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FORM 10-Q

RADISYS CORP - RSYS

Filed: November 06, 2009 (period: September 30, 2009)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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

RADISYS CORPORATION
(Exact name of registrant as specified in its charter)

OREGON	**93-0945232**
(State or other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

5445 N.E. Dawson Creek Drive
Hillsboro, OR 97124
(Address of principal executive offices, including zip code)

(503) 615-1100
(Registrant's telephone number, including area code)

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 the 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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 November 5, 2009: 23,774,345

RADISYS CORPORATION

FORM 10-Q

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Source: RADISYS CORP, 10-Q, November 06, 2009

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RADISYS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts, unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	$ 70,448	$ 100,258	$ 226,145	$ 283,916
Cost of sales:				
Cost of sales	48,086	69,652	152,192	201,191
Amortization of purchased technology	1,619	3,868	4,857	11,906
Total cost of sales	49,705	73,520	157,049	213,097
Gross margin	20,743	26,738	69,096	70,819
Research and development	10,031	11,896	31,678	37,593
Selling, general and administrative	10,960	12,763	34,134	38,715
Intangible assets amortization	647	1,302	1,941	3,907
Restructuring charges (reversals)	183	(23)	4,618	575
Income (loss) from operations	(1,078)	800	(3,275)	(9,971)
Interest expense	(598)	(1,042)	(1,784)	(3,916)
Interest income	177	605	828	2,555
Other income (expense), net	21	27	233	(105)
Income (loss) before income tax expense (benefit)	(1,478)	390	(3,998)	(11,437)
Income tax expense (benefit)	(646)	871	39,050	(739)
Net loss	$ (832)	$ (481)	$ (43,048)	$ (10,698)
Net loss per share:				
Basic	$ (0.04)	$ (0.02)	$ (1.84)	$ (0.48)
Diluted	$ (0.04)	$ (0.02)	$ (1.84)	$ (0.48)
Weighted average shares outstanding:				
Basic	23,632	22,653	23,386	22,442
Diluted	23,632	22,653	23,386	22,442

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

Source: RADISYS CORP, 10-Q, November 06, 2009

RADISYS CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands)

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,112	$ 73,980
Short-term investments	55,014	—
ARS settlement right	7,350	—
Accounts receivable, net	37,037	45,551
Other receivables	5,145	1,090
Inventories, net	28,289	29,450
Other current assets	4,655	4,268
Deferred tax assets, net	1,393	10,297
Total current assets	230,995	164,636
Property and equipment, net	9,037	11,556
Intangible assets, net	12,991	19,804
Long-term investments	—	51,213
ARS settlement right	—	11,071
Long-term deferred tax assets, net	15,281	45,864
Other assets	6,427	4,882
Total assets	$ 274,731	$ 309,026
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,359	$ 34,123
Accrued wages and bonuses	5,457	11,253
Deferred income	2,871	2,274
Line of credit	41,243	39,535
Other accrued liabilities	14,329	11,384
Total current liabilities	95,259	98,569
Long-term liabilities:		
2013 convertible senior notes	50,000	50,000
Other long-term liabilities	3,071	2,989
Total long-term liabilities	53,071	52,989
Total liabilities	148,330	151,558
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock — $.01 par value, 5,664 shares authorized; none issued or outstanding	—	—
Common stock — no par value, 100,000 shares authorized; 23,763 and 23,033 shares issued and outstanding at September 30, 2009 and December 31, 2008	256,142	245,748
Accumulated deficit	(134,795)	(91,747)
Accumulated other comprehensive income:		
Cumulative translation adjustments	4,553	4,326
Unrealized gain (loss) on hedge instruments	501	(859)
Total accumulated other comprehensive income	5,054	3,467
Total shareholders' equity	126,401	157,468
Total liabilities and shareholders' equity	$ 274,731	$ 309,026

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

Source: RADISYS CORP, 10-Q, November 06, 2009

RADISYS CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands, unaudited)

	Common stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total	Total Comprehensive Loss (1)
	Shares	Amount				
Balances, December 31, 2008	23,033	$ 231,236	$ 3,467	$ (77,235)	$ 157,468	
Cumulative effect of adjustment resulting from the adoption of ASC Subtopic 470-20, net of tax	—	14,512	—	(14,512)	—	
Adjusted balances, December 31, 2008	23,033	245,748	3,467	(91,747)	157,468	
Shares issued pursuant to benefit plans	649	4,019	—	—	4,019	
Stock-based compensation associated with employee benefit plans	—	6,706	—	—	6,706	
Vesting of restricted stock units	131	—	—	—	—	
Restricted share cancellations and forfeitures for tax settlements	(50)	(331)	—	—	(331)	
Net adjustment for fair value of hedge derivatives	—	—	1,360	—	1,360	1,360
Translation adjustments	—	—	227	—	227	227
Net loss for the period	—	—	—	(43,048)	(43,048)	(43,048)
Balances, September 30, 2009	23,763	$ 256,142	$ 5,054	$ (134,795)	$ 126,401	
Total comprehensive loss for the nine months ended September 30, 2009						$ (41,461)

(1) For the three and nine months ended September 30, 2009 and 2008, total comprehensive loss consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Net loss for the period	$ (832)	$ (481)	$ (43,048)	$ (10,698)
Net adjustment for fair value of hedge derivatives	702	(254)	1,360	(246)
Translation adjustments	160	(273)	227	7
Impairment of available-for-sale investments, net of tax	—	(1,155)	—	(3,960)
Total comprehensive loss	$ 30	$ (2,163)	$ (41,461)	$ (14,897)

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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RADISYS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, unaudited)

	For the Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net loss	$ (43,048)	$ (10,698)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,653	20,534
Inventory valuation allowance	2,623	2,872
Unrealized loss on ARS settlement right	3,721	—
Unrealized gain on ARS	(4,101)	—
Non-cash interest expense	336	2,380
Deferred income taxes	180	(714)
Deferred tax valuation allowance	42,003	—
Canadian deferred tax foreign exchange benefit	(3,204)	—
Gain on early extinguishment of debt	—	104
Stock-based compensation expense	6,706	7,426
Other	34	304
Changes in operating assets and liabilities:		
Accounts receivable	8,514	21,284
Other receivables	(4,055)	683
Inventories	(966)	(11,122)
Other current assets	259	2,077
Accounts payable	(2,764)	(11,827)
Accrued wages and bonuses	(5,796)	608
Deferred revenue	597	(2,294)
Other accrued liabilities	2,184	1,607
Net cash provided by operating activities	14,876	23,224
Cash flows from investing activities:		
Proceeds from the sale of auction rate securities	300	10,025
Capital expenditures	(2,393)	(4,951)
Purchase of long-term assets	(42)	(280)
Net cash (used in) provided by investing activities	(2,135)	4,794
Cash flows from financing activities:		
Financing costs	—	(2,539)
Proceeds from issuance of 2013 convertible senior notes	—	55,000
Purchase of capped call	—	(10,154)
Repurchase of 2023 convertible senior notes	—	(60,916)
Payments on capital lease obligation	(147)	(101)
Net resettlement of restricted shares	(331)	(390)
Borrowings on line of credit	1,708	20,000
Proceeds from issuance of common stock	4,019	4,163
Net cash provided by financing activities	5,249	5,063
Effect of exchange rate changes on cash	142	73
Net increase in cash and cash equivalents	18,132	33,154
Cash and cash equivalents, beginning of period	73,980	50,522
Cash and cash equivalents, end of period	$ 92,112	$ 83,676

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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, 2008 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 September 30, 2009 and for the three and nine months ended September 30, 2009 and 2008 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 fiscal year ended December 31, 2008.

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.

Reclassifications

Certain reclassifications have been made to amounts in prior years to conform to current year presentation.

Recent Accounting Pronouncements

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105-10, "Generally Accepted Accounting Principles – Overall ("ASC 105-10"). Under ASC 105-10, the FASB Accounting Standards Codification (the "Codification") became the exclusive source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification superseded all then-existing non-SEC accounting and reporting standards, with the exception of certain non-SEC accounting literature, which became non-authoritative. The adoption of ASC 105-10 did not have an impact on the Company's consolidated financial statements; however, it changed the way in which the Company discloses information regarding financial assets, liabilities and results of operations.

In March 2008, the FASB issued a new accounting standard on disclosures about derivative instruments and hedging activities, which amended previous literature to require enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under GAAP, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard became effective for the Company on January 1, 2009 and the required enhanced disclosures have been provided for in Note 13 - *Hedging*.

In May 2008, the FASB issued a new accounting standard on accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement). Under the Codification, this standard is located in the cash subsections of ASC 470-20, "Debt with Conversion and Other Options." This standard required that issuers of such instruments separately account for the liability and equity components related to convertible debt instruments in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. This standard became effective for the Company on January 1, 2009. Based on its analysis, the Company determined that the new guidance only affected its 1.375% convertible senior notes which were due November 15, 2023 (the "2023 convertible senior notes"), even though the notes were retired during the fourth quarter of 2008. Accordingly, the Company is required to retrospectively apply this guidance to all periods presented that include the 2023 convertible senior notes. As a result of this retrospective application, the Company adjusted its opening accumulated deficit balance and paid in capital balances as of December 31, 2008. For further details refer to Note 8 – *Convertible Debt*.

In April 2009, the FASB issued a new accounting standard on interim disclosures about the fair value of financial instruments, which required quarterly disclosure of information about the fair value of financial instruments within the scope of GAAP. This standard became effective for the Company on April 1, 2009 and the required enhanced disclosures have been provided for in Note 2 - *Investments*.

In May 2009, the FASB issued a new accounting standard on subsequent events, which established the principles and requirements for subsequent events. Specifically, the new standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may have occurred for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The provisions of the new standard became effective for the Company on April 1, 2009, and were applied prospectively beginning in the second quarter of 2009. The implementation of this standard did not have a material impact on the Company's financial position, financial performance, or cash flows; however, it has changed the way in which the Company discloses information regarding subsequent events, which has been disclosed in Note 16 – *Subsequent Events*.

In September 2009, the FASB issued Update No. 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" (ASU 2009-13). ASU 2009-13 updates the existing multiple-element revenue arrangements guidance currently included under ASC 605-25, which originated primarily from the guidance in EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" (EITF 00-21). The revised guidance amends ASC subtopic 650-25 to eliminate the requirement that all undelivered elements have either vendor-specific objective evidence ("VSOE") or third-party evidence ("TPE") prior to recognition of a portion of the arrangement fee that is attributable to items that have already been delivered. In the absence of VSOE or TPE of the standalone selling price for one or more delivered or undelivered elements in a multiple-element arrangement, entities will be required to estimate the selling prices of those elements. Accordingly, the overall arrangement fee will be allocated based on their relative selling prices. ASU 2009-13 also eliminates the residual method to allocate the arrangement consideration. In addition, the guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting update to its consolidated financial statements.

In October 2009, the FASB issued ASU 2009-14, *Certain Arrangements That Include Software Elements*, (amendments to FASB ASC Topic 985, *Software)* ("ASU 2009-14"). ASU 2009-14 amends the original authoritative literature currently under ASC 985-605, and originally issued under AICPA Statement of Position 97-2, *Software Revenue Recognition,* and its related interpretive guidance. The original guidance applies to revenue arrangements for products or services that include software that is "more-than-incidental" to the products as a whole. The amendment under ASU 2009-14, excludes from its scope tangible products that contain both software and non-software components that function together to deliver a product's essential functionality. ASU 2009-14 will be effective for the first annual reporting period beginning on or after June 15, 2010, with early adoption permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. The Company is currently assessing the future impact of this new accounting update to its consolidated financial statements.

Note 2 — Investments

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Cash Equivalents				
Money market mutual funds	$ 15,551	$ 15,551	$ 14,987	$ 14,987
Short-term investments and ARS settlement right				
Auction rate securities	$ 55,014	$ 55,014	$ —	$ —
ARS settlement right	7,350	7,350	—	—
Total short-term investments and ARS settlement right	$ 62,364	$ 62,364	$ —	$ —
Long-term investments and ARS settlement right				
Auction rate securities	$ —	$ —	$ 51,213	$ 51,213
ARS settlement right	—	—	11,071	11,071
Total long-term investments and ARS settlement right	$ —	$ —	$ 62,284	$ 62,284

The Company currently holds investments in auction rate securities ("ARS"), the majority of which represent interests in collateralized debt obligations supported by pools of government-backed student loans with S&P AAA or Moody's Aaa ratings at the

Source: RADISYS CORP, 10-Q, November 06, 2009

time of purchase. During the first quarter of 2008, the Company's portfolio of ARS experienced multiple failed auctions as the amount of securities submitted for sale exceeded the amount of purchase orders. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date and parties desiring to sell their auction rate securities are unable to do so. During the fourth quarter of 2008, the Company accepted a settlement offer from its investment bank, UBS AG, associated with the failed auctions. Under the terms of the offer, the Company has the right to require the bank to repurchase at par value its ARS investments at any time between June 30, 2010 and June 30, 2012. As the Company plans to require UBS to repurchase its ARS on June 30, 2010, these investments have been classified as short-term trading investments. For its ARS settlement right, the Company has elected the fair value option under GAAP for financial assets and financial liabilities. Management elected the fair value option for the ARS settlement right in order to quantify its agreement with UBS, as it guarantees settlement at par value, which essentially offsets any impairment on its ARS.

The Company records its ARS and corresponding settlement right at fair value, using the income approach, in accordance with the applicable GAAP using level 3 inputs, as defined in Note 3 - *Fair Value of Financial Instruments*. The Company considered various inputs to estimate the fair value of its ARS at September 30, 2009, including the estimated time believed to allow the market for such investments to recover, projected estimates of future risk-free rates, as well as premiums designed to account for liquidity and credit risks associated with its ARS holdings.

The Company determined the fair value of its ARS settlement right based on the difference between the estimated fair value of the ARS and the par value of the ARS. This difference was then discounted based on the future date when the settlement right is expected to be exercised to account for the time value of money. The discount rate used took into consideration the risk free rate as well as UBS's credit quality. The Company's valuation of its ARS settlement right is contingent upon the financial viability of its investment bank and accordingly, the Company has assigned a credit risk component based on market data available at the time of valuation. However, if market conditions change and the Company's investment bank is unable to fulfill its commitment, the realizable value of the Company's ARS settlement right would be adversely affected. Additionally, the inputs used in the Company's valuation are based on managements' estimates at the time of valuation and require significant judgment. If any of these inputs vary or market conditions change significantly, actual results may differ and the Company's overall financial condition and operating results may be materially and adversely affected.

Note 3 — Fair Value of Financial Instruments

The Company measures at fair value certain financial assets and liabilities, including cash equivalents, short-term investments, its ARS settlement right, and deferred compensation. 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.

The following table summarizes the fair value measurements as of September 30, 2009, for the Company's financial instruments, including its ARS (in thousands):

	Fair Value Measurements as of September 30, 2009			
	September 30, 2009	Level 1	Level 2	Level 3
Cash equivalents	$ 15,551	$ 15,551	$ —	$ —
Short-term trading investments	$ 55,014	$ —	$ —	$ 55,014
ARS settlement right	$ 7,350	$ —	$ —	$ 7,350
Foreign currency forward contracts	$ 646	$ —	$ 646	$ —
Total	$ 78,561	$ 15,551	$ 646	$ 62,364

The following table outlines changes in the fair value of the Company's short-term trading investments and ARS settlement right, where fair value is determined using Level 3 inputs:

	Fair Value	
	Short-term Trading Investments	ARS Settlement Right
Balance as of December 31, 2008	$ 51,213	$ 11,071
Unrealized gain[(A)]	4,101	—
Unrealized loss[(B)]	—	(3,721)
Sales of auction rate securities	(300)	—
Balance as of September 30, 2009	$ 55,014	$ 7,350

(A) Refer to Note 2 for discussion of the inputs used in determining the appropriate fair values for the Company's ARS. Unrealized gains on the Company's ARS, which totaled $1.3 million and $4.1 million for the three and nine months ended September 30, 2009, respectively, are included in other income in the Company's Consolidated Statement of Operations.

(B) Refer to Note 2 for discussion of the inputs used in determining the appropriate fair values for the Company's ARS settlement right. Valuation of the Company's ARS settlement right is performed using a present value approach on the difference between the estimated fair value and the par value of the ARS investments. Therefore, there is an inverse relationship between changes in the value of the Company's ARS investments and its settlement right. Unrealized losses on the Company's ARS settlement right for the three and nine months ended September 30, 2009, which totaled $1.2 million and $3.7 million, respectively, are included in other income in the Company's Consolidated Statement of Operations for the three and nine months ended September 30, 2009.

Note 4 — Accounts Receivable and Other Receivables

Accounts receivable consists of trade accounts receivable. Accounts receivable balances consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Accounts receivable, gross	$ 38,003	$ 46,521
Less: allowance for doubtful accounts	(966)	(970)
Accounts receivable, net	$ 37,037	$ 45,551

The Company recorded no additional provisions for allowance for doubtful accounts during the three and nine months ended September 30, 2009. The Company recorded additional provisions of $13,000 and $170,000, respectively, for allowance for doubtful accounts during the three and nine months ended September 30, 2008.

As of September 30, 2009 and December 31, 2008, the balance in other receivables was $5.1 million and $1.1 million, respectively. Other receivables consisted primarily of non-trade receivables including receivables for inventory sold to the Company's contract manufacturing partners. Sales to the Company's contract manufacturing partners are based on terms and conditions similar to the terms offered to the Company's regular customers. There is no revenue recorded in association with sales of non-trade receivables.

Note 5 — Inventories

Inventories consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Raw materials	$ 25,649	$ 30,183
Work-in-process	2,417	1,126
Finished goods	6,023	9,392
	34,089	40,701
Less: inventory valuation allowance	(5,800)	(11,251)
Inventories, net	$ 28,289	$ 29,450

During the three months ended September 30, 2009 and 2008, the Company recorded provisions for excess and obsolete inventory of $618,000 and $1.4 million, respectively. During the nine months ended September 30, 2009 and 2008, the Company recorded provisions for excess and obsolete inventory of $2.6 million and $2.9 million, respectively.

Source: RADISYS CORP, 10-Q, November 06, 2009

Note 6 — Accrued Restructuring and Other Charges

Accrued restructuring, which is included in other accrued liabilities in the accompanying Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008, consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Fourth quarter 2006 restructuring charge	$ —	$ 6
Second quarter 2008 restructuring charge	—	87
First quarter 2009 restructuring charge	301	—
Second quarter 2009 restructuring charge	2,525	—
Total accrued restructuring charges	$ 2,826	$ 93

The Company evaluates the adequacy of the accrued restructuring charges on a quarterly basis. The Company records certain reclassifications between categories and reversals to the accrued restructuring charges based on the results of the evaluation. The total accrued restructuring charges for each restructuring event are not affected by reclassifications. Reversals are recorded in the period in which the Company determines that expected restructuring obligations are less than the amounts accrued.

Fourth Quarter 2006 Restructuring

During the fourth quarter of 2006, the Company initiated a restructuring plan that included the elimination of 12 positions primarily supporting the Company's contract manufacturing operations as a result of the termination of the relationship with one of the Company's contract manufacturers in North America. The restructuring plan also included closing the Charlotte, North Carolina manufacturing support office. All restructuring activities were completed as of March 31, 2009.

Second Quarter 2008 Restructuring

During the second quarter of 2008, the Company initiated a restructuring plan that included the elimination of 23 positions. The restructuring was primarily initiated with the intent to return the Company's engineering spend to levels which align with targeted profitability as well as refocus the Company's skill sets in new product deployment and provide enhanced service and support to existing customers. All restructuring activities were completed as of March 31, 2009.

First Quarter 2009 Restructuring

During the first quarter of 2009, the Company initiated a restructuring plan that included the elimination of 29 positions. The restructuring impacted all areas of the business and was initiated in an effort to lower the Company's overall cost structure in accordance with operating plan targets. The Company expects to complete all activities associated with the restructuring by December 31, 2009. Total costs of the first quarter 2009 restructuring activities included accrued severance obligations, healthcare benefits and legal costs, which totaled $1.3 million. Additionally, the Company incurred $234,000 in stock-based compensation costs associated with the modification of equity awards to certain employees included in this restructuring activity. The company expects all activities associated with this restructuring to be completed by March 31, 2010.

The following table summarizes the changes to the first quarter 2009 restructuring costs (in thousands):

	Employee Termination and Related Costs
Balance accrued as of March 31, 2009	$ 1,289
Additions	56
Expenditures	(963)
Change in estimates	(81)
Balance accrued as of September 30, 2009	$ 301

Second Quarter 2009 Restructuring

During the second quarter of 2009, the Company initiated a restructuring plan that included the elimination of 119 positions and the relocation of 11 employees as part of strategic initiatives within manufacturing operations and engineering. As part of the initiative, the Company plans to transition to a fully outsourced manufacturing model, which will transfer remaining manufacturing from the Company's manufacturing plant in Hillsboro, Oregon to its contract manufacturing partners in Asia. The plan also includes consolidating the Company's North American research and development positions and programs, and specifically transferring current projects from its design center in Boca Raton, Florida, to other existing research and development centers. This transition is expected to be substantially complete by the third quarter of 2010. Total costs through the third quarter of 2009 totaled $3.2 million and

Source: RADISYS CORP, 10-Q, November 06, 2009

consisted of accrued severance obligations, healthcare benefits, relocation incentives and related payroll taxes. The current balance also includes legal expenditures as well as contract termination fees. The Company currently expects to incur approximately $400,000 in additional restructuring charges over the next 6 months associated with the second quarter 2009 restructuring plan. These additional charges are primarily related to employee relocation costs.

The following table summarizes the changes to the second quarter 2009 restructuring costs (in thousands):

	Employee Termination and Related Costs	Other
Restructuring	$ 2,903	$ 84
Expenditures	(21)	(19)
Balance accrued as of June 30, 2009	$ 2,882	$ 65
Additions	83	183
Reversals	(81)	—
Expenditures	(418)	(189)
Balance accrued as of September 30, 2009	$ 2,466	$ 59

Note 7 — Short-Term Borrowings

Silicon Valley Bank

The Company has a secured revolving line of credit agreement with Silicon Valley Bank, which provides the Company with a two-year secured revolving credit facility of $30.0 million, which is subject to a borrowing base and secured by its accounts receivable. Borrowings under the agreement bear interest at the prime rate, which was 3.25% as of September 30, 2009, or the LIBOR rate, which was 0.25% as of September 30, 2009, plus 1.25%, with either interest rate determined by the Company's election. The Company is required to make interest payments monthly. The Company is further required to pay a commitment fee equal to 0.08% of the $30.0 million maximum borrowing limit on an annual basis, 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. In addition, the credit facility provides sub-facilities for letters of credit and foreign exchange contracts to be issued on the Company's behalf.

The credit facility requires the Company to make and maintain certain financial covenants, representations, warranties and other agreements that are customary in credit agreements of this type, which are disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2008. As of September 30, 2009, the Company had no outstanding balances on the line of credit or letters of credit issued on its behalf.

On November 4, 2009, the Company amended its line of credit with Silicon Valley Bank to extend the term of the line and modify certain terms within the agreement. See Note 16 – *Subsequent Events* for additional details surrounding this amendment.

UBS

During August of 2008, UBS AG, the parent company of the securities firm with which the Company holds its ARS, announced an offer to its clients holding auction rate securities. Under the terms of the offer, UBS AG would issue ARS settlement rights to the Company, which in addition to the terms discussed in Note 2 - *Investments*, would also entitle the Company to receive no net cost loans from UBS AG, or its affiliates, for up to 75% of the market value of the Company's ARS.

The Company accepted the offer and entered into a Credit Line Agreement ("the Credit Line"), including an Addendum to Credit Line Account Application and Agreement, with UBS Bank. The amount of interest the Company will pay under the Credit Line is intended to equal the amount of interest the Company would receive with respect to the Company's ARS and is currently set at T-Bill plus 1.20%, which will be subject to market fluctuations. The borrowings under the Credit Line are payable upon demand; however, UBS Bank USA or its affiliates are required to provide to the Company alternative financing on substantially similar terms, unless the demand right was exercised as a result of certain specified events or the customer relationship between UBS Bank USA and the Company is terminated for cause by UBS Bank USA. As of September 30, 2009, the Company had an outstanding balance on the Credit Line in the amount of $41.2 million.

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 x ($23.085 – $13.03)/$23.085 = 91,904.

As of September 30, 2009 and December 31, 2008, the Company had outstanding 2013 convertible senior notes with a face value of $50.0 million. As of September 30, 2009 and December 31, 2008, the fair value of the Company's 2013 convertible senior notes was $44.8 million and $26.9 million, respectively.

2023 Convertible Senior Notes

During the first quarter of 2009, the Company adopted the cash conversion subsections of ASC topic 470-20 "Debt with Conversion and Other Options – Cash Conversion" ("Cash Conversion Subsections"). The Cash Conversion Subsections are effective for the Company's previously outstanding 1.375% convertible senior notes due 2023. Although, the Company's 2023 convertible senior notes were retired as of December 31, 2008, the Company was still required to retrospectively apply Cash Conversion Subsections in all periods presented that include the Company's 2023 convertible senior notes. As a result of this retrospective application, the Company's opening accumulated deficit and additional paid in capital balances were adjusted by $14.5 million.

The Cash Conversion Subsections required that issuers of convertible instruments that may be settled in cash upon conversion separately account for the liability and equity components related to convertible debt instruments in a manner which would reflect the issuer's nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. As such, the Company calculated the liability component, at issuance, to be $73.6 million. The liability component was calculated as the present value of cash

Source: RADISYS CORP, 10-Q, November 06, 2009

flows from the related principal and interest payments using an 8.0% discount rate. The discount rate used represented the Company's estimated borrowing rate, at the date of issuance, for a similar debt instrument without the conversion feature. The equity component, recorded as additional paid-in capital, totaled $16.2 million, which represented the difference between the proceeds from the issuance of the notes and the fair value of the liability, net of deferred taxes and equity related issuance costs of $10.2 million, as of the date of the issuance.

The Cash Conversion Subsections also requires an accretion of the resultant debt discount over the expected life of the notes, which was November 15, 2003 to November 15, 2008. Accordingly, the Consolidated Statements of Operations for the three and nine months ended September 30, 2008, were retrospectively modified, compared to previously reported amounts, as follows (in thousands, except per share amounts):

	For the Three Months Ended September 30, 2008	For the Nine Months Ended September 30, 2008
Additional pre-tax non-cash interest expense	$ 370	$ 1,983
Adjustment to loss from early extinguishment of debt	—	141
Additional deferred tax benefit	(135)	(784)
Net adjustment to net loss	$ 235	$ 1,340
Net loss per share:		
Basic	$ (0.01)	$ (0.06)
Diluted	$ (0.01)	$ (0.06)

For the three and nine months ended September 30, 2008, the effective interest rate for the liability component of the notes was approximately 5.7% and 6.1%, respectively. During the three and nine months ended September 30, 2008, the Company incurred contractually stated interest costs totaling $129,000 and $555,000. During the three and nine months ended September 30, 2008, the Company incurred interest costs of $374,000 and $5.2 million, respectively, related to amortization of the discount on the liability component of the notes.

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 provided for in other accrued liabilities in the accompanying 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. Adverse purchase commitments amounted to $2.1 million and $2.0 million at September 30, 2009 and December 31, 2008, respectively. For the three months ended September 30, 2009 and 2008, the Company recorded a net provision for adverse purchase commitments of $187,000 and $179,000, respectively. For the nine months ended September 30, 2009 and 2008, the Company recorded a net provision for adverse purchase commitments of $612,000 and $1.4 million, respectively.

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 September 30, 2009.

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. To date, the Company has not had any claims relating to such indemnity agreements and therefore, management believes the estimated fair value of these agreements is immaterial.

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 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 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):

The following is a summary of the change in the Company's warranty liability for the nine months ended September 30, 2009 and 2008 (in thousands):

	For the Nine Months Ended September 30,	
	2009	2008
Warranty liability balance, beginning of the period	$ 3,072	$ 2,494
Product warranty accruals	2,960	4,269
Utilization of accrual	(3,212)	(3,490)
Warranty liability balance, end of the period	$ 2,820	$ 3,273

The warranty liability balance is included in other accrued liabilities in the accompanying Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008.

Note 10 — Basic and Diluted Net Loss per Share

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Numerator — Basic				
Net loss, basic	$ (832)	$ (481)	$ (43,048)	$ (10,698)
Numerator — Diluted				
Net loss, basic	$ (832)	$ (481)	$ (43,048)	$ (10,698)
Interest on convertible notes, net of tax benefit (A)	—	—	—	—
Net loss, diluted	$ (832)	$ (481)	$ (43,048)	$ (10,698)
Denominator — Basic				
Weighted average shares used to calculate loss per share, basic	23,632	22,653	23,386	22,442
Denominator — Diluted				
Weighted average shares used to calculate loss per share, basic	23,632	22,653	23,386	22,442
Effect of convertible notes (A)	—	—	—	—
Effect of dilutive stock options, ESPP, and unvested restricted stock (B)	—	—	—	—
Weighted average shares used to calculate loss per share, diluted	23,632	22,653	23,386	22,442
Net loss per share:				
Basic	$ (0.04)	$ (0.02)	$ (1.84)	$ (0.48)
Diluted (A), (B)	$ (0.04)	$ (0.02)	$ (1.84)	$ (0.48)

(A) For the three and nine months ended September 30, 2008, as-if converted shares associated with the Company's 2013 and 2023 convertible senior notes, were excluded from the calculation as their effect would have been anti-dilutive. For the three and nine months ended September 30, 2009, the as-if converted shares associated with the Company's 2013 convertible senior notes were excluded from the calculation as their effect would have been anti-dilutive. The following table summarizes the total number of shares excluded from the net loss per share calculation, by year, for the different forms of convertible debt (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
2023 convertible senior notes	—	1,591	—	2,259
2013 convertible senior notes	3,837	4,221	3,837	3,528
Total shares excluded	3,837	5,812	3,837	5,787

(B) As of September 30, 2009 and 2008, the following shares, by equity award type, were excluded from the calculation, as their effect would have been anti-dilutive (in thousands):

	September 30,	
	2009	2008
Stock options	3,669	3,471
Restricted stock	179	392
Total equity award shares excluded	3,848	3,863

Note 11 — Income Taxes

The Company's effective tax rate for the three months ended September 30, 2009 differs from the statutory rate primarily due to a full valuation allowance provided against its U.S. net deferred tax assets, Canadian research and experimental development claims, federal research and experimental tax credits, the impact of stock compensation, the amortization of goodwill for tax purposes, various return to provision true-up adjustments and taxes on foreign income that differ from the U.S. tax rate. The Company's effective tax rate for the nine months ended September 30, 2009 differs from the statutory rate primarily due to the aforementioned items as well as the revaluation of the Canadian net deferred tax asset which was a discrete event during the three months ended March 31, 2009.

The Company utilizes the asset and liability method of accounting for income taxes as required under GAAP 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 projected three year U.S. cumulative pre-tax book loss and taxable loss, it concluded that a full valuation allowance should be recorded against its U.S. net deferred tax assets in the three months ended March 31, 2009. The Company's projected three year U.S. cumulative pre-tax book loss was calculated using 2007 and 2008 actual results combined with 2009 projections. 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 $16.7 million and $14.2 million at September 30, 2009 and December 31, 2008, respectively. 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, including interest and penalties, increased by $17,000 during the three months ended September 30, 2009 primarily due to additional accrued interest. The Company's unrecognized tax benefits, interest and penalties, were $1.9 million, $484,000 and $245,000 at September 30, 2009, respectively. The Company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of examinations within the next twelve months. The Company anticipates recognizing $1.5 million in unrecognized tax benefits, including accrued interest and penalties, due to the expiration of the statute of limitations within the next twelve months.

The Company plans to repatriate between $20.0 to $30.0 million from its foreign subsidiaries prior to December 31, 2009. The Company has determined that the majority of the repatriated amount would be considered a return of capital and, therefore, would not be subject to U.S. income taxes. The Company plans to indefinitely reinvest the remaining earnings of all of its foreign subsidiaries. Should the Company plan to repatriate any foreign earnings in the future, it will be required to establish an income tax liability and recognize additional income tax expense related to such earnings.

Source: RADISYS CORP, 10-Q, November 06, 2009

The Company is currently under an income tax audit examination in Canada. The tax periods under examination by the Canada Revenue Agency include fiscal years 2006 through 2008. The Company anticipates this audit will take several years to resolve and believes that it has provided for adequate reserves related to various matters under audit. However, should the Company experience an unfavorable outcome, it could have a material impact on its results of operations, financial position, or cash flows. Although the timing of the income tax audit resolutions and negotiations with the Canada Revenue Agency are uncertain, the Company does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next 12 months.

Note 12 — Stock-based Compensation

During the three months ended September 30, 2009, 15,000 stock options and no restricted stock units were issued to the Company's employees and directors under the 2007 Stock Plan. During the nine months ended September 30, 2009, 809,000 stock options and 1,000 restricted stock units were issued to employees under the 2007 Stock Plan.

For the three and nine months ended September 30, 2009 and 2008 stock-based compensation was recognized and allocated as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Cost of sales	$ 283	$ 254	$ 832	$ 768
Research and development	579	746	1,807	2,343
Selling, general and administrative	1,127	1,378	3,833	4,315
Restructuring	—	—	234	—
Total	$ 1,989	$ 2,378	$ 6,706	$ 7,426

Note 13 — 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 as defined in GAAP for derivative instruments and hedging activities. All hedging transactions are conducted with, in the opinion of management, financially stable and reputable financial institutions. For the year ended December 31, 2008 and for the three and nine months ended September 30, 2009, the only hedge instruments executed by the Company are associated with its exposure to fluctuations in the Canadian Dollar which result from obligations such as payroll and rent paid in Canadian Dollar.

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 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 R&D. The Company only enters into derivative contracts in order to hedge foreign currency exposure. 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 three and nine months ended September 30, 2009 and for the year ended December 31, 2008, the Company had no hedge ineffectiveness.

During the three months ended September 30, 2009, the Company entered into twelve new foreign currency forward contracts, with total contractual values of $1.8 million at September 30, 2009. During the nine months ended September 30, 2009, the Company entered into thirty-six new foreign currency forward contracts, with total contractual values of $8.5 million at September 30, 2009.

Source: RADISYS CORP, 10-Q, November 06, 2009

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 September 30, 2009 is as follows (in thousands):

	Contractual /Notional Amount	Consolidated Balance Sheet Classification	Estimated Fair Value Asset	Estimated Fair Value (Liability)
Foreign currency forward exchange contracts	$ 9,694	Other current assets	$ 720	$ —
		Other current assets	$ —	$ (74)

The effect of derivative instruments on the consolidated financial statements for the three months ended September 30, 2009 was as follows (in thousands):

		Effective Portion		Ineffective Portion	
Type of Cash Flow Hedge	Hedge Gain (Loss) Recognized in Other Comprehensive Income	Consolidated Statement of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Consolidated Statement of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	$ 702				
		Cost of sales	$ (16)	None	$ —
		Research and development	$ (102)	None	$ —
		Selling, general and administrative	$ (26)	None	$ —

The effect of derivative instruments on the consolidated financial statements for the nine months ended September 30, 2009 was as follows (in thousands):

		Effective Portion		Ineffective Portion	
Type of Cash Flow Hedge	Pretax Hedge Gain (Loss) Recognized in Other Comprehensive Income	Consolidated Statement of Operations Classification of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Hedge Gain (Loss) Reclassified from Accumulated Other Comprehensive Income	Consolidated Statement of Operations Classification of Gain (Loss) Recognized	Hedge Gain (Loss) Recognized
Foreign currency forward exchange contracts	$ 1,360				
		Cost of sales	$ (71)	None	$ —
		Research and development	$ (515)	None	$ —
		Selling, general and administrative	$ (135)	None	$ —

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 14 — Segment Information

GAAP for disclosures about segments of an enterprise establishes standards for the reporting by public business enterprises of information about operating segments, products and services, geographic areas, and major customers. The method for determining what information to report is based upon the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. The Company is one operating segment according to the provisions of GAAP.

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

	For the Three Months Ended September 30, 2009	2008	For the Nine Months Ended September 30, 2009	2008
Hardware	$ 67,210	$ 95,862	$ 214,478	$ 272,064
Software royalties and licenses	1,212	2,485	6,242	7,433
Software maintenance	1,106	1,004	2,738	2,583
Engineering and other services	920	907	2,687	1,836
Total revenues	$ 70,448	$ 100,258	$ 226,145	$ 283,916

Source: RADISYS CORP, 10-Q, November 06, 2009

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Communications Networking	$ 53,899	$ 79,023	$ 181,205	$ 225,178
Commercial Systems	16,549	21,235	44,940	58,738
Total revenues	$ 70,448	$ 100,258	$ 226,145	$ 283,916

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 September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
United States	$ 21,240	$ 31,487	$ 67,433	$ 81,215
Other North America	14	1,653	1,464	5,856
North America	$ 21,253	$ 33,140	$ 68,897	$ 87,071
Europe, the Middle East and Africa ("EMEA")	16,619	37,274	61,558	109,526
Asia Pacific	32,575	29,844	95,690	87,319
Total	$ 70,448	$ 100,258	$ 226,145	$ 283,916

Long-lived assets by Geographic Area

	September 30, 2009	December 31, 2008
Property and equipment, net		
United States	$ 6,951	$ 9,343
Other North America	886	706
EMEA	87	66
Asia Pacific	1,113	1,441
Total property and equipment, net	$ 9,037	$ 11,556
Intangible assets, net		
United States	5,179	8,454
Other North America	1,331	2,440
EMEA	6,481	8,910
Total intangible assets, net	$ 12,991	$ 19,804

Source: RADISYS CORP, 10-Q, November 06, 2009

For the three and nine months ended September 30, 2009 and 2008, the following customer accounted for more than 10% of total revenues:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Nokia Siemens Networks	40.7%	38.4%	41.8%	43.2%

As of September 30, 2009 and December 31, 2008, only one customer, Nokia Siemens Networks accounted for more than 10% of accounts receivable. This customer accounted for 41.6% and 31.0% of accounts receivable as of September 30, 2009 and December 31, 2008, respectively.

Note 15 — Legal Proceedings

In the normal course of business, the Company may become involved in litigation. As of September 30, 2009, RadiSys had no pending litigation.

Note 16 — Subsequent Events

The Company has considered subsequent events through November 6, 2009, the issuance date of the financial statements, in preparing the consolidated financial statements and notes thereto.

Long-Term Incentive Plan

During the fourth quarter of 2009, the Company adopted the form of award agreement for performance-based restricted stock units under it's Long-Term Incentive Plan (as amended, the "LTIP") and granted the first award to participants under the LTIP, with a grant date of October 1, 2009. The Company adopted a target performance goal of non-GAAP earnings per share of $0.75

The performance goals for non-GAAP earnings per share range from $0.65 to $0.85 with payouts ranging from 75% to 125% of the target payout amounts. In the aggregate, the target payout amount for the first performance period equals 684,900 shares, or approximately one-third of the total number of shares authorized under the LTIP. On each payout determination date, the Company will measure its performance relative to the performance goals based on the sum of non-GAAP earnings per share for each quarter during the four consecutive quarters preceding such payout determination date. As used in the LTIP for the first performance period, non-GAAP earnings per share is calculated as follows: Non-GAAP earnings for a quarter (as calculated in accordance with GAAP) plus stock-based compensation expense, plus amortization of intangible assets, plus or minus restructuring charges or reversals, plus or minus such other items determined as non-recurring or adjusted from non-GAAP earnings as reported by the Company and as approved by the Committee, plus other adjustments resulting from purchase accounting as determined by the Committee, plus a fixed 20% effective tax rate notwithstanding the tax rate otherwise applicable in accordance with GAAP. The number of shares equals the weighted average shares outstanding during such quarter (calculated as required by GAAP with or without shares issuable upon conversion of any outstanding convertible notes and interest thereon so as to result in the most dilutive impact but disregarding shares earned and issued or issuable under the LTIP during such quarter) plus the total number of shares earned and issued or issuable with respect to all awards under the LTIP during such quarter. When selecting the performance goal, the Company decided to fix the tax rate at 20% for the purpose of calculating non-GAAP earnings per share, because of the significant variability in the Company's tax rate. The Company's decision to fix the tax rate at 20% was not submitted to the Company's shareholders for approval, and therefore, the awards under the LTIP for the first performance period are not intended to qualify as "performance-based compensation" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The award shares were valued at $8.17 per share, and the corresponding initial target compensation cost totaled $5.6 million. However, the number of shares that will ultimately vest under the LTIP will vary depending on whether the performance criteria are met or exceeded. The award will be reviewed quarterly and the value may be adjusted, depending on the performance of the Company compared to the award criteria. The compensation cost of the award is being expensed over the first performance period of the award, which is from October 1, 2009 to December 31, 2012. As a result, the award may increase our stock based compensation expense during the vesting period.

Cash Incentive Program

On September 30, 2009, the Committee put in place a cash incentive program (the "Incentive Program") for certain of the Company's employees to drive breakthrough Company transformations in an accelerated timeframe. The Incentive Program is intended to motivate and recognize the employees' performance in achieving the Company's defined strategy and goals by aligning measurable results with rewards. The Incentive Program is designed to reward the Company's employees who are leading or significantly contributing to the transformational business initiatives in the engineering and operations organizations.

Awards under the Incentive Program will be based on Company performance as measured by two sets of goals: an operations outsourcing performance goal and an engineering enterprise performance goal. The performance period for the Incentive Program runs from October 1, 2009 to June 30, 2010. Actual payouts under the Incentive Program will range from 75% to 125% of the target

Source: RADISYS CORP, 10-Q, November 06, 2009

incentive amounts based on the weighted average of achievement of both performance goals. The target incentive amounts account for 50% or less than the existing annual incentive compensation targets. The Incentive Program's target payout will be approximately $1.0 million.

Revolving Line of Credit – Silicon Valley Bank

During the fourth quarter of 2009, the Company amended its revolving line of credit agreement with Silicon Valley Bank. Among the amendments, the Company extended the term of the agreement for another year, which will now end on September 30, 2011. Additionally, the Company amended the covenants surrounding the maximum allowable quarterly EBTIDA loss from $2.5 million to $3.0 million and removed the covenant prohibiting two consecutive quarterly EBITDA losses. The Company also modified the covenant surrounding capital expenditures, which are now required to not exceed $8.0 million in any fiscal year, down from a previous limit of $12.0 million.

Employee Stock Option Exchange

During the fourth quarter of 2009, the Company filed a Tender Offer Statement on Schedule TO related to an offer (the "exchange offer") under which the Company's eligible employees were permitted to exchange some or all of their outstanding options. Options available for exchange included those with an exercise price greater than $9.44 per share (which was equal to the 52-week high closing price of our common stock as of the start of this offer) and that were granted on or before October 5, 2008, whether vested or unvested. In exchange for options employees received restricted stock units, except for employees in Canada who received new stock options with new exercise prices. New awards have updated seven year terms and a three year vesting schedule. All employees of RadiSys and its subsidiaries, other than members of our Board of Directors, executive officers and employees located in the Netherlands and Israel were eligible to participate in the exchange offer, so long as they remained employed through the expiration date of the offer.

The exchange offer expired at 12:00 p.m. (Noon), Pacific Time, on November 3, 2009. A total of 222 eligible employees participated in the exchange offer. Pursuant to the terms and conditions of the exchange offer, the Company accepted for exchange options to purchase 848,822 shares of the Company's common stock, representing approximately 75% of the total options eligible for exchange. All surrendered options were cancelled and the Company granted a total of 169,639 restricted stock units and 34,983 new stock options in exchange, pursuant to the terms of the exchange offer. The new awards were granted under the Company's 2007 Stock Plan.

Source: RADISYS CORP, 10-Q, November 06, 2009

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

Introduction and Overview

RadiSys Corporation is a leading provider of advanced embedded solutions for the communications networking and commercial systems markets. Through innovative product planning, close customer collaboration, and the combination of innovative technologies and industry leading architecture, we help original equipment manufacturers ("OEMs"), systems integrators and solution providers bring better products to market faster and more economically. Our products include embedded boards, application enabling platforms and turn-key systems, which are used in today's complex computing, processing and network intensive applications. Unless context otherwise requires, 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.

Our Markets

We provide application enabling solutions to the following two distinct markets:

- Communications Networking — The communications networking market is comprised of two product categories, which are next-generation and traditional communication networking products. Included in our next-generation communications product group are Advanced Telecommunications Computing Architecture ("ATCA") and media server products. Included in our traditional product group are traditional wireless products and all other communications networking revenues not included in the next-generation group. Applications in this market include 2, 2.5, 3, and 4G wireless infrastructure products, Femtocell applications, IP media server platforms, military applications, multimedia messaging, network access, packet-based switches, security and switching applications, unified messaging solutions, voice messaging and video distribution applications.

- Commercial Systems — The commercial systems market consists primarily of embedded solutions for the medical imaging, test and measurement, military and industrial automation submarkets. Specific applications include:

  - Medical Imaging: X-Ray machines, MRI scanners, CT scan imaging equipment and ultrasound equipment;

  - Test and Measurement: network and logic analyzers, network and production test equipment; and

  - Military: ruggedized laptops, small unmanned vehicles, and other military applications.

Market Drivers

We believe there are a number of fundamental drivers for growth in the embedded solutions market, including:

- Increasing desire by OEMs to utilize standards-based, merchant-supplied modular building blocks and platforms to develop their new systems. We believe OEMs are combining their internal development efforts with merchant-supplied building blocks and platforms, from partners like RadiSys, to deliver a larger number of more valuable new products to market faster at a lower total cost.

- Increasing usage levels of general purpose technologies, such as Ethernet, IP, Linux, media processing and central processing units ("CPUs"), graphics processing units and network processing units ("NPUs"), to provide programmable, intelligent and networked functionality to a wide variety of applications, including wireless, wireline and data communications, network security, image processing, transaction and monitoring and control.

- Increasing demand for standards-based solutions, such as ATCA, IP Multimedia Subsystem ("IMS"), Computer-on-Module Express ("COM Express"), and Session Initiation Protocol, which motivates system makers to take advantage of proven and validated standards-based products.

- Continued emergence, growth and evolution of applications utilizing long term evolution ("LTE") and worldwide inter-operability for microwave access ("WiMAX") networks, both of which are supported by ATCA.

Our Solutions

We provide our customers with standards-based and custom advanced embedded solutions that enable them to focus their resources and development efforts on their key areas of differentiation and allow them to provide higher value systems with a time-to-market advantage and a lower total cost.

Key benefits of our solutions include:

Leading, high-performance technology. We have been the first to market with many technological advancements such as the industry's first 10-Gigabit common managed platform, and we are a leader in areas such as IP conferencing and COM Express new product development. Our design capabilities extend to CPUs, NPUs, digital signal processing and integrated software managed platforms, such as media and application servers, as well as many other areas.

Deep pool of technical resources. Our research and development staff has extensive experience in designing embedded hardware and software solutions. Our customers benefit from the broad array of standards-based solutions that our research and development staff continues to develop and support, as well as our staff's experience in designing perfect fit solutions for our customers.

Reduced time to market. We offer standards-based, ready-made solutions, such as ATCA-based solutions for the communications networking market and COM Express solutions for the commercial market. These standards-based solutions combined with our strong technical resources provide our OEM customers with more flexibility and reduced time-to-market than if they developed these solutions internally.

Broad portfolio of embedded solution products. Our product lines include a large portfolio of embedded solutions, integrated platforms and application-ready systems. Our product portfolio allows us to address a range of customer requirements and applications. We believe that over time many of our customers will increasingly rely on a smaller set of vendors who can address a broader set of their embedded solution needs.

Our Strategy

Build market leadership in standards-based advanced embedded solutions in our target markets. We believe this strategy enables our customers to focus their resources and development efforts on their key areas of competency allowing them to provide higher value systems with a time-to-market advantage and a lower total cost. We are currently one of the leading vendors in ATCA, IP media servers as well as COM Express embedded solutions. We intend to continue to invest significant research and development and sales and marketing resources to build our presence in these market segments.

Develop our offering of higher value platform solutions. Historically, the majority of our revenues have been from the sale of stand-alone boards or blades. While we will continue to focus on these products, we have spent considerable resources developing application-ready platform solutions that incorporate complete hardware systems as well as embedded software developed by us or third parties. These platforms provide an additional revenue opportunity for us, and we believe revenues from these products have the potential to generate higher average selling prices and higher gross margins than those provided from the sale of boards or blades alone.

Expand our global customer base. We continue to expand the number of customers that we work with, particularly as more customers become aware of the benefits of standards-based embedded solutions. Our global reach allows us to market our solutions to most leading system vendors in our target markets. In addition, our acquisitions of Convedia Corporation ("Convedia") and certain assets of the Modular Communications Platform Division ("MCPD") business from Intel Corporation ("Intel") provide us access to additional customers to whom we intend to market our full product line.

Explore new partnerships and strategic acquisitions as a means to build leadership in our target markets. We continue to investigate partnerships and strategic relationships which can expand the number of solutions we offer and increase our market reach. We also continue to evaluate potential acquisition opportunities to acquire new capabilities, which can help us achieve our strategic goals. For example, in the last three years, we acquired Convedia®, a closely-held vendor of IP media servers, and certain assets of the Intel MCPD business, which included ATCA and compact peripheral component interconnect ("PCI") product lines.

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Products Overview

Convedia® Media Servers ("CMS"). In the third quarter, we were awarded a key new design win with an existing Tier 1 customer in China. This award was for an integrated media processing platform that will be used by mobile service providers to deliver advanced 3G video services.

During September of 2009, we announced the addition of new 3G features for our media server product family enabling two-way interactive mobile video. RadiSys media servers offer a broad range of IP video processing features for video telephony applications including mobile video conferencing, video ringback tones, video mail and interactive voice and video response ("IVVR"). With the addition of new media processing capabilities, the RadiSys media servers can now support a service provider's 3G video processing needs with one common voice over internet protocol ("VoIP") infrastructure.

During the second quarter of 2009, we were awarded new media server business with a Tier 1 North American customer for an interactive voice response ("IVR") front end IP teleconferencing service application. This application will use our full featured software media server product.

During the second quarter of 2009, we were also awarded our first media server business with a targeted new Tier 1 customer in Asia. This award was for a WiMax application in the customer's home market. We believe that this initial win will enable further media server business with this customer in its end markets.

During the first quarter of 2009, the RadiSys CMS was named the media server market leader for the fifth consecutive year by Infonetics in its report, "Service Provider VoIP Equipment and Subscribers: Quarterly Worldwide Market Share and Forecasts." RadiSys captured 47% of the total media server market in 2008.

During the first quarter of 2009, we also introduced Voice Quality Enhancement features for the CMS that will improve voice quality in VoIP conferencing applications. This new feature set recently received the 2009 NGN Leadership Award from NGN (Next Generation Networks) Magazine, a Technology Marketing Corporation publication.

Promentum® ATCA Products. During the third quarter of 2009, we announced our ATCA 4.0 initiative, our 4th generation of ATCA products that are designed to support the next generation of high bandwidth applications. This fully integrated platform features the latest technology in the industry, incorporating a 10/40G backplane and switching capability. As telecom equipment manufacturers ("TEMs") focus on building next generation network infrastructures, including 4G and Broadband, the RadiSys ATCA 4.0 platform will provide them with the next-generation switching, power and cooling they require.

Also, during the third quarter of 2009, we partnered with Aricent and 6WIND to deliver application-ready platforms for the LTE evolved packet core ("EPC"). Through this collaboration, we can deliver its market-proven ATCA Promentum platform, a comprehensive LTE signaling stack and efficient data path software in one fully integrated solution that lowers development risk for TEMs and reduces time-to-market by as much as 18 months.

In addition, during the third quarter of 2009, we were awarded new ATCA business in messaging, deep packet inspection ("DPI") security gateway, VoIP probe, session border controller ("SBC") and unmanned aerial vehicles ("UAV"). Specifically, the messaging win was of notable size with a new large Tier 1 TEM for RadiSys in North America. The UAV win is related to a project for a new customer for a universal ground control station for unmanned aerial reconnaissance drones.

Also, during the third quarter of 2009, the our ATCA 4500 10 Gigabit compute processing module was production released in the second quarter and deployed in customer trial networks in the third quarter. This product is ideal for control plane and server functions for LTE wireless infrastructure, DPI, internet protocol television ("IPTV"), IP multimedia subsystems and defense applications.

During the second quarter of 2009, we were awarded new ATCA business in deep packet inspection, network security appliance, 3G wireless appliance, Packet Data Serving Node ("PDSN") and Wireless Access Gateway ("WAG") applications. These wins, which were particularly strong in Asia and North America, included full platform solutions with both Tier 1 and Tier 2 Telecommunications Equipment Manufacturers ("TEMs").

Additionally, during the second quarter of 2009, we began ramping shipments of our packet processing ATCA 7220 blade to support a number of growing Tier 1 and Tier 2 customers. The ATCA 7220, which has been designed into seven different programs already, provides the highest density of Gigabit Ethernet interfaces in the industry and offers a complete solution for packet processing applications such as radio network controller ("RNC"), SBC, edge routers, security and media gateways.

Source: RADISYS CORP, 10-Q, November 06, 2009

In the second quarter of 2009, our ATCA platforms began field deployment into a top North American wireless carrier for a new 3G Femtocell application.

Additionally, during the second quarter of 2009, our newly announced ATCA 4500 processing blade that uses the new Intel Xeon processor 5500 series started shipping in production volumes. We were also awarded new ATCA 4500 business for security appliance and PDSN applications from customers in Japan and China.

During the first quarter of 2009, we announced ongoing development with Cavium Networks to deliver OCTEON II based ATCA solutions to TEMs. We believe that the OCTEON II packet processing smart front end ATCA solution has cutting-edge performance, flexibility and throughput to reduce TEMs time-to-market, price and performance of their systems. We also announced the release of the first ATCA processing blade using the new Intel Xeon processor 5500 series that combines high performance with large memory capacity and expansion flexibility. The new product is targeted at 4G applications including LTE, WiMAX, and IMS. This new product resulted in several design wins in the first quarter in both Asia and North America.

Procelerant™ Commercial Products. During the third quarter of 2009, we were awarded sizable new COM Express business by a leading enterprise service provider in North America for a network switch application. We also won new COM Express business in the third quarter in a wide variety of applications including military, Session Border Controller and touch panel home automation systems. Further, we also won new rack mount server medical imaging business with an existing Tier 1 medical customer.

During the second quarter of 2009, we won embedded rackmount server business with an existing Tier 1 medical customer. In addition, during the second quarter of 2009, we won new COM Express business in a wide variety of applications such as military, IP Gateway, Network Analyzer, aircraft video, entertainment and law enforcement.

During the first quarter of 2009, we announced a new image processing embedded server with high processing performance targeted at medical imaging, industrial automation and test and measurement applications. We also announced a new ruggedized extended temp COM Express module targeted at industrial automation, transportation, military, aerospace, and government applications using ultra low-power Intel Atom processors. In addition, the Company announced an ultra-small, low power PICO-ITX single board computer for portable and handheld devices for medical, gaming, ticketing and test and measurement applications.

Financial Results

Total revenue was $70.4 million and $100.3 million for the three months ended September 30, 2009 and 2008, respectively. Total revenue was $226.1 million and $283.9 million for the nine months ended September 30, 2009 and 2008, respectively. Backlog was approximately $51.7 million and $34.4 million at September 30, 2009 and December 31, 2008, respectively. Backlog includes all purchase orders scheduled for delivery within 12 months. The decrease in revenues for the three and nine months ended September 30, 2009, compared to the same periods in 2008, was driven by decreased revenues in all of our product groups.

Net loss was $832,000 and $481,000 for the three months ended September 30, 2009 and 2008, respectively. Net loss per share was $0.04 and $0.02 for the three months ended September 30, 2009 and 2008, respectively. Net loss was $43.0 million and $10.7 million for the nine months ended September 30, 2009 and 2008, respectively. Net loss per share was $1.84 and $0.48 for the nine months ended September 30, 2009 and 2008, respectively. Net loss for the three months ended September 30, 2009, increased compared to the three months ended September 30, 2008, primarily due to decreased revenues in all of our product groups. These declines were largely the result of general economic weakness along with declines due to the maturity of our traditional communications networking products and decreased customer deployments for our next-generation communications networking products, as compared to the same periods in 2008. The decline in revenues was partially offset by improvements in our gross margin by 2.7 percentage points due to an improved mix of products and better operational costs. The decline in revenue was also partially offset by lower operating expense from ongoing expense control. Net loss increased for the nine months ended September 30, 2009, as compared to the nine months ended September 30, 2008, primarily due to increased income tax expense, which totaled $39.1 million for the nine months ended September 30, 2009, as compared to an income tax benefit of $739,000 for the nine months ended September 30, 2008. The increase in income tax expense was driven by the valuation allowance taken for our U.S. deferred tax assets during the three months ended March 31, 2009. Without the charge associated with the valuation allowance we would have seen an improvement in our net loss for the nine months ended September 30, 2009 compared to the same period in 2008. The improvement is due to better margins associated with a more favorable product mix as well as our ongoing focus on expense control.

Cash and cash equivalents amounted to $92.1 million and $74.0 million at September 30, 2009 and December 31, 2008, respectively. The increase in cash and cash equivalents during the nine months ended September 30, 2009, is primarily due to cash generated from our operating activities in the amount of $14.9 million. Additionally, financing activities generated cash flows of $5.2 million largely due to proceeds from the issuance of our common stock, through our stock compensation plans, along with borrowings on our line of credit totaling $1.7 million. These increases were offset by cash flows used in investing activities of $2.1 million, primarily related to capital expenditures.

On November 3, 2009 the Company exchanged a total of 848,822 of vested or unvested stock options having an exercise price greater than $9.44 per share for restricted stock units or new stock options with new vesting schedules and exercise prices, pursuant to the terms and conditions of the option exchange offer approved by the Company's shareholders on August 18, 2009. All surrendered options were cancelled and the Company granted a total of 169,639 restricted stock units and 34,983 new stock options, pursuant to the terms of the exchange offer. The new awards were granted under the Company's 2007 Stock Plan. See *Note 16 – Subsequent Events* to our consolidated financial statements for additional details about this offer.

Source: RADISYS CORP, 10-Q, November 06, 2009

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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, 2008. There have been no significant changes during the three and nine months ended September 30, 2009 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 fiscal year ended December 31, 2008 except as follows.

2023 Convertible Senior Notes

During the first quarter of 2009, we adopted the Cash Conversion Subsections of ASC Subtopic 470-20, "Debt with Conversion and Other Options – Cash Conversion" ("Cash Conversion Subsections"). The Cash Conversion Subsections are effective for our previously outstanding 1.375% convertible senior notes due 2023 (the "2023 convertible senior notes"). Although, the 2023 convertible senior notes were retired as of December 31, 2008, we were still required to retrospectively apply the Cash Conversion Subsections in all periods presented that include the notes. The Cash Conversion Subsections required that issuers of convertible instruments which may be settled for cash upon conversion separately account for the liability and equity components related to convertible debt instruments in a manner which would reflect the issuer's nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. Adoption of the Cash Conversion Subsections required significant judgment by management in determining the estimated borrowing rate at date of issuance, exclusive of the conversion feature. For further discussion of the adoption of the Cash Conversion Subsections refer to Note 8 – *Convertible Debt,* of the Notes to the Consolidated Financial Statements.

Results of Operations

The following table sets forth certain operating data as a percentage of revenues for the three and nine months ended September 30, 2009 and 2008.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	100.0%%	100.0%	100.0%	100.0%
Cost of sales:				
Cost of sales	68.3	69.5	67.3	70.9
Amortization of purchased technology	2.3	3.8	2.1	4.2
Total cost of sales	70.6	73.3	69.4	75.1
Gross margin	29.4	26.7	30.6	24.9
Research and development	14.2	11.9	14.0	13.2
Selling, general, and administrative	15.6	12.7	15.1	13.6
Intangible assets amortization	0.9	1.3	0.9	1.4
Restructuring and other charges	0.2	0.0	2.0	0.2
Income (loss) from operations	(1.5)	0.8	(1.4)	(3.5)
Interest expense	(0.8)	(1.0)	(0.8)	(1.4)
Interest income	0.2	0.6	0.3	0.9
Other income (expense), net	0.0	0.0	0.1	(0.0)
Income (loss) before income tax (benefit) expense	(2.1)	0.4	(1.8)	(4.0)
Income tax (benefit) expense	(0.9)	0.9	17.2	(0.2)
Net loss	(1.2)%	(0.5)%	(19.0)%	(3.8)%

Source: RADISYS CORP, 10-Q, November 06, 2009

Comparison of Three and Nine Months Ended September 30, 2009 and 2008

Revenues

Revenues decreased by $29.8 million or 29.7%, to $70.4 million in the three months ended September 30, 2009 from $100.3 million in the three months ended September 30, 2008. Revenues decreased by $57.8 million or 20.3%, to $226.1 million in the nine months ended September 30, 2009 from $283.9 million in the nine months ended September 30, 2008. The decrease in revenues for the three and nine months ended September 30, 2009, compared to the same periods in 2008, is due to decreased revenues from all of our product groups. These declines were largely the result of general economic weakness for our products, declines due to the maturity of our traditional communications networking products and decreased customer deployments for our next-generation communications networking products, as compared to the same periods in 2008.

The following table sets forth our revenues by market (in thousands):

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2009	2008	Change	2009	2008	Change
Next-generation Communications Networking Products	$ 21,653	$ 30,655	$ (9,002)	$ 73,574	$ 77,140	$ (3,566)
Traditional Communications Networking Products	32,246	48,368	(16,122)	107,631	148,038	(40,407)
Total Communications Networking Products	$ 53,899	$ 79,023	$ (25,124)	$ 181,205	$ 225,178	$ (43,973)
Medical Products	6,683	8,418	(1,735)	18,316	21,909	(3,593)
Other Commercial Products	9,866	12,817	(2,951)	26,624	36,829	(10,205)
Total Commercial Products	$ 16,549	$ 21,235	$ (4,686)	$ 44,940	$ 58,738	$ (13,798)
Total revenues	$ 70,448	$ 100,258	$ (29,810)	$ 226,145	$ 283,916	$ (57,771)

Communications Networking Product Group

Revenues in the communications networking product group decreased during the three and nine months ended September 30, 2009 compared to the same periods in 2008 due to decreased revenues from both submarkets within our communications networking product group. Both product groups were affected by continued economic weakness. The decreases in revenues from our traditional communications networking products were further driven by the maturity of the products within this group. The decline in revenues from our next-generation communications networking products was driven by the recognition of approximately $7.2 million in previously deferred revenues.

Commercial Products Group

Revenues in our commercial products group decreased for the three and nine months ended September 30, 2009, compared to the same periods in 2008. These decreases were driven by a decline in demand caused by general global economic weakness in all of our submarkets including medical and test and measurement equipment. These declines were also affected by the maturity of our traditional products within our commercial products group.

Given the dynamics of these markets, we may experience general fluctuations in the percentage of revenue attributable to each market and, as a result, the quarter to quarter comparisons of our markets often are not indicative of overall economic trends affecting the long-term performance of our markets. We currently expect that each of our markets will continue to represent a significant portion of total revenues.

Revenue by Geography

The following table outlines the percentage of revenues, by geographic region, for the three and nine months ended September 30, 2009 and 2008:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
North America	30.2%	33.0%	30.5%	30.7%
EMEA	23.6	37.2	27.2	38.6
Asia Pacific	46.2	29.8	42.3	30.7
Total	100.0%	100.0%	100.0%	100.0%

Source: RADISYS CORP, 10-Q, November 06, 2009

From a geographic perspective, for the three and nine months ended September 30, 2009 compared to the same periods in 2008 the percentage of non-US revenues by delivery destination increased as a percentage of total revenues and the percentage of revenues by region continued to shift from the EMEA region to the Asia Pacific region. Revenues from the EMEA region decreased by $20.7 million and $48.0 million during the three and nine months ended September 30, 2009, respectively. Revenues from the Asia Pacific region increased by $2.7 million and $8.4 million, respectively, for the three and nine months ended September 30, 2009, as compared to the three and nine months ended September 30, 2008. The shift in revenues from the EMEA region to the Asia Pacific region was largely driven by continued changes to our existing customers' integration processes which have been transitioning to this region. Revenues from North America decreased by $11.9 million and $18.2 million during the three and nine months ended September 30, 2009, respectively. However, for the three and nine months ended September 30, 2009 the percentage of revenues from North America remained relatively flat. The decrease in overall revenues from North America is attributable to general economic weakness. We currently expect continued fluctuations in the percentage of revenue from each geographic region.

Gross Margin

Gross margin as a percentage of revenues increased by 2.7 percentage points, to 29.4% for the three months ended September 30, 2009 from 26.7% for the three months ended September 30, 2008. Gross margin as a percentage of revenues increased by 5.7 percentage points, to 30.6% for the nine months ended September 30, 2009 from 24.9% for the nine months ended September 30, 2008. The increase in gross margin as a percentage of revenues for the three and nine months ended September 30, 2009, compared to the same periods in 2008, was driven by favorable changes in our product mix, lower charges incurred for warranty and excess and obsolete inventories, and a reduction in charges related to the amortization of purchased technology. The favorable change in our product mix resulted from a larger percentage of overall revenues coming from our higher margin next-generation communications networks products. We incurred lower charges for excess and obsolete inventory primarily due to internal process improvements. Decreased charges for the amortization of purchased technology resulted from assets which have been fully amortized since the same periods in 2008, along with the extension of the useful lives of various intangible assets in the fourth quarter of 2008.

Research and Development

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 decreased $1.9 million, or 15.7%, to $10.0 million for the three months ended September 30, 2009, from $11.9 million for the three months ended September 30, 2008. R&D expenses decreased $5.9 million, or 15.7%, to $31.7 million for the nine months ended September 30, 2009 from $37.6 million for the nine months ended September 30, 2008. This decrease, compared to the same periods in 2008, is primarily due to lower payroll costs, which resulted from restructuring activities undertaken during 2008 and 2009. The decrease was further driven by lower project costs and decreased incentive compensation and bonus costs.

Selling, General, and Administrative

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 by $1.8 million or 14.1%, to $11.0 million for the three months ended September 30, 2009 from $12.8 million for the three months ended September 30, 2008. SG&A expenses decreased by $4.6 million or 11.8%, to $34.1 million for the nine months ended September 30, 2009 from $38.7 million for the nine months ended September 30, 2008. This decrease was largely driven by decreased incentive compensation costs, followed by decreased travel and overall payroll costs. Our decreased payroll costs resulted from restructuring activities undertaken during 2008 and 2009.

Stock-based Compensation Expense

Stock-based compensation expense consists of amortization of stock-based compensation associated with stock options, restricted shares and shares issued to employees as a result of the employee stock purchase plan ("ESPP"). Stock-based compensation expense decreased by $389,000 or 16.4%, to $2.0 million for the three months ended September 30, 2009 from $2.4 million for the three months ended September 30, 2008. Stock-based compensation expense decreased by $720,000 or 9.7%, to $6.7 million for the nine months ended September 30, 2009 from $7.4 million for the nine months ended September 30, 2008. Stock based compensation decreased for the three and nine months ended September 30, 2009, as compared to the same periods in 2008, due to older share based payment awards becoming fully vested along with decreased costs of new awards, which were the result of our overall lower stock price.

Source: RADISYS CORP, 10-Q, November 06, 2009

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Cost of sales	$ 283	$ 254	$ 832	$ 768
Research and development	579	746	1,807	2,343
Selling, general and administrative	1,127	1,378	3,833	4,315
Restructuring	—	—	234	—
Total	$ 1,989	$ 2,378	$ 6,706	$ 7,426

Intangible Assets Amortization

Intangible assets consist of purchased technology, patents and other identifiable intangible assets. Intangible assets amortization expense included within operating expenses was $647,000 and $1.3 million for the three months ended September 30, 2009 and 2008, respectively. Intangible assets amortization expense included within operating expenses was $1.9 million and $3.9 million for the nine months ended September 30, 2009 and 2008, respectively. Intangible assets amortization decreased due to the extension of the useful lives of various intangible assets in the fourth quarter of 2008. 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 Other Charges

We evaluate the adequacy of the accrued restructuring and other charges on a quarterly basis. As a result, we record certain reclassifications and reversals to the accrued restructuring and other charges based on the results of the evaluation. Reversals are recorded in the period in which we determine that expected restructuring and other obligations are less than the amounts accrued. Tables summarizing the activity in the accrued liability for each restructuring event are contained in Note 6 — *Accrued Restructuring and Other Charges* of the Notes to the Consolidated Financial Statements.

Second Quarter 2008 Restructuring. During the second quarter of 2008, we initiated a restructuring plan that included the elimination of 23 positions primarily initiated with the intent to return our engineering spend to levels which align with targeted profitability as well as refocus our skill sets in order to promote new product growth and provide enhanced service and support to existing customers. During the three and nine months ended September 30, 2008, we reversed $35,000 of charges previously recognized as part of this restructure. All restructuring activities were completed as of March 31, 2009.

First Quarter 2009 Restructuring. During the first quarter of 2009, we initiated a restructuring plan that included the elimination of 29 positions. The restructuring was initiated to align our costs with our annual operating plan. During the three months ended September 30, 2009, we incurred $4,000 in additional restructuring charges, which were comprised entirely of employee payroll related severance costs. During the nine months ended September 30, 2009 we incurred a total of $1.5 million in restructuring charges, which were comprised almost entirely of employee payroll related severance costs. Included in these costs were charges related to the modification of equity awards to certain employees included in this restructuring activity. We expect all activities associated with this restructuring to be completed by March 31, 2010.

Second Quarter 2009 Restructuring. During the second quarter of 2009, we initiated a restructuring plan that includes the elimination of 119 positions and the relocation of 11 employees as part of two strategic initiatives within manufacturing operations and engineering. As part of the initiative, we plan to transition to a fully outsourced manufacturing model, which will transfer remaining manufacturing from our manufacturing plant in Hillsboro, Oregon to our manufacturing partners in Asia. The plan also includes consolidating our North American research and development positions and programs, and specifically transferring current projects from our design center in Boca Raton, Florida, to other existing R&D centers. This transition is expected to be substantially complete by the third quarter of 2010. Total costs through the third quarter of 2009 totaled $3.2 million and consisted of accrued severance obligations, healthcare benefits, relocation incentives and related payroll taxes. The balance also includes legal expenditures as well as contract termination fees. We currently expect to incur approximately $400,000 in additional restructuring charges over the next 6 months associated with the second quarter 2009 restructuring plan. These additional charges are primarily related to employee relocation costs.

Interest Expense

Interest expense includes interest incurred on the convertible senior notes. Interest expense decreased $444,000 or 42.6%, to $598,000 for the three months ended September 30, 2009 from $1.0 million for the three months ended September 30, 2008. Interest expense decreased $2.1 million or 54.4%, to $1.8 million for the nine months ended September 30, 2009 from $3.9 million for the nine months ended September 30, 2008. The decrease in interest expense for the three and nine months ended September 30, 2009 compared to the same periods in 2008, was driven by the adoption of the Cash Conversion Subsections of ASC Subtopic 470-20 (“ASC 470-20”), during the first quarter of 2009, which resulted in the retrospective recognition of interest expense in the amount of $370,000 and $2.0 million for the three and nine months ended September 30, 2008, respectively. Refer to Note 8 – Convertible Debt in the Notes to Consolidated Financial Statements for further details of the interest costs resulting from our adoption of ASC 470-20.

Source: RADISYS CORP, 10-Q, November 06, 2009

Interest Income

Interest income decreased $428,000, or 70.7%, to $177,000 for the three months ended September 30, 2009 from $605,000 for the three months ended September 30, 2008. Interest income decreased $1.7 million, or 67.6%, to $828,000 for the nine months ended September 30, 2009 from $2.6 million for the nine months ended September 30, 2008. Interest income decreased as a result of a decline in the average yield on investment holdings. The decline in our average investment yield was driven primarily by lower reset interest rates associated with our ARS as well as a decline in earnings from our cash equivalents.

Income Tax Provision

We recorded a tax benefit of $646,000 and a tax expense of $871,000 for the three months ended September 30, 2009 and 2008, respectively. We recorded a tax provision of $39.1 million and a tax benefit of $739,000 for the nine months ended September 30, 2009 and 2008, respectively. We expect the effective tax rate for the year ended December 31, 2009 to increase from the effective tax rate for the year ended December 31, 2008. The anticipated increase in the effective tax rate is primarily due to discrete items related to the full valuation allowance against our U.S. net deferred tax assets and the revaluation of our Canadian net deferred tax assets. The establishment of a valuation allowance resulted in a $42.0 million tax expense while the revaluation of net Canadian tax assets resulted in a tax benefit of $3.2 million in the three months ended March 31, 2009. In the future, if we determine that it is more likely than not that we will realize our U.S. net deferred tax assets, we will reverse the applicable portion of the valuation allowance and recognize an income tax benefit in the period in which such determination is made.

See Note 11 — *Income Taxes* of the Notes to the Consolidated Financial Statements for more details regarding these discrete items.

The 2009 estimated effective tax rate is based on current tax law and the current expected income, by tax jurisdiction, and assumes that we will continue to receive the tax benefits associated with certain income associated with foreign jurisdictions. The tax rate may be affected by potential acquisitions, restructuring events or divestitures, the jurisdictions in which profits are determined to be earned and taxed and the ability to realize deferred tax assets.

Liquidity and Capital Resources

The following table summarizes selected financial information as of the dates indicated and for the nine months ended September 30, 2009 and 2008 and for the year ended December 31, 2008:

	September 30, 2009	December 31, 2008	September 30, 2008
	(Dollar amounts in thousands)		
Cash and cash equivalents	$ 92,112	$ 73,980	$ 83,676
Short-term investments	$ 55,014	$ —	$ —
Long-term investments	$ —	$ 51,213	$ 56,522
Cash and cash equivalents and investments	$ 147,126	$ 125,193	$ 140,198
Working capital	$ 135,736	$ 66,067	$ 79,292
Accounts receivable, net	$ 37,037	$ 45,551	$ 49,129
Inventories, net	$ 28,289	$ 29,450	$ 31,351
Accounts payable	$ 31,359	$ 34,123	$ 37,857
Revolving line of credit	$ 41,243	$ 39,800	$ 20,000
2023 convertible senior notes, net	$ —	$ —	$ 36,623
2013 convertible senior notes	$ 50,000	$ 50,000	$ 55,000
Days sales outstanding (A)	48	45	45
Days to pay (B)	60	48	50
Inventory turns (C)	6.8	10.0	8.9
Inventory turns — days (D)	54	44	41
Cash cycle time — days (E)	42	41	36

(A) Based on ending net trade receivables divided by daily revenue (quarterly revenue, annualized and divided by 365 days).

(B) Based on ending accounts payable divided by daily cost of sales excluding amortization of purchased technology (quarterly cost of sales, annualized and divided by 365 days).

(C) Based on quarterly cost of sales excluding amortization of purchased technology, annualized divided by ending inventory.

(D) Based on ending inventory divided by daily cost of sales excluding amortization of purchased technology (quarterly cost of sales, annualized and divided by 365 days).

(E) Days sales outstanding plus inventory turns - days, less days to pay.

Cash and cash equivalents increased by $18.1 million to $92.1 million at September 30, 2009 from $74.0 million at December 31, 2008. Activities impacting cash and cash equivalents are as follows:

Cash Flows

	For the Nine Months Ended September 30,	
	2009	2008
	(In thousands)	
Cash provided by operating activities	$ 14,876	$ 23,224
Cash (used in) provided by investing activities	(2,135)	4,794
Cash provided by financing activities	5,249	5,063
Effects of exchange rate changes	142	73
Net increase in cash and cash equivalents	$ 18,132	$ 33,154

During the nine months ended September 30, 2009 and 2008, we used $2.4 million and $5.0 million, respectively, for capital expenditures. During the nine months ended September 30, 2009, capital expenditures consisted primarily of upgrades to our internal infrastructure along with expenditures associated with our transition to a fully outsourced manufacturing model. During the nine months ended September 30, 2008, capital expenditures were primarily associated with integrating the MCPD business as well as various purchases made to upgrade our internal infrastructure.

During the nine months ended September 30, 2009 and 2008, we received $4.0 million and $4.2 million, respectively, in proceeds from the issuance of common stock through our stock compensation plans.

Changes in foreign currency rates impacted beginning cash balances during the nine months ended September 30, 2009 by $142,000. Due to our international operations where transactions are recorded in functional currencies other than the U.S. Dollar, the effects of changes in foreign currency exchange rates on existing cash balances during any given period result in amounts on the consolidated statements of cash flows that may not reflect the changes in the corresponding accounts on the Consolidated Balance Sheets.

As of September 30, 2009 and December 31, 2008 working capital was $135.7 million and $66.1 million, respectively. Working capital increased by $69.6 million due primarily to the reclassification of our long-term investments and our ARS settlement right to short-term during the three months ended September 30, 2009. The Company’s working capital has also been positively impacted by cash flows from operations and financing activities.

Investments

Investments consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Short-term trading investments	$ 55,014	$ —
Long-term trading investments	—	$ 51,213
UBS settlement right	$ 7,350	$ 11,071
	$ 62,364	$ 62,284

We currently hold investments in auction rate securities (“ARS”), the majority of which represent interests in collateralized debt obligations supported by pools of government-backed student loans with S&P AAA or Moody’s Aaa ratings at the time of purchase. During the first quarter of 2008, our portfolio of ARS investments experienced multiple failed auctions as the amount of securities submitted for sale exceeded the amount of purchase orders. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date and parties desiring to sell their auction rate securities are unable to do so. During the fourth quarter of 2008, we accepted a settlement offer from our investment bank, UBS AG, associated with the failed auctions. Under the terms of the offer, we have the right to require the bank to repurchase at par value our ARS investments at any time between June 30, 2010 and June 30, 2012. As we plan to require UBS repurchase our ARS on June 30, 2010, these investments have been classified as short-term trading investments. For our ARS settlement right, we have elected the fair value option under GAAP for financial assets and financial liabilities.

We record our ARS investments and corresponding settlement right at fair value in accordance with GAAP for fair value measurements, using level 3 inputs, as defined in Note 3 — *Fair Value of Financial Instruments* to the Consolidated Financial Statements. We considered various inputs to estimate the fair value of our ARS investments at September 30, 2009, including the estimated time believed to allow the market for such investments to recover, projected estimates of future risk free rates, as well premiums designed to account for liquidity and credit risks associated with our ARS holdings.

We determined the fair value of our ARS settlement right based on the difference between the estimated fair value of the ARS and the par value of the ARS. This difference was then discounted based on the future date when the settlement right is expected to be exercised to account for the time value of money. The discount rate used took into consideration the risk free rate as well as UBS's credit quality. The valuation of our ARS settlement right is contingent upon the financial viability of our investment bank and accordingly, we have assigned a credit risk component based on market data available at the time of valuation. However, if market conditions change and our investment bank is unable to fulfill its commitment, the realizable value of our ARS settlement right would be adversely affected. Additionally, the inputs used in our valuation are based on managements' estimates at the time of valuation and require significant judgment. If any of these inputs vary or market conditions change significantly, actual results may differ and our overall financial condition and operating results may be materially and adversely affected.

Lines of Credit

Silicon Valley Bank

We have a secured revolving line of credit agreement with Silicon Valley Bank ("SVB"), dated as of August 7, 2008 (as amended, the "Revolving Credit Agreement"). The Revolving Credit Agreement provides us with a two-year secured revolving credit facility of $30.0 million, which is subject to a borrowing base and secured by our accounts receivable. Borrowings under the Revolving Credit Agreement bear interest at the prime rate, which was 3.25% as of September 30, 2009, or the LIBOR rate, which was 0.25% as of September 30, 2009, plus 1.25%, with either interest rate determined by our election. We are required to make interest payments monthly. We are further required to pay a commitment fee equal to 0.08% of the $30.0 million maximum borrowing limit on an annual basis, 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. In addition, the Revolving Credit Agreement provides sub-facilities for letters of credit and foreign exchange contracts to be issued on our behalf.

The Revolving Credit Agreement requires us to make and maintain certain financial covenants, representations, warranties and other agreements that are customary in credit agreements of this type, which are disclosed in full in our annual report on Form 10-K for the year ended December 31, 2008. As of September 30, 2009, we had no outstanding balances on the line of credit or letters of credit issued on our behalf.

On November 4, 2009 we amended our Revolving Credit Agreement to extend the term of the line and modify certain terms within the agreement. See *Note 16 – Subsequent Events* to our consolidated financial statements and Item 5. Other Information in Part II. of this report for additional details about this amendment.

UBS

During August of 2008, UBS AG, the parent company of the securities firm with which we hold our ARS, announced an offer to its clients holding ARS. Under the terms of the offer, UBS AG would issue ARS settlement rights to us, which in addition to the terms discussed in Note 2 – *Investments* in the Notes to the Consolidated Financial Statements, would also entitle us to receive no net cost loans from UBS AG, or its affiliates, for up to 75% of the market value of our ARS.

We accepted the offer and entered into a Credit Line Agreement ("the Credit Line"), including an Addendum to Credit Line Account Application and Agreement, with UBS Bank USA. The amount of interest we will pay under the Credit Line is intended to equal the amount of interest we would receive with respect to our auction rate securities and is currently set at T-Bill plus 1.20%, which will be subject market fluctuations. The borrowings under the Credit Line are payable upon demand; however, UBS Bank USA or its affiliates are required to provide to us alternative financing on substantially similar terms, unless the demand right was exercised as a result of certain specified events or the customer relationship between UBS Bank USA and us is terminated for cause by UBS Bank USA. As of September 30, 2009, we had an outstanding balance on the Credit Line in the amount of $41.2 million.

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 76.7448 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. 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, 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 x ($23.085 – $13.03)/$23.085 = 91,904.

As of September 30, 2009 and December 31, 2008, we had outstanding 2013 convertible senior notes with a face value of $50.0 million. As of September 30, 2009 and December 31, 2008, the fair value of our 2013 convertible senior notes was $44.8 million and $26.9 million, respectively.

Contractual Obligations

The following summarizes our contractual obligations at September 30, 2009 and the effect of such on our liquidity and cash flows in future periods (in thousands).

	2009*	2010	2011	2012	2013	Thereafter
Future minimum lease payments	$ 1,143	$ 4,191	$ 2,492	$ 722	$ 727	$ 1,515
Purchase obligations(A)	30,548	1,100	—	—	—	—
Foreign-currency cash flow hedge contracts	9,694	—	—	—	—	—
2013 convertible senior notes	—	—	—	—	50,000	—
Interest on convertible senior notes	—	1,375	1,375	1,375	688	—
Total contractual obligations	$ 41,385	$ 6,666	$ 3,867	$ 2,097	$ 51,415	$ 1,515

* Remaining three months.

(A) Purchase obligations include agreements or purchase orders to purchase goods or services that are enforceable and legally binding and specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. These purchase obligations are entered into in the ordinary course of business and are expected to be funded by cash flows from continuing operations.

Source: RADISYS CORP, 10-Q, November 06, 2009

In addition to the above, as discussed in Note 11 — *Income Taxes* of the Notes to the Consolidated Financial Statements, we have approximately $2.6 million associated with unrecognized tax benefits and related interest and penalties. These liabilities are primarily included as a component of "other long-term liabilities" in our Consolidated Balance Sheet as we do not anticipate that settlement of the liabilities will require payment of cash within the next twelve months. We are not able to reasonably estimate when we would make any cash payments required to settle these liabilities, but do not believe that 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

We believe that our cash and cash equivalents of $92.1 million at September 30, 2009, the cash generated from operations and our line of credit facility will satisfy our short and long-term expected working capital needs, capital expenditures, stock repurchases, and other liquidity requirements associated with our existing business operations even if we are required to hold our ARS until maturity. Capital expenditures are expected to range from $1.0 million to $1.5 million per quarter.

FORWARD-LOOKING STATEMENTS

This report contains some forward-looking statements that set forth anticipated results and expectations based on management's plans and assumptions. Such statements give our current expectations or forecasts of future events; they do not relate strictly to historical or current facts. 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," "intends," or other comparable terminology. In particular, these include statements relating to:

- future actions, expectations and goals for revenues, gross margin, R&D expenses, SG&A expenses and profits;
- prospective products, future performance of current products;
- the impact of our restructuring events on future operating results;
- currency exchange rate fluctuations, changes in tariff and trade policies and other risks associated with foreign operations;
- our projected liquidity; and
- matters related to the embedded system industry, including changes in industry standards, changes in customer requirements and new product introductions.

In particular, forward-looking statements in this report include discussions of our goals, including those discussions set forth in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations." We cannot provide assurance that these goals will be achieved.

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. Actual results could differ materially from the anticipated results and expectations in these forward-looking statements as a result of a number of risk factors, including, among others, (a) our dependence on certain customers and high degree of customer concentration (b) the anticipated amount and timing of revenues from design wins due to our customers' product development time, cancellations or delays, (c) the current economic uncertainty and turmoil within the global financial markets, (d) currency exchange rate fluctuations, changes in tariff and trade policies and other risks associated with foreign operations; and (e) the other factors listed in our reports filed with the SEC, including those listed under "Risk Factors" in Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2008, as updated in this report. These risk factors may cause our actual results to differ materially from any forward-looking statement.

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.

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.

Interest Rate Risk. We invest excess cash in debt instruments of the U.S. Government and its agencies, and those of high-quality corporate issuers. We attempt to protect and preserve our invested funds by limiting default, market, and reinvestment risk. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities

may have their fair value adversely affected due to a rise in interest rates while floating rate securities may produce less income than expected if interest rates decline. Due to the short duration of most of the investment portfolios, an immediate 10% change in interest rates would not have a material effect on the fair value of our investment portfolio. Additionally, interest rate changes affect the fair market value but do not necessarily have a direct impact on our earnings or cash flows. Therefore, we would not expect our operating results or cash flows to be affected, to any significant degree, by the effect of a sudden change in market interest rates on the securities portfolio. The estimated fair value of our interest bearing investments at September 30, 2009 and December 31, 2008 was $70.6 million and $66.2 million, respectively. The effect of an immediate 10% change in interest rates would not have a material effect on our operating results or cash flows.

Foreign Currency Risk. We pay the expenses of our international operations in local currencies, namely, the Canadian Dollar, Euro, Chinese Yuan, Japanese Yen, Malaysian Ringgit, British Pound Sterling, and New Shekel. 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/Canadian Dollar exchange rate, and as of September 30, 2009 the total notional or contractual value of the contracts we held was $9.7 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 $1.0 million, reversing our hedge asset and creating a hedge liability as of September 30, 2009, in the amount of $382,000. A 10% favorable fluctuation, in relation to our hedge positions, of the U.S. Dollar relative to the Canadian Dollar would result in an adjustment of $1.0 million and increase our total hedge asset as of September 30, 2009, to $1.7 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. As of September 30, 2009 our hedged positions are associated with our exposure to movements in the Canadian Dollar. 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.

Convertible Notes. The fair value of our convertible senior notes is sensitive to interest rate changes as well as our common stock price. Interest rate changes would result in an increase or decrease in the fair value of our convertible notes due to differences between market interest rates and rates in effect at the inception of the obligation. Unless we elect to repurchase our convertible senior notes in the open market, changes in the fair value of the convertible senior notes have no impact on our cash flows or Consolidated Financial Statements. The estimated fair value of the 2013 convertible senior notes was $44.8 million and $26.9 million at September 30, 2009 and December 31, 2008, respectively.

Item 4. Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, 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.

In connection with the evaluation described above, we identified no change in our internal control over financial reporting, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Source: RADISYS CORP, 10-Q, November 06, 2009

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, 2008, 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, 2008, 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.

We have incurred, and may in the future incur, restructuring and other charges, the amounts of which are difficult to predict accurately.

From time to time, we have sought to optimize our operational capabilities and efficiencies and focus our efforts and expertise through business restructurings. In the future we may decide to engage in discrete restructurings of our operations if business or economic conditions warrant. Possible adverse consequences related to such actions may include various charges for such items as idle capacity, disposition costs, severance costs, loss of propriety information and in-house knowledge. We may be unsuccessful in any of our current or future efforts to restructure our business, which may have a material adverse effect upon our business, financial condition or results of operations.

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

At the Annual Meeting of the Company's shareholders (the "Annual Meeting") held on August 18, 2009, the holders of the Company's outstanding common stock took the actions described below. As of June 22, 2009, the record date for the Annual Meeting, 23,535,393 shares of our common stock were issued and outstanding and entitled to vote.

The shareholders elected each of C. Scott Gibson, Scott C. Grout, Ken J. Bradley, Richard J. Faubert, Dr. William W. Lattin, Kevin C. Melia, Carl W. Neun, and Lorene K. Steffes to the Company's Board of Directors, by the votes indicated below, to serve for the ensuing year. The following table shows the vote tabulation for the shares represented at the meeting:

Nominee	Votes For	Votes Against	Votes Withheld	Broker Non-votes
C. Scott Gibson	20,381,182	—	1,070,272	—
Scott C. Grout	21,118,858	—	332,596	—
Ken J. Bradley	21,082,474	—	368,980	—
Richard J. Faubert	21,101,927	—	349,527	—
Dr. William W. Lattin	20,498,176	—	953,278	—
Kevin C. Melia	21,123,225	—	328,229	—
Carl W. Neun	21,144,996	—	306,458	—
Lorene K. Steffes	21,100,683	—	350,771	—

The shareholders also voted on the approval of the ratification of the Audit Committee's appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009, as well as on the approval of an employee stock option exchange program and the amendment to the RadiSys Corporation 1996 Employee Stock Purchase Plan. The following table shows the vote tabulations for the shares represented at the meeting:

Proposal	Votes For	Votes Against	Abstain	Broker Non-votes
Appointment of KPMG LLP as independent auditors	21,187,941	94,966	168,547	—
Approval of an employee stock option exchange program	16,792,574	1,053,249	10,569	3,595,062
Approval of the amendment to the 1996 Employee Stock Purchase Plan	20,836,081	600,388	14,985	—

Source: RADISYS CORP, 10-Q, November 06, 2009

Item 5. Other Information

On November 4, 2009, the Company amended its Revolving Credit Agreement, by entering into the Fifth Amendment to Loan and Security Agreement with SVB (the “Fifth Amendment”).

Pursuant to the Fifth Amendment, the Company and SVB agreed to extend the term of the Revolving Credit Agreement for another year, to September 30, 2011 and to amend the covenants surrounding the maximum allowable quarterly EBTIDA loss from $2.5 million to $3.0 million and remove the covenant prohibiting two consecutive quarterly EBITDA losses. The parties also modified the covenant surrounding capital expenditures, which are now required to not exceed $8.0 million in any fiscal year, down from a previous limit of $12.0 million.

The foregoing summary of the Fifth Amendment is not complete and is qualified in its entirety by reference to the Fifth Amendment, filed as Exhibit 10.4 to this report and is incorporated herein by reference.

Item 6. Exhibits

(a) *Exhibits*

Exhibit No	Description
10.1	RadiSys Corporation Employee Stock Purchase Plan, as amended through August 18, 2009. Incorporated by reference from Appendix A to the Company’s Proxy Statement on Schedule 14A , filed on July 6, 2009, SEC File No. 000-26844 09929350.
10.2	Amendment to RadiSys Corporation Long-Term Incentive Plan. Incorporated by reference from Exhibit 4.4 in the Company’s Registration Statement on Form S-8, filed on September 30, 2009, SEC File No. 333-162231.
10.3	Form of Award Agreement for Performance-Based Restricted Stock Units under the RadiSys Corporation Long-Term Incentive Plan. Incorporated by reference from Exhibit 4.5 in the Company’s Registration Statement on Form S-8, filed on September 30, 2009, SEC File No. 333-162231.
10.4*	Fifth Amendment to Loan and Security Agreement, dated August 7, 2008, between the Company and Silicon Valley Bank, dated as of November 4, 2009.
10.5*	Amended and Restated Executive Severance Agreement, dated December 22, 2008, between the Company and Brian Bronson.
10.6*	Amended and Restated Executive Change of Control Agreement dated December 22, 2008 between the Company and Brian Bronson.
10.7*	Amended and Restated Executive Change of Control Agreement dated December 24, 2008 between the Company and Scott C. Grout.
10.8*	Amended and Restated Executive Severance Agreement, dated December 24, 2008, between the Company and Scott Grout.
10.9*	Code Section 409A Amendment to Offer Letter, dated December 31, 2008, between the Company and Christian Lepiane.
10.10*	Amended and Restated Executive Change of Control Agreement dated December 31, 2008 between the Company and Christian Lepiane.
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.

* Filed herewith

Source: RADISYS CORP, 10-Q, November 06, 2009

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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.

RADISYS CORPORATION

Dated: November 6, 2009

By: /s/ SCOTT C. GROUT
Scott C. Grout
President and Chief Executive Officer

Dated: November 6, 2009

By: /s/ BRIAN BRONSON
Brian Bronson
Chief Financial Officer and
Principal Accounting Officer

Source: RADISYS CORP, 10-Q, November 06, 2009

EXHIBIT INDEX

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* Filed herewith

Source: RADISYS CORP, 10-Q, November 06, 2009

FIFTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Fifth Amendment to Loan and Security Agreement (this "***Amendment***") is entered into this 4th of November, 2009, 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 Loan and Security Agreement dated as of August 7, 2008 (as may be 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 desires that Bank amend the Loan Agreement 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 Amendment, Bank is willing to provide the amendment contained herein.

AGREEMENT

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

1. Amendments to the Loan Agreement.

1.1 Amendment to Section 6.7 of the Loan Agreement. Subject to the terms of Section 4 below, Section 6.7 of the Loan Agreement is amended and restated in its entirety and replaced with the following:

6.7 Financial Covenants.

Borrower shall maintain as of the last day of each fiscal quarter, unless otherwise noted, on a consolidated basis with respect to Borrower and its Subsidiaries:

(a) Current Ratio. A ratio of Current Assets to Current Liabilities plus the aggregate amount of all Credit Extensions of at least 1.5 to 1.0 on June 30, 2009 and each fiscal quarter thereafter.

(b) Minimum EBITDA. EBITDA greater than the amount set forth below opposite each period; provided however in no event shall EBITDA losses for any one quarter exceed $3,000,000.

Fiscal Period	Minimum EBITDA
Such period, measured on a rolling four quarter basis, ending June 30, 2009 and each quarter thereafter	$0

(c) Maximum Capital Expenditures. Capital Expenditures not in excess of $8,000,000 in any fiscal year. Any Capital Expenditures financed by purchase money security interest financing or financial leases to the extent permitted by **Section 7.4** shall not count towards such $8,000,000 cap.

1.2 Amendment to Section 7.1(i) of the Loan Agreement. Subject to the terms of Section 4 below, Section 7.1(i) of the Loan Agreement is amended and restated in its entirety and replaced with the following:

(i) Transfers not otherwise permitted in this **Section 7.1**, provided, that the aggregate book value of all such Transfers by Borrower and its Subsidiaries, together, shall not exceed in any fiscal year, $1,000,000.

1.3 Amendment to Section 7.3 of the Loan Agreement. Subject to the terms of Section 4 below, Section 7.3 of the Loan Agreement is amended and restated in its entirety and replaced with the following:

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person; *provided, however*, Bank's consent to the foregoing shall not be required so long as Borrower (a) is the sole survivor upon the consummation of any transaction described hereunder, (b) no Event of Default has occurred or is likely to occur as a result of such transaction and (c) so long as Borrower provides Bank satisfactory evidence that Borrower shall be in pro forma compliance with the financial covenants herein before and for the next four quarters after such transaction. A Subsidiary may merge or consolidate into a Guarantor or into Borrower or a Subsidiary which is not a Guarantor may merge into another Subsidiary which is not a Guarantor.

1.4 Amendment to Section 8.4 of the Loan Agreement. Subject to the terms of Section 4 below, Section 8.4 of the Loan Agreement is amended and restated in its entirety and replaced with the following:

8.4 Attachment. (a) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in ten (10) days; (b) the service of process upon Borrower seeking to attach, by trustee or similar process, any funds of Borrower on deposit with Bank, or any entity under control of Bank (including a subsidiary); (c) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim in excess of $1,000,000 becomes a Lien on any of Borrower's assets; or (e) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid

Source: RADISYS CORP, 10-Q, November 06, 2009

within ten (10) days after Borrower receives notice. These are not Events of Default, if cured, if stayed or if a bond is posted in each case within thirty (30) days after such event pending contest or resolution by Borrower (but no Credit Extensions shall be made during the cure period);

1.5 Amendment to Section 8.7 of the Loan Agreement. Subject to the terms of Section 4 below, Section 8.7 of the Loan Agreement is amended and restated in its entirety and replaced with the following:

8.7 Judgments. A judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least $1,000,000 to the extent not covered by independent third-party insurance shall be rendered against Borrower and shall remain unsatisfied and unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction or stay of such judgment);

1.6 Amendment to Section 13.1. Subject to the terms of Section 4 below, the definition of "Revolving Line Maturity Date" in Section 13.1 of the Loan Agreement is amended and restated in its entirety and replaced with the following:

"**Revolving Line Maturity Date**" is September 30, 2011.

1.7 Amendment to Exhibit F. Subject to the terms of Section 4 below, Exhibit F (the Compliance Certificate) of the Loan Agreement is amended and restated in its entirety and replaced with the Exhibit A attached hereto.

2. Borrower's Representations And Warranties. Borrower represents and warrants that:

(a) immediately upon giving effect to this Amendment (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;

(b) Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

(c) the certificate of incorporation, bylaws and other organizational documents of Borrower delivered to Bank on the Effective Date remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

(d) the execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of Borrower;

Source: RADISYS CORP, 10-Q, November 06, 2009

(e) this Amendment has been duly executed and delivered by the Borrower and is the binding obligation of Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights; and

(f) 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 such Borrower in connection with this Amendment and in connection with the Loan Documents.

Borrower understands and acknowledges that Bank is entering into this Amendment 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 amendment set forth in this Amendment 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. Effectiveness. This Amendment shall become effective upon the satisfaction of all the following conditions precedent:

4.1 Amendment. Borrower and Bank shall have duly executed and delivered this Amendment to Bank; and

4.2 Payment of Bank Expenses. Borrower shall have paid all Bank Expenses (including all reasonable attorneys' fees and reasonable expenses) incurred through the date of this Amendment.

5. Counterparts. This Amendment 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 Amendment.

6. Integration. This Amendment 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 Amendment; except that any financing statements or other agreements or instruments filed by Bank with respect to Borrower shall remain in full force and effect.

Source: RADISYS CORP, 10-Q, November 06, 2009

7. Governing Law; Venue. THIS AMENDMENT 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.

[signature page follows]

Source: RADISYS CORP, 10-Q, November 06, 2009

IN WITNESS WHEREOF, the parties hereto have caused this Amendment 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: Chief Financial Officer
BANK:	**SILICON VALLEY BANK**
	By: /s/ Ron Sherman Printed Name: Ron Sherman Title: Senior Relationship Manager

EXHIBIT A

EXHIBIT F

FORM OF COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date:
FROM:

The undersigned authorized officer of RadiSys Corporation ("Borrower") certifies that under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (1) Borrower is in complete compliance for the period ending __________ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of **Section 5.9** of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with generally GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
Quarterly financial statements	Quarterly within 40 days	Yes No
Annual financial statement	FYE unaudited within 90 days and audited within 120 days	Yes No
10-Q, 10-K and 8-K + CC	Within 5 days after filing with SEC	Yes No
Borrowing Base Certificate A/R & A/P Agings + Deferred Revenue report	Quarterly within 30 days (unless Credit Extensions are less than Threshold Amounts	Yes No
Material Litigation	Prompt	Yes* No
Annual board approved financial projections	Annually within 60 days of fiscal year end	Yes No

* If yes, attached is a summary of the Material Litigation not previously disclosed by Borrower or any of its Subsidiaries.

Financial Covenant	Required	Actual	Complies
Maintain on an applicable quarterly basis:			
Current Ratio	1.5:1.00 on June 30, 2009 and each fiscal quarter thereafter	______ :1.00	Yes No
Minimum EBITDA	$0 from such period, measured on a rolling four quarter basis, ending June 30, 2009 and each quarter thereafter		Yes* No
Minimum Capital Expenditures	No greater than $8,000,000 in any fiscal year	$__________	Yes No

* In no event shall EBITDA losses for any one quarter exceed $3,000,000

The following financial covenant analys[is][es] and information set forth in **Schedule 1** attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

____

____

____

____

RADISYS CORPORATION

By:

Name:

Title:

BANK USE ONLY

Received by: ______________________________

AUTHORIZED SIGNER

Date: ______________________________

Verified: ______________________________

AUTHORIZED SIGNER

Date: ______________________________

Compliance Status: Yes No

Source: RADISYS CORP, 10-Q, November 06, 2009

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

Dated: ___________________

I. **Current Ratio** (Section 6.7(a))

Required:1.5:1.00 on June 30, 2009 and each fiscal quarter thereafter

Actual:

A.	Current Assets	$
B.	Current Liabilities less Deferred Revenue	$
C.	Aggregate amount of outstanding Advances and Letters of Credit	$
D.	Current Ratio (line A divided by the sum of line B plus line C)	

Is line D equal to or greater than the applicable required ratio set forth above?

__________ No, not in compliance __________ Yes, in compliance

II. **Minimum EBITDA** (Section 6.7(b))

Required: The minimum EBITDA set forth below opposite each period; provided however in no event shall EBITDA losses for any one quarter exceed $3,000,000.

Fiscal Period	Minimum EBITDA
Such period, measured on a rolling four quarter basis, ending June 30, 2009 and each quarter thereafter	$ 0

Actual:

A.	Net Income	$
B.	To the extent included in the determination of Net Income	
1.	Net Interest Expense	$
2.	The provision for income taxes	$
3.	Depreciation expense	$
4.	Amortization expense	$
5.	Income tax expense	$
6.	non-cash stock based compensation to the extent reflected as a charge in the statement of Net Income for such period; provided however, to the extent that the Borrower took (1) an impairment charge on the goodwill as required by FAS 142 fair value testing for the fiscal quarter ending December 31, 2008, such charge shall be added back to EBITDA in an amount not to exceed $67,256,000 and (2) a FAS 109 Deferred Tax Asset write down for the fiscal quarter ending March 31, 2009, such write down shall be added back to EBITDA for such quarter in an amount not to exceed $39,172,475	$
7.	The sum of lines 1 through 6	$
C.	EBITDA(line A plus line B.7)	$

Is line C equal to or greater than the required minimum EBITDA set forth opposite the fiscal period above?

No, not in compliance __________ Yes, in compliance

Are EBITDA losses for any quarter less than $3,000,000?

No, not in compliance __________ Yes, in compliance

Source: RADISYS CORP, 10-Q, November 06, 2009

Exhibit 10.5

AMENDED AND RESTATED
EXECUTIVE SEVERANCE AGREEMENT

December 22, 2008

Brian Bronson
[Omitted] **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 Chief Financial Officer. 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 Involuntary Termination.**

3.1 **Involuntary Termination**. In the event of a Termination of Executive's Employment (as defined in Section 5.1) other than for Cause (as defined in Section 5.2), death or Disability (as defined in Section 5.3), 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 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 twelve (12) 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" (as such term is defined in the Release of Claims) 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. Notwithstanding the foregoing, if at the time of payment any portion of such severance pay cannot be characterized as a "short term deferral" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or as otherwise exempt from the provisions of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then such portion of the severance pay 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

(b) As an additional severance benefit, the Company will provide Executive with up to twelve (12) months of continued coverage 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 12-month period.

(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, and, 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, pro-rated through the date of the Termination of Executive's Employment. The amounts described in the preceding sentence, 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.

(d) As an additional severance benefit, the Company will promptly (and in any event within five business days after a request by Executive therefore) either pay or reimburse Executive for the costs and expenses of any executive outplacement firm selected by Executive; provided, however, that the Company's liability hereunder shall be limited to the first $15,000 of such expenses incurred by Executive and provided further, that any payment under this Section 3.1(d) must be received by Executive prior to the end of the second calendar year following the calendar year in which the Termination of Executive's Employment occurs. Executive shall provide the Company with reasonable documentation of the occurrence of such outplacement costs and expenses.

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.

Source: RADISYS CORP, 10-Q, November 06, 2009

5. **Definitions.**

5.1 **Termination of Executive's Employment.** Termination of Executive's Employment means that 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). A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A.

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 Company's Board of Directors (the "Board"), the Chief Executive Officer or the President of the Company which specifically identifies the manner in which the Board 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 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 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 termination of Executive's employment with the Company under the conditions described in Section 3, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Executive Severance Agreement by and between Executive and the Company dated February 26, 2008, 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 Amended and Restated Executive Change of Control Agreement by and between Executive and the Company dated December 22, 2008.

Source: RADISYS CORP, 10-Q, November 06, 2009

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.

RADISYS CORPORATION

By:	/s/ Scott Grout	/s/ Brian Bronson
	Scott C. Grout, President and CEO	Brian Bronson

Source: RADISYS CORP, 10-Q, November 06, 2009

EXHIBIT A

RELEASE OF CLAIMS

1. **Parties.**

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

1.1 **Executive and Releasing Parties.**

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

1.2 **The Company**.

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 ______, 2008.

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. This Release includes any and all claims, direct or indirect, which might otherwise be made under any applicable local, state or federal authority, including but not limited to any claim arising under state statutes dealing with employment, discrimination in employment, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, Executive Order 11246, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Oregon Fair Employment Practices Act, OR ST Section 659.030 et seq., Oregon wage and hour laws, OR ST Section 652.010 et seq., the Oregon Family Leave Act, OR ST Section 659A.150 et seq., state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract (express or implied), tort, or common law theories. 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.

3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE**. Executive understands and agrees that:

a. this Release is worded in an understandable way;

b. claims under the 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

Source: RADISYS CORP, 10-Q, November 06, 2009

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;

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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of Executive's Employee Agreement with 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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: ____________________ __________ , __________

Brian Bronson

STATE OF OREGON)
)
County of ___________________________)

Personally appeared the above named Brian Bronson 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"

Source: RADISYS CORP, 10-Q, November 06, 2009

Exhibit 10.6

AMENDED AND RESTATED
EXECUTIVE CHANGE OF CONTROL AGREEMENT

December 22, 2008

Brian Bronson

[Omitted] **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 Chief Financial Officer. 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) (i) by the Company other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) by Executive as a result of a requirement to accept a position greater than twenty-five (25) miles from Executive's current work location or a position of less total compensation (*i.e.* base salary plus bonus target), and provided any of the events identified in the preceding clauses (i) and (ii) occurs within 12 months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three 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 twelve (12) 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 six months and one day following Termination of Executive's Employment.

Source: RADISYS CORP, 10-Q, November 06, 2009

(b) As an additional severance benefit, the Company will provide Executive with up to twelve (12) months of continued coverage 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 12-month period.

(c) All stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other similar awards granted to Executive under the Company's 1995 Stock Incentive Plan, 2001 Nonqualified Stock Option Plan, 2007 Stock Plan or any other similar incentive plan shall vest in full; all stock options, stock appreciation rights and other similar purchase rights shall be immediately exercisable in full in accordance with the applicable provisions of the relevant award agreement and plan; and any risk of forfeiture included in any restricted stock, restricted stock unit, performance share, performance unit or other similar award shall immediately lapse. Stock options that are not incentive stock options under the Code, and stock appreciation rights shall also be amended to permit Executive to exercise such stock options and stock appreciation rights until the earlier of (i) 180 days after the date of the Termination of Executive's Employment, or (ii) the date that each such stock option and stock appreciation right would otherwise expire by its original terms had Executive's employment not terminated. Such vesting and extension of stock options and stock appreciation rights shall occur notwithstanding any provision in any plan or award agreement to the contrary. Any restricted stock unit, performance share, or performance unit that vests, becomes immediately exercisable in full, or is no longer subject to a risk of forfeiture pursuant to this clause (c) shall be paid or settled no later than two and one-half months after the end of the calendar year in which such restricted stock unit, performance share or performance unit vests. Notwithstanding the foregoing, this clause (c) shall not apply to any stock option, stock appreciation right, restricted stock, restricted stock unit, performance share, performance unit or other equity-based award, payment or amount that provides for the "deferral of compensation" (as such term is defined under Code Section 409A).

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 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 an amount that would not cause any portion of those payments and benefits to constitute "parachute payments."

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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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.** If cash severance pay is payable to Executive under this Agreement, cash severance pay shall not be payable to Executive under any other agreement with the Company in effect at the time of termination (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).

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 as a result of a requirement by the Company (including any subsidiary of the Company) that he accept a position requiring a relocation of greater than twenty-five (25) miles from his current work location or a position of less total compensation (*i.e.* base salary plus bonus target). A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A.

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 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 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 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 Executive Change of Control Agreement

Source: RADISYS CORP, 10-Q, November 06, 2009

by and between Executive and the Company dated February 27, 2007, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement.

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 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.

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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. If any such payment or reimbursement 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 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 14 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 14 shall be payable in accordance with their original payment schedule.

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:	/s/ Scott Grout	/s/ Brian Bronson
	Scott Grout, President and CEO	Brian Bronson

Source: RADISYS CORP, 10-Q, November 06, 2009

EXHIBIT A

RELEASE OF CLAIMS

1. **Parties**.

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

1.1 **Executive and Releasing Parties**.

For the purposes of this Release, "Executive" means Brian Bronson, 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 Change of Control Agreement ("Agreement") by and between Executive and the Company dated __________, 2008.

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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. This Release includes any and all claims, direct or indirect, which might otherwise be made under any applicable local, state or federal authority, including but not limited to any claim arising under state statutes dealing with employment, discrimination in employment, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, Executive Order 11246, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Oregon Fair Employment Practices Act, OR ST Section 659.030 et seq., Oregon wage and hour laws, OR ST Section 652.010 et seq., the Oregon Family Leave Act, OR ST Section 659A.150 et seq., state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract (express or implied), tort, or common law theories. 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.

3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE**. Executive understands and agrees that:

(a) this Release is worded in an understandable way;

(b) claims under the 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;

(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 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

Source: RADISYS CORP, 10-Q, November 06, 2009

law, the Company reserves the right to enforce the terms of Executive's Employee Agreement with 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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: ______________________________

Brian Bronson

STATE OF OREGON)
)ss.
County of ____________________)

Personally appeared the above named Brian Bronson 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"

Source: RADISYS CORP, 10-Q, November 06, 2009

AMENDED AND RESTATED

EXECUTIVE CHANGE OF CONTROL AGREEMENT

December 24, 2008

Scott C. Grout **Executive**
[Omitted]

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

1. **Employment Relationship**. Executive is currently employed by the Company as President and Chief Executive Officer. 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. **Compensation Upon Termination Following a Change of Control; Noncompetition.** In the event of a Termination of Executive's Employment (as defined in Section 6.1) (i) by the Company other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) by Executive for Good Reason, and provided any of the events identified in the preceding clauses (i) and (ii) occurs within 12 months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three 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, and, with respect to the Remaining Payments (as defined below), continued compliance with the provisions of Section 3.1(a), Executive shall be entitled to the following benefits:

3.1 As severance pay and in lieu of any other compensation for periods subsequent to the date of termination, the Company shall pay Executive a total amount in cash equal to twelve (12) 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 (the "Base Severance"),

payable as follows: (a) 25% of the Base Severance (the "First Payment") will be paid in a single payment on the date that is six months and one day following Termination of Executive's Employment, and (b) the remaining 75% of the Base Severance (the "Remaining Payments") will be paid in six periodic payments on regular paydays beginning on the first regular payday following payment of the First Payment, provided that the first Remaining Payment will be an amount equal to one-half of the aggregate amount of the Remaining Payments. Payment of the Remaining Payments is subject to the following restrictions:

(a) During the period of the Remaining Payments, Executive agrees that Executive will not individually, and will not serve as or become a director, officer, partner, limited partner, employee, agent, representative, material stockholder (greater than ten percent (10%) of a company's outstanding shares), creditor, or consultant of or to, or serve in any other capacity with any business worldwide which shall in any manner:

(i) Engage or prepare to engage in any business which competes directly with the Company; or

(ii) Solicit, hire or otherwise assist in any effort that attempts to employ or otherwise utilize the services of any employee of the Company.

For purposes of subclause (i), any company named as a competitor in the "Competition" section of the Company's most recent Annual Report on Form 10-K will be deemed to be engaged in a business which competes directly with the Company; provided however, if a company so named as a competitor had revenues in its last fiscal year in excess of five times the Company's revenues in its last fiscal year, and only a division or business unit representing less than half of such competitor's revenues is engaged in a business which competes directly with the Company, only such division or business unit shall be deemed to be a competitor for purposes of subclause (i).

(b) Executive acknowledges and agrees that the time, scope, worldwide geographic area, and other provisions of this Section 3.1 are reasonable under the circumstances. Executive further agrees that if, at any time, despite the express agreement of the parties hereto, a court of competent jurisdiction holds that any portion of this Section 3.1 is unenforceable for any reason, the maximum restrictions of time, scope, or geographic area reasonable under the circumstances, as determined by such court, will be substituted for any such restrictions held unenforceable.

3.2 As an additional severance benefit, the Company will provide Executive with up to twelve (12) months of continued coverage 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 12-month period.

Source: RADISYS CORP, 10-Q, November 06, 2009

3.3 All stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other similar awards granted to Executive under the Company's 1995 Stock Incentive Plan, 2001 Nonqualified Stock Option Plan, 2007 Stock Plan or any other similar incentive plan shall vest in full; all stock options, stock appreciation rights and other similar purchase rights shall be immediately exercisable in full in accordance with the applicable provisions of the relevant award agreement and plan; and any risk of forfeiture included in any restricted stock, restricted stock unit, performance share, performance unit or other similar award shall immediately lapse. Stock options that are not incentive stock options under the Code, and stock appreciation rights shall also be amended to permit Executive to exercise such stock options and stock appreciation rights until the earlier of (i) 180 days after the date of the Termination of Executive's Employment, or (ii) the date that each such stock option and stock appreciation right would otherwise expire by its original terms had Executive's employment not terminated. Such vesting and extension of stock options and stock appreciation rights shall occur notwithstanding any provision in any plan or award agreement to the contrary. Any restricted stock unit, performance share, or performance unit that vests, becomes immediately exercisable in full, or is no longer subject to a risk of forfeiture pursuant to this Section 3.3 shall be paid or settled no later than two and one-half months after the end of the calendar year in which such restricted stock unit, performance share or performance unit vests. Notwithstanding the foregoing, this Section 3.3 shall not apply to any stock option, stock appreciation right, restricted stock, restricted stock unit, performance share, performance unit or other equity-based award, payment or amount that provides for the "deferral of compensation" (as such term is defined under Code Section 409A).

3.4 Notwithstanding any other provision in this Agreement, in the event that Executive would receive a greater after-tax benefit from the Capped Benefit (as defined below) than from the payments (including the monetary value of any non-cash benefits and the Acceleration) otherwise payable pursuant to this Agreement (the "Specified Benefits"), the Capped Benefit shall be paid to Executive and the Specified Benefits shall not be paid. The "Capped Benefit" equals the Specified Benefits, reduced by the minimum amount necessary to prevent any portion of the Specified Benefits from being subject to the excise tax imposed by Code Section 4999 or any successor provision. In determining the "Capped Benefit," the Company shall reduce or eliminate the Specified Benefits, first by reducing or eliminating the portion of the Specified Benefits that is payable in cash, including by reducing or eliminating the Base Severance, second by reducing or eliminating the portion of the Specified Benefits that is not payable in cash (other than Specified Benefits 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 (including by reducing or eliminating the Acceleration). In the event that any Q/A-24(c) Payment or Acceleration is to be reduced, such Q/A-24(c) Payment or Acceleration shall be reduced or cancelled in the reverse order of the date of grant of the awards. For purposes of determining whether Executive would receive a greater after-tax benefit from the Capped Benefit than from the Specified Benefits there shall be taken into account any excise tax that would be imposed under Code Section 4999 and all federal, state and local taxes required to be paid by Executive in respect of the receipt of such payments, assuming that such payments would be taxed at the highest marginal rate applicable

Source: RADISYS CORP, 10-Q, November 06, 2009

to individuals in the year in which the benefits are to be paid or such lower rate as Executive advises the Company in writing is applicable to Executive. 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 3.4, all calculations and determinations under this Section, including the assumptions to be used in arriving at such calculations and determinations, whether any Specified Benefits are to be reduced, and the manner and amount of any reduction in the Specified Benefits. 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 ten (10) days following the Executive's date of termination. The reduction or elimination of the Remaining Payments pursuant to this Section 3.4 shall not release Executive from his obligations under Section 3.1.

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**. Except as provided in Section 3, 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**. If cash severance pay is payable to Executive under this Agreement, cash severance pay shall not be payable to Executive under any other agreement with the Company in effect at the time of termination (including but not limited to any employment 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 significant 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;

Source: RADISYS CORP, 10-Q, November 06, 2009

(b) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect immediately prior to the Change of Control;

(c) the Company or the surviving company requires Executive to be based 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; or

(d) the assignment of Executive to a different title, job or responsibilities that results in a material decrease in the level of responsibility of Executive with respect to the surviving company after the Change of Control when compared to Executive's level of responsibility for the Company's operations prior to the Change of Control, provided that Good Reason shall not exist if Executive continues to have substantially the same or a greater general level of responsibility with respect to the former operations of the Company after the Change of Control as Executive had immediately prior to the Change of Control even if the former such operations are a subsidiary or division of the surviving company.

A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A.

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 which specifically identifies the manner in which the Board of Directors 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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 days as a result of Executive's incapacity due to physical or mental illness, as determined by Executive's attending physician

Source: RADISYS CORP, 10-Q, November 06, 2009

and in accordance with the Company's 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, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Amended and Restated Executive Change of Control Agreement by and between Executive and the Company dated February 27, 2007, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement.

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 as a representative of the Company 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 the 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 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 a writing signed by Executive and the Company.

12. **Severability.** Except as otherwise provided in Section 3.1, 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

Source: RADISYS CORP, 10-Q, November 06, 2009

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.

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. If any such payment or reimbursement 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 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 14 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 14 shall be payable in accordance with their original payment schedule.

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:	/s/ C. Scott Gibson	/s/ Scott Grout
	C. Scott Gibson Chairman of the Board	Scott C. Grout

Source: RADISYS CORP, 10-Q, November 06, 2009

EXHIBIT A

RELEASE OF CLAIMS

1. **Parties**.

The parties to Release of Claims (hereinafter “Release”) are Scott C. Grout and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

1.1 **Executive and Releasing Parties**.

For the purposes of this Release, “Executive” means Scott C. Grout, 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 of the Amended and Restated Executive Change of Control Agreement (“Agreement”) by and between Executive and the Company dated ______, 2008.

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 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,

Source: RADISYS CORP, 10-Q, November 06, 2009

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. This Release includes any and all claims, direct or indirect, which might otherwise be made under any applicable local, state or federal authority, including but not limited to any claim arising under state statutes dealing with employment, discrimination in employment, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, Executive Order 11246, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Oregon Fair Employment Practices Act, OR ST Section 659.030 et seq., Oregon wage and hour laws, OR ST Section 652.010 et seq., the Oregon Family Leave Act, OR ST Section 659A.150 et seq., state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract (express or implied), tort, or common law theories. 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.

3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE**. Executive understands and agrees that:

(a) this Release is worded in an understandable way;

(b) claims under the 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

Source: RADISYS CORP, 10-Q, November 06, 2009

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;

(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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of Executive's Employee Agreement with 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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: ____________________________

Scott C. Grout

STATE OF OREGON)
)ss.
County of _____________________)

Personally appeared the above named Scott C. Grout 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”

Source: RADISYS CORP, 10-Q, November 06, 2009

Exhibit 10.8

AMENDED AND RESTATED

EXECUTIVE SEVERANCE AGREEMENT

December 24, 2008

Scott C. Grout
[Omitted] **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 President and Chief Executive Officer. 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") and deliver it to the Company. 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 Involuntary Termination.**

3.1 **Involuntary Termination**. In the event of a Termination of Executive's Employment (as defined in Section 5.1) other than for Cause (as defined in Section 5.2), death or Disability (as defined in Section 5.3), 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 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 twelve (12) 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" (as such term is defined in the Release of Claims) 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. Notwithstanding the foregoing, if at the time of payment any portion of such severance pay cannot be characterized as a "short term deferral" for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or as otherwise exempt from the provisions of Code Section 409A, and Executive is determined to be a "specified employee" under Code Section 409A, then such portion of the severance pay 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

(b) As an additional severance benefit, the Company will provide Executive with up to twelve (12) months of continued coverage 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 12-month period.

(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, and, 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, pro-rated through the date of the Termination of Executive's Employment. The amounts described in the preceding sentence, 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.

(d) As an additional severance benefit, the Company will promptly (and in any event within five business days after a request by Executive therefore) either pay or reimburse Executive for the costs and expenses of any executive outplacement firm selected by Executive; provided, however, that the Company's liability hereunder shall be limited to the first $25,000 of such expenses incurred by Executive and provided further, that any payment under this Section 3.1(d) must be received by Executive prior to the end of the second calendar year following the calendar year in which the Termination of Executive's Employment occurs. Executive shall provide the Company with reasonable documentation of the occurrence of such outplacement costs and expenses.

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.

Source: RADISYS CORP, 10-Q, November 06, 2009

5. **Definitions.**

5.1 **Termination of Executive's Employment.** Termination of Executive's Employment means that 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). A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A.

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 Company's Board of Directors (the "Board") which specifically identifies the manner in which the Board 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 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 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 termination of Executive's employment with the Company under the conditions described in Section 3, that this Agreement supersedes and replaces any prior agreements relating to the matters covered by this Agreement, specifically the Executive Severance Agreement by and between Executive and the Company dated August 6, 2008, 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 Amended and Restated Executive Change of Control Agreement by and between Executive and the Company dated December 24, 2008.

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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.

RADISYS CORPORATION

By:	/s/ Brian Bronson	/s/ Scott Grout
	Brian Bronson Chief Financial Officer	Scott C. Grout

EXHIBIT A

RELEASE OF CLAIMS

1. **Parties.**

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

1.1 **Executive and Releasing Parties.**

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

1.2 **The Company**.

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 __________, 2008.

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,

Source: RADISYS CORP, 10-Q, November 06, 2009

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. This Release includes any and all claims, direct or indirect, which might otherwise be made under any applicable local, state or federal authority, including but not limited to any claim arising under state statutes dealing with employment, discrimination in employment, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, Executive Order 11246, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Oregon Fair Employment Practices Act, OR ST Section 659.030 et seq., Oregon wage and hour laws, OR ST Section 652.010 et seq., the Oregon Family Leave Act, OR ST Section 659A.150 et seq., state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract (express or implied), tort, or common law theories. 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.

3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE**. Executive understands and agrees that:

a. this Release is worded in an understandable way;

b. claims under the 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

Source: RADISYS CORP, 10-Q, November 06, 2009

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;

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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of Executive's Employee Agreement with 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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: ______________________ ________ , ________

Scott C. Grout

STATE OF OREGON)
)
County of ___________________________)

Personally appeared the above named Scott C. Grout 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"

Source: RADISYS CORP, 10-Q, November 06, 2009

CODE SECTION 409A AMENDMENT
TO
OFFER LETTER

THIS CODE SECTION 409A AMENDMENT (the "Amendment") is made this 31st day of December, 2008 by and between RadiSys Corporation, an Oregon corporation (the "Company"), and Christian Lepiane (the "Executive").

RECITALS

WHEREAS, the Company and the Executive entered into an offer letter, dated August 15, 2003 (the "Offer Letter"); and

WHEREAS, amendment of the Offer Letter for compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury regulations issued thereunder now is considered desirable;

NOW, THEREFORE, in consideration of the Executive's performance, the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree, effective as of the date first above written to amend the Offer Letter in the following particulars:

1. By substituting the following for the fourth paragraph on page 3 of the Offer Letter:

"In the case of an involuntary separation other than for cause, you will be provided with a contingency severance package of six months of base salary compensation (the 'Severance Payment') and the Company will cover the cost of COBRA for a six month period after separation. Payment of your severance package will be contingent upon your signing a release agreement within 21 days (or, if required by applicable law, 45 days) from the last day of your active employment. You shall forfeit your severance package in the event that you fail to execute and deliver a release agreement to the Company in accordance with the timing and other provisions of the preceding sentence or in the event that you revoke such release agreement prior to its effective date. Your Severance Payment shall be payable to you in a lump sum within 10 days following the effective date of the release agreement and in any event no later than the end of the second calendar year following the calendar year of your termination of employment. For purposes of this offer letter, a termination of employment is intended to mean a termination of employment which constitutes a 'separation from service' under Section 409A of the Internal Revenue Code of 1986, as amended (the 'Code'), or any successor provision."

Source: RADISYS CORP, 10-Q, November 06, 2009

2. By adding the following new paragraph at the end of the Offer Letter as a part thereof:

"This offer letter 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 offer letter 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 offer letter to the contrary, this offer letter 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 offer letter so that it will comply with the requirements of Code Section 409A, the Company does not represent or warrant that this offer letter 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 you (or any other individual claiming a benefit through you) for any tax, interest, or penalties you may owe as a result of compensation paid under this offer letter, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect you from the obligation to pay any taxes pursuant to Code Section 409A."

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

RadiSys Corporation

By: /s/ Christian Lepiane

Its: Vice President, Worldwide Sales

____

Christian Lepiane

AMENDED AND RESTATED
EXECUTIVE CHANGE OF CONTROL AGREEMENT

December 31, 2008

Christian A. Lepiane
[Omitted] **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 Worldwide 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) (i) by the Company other than for Cause (as defined in Section 6.2), death or Disability (as defined in Section 6.4), or (ii) by Executive as a result of a requirement to accept a position with a title of less than Vice President or greater than twenty-five (25) miles from Executive's current work location, and provided any of the events identified in the preceding clauses (i) and (ii) occurs within 12 months following a Change of Control (as defined in Section 6.3 of this Agreement) or within three 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 six months and one day following Termination of Executive's Employment.

Source: RADISYS CORP, 10-Q, November 06, 2009

(b) As an additional severance benefit, the Company will provide Executive with up to nine (9) months of continued coverage 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.

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 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 an amount that would not cause any portion of those payments and benefits to constitute "parachute payments."

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.** If cash severance pay is payable to Executive under this Agreement, cash severance pay shall not be payable to Executive under any other agreement with the Company in effect at the time of termination (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).

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 as a result of a requirement by the Company (including any subsidiary of the Company) that he accept a position with a title of less than Vice President or requiring a relocation of greater than twenty-five (25) miles from his current work location. A Termination of Executive's Employment is intended to mean a termination of employment which constitutes a "separation from service" under Code Section 409A.

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

Source: RADISYS CORP, 10-Q, November 06, 2009

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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

6.4 **Disability.** "Disability" means Executive's absence from Executive's full-time duties with the Company for 180 consecutive 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 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 Executive Change of Control Agreement by and between Executive and the Company dated February 27, 2007, and that there exist no other agreements between the parties, oral or written, express or implied, relating to any matters covered by this Agreement.

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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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.

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. If any such payment or reimbursement 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 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 14 shall be paid to Executive in a lump sum, and any remaining payments due under this Section 14 shall be payable in accordance with their original payment schedule.

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:	/s/ Scott Grout	/s/ Christian Lepiane
	Scott Grout, President and CEO	Christian A. Lepiane

Source: RADISYS CORP, 10-Q, November 06, 2009

EXHIBIT A

RELEASE OF CLAIMS

1. **Parties**.

The parties to Release of Claims (hereinafter “Release”) are Christian A. Lepiane and RadiSys Corporation, an Oregon corporation, as hereinafter defined.

1.1 **Executive and Releasing Parties**.

For the purposes of this Release, “Executive” means Christian Lepiane, 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 Change of Control Agreement (“Agreement”) by and between Executive and the Company dated __________, 2008.

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,

Source: RADISYS CORP, 10-Q, November 06, 2009

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. This Release includes any and all claims, direct or indirect, which might otherwise be made under any applicable local, state or federal authority, including but not limited to any claim arising under state statutes dealing with employment, discrimination in employment, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act of 1993, the Equal Pay Act of 1963, Executive Order 11246, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Fair Labor Standards Act, the Oregon Fair Employment Practices Act, OR ST Section 659.030 et seq., Oregon wage and hour laws, OR ST Section 652.010 et seq., the Oregon Family Leave Act, OR ST Section 659A.150 et seq., state wage and hour statutes, all as amended, any regulations under such authorities, and any applicable contract (express or implied), tort, or common law theories. 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.

3.1 **IMPORTANT INFORMATION REGARDING ADEA RELEASE**. Executive understands and agrees that:

(a) this Release is worded in an understandable way;

(b) claims under the 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

Source: RADISYS CORP, 10-Q, November 06, 2009

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;

(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 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

Moreover, Executive acknowledges that, subject to the enforcement limitations of applicable law, the Company reserves the right to enforce the terms of Executive's Employee Agreement with 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.

Source: RADISYS CORP, 10-Q, November 06, 2009

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: ______________________________

Christian A. Lepiane

STATE OF OREGON)
)ss.
County of __________________________)

Personally appeared the above named Christian A. Lepiane 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”

Source: RADISYS CORP, 10-Q, November 06, 2009

CERTIFICATIONS

I, Scott C. Grout, 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: November 6, 2009

/s/ SCOTT C. GROUT

Scott C. Grout
Chief Executive Officer and President

Exhibit 31.2

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: November 6, 2009

/s/ BRIAN BRONSON

Brian Bronson
Chief Financial Officer

Exhibit 32.1

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 September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Grout, 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/ SCOTT C. GROUT

Scott C. Grout
Chief Executive Officer
November 6, 2009

Exhibit 32.2

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 September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott C. Grout, 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/ BRIAN BRONSON

Brian Bronson
Chief Financial Officer
November 6, 2009

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