Subsequent Employment.**

4.1 **Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

4.2 **Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

#### **5. Definitions.**

**5.1 Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 5.2), death or Disability (as defined in Section 5.3), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company in Executive's annual base salary, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) A material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office was previously located, except for required travel on Company business to the extent substantially consistent with Executive's business travel obligations on behalf of the Company.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder. A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

**5.2 Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the

Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

5.3 **Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

6. **Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

7. **Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the matters covered by this Agreement, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the offer letter from the Company to Executive dated September 17, 2007, the Employee Severance Agreement by and between Executive and the Company dated November 20, 2007, and the Employee Severance Agreement by and between Executive and the Company dated January 29, 2009 and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement; provided, however, this Agreement does not supersede or replace the Executive Change of Control Agreement by and between Executive and the Company dated, August 1, 2012.

8. **Resignation of Corporate Offices.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive agrees to provide the Company such written resignation(s) upon request and that no severance pay or other benefits will be paid until after such resignation(s) are provided.

9. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

10. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

11. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

12. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if this Agreement and the severance pay and other benefits provided hereunder are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not

exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 12 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 12 shall be payable in accordance with their original payment schedule.

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_  
Keate Despain, VP of Platforms

**EXHIBIT A**

**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Keate Despain and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties.**

For the purposes of this Release, "Executive" means Keate Despain, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties.**

For the purposes of this Release, the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose.**

Executive was employed by the Company. Executive's employment is ending effective \_\_\_\_\_ under the conditions described in Section 3.1 of the Executive Severance Agreement ("Agreement") by and between Executive and the Company dated \_\_\_\_\_, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right**

**to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.** Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement. Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

**3.1 IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- a. this Release is worded in an understandable way;
- b. claims under ADEA that may arise after the date of this Release are not waived;
- c. the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- d. Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- e. Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the "Statutory Period"), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- f. any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

**3.2 Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

**3.3 No Admission Of Liability.**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

Dated: \_\_ \_\_, \_\_

Keate Despain

STATE OF OREGON ) )  
County of \_\_)

Personally appeared the above named Keate Despain and acknowledged the foregoing instrument to be his voluntary act and deed.

Before me: \_\_

NOTARY PUBLIC - OREGON  
My commission expires: \_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its: \_\_\_\_\_

On Behalf of RadiSys Corporation and "Company"

CHIDMS1/2572461.8

**AMENDED AND RESTATED  
EXECUTIVE CHANGE OF CONTROL AGREEMENT**

August 3, 2012

Amit Agarwal

**Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124 **the Company**

1. **Employment Relationship.** Executive is currently employed by the Company as Vice President Software and Solutions. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2. **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

3. **Additional Compensation Upon Certain Termination Events.**

3.1 **Change of Control.** In the event of a Termination of Executive's Employment (as defined in Section 6.1), and provided such Termination of Executive's Employment occurs within twelve (12) months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three (3) months preceding a Change of Control, and contingent upon Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 9, Executive shall be entitled to the following benefits:

(a) As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to nine (9) months of Executive's annual base pay at the highest annual rate in effect at any time within the 12-month period preceding the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive on the date that is 100 days following Termination of Executive's Employment.

(b) As an additional severance benefit, the Company will provide Executive with up to nine (9) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 9-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c) The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The

Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

**3.2 Parachute Payments.** Notwithstanding the foregoing, if the total payments and benefits to be paid to or for the benefit of Executive under this Agreement (the "Payment") would cause any portion of those payments and benefits to be "parachute payments" as defined in Code Section 280G(b)(2), or any successor provision, the total payments and benefits to be paid to or for the benefit of Executive under this Agreement shall be reduced by the Company to the Reduced Amount. The "Reduced Amount" shall be either (x) the largest portion of the Payment that would otherwise result in no portion of the Payment being subject to the excise tax imposed by Code Section 4999 (the "Excise Tax") or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits is necessary so that the Payment equals the Reduced Amount, reduction shall occur in the following order: first by reducing or eliminating the portion of the Payment that is payable in cash, second by reducing or eliminating the portion of the Payment that is not payable in cash (other than Payments as to which Treasury Regulations Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) applies ("Q/A-24(c) Payments")), and third by reducing or eliminating Q/A-24(c) Payments. In the event that any Q/A-24(c) Payment or acceleration is to be reduced, such Q/A-24(c) Payment shall be reduced or cancelled in the reverse order of the date of grant of the awards. The independent public accounting firm serving as the Company's auditing firm immediately prior to the effective date of the Change of Control (the "Accountants") shall make in writing in good faith, subject to the terms and conditions of this Section 3.2, all calculations and determinations under this Section, including the assumptions to be used in arriving at such calculations and determinations, whether any payments are to be reduced, and the manner and amount of any reduction in the payments. For purposes of making the calculations and determinations under this Section, the Accountants may make reasonable assumptions and approximations concerning the application of Code Sections 280G and 4999. Executive shall furnish to the Accountants and the Company such information and documents as the Accountants or the Company may reasonably request to make the calculations and determinations under this Section. The Company shall bear all fees and costs the Accountants may reasonably charge or incur in connection with any calculations contemplated by this Section. The Accountants shall provide its determination, together with detailed supporting calculations regarding any relevant matter, both to the Company and to Executive by no later than ninety (90) days following the Termination of Executive's Employment.

#### **4. Withholding; Subsequent Employment.**

**4.1 Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

**4.2 Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

**5. Other Agreements.** Any cash severance pay paid to Executive under any other agreement with the Company or any of its subsidiaries or affiliates (including but not limited to any employment agreement, but excluding for this purpose any stock option, stock appreciation right, restricted stock, restricted stock unit, performance share, performance unit or other similar award agreement that may provide for accelerated vesting or related benefits) shall reduce the amount of cash severance pay payable under this Agreement.

## 6. Definitions.

**6.1 Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company or the surviving company in Executive's base pay from the highest annual rate in effect at any time within the 12-month period preceding the Change of Control, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) a material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office is located immediately prior to the Change of Control, except for required travel on Company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company immediately prior to the Change of Control.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder.

A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company, and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

**6.2 Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Board of Directors, the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Board of Directors, Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

**6.3 Change of Control.** A Change of Control shall mean that one of the following events has taken place:

(a) The shareholders of the Company approve one of the following:

(i) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which Common Stock would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger continue to represent more than 50 percent of the voting securities of the surviving corporation after the Merger; or

(ii) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company.

(b) A tender or exchange offer, other than one made by the Company, is made for Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities representing more than 50 percent of the voting power of outstanding securities of the Company.

(c) The Company receives a report on Schedule 13D of the Exchange Act reporting the beneficial ownership by any person, or more than one person acting as a group, of securities representing more than 50 percent of the voting power of outstanding securities of the Company, except that if such receipt shall occur during a tender offer or exchange offer described in (b) above, a Change of Control shall not take place until the conclusion of such offer.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

**6.4 Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

**7. Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

**8. Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the termination of Executive's employment with the Company under the conditions described in Section 3.1, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Amended and Restated Employment Agreement by and between Continuous Computing Corporation and Executive dated December 30, 2008 and the Executive Change of Control Agreement, dated May 2, 2011, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement. Further, Executive agrees to waive any entitlement to any severance or other payment under any such agreement and that such waiver shall inure to the benefit of the Company, its successors and assigns, and any third parties.

**9. Resignation of Corporate Offices; Reasonable Assistance.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive further agrees that, if requested by the Company or the surviving company following a Change of Control, Executive will continue his employment with the Company or the surviving company for a period of up to six months following the Change of Control in any capacity requested, consistent with Executive's area of expertise, provided that Executive receives the same salary and substantially the same benefits as in effect prior to the Change of Control. Executive agrees to provide the Company such written resignation(s) and assistance upon request and that no severance pay or other benefits will be paid until after such resignation(s) or services are provided.

**10. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

11. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

12. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

13. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 13 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 13 shall be payable in accordance with their original payment schedule.

14. **Costs and Attorneys' Fees.** In the event of any administrative or civil action brought by Executive to enforce the provisions of this Agreement, the Company shall pay Executive's reasonable attorneys' fees through trial and/or on appeal. The payment or reimbursement of expenses described in this Section 14 shall be made promptly and in no event later than December 31 of the year following the year in which such expenses were incurred, and the amount of such expenses eligible for payment or reimbursement in any year shall not affect the amount of such expenses eligible for payment or reimbursement in any other year nor shall such right to payment or reimbursement be subject to liquidation or exchange for another benefit.

15. **Prohibition on Acceleration of Payments.** The time or schedule of any payment or amount scheduled to be paid pursuant to the terms of this Agreement may not be accelerated except as otherwise permitted under Code Section 409A and the guidance and Treasury regulations issued thereunder.

#### **RADISYS CORPORATION**

By:

\_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_  
Amit Agarwal, VP of Software and Solutions

**EXHIBIT A**  
**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Amit Agarwal and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties .**

For the purposes of this Release, "Executive" means Amit Agarwal, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties .**

For the purposes of this Release the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose .**

Executive was employed by the Company. Executive's employment is ending effective August 1, 2012 under the conditions described in Section 3.1 of the Amended and Restated Executive Change of Control Agreement ("Agreement") by and between Executive and the Company dated August 1, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.**

Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement.

Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive expressly waives any rights or benefits under Section 1542 of the California Civil Code, or any equivalent statute. California Civil Code Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

### 3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- (a) this Release is worded in an understandable way;
- (b) claims under ADEA that may arise after the date of this Release are not waived;
- (c) the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- (d) Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- (e) Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the “Statutory Period”), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- (f) any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

### 3.2 **Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

### 3.3 **No Admission Of Liability .**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and

enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

\_\_\_\_\_  
Amit Agarwal, VP of Software and Solutions

Dated: \_\_\_\_\_

STATE OF OREGON ) )ss.  
County of \_\_\_\_\_ )

Personally appeared the above named Amit Agarwal and acknowledged the foregoing instrument to be his voluntary act and deed.

Before  
me:  
  
\_\_\_\_\_

NOTARY PUBLIC – OREGON  
My commission expires: \_\_\_\_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Its:  
  
\_\_\_\_\_  
On Behalf of RadiSys Corporation and "Company"

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**AMENDED AND RESTATED  
EXECUTIVE SEVERANCE AGREEMENT**

August 3, 2012

Amit Agarwal    **Executive**

RadiSys Corporation, an Oregon corporation  
5445 NE Dawson Creek Parkway  
Hillsboro, OR 97124    **the Company**

1.        **Employment Relationship.** Executive is currently employed by the Company as Vice President Software and Solutions. Executive and the Company acknowledge that either party may terminate this employment relationship at any time and for any or no reason, provided that each party complies with the terms of this Agreement.

2.        **Release of Claims.** In consideration for and as a condition precedent to receiving the severance benefits outlined in this Agreement, Executive agrees to execute a Release of Claims in the form attached as **Exhibit A** ("Release of Claims"). Executive promises to execute and deliver the Release of Claims to the Company within 21 days (or, if required by applicable law, 45 days) from the last day of Executive's active employment. Executive shall forfeit the severance benefits outlined in this Agreement in the event that he fails to execute and deliver the Release of Claims to the Company in accordance with the timing and other provisions of the preceding sentence or revokes such Release of Claims prior to the "Effective Date" (as such term is defined in the Release of Claims) of the Release of Claims.

**3. Additional Compensation Upon Certain Termination Events.**

3.1      In the event of a Termination of Executive's Employment (as defined in Section 5.1) and contingent upon the Executive's execution of the Release of Claims without revocation within the time period described in Section 2 above and compliance with Section 8, Executive shall be entitled to the following benefits:

(a)      As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive, in a lump sum, an amount equal to six (6) months of Executive's annual base pay at the rate in effect immediately prior to the date of termination. Severance pay that is payable under this Agreement shall be paid to Executive within 5 days following the Effective Date of the Release of Claims, and no later than two and one-half months following the last day of the calendar year of the Termination of Executive's Employment.

(b)      As an additional severance benefit, the Company will provide Executive with up to six (6) months of continued coverage (100% paid by the Company) pursuant to COBRA under the Company's group health plan at the level of benefits (whether single or family coverage) previously elected by Executive immediately before the Termination of Executive's Employment and to the extent that Executive elects to continue coverage during such 6-month period. Each month for which the Company pays COBRA premiums directly reduces the total number of months of Executive's COBRA continuation entitlement.

(c)      The Company shall pay Executive his stock-based incentive compensation plan payout under the RadiSys Corporation Long Term Incentive Plan pursuant to the terms of and within the periods specified in the Long Term Incentive Plan and shall pay Executive his stock-based incentive compensation plan payout under each other stock-based incentive compensation plan maintained by the Company pursuant to the terms of and within the periods specified in each such other stock-based incentive compensation plan that may then be applicable. The Company shall also pay Executive his cash-based incentive compensation plan payout earned but not yet received under each cash-based incentive compensation plan maintained by the Company, if any, for any performance period

completed prior to the Termination of Executive's Employment. In addition, the Company shall pay Executive his cash-based incentive compensation plan payout for any then current performance period under each such cash-based incentive compensation plan, provided that such payout shall not exceed the payout at target performance, pro-rated through the date of the Termination of Executive's Employment. The amounts described in this Section (c), if any, shall be paid on the date Executive would otherwise have received each such payment if his employment had not been terminated and, in any event, no later than two and one-half months following the last day of the calendar year for which the cash-based incentive compensation plan payout was earned.

#### 4. Withholding; Subsequent Employment.

4.1 **Withholding.** All payments provided for in this Agreement are subject to applicable withholding obligations imposed by federal, state and local laws and regulations.

4.2 **Offset.** The amount of any payment provided for in this Agreement shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by Executive as the result of employment by another employer after termination.

#### 5. Definitions.

**5.1 Termination of Executive's Employment.** Termination of Executive's Employment means that (i) the Company has terminated Executive's employment with the Company (including any subsidiary of the Company) other than for Cause (as defined in Section 5.2), death or Disability (as defined in Section 5.3), or (ii) Executive, by written notice to the Company, has terminated his employment with the Company (including any subsidiary of the Company) for Good Reason (as defined below). For purposes of this Agreement, "Good Reason" means:

(a) a material reduction by the Company in Executive's annual base salary, other than a salary reduction that is part of a general salary reduction affecting employees generally; or

(b) a material change in the geographic location where Executive is based, provided that such change is more than 25 miles from where Executive's office was previously located, except for required travel on Company business to the extent substantially consistent with Executive's business travel obligations on behalf of the Company.

An event described above will not constitute Good Reason unless Executive provides written notice to the Company of Executive's intention to resign for Good Reason and specifying in reasonable detail the breach or action giving rise thereto within 90 days of its initial existence and the Company does not cure such breach or action within 30 days after the date of Executive's notice. In no instance will a resignation by Executive be deemed to be for Good Reason if it is made more than 12 months following the initial occurrence of any of the events that otherwise would constitute Good Reason hereunder. A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A. If any payments are to be made within a specified period of time or during a calendar year, the date of such payment shall be in the sole discretion of the Company and Executive shall not be permitted, directly or indirectly, to designate the taxable year of payment.

**5.2 Cause.** Termination of Executive's Employment for "Cause" shall mean termination upon (a) the willful and continued failure by Executive to perform substantially Executive's reasonably assigned duties with the Company (other than any such failure resulting from Executive's incapacity due to physical or mental illness) after a demand for substantial performance is delivered to Executive by the Chief Executive Officer or the President of the Company, which specifically identifies the manner in which the Chief Executive Officer or the President of the Company believes that Executive has not substantially performed Executive's duties or (b) the willful engaging by Executive in illegal conduct which is materially and demonstrably injurious to the Company. No act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests

of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors shall be conclusively presumed to be done, or omitted to be done, by Executive in the best interests of the Company.

5.3 **Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive calendar days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician and in accordance with the Company's Medical Leave of Absence Policy, unless within 30 days after notice of termination by the Company following such absence Executive shall have returned to the full-time performance of Executive's duties. This Agreement does not apply if the Executive is terminated due to Disability.

6. **Successors; Binding Agreement.** This Agreement shall be binding on and inure to the benefit of the Company and its successors and assigns. This Agreement shall inure to the benefit of and be enforceable by Executive and Executive's legal representatives, executors, administrators and heirs.

7. **Entire Agreement.** The Company and Executive agree that the foregoing terms and conditions constitute the entire agreement between the parties relating to the matters covered by this Agreement, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Amended and Restated Employment Agreement by and between Continuous Computing Corporation and Executive dated December 30, 2008 and the Executive Severance Agreement by and between Executive and the Company dated May 2, 2011 and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement; provided, however, this Agreement does not supersede or replace the Executive Change of Control Agreement by and between Executive and the Company dated, August 1, 2012.

8. **Resignation of Corporate Offices.** Executive will resign Executive's office, if any, as a director, officer or trustee of the Company, its subsidiaries or affiliates and of any other corporation or trust of which Executive serves as such at the request of the Company, effective as of the date of termination of employment. Executive agrees to provide the Company such written resignation(s) upon request and that no severance pay or other benefits will be paid until after such resignation(s) are provided.

9. **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

10. **Amendment.** No provision of this Agreement may be modified unless such modification is agreed to in writing signed by Executive and the Company.

11. **Severability.** If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other terms of this Agreement, and this Agreement shall be construed as if such unenforceable term had never been contained in this Agreement.

12. **Code Section 409A.** This Agreement and the severance pay and other benefits provided hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if this Agreement and the severance pay and other benefits provided hereunder are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of this Agreement to the contrary, this Agreement shall be interpreted and construed consistent with this intent, provided that the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer this Agreement so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this Agreement will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to Executive (or any other individual claiming a benefit through Executive) for any tax, interest, or penalties Executive may owe as a result of compensation paid under this Agreement, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A. If any payment or

reimbursement, or portion thereof, under this Agreement would be deemed to be a deferral of compensation not exempt from the provisions of Code Section 409A and would be considered a payment upon a separation from service for purposes of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then any such payment or reimbursement, or portion thereof, shall be delayed until the date that is the earlier to occur of (i) Executive's death or (ii) the date that is six months and one day following the date of the Termination of Executive's Employment (the "Delay Period"). Upon the expiration of the Delay Period, the payments delayed pursuant to this Section 12 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 12 shall be payable in accordance with their original payment schedule.

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Mike Dagenais, CEO

\_\_\_\_\_   
Amit Agarwal, VP of Software and Solutions

**EXHIBIT A**

**RELEASE OF CLAIMS**

**1. Parties.**

The parties to Release of Claims (hereinafter "Release") are Amit Agarwal and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

**1.1 Executive and Releasing Parties.**

For the purposes of this Release, "Executive" means Amit Agarwal, and "Releasing Parties" means Executive and his attorneys, heirs, legatees, personal representatives, executors, administrators, assigns, and spouse.

**1.2 The Company and the Released Parties.**

For the purposes of this Release, the "Company" means RadiSys Corporation, an Oregon corporation, and "Released Parties" means the Company and its predecessors and successors, affiliates, and all of each such entity's officers, directors, employees, insurers, agents, attorneys or assigns, in their individual and representative capacities.

**2. Background And Purpose.**

Executive was employed by the Company. Executive's employment is ending effective \_\_\_\_\_ under the conditions described in Section 3.1 of the Amended and Restated Executive Severance Agreement ("Agreement") by and between Executive and the Company dated \_\_\_\_\_, 2012.

The purpose of this Release is to settle, and the parties hereby settle, fully and finally, any and all claims the Releasing Parties may have against the Released Parties, whether asserted or not, known or unknown, including, but not limited to, claims arising out of or related to Executive's employment, any claim for reemployment, or any other claims whether asserted or not, known or unknown, past or future, that relate to Executive's employment, reemployment, or application for reemployment.

**3. Release.**

In consideration for the payments and benefits set forth in Section 3.1 of the Agreement and other promises by the Company all of which constitute good and sufficient consideration, Executive, for and on behalf of the Releasing Parties, waives, acquits and forever discharges the Released Parties from any obligations the Released Parties have and all claims the Releasing Parties may have as of the Effective Date (as defined in Section 4 below) of this Release, including but not limited to, obligations and/or claims arising from the Agreement or any other document or oral agreement relating to employment, compensation, benefits, severance or post-employment issues. Executive, for and on behalf of the Releasing Parties, hereby releases the Released Parties from any and all claims, demands, actions, or causes of action, whether known or unknown, arising from or related in any way to any employment of or past failure or refusal to employ Executive by the Company, or any other past claim that relates in any way to Executive's employment, compensation, benefits, reemployment, or application for employment, with the exception of any claim Executive may have against the Company for enforcement of the Agreement. The matters released include, but are not limited to, any claims under federal, state or local laws, any common law tort, contract or statutory claims, and any claims for attorneys' fees and costs. Further, Executive, for and on behalf of the Releasing Parties, waives and releases the Released Parties from any claims that this Release was procured by fraud or signed under duress or coercion so as to make the Release not binding. Executive is not relying upon any representations by the Company's legal counsel in deciding to enter into this Release. **Executive understands and agrees that by signing this Release Executive, for and on behalf of the Releasing Parties, is giving up the right to pursue any legal claims that Executive or the Releasing Parties may have against the Released Parties.**

Provided, nothing in this provision of this Release shall be construed to prohibit Executive from challenging the validity of the ADEA release in this Section of the Release or from filing a charge or complaint with the Equal Employment Opportunity Commission or any state agency or from participating in any investigation or proceeding conducted by the Equal Employment Opportunity Commission or state agency. However, the Released Parties will assert all such claims have been released in a final binding settlement.

Executive understands and agrees that this Release extinguishes all claims, whether known or unknown, foreseen or unforeseen. Executive expressly waives any rights or benefits under Section 1542 of the California Civil Code, or any equivalent statute. California Civil Code Section 1542 provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

Executive fully understands that, if any fact with respect to any matter covered by this Release is found hereafter to be other than or different from the facts now believed by Executive to be true, Executive expressly accepts and assumes that this Release shall be and remain effective, notwithstanding such difference in the facts.

### **3.1 IMPORTANT INFORMATION REGARDING ADEA RELEASE.**

Executive understands and agrees that:

- a. this Release is worded in an understandable way;
- b. claims under ADEA that may arise after the date of this Release are not waived;
- c. the rights and claims waived in this Release are in exchange for additional consideration over and above any consideration to which Executive was already undisputedly entitled;
- d. Executive has been advised to consult with an attorney prior to executing this Release and has had sufficient time and opportunity to do so;
- e. Executive has been given a period of time of 21 days (or, if required by applicable law, 45 days) (the "Statutory Period"), if desired, to consider this Release and understands that Executive may revoke his waiver and release of any ADEA claims covered by this Release within seven (7) days from the date Executive executes this Release. Notice of revocation must be in writing and received by RadiSys Corporation, 5445 NE Dawson Creek Drive, Hillsboro, Oregon 97124 Attention: Vice President, Human Resources within seven (7) days after Executive signs this Release; and
- f. any changes made to this Release, whether material or immaterial, will not restart the running of the Statutory Period.

### **3.2 Reservations Of Rights.**

This Release shall not affect any rights which Executive may have under any medical insurance, disability plan, workers' compensation, unemployment compensation, indemnifications, applicable company stock incentive plan(s), or the 401(k) plan maintained by the Company.

### **3.3 No Admission Of Liability.**

It is understood and agreed that the acts done and evidenced hereby and the release granted hereunder is not an admission of liability on the part of Executive or the Company or the Released Parties, by whom liability has been and is expressly denied.

**4. Effective Date.**

The "Effective Date" of this Release shall be the eighth calendar day after it is signed by Executive.

**5. No Disparagement.**

Executive agrees that henceforth Executive will not disparage or make false or adverse statements about the Company or the Released Parties. The Company should report to Executive any actions or statements that are attributed to Executive that the Company believes are disparaging. The Company may take actions consistent with breach of this Release should it determine that Executive has disparaged or made false or adverse statements about the Company or the Released Parties.

The Company agrees that henceforth the Company's officers and directors will not disparage or make false or adverse statements about Executive. Executive should report to the Company any actions or statements that are attributed to the Company's officers and directors that Executive believes are disparaging. Executive may take actions consistent with breach of this Release should it determine that the Company's officers and directors have disparaged or made false or adverse statements about Executive.

**6. Confidentiality, Proprietary, Trade Secret And Related Information**

Executive acknowledges the duty and agrees not to make unauthorized use or disclosure of any confidential, proprietary or trade secret information learned as an employee about the Company, its products, customers and suppliers, and covenants not to breach that duty. Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of any offer letter, employment agreement, confidentiality agreement, or any other agreement between Executive and the Company and any section(s) therein. Should Executive, Executive's attorney or agents be requested in any judicial, administrative, or other proceeding to disclose confidential, proprietary or trade secret information Executive learned as an employee of the Company, Executive shall promptly notify the Company of such request by the most expeditious means in order to enable the Company to take any reasonable and appropriate action to limit such disclosure.

**7. Scope Of Release.**

The provisions of this Release shall be deemed to obligate, extend to, and inure to the benefit of the parties; the Company's parents, subsidiaries, affiliates, successors, predecessors, assigns, directors, officers, and employees; and each party's insurers, transferees, grantees, legatees, agents, personal representatives and heirs, including those who may assume any and all of the above-described capacities subsequent to the execution and Effective Date of this Release.

**8. Entire Release.**

This Release and the Agreement signed by Executive contain the entire agreement and understanding between the parties and, except as reserved in Sections 3 and 6 of this Release, supersede and replace all prior agreements, written or oral, prior negotiations and proposed agreements, written or oral. Executive and the Company acknowledge that no other party, nor agent nor attorney of any other party, has made any promise, representation, or warranty, express or implied, not contained in this Release concerning the subject matter of this Release to induce this Release, and Executive and the Company acknowledge that they have not executed this Release in reliance upon any such promise, representation, or warranty not contained in this Release.

**9. Severability.**

Every provision of this Release is intended to be severable. In the event any term or provision of this Release is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction or by final and unappealed order of an administrative agency of competent jurisdiction, such illegality or invalidity should not affect the balance of the terms and provisions of this Release, which terms and provisions shall remain binding and

enforceable.

**10. References.**

The Company agrees to follow the applicable policy(ies) regarding release of employment reference information.

**11. Parties May Enforce Release.**

Nothing in this Release shall operate to release or discharge any parties to this Release or their successors, assigns, legatees, heirs, or personal representatives from any rights, claims, or causes of action arising out of, relating to, or connected with a breach of any obligation of any party contained in this Release.

**12. Governing Law.**

This Release shall be construed in accordance with and governed by the laws of the State of Oregon, without regard to its conflicts of laws provisions.

Dated: \_\_ \_\_, \_\_

Amit Agarwal

STATE OF OREGON ) )  
County of \_\_)

Personally appeared the above named Amit Agarwal and acknowledged the foregoing instrument to be his voluntary act and deed.

Before me: \_\_

NOTARY PUBLIC - OREGON  
My commission expires: \_\_

**RADISYS CORPORATION**

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
On Behalf of RadiSys Corporation and "Company"

Dated: \_\_\_\_\_

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**CERTIFICATIONS**

I, Michel Dagenais, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Radisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2012

/s/ Michel Dagenais

Michel Dagenais

Chief Executive Officer

CERTIFICATIONS

I, Brian Bronson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Radisys Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2012

/s/ Brian Bronson

Brian Bronson

Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Radisys Corporation (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michel Dagenais, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michel Dagenais

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Michel Dagenais

Chief Executive Officer

August 3, 2012

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Radisys Corporation (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Bronson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian Bronson

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Brian Bronson

Chief Financial Officer

August 3, 2012

