

RADISYS CORP
Form 11-K
June 30, 2004

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

FORM 11-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended December 31, 2003 or
- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____.

Commission file number 0-26844

RadiSys Corporation 401(k) Savings Plan

(Full title of the plan)
RADISYS CORPORATION
5445 NE Dawson Creek Drive
Hillsboro, OR 97124

(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

REQUIRED INFORMATION

ITEM 4.

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable to the Plan.

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of the
RadiSys Corporation
401(k) plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the RadiSys Corporation 401(k) Plan (the Plan) at December 31, 2003 and 2002, and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Pricewaterhouse Coopers LLP

Portland, Oregon
June 11, 2004

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401 (k) Plan****Statements of Net Assets Available for Benefits
December 31, 2003 and 2002**

| | 2003 | 2002 |
|-----------------------------------|---------------------|---------------------|
| Assets | | |
| Investments, at fair value | | |
| Registered investment companies | \$21,670,441 | \$16,341,800 |
| Collective trust funds | 5,041,549 | 3,855,707 |
| RadiSys Corporation stock | 462,275 | 187,486 |
| Self-directed brokerage accounts | 110,030 | 35,369 |
| Participant loans | 633,259 | 726,996 |
| | <hr/> | <hr/> |
| Total investments | 27,917,554 | 21,147,358 |
| Employer contribution receivable | 44,513 | 783,482 |
| Cash | 3,552 | 3,760 |
| | <hr/> | <hr/> |
| Net assets available for benefits | \$27,965,619 | \$21,934,600 |
| | <hr/> | <hr/> |

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

Table of Contents**RadiSys Corporation
401(k) Plan****Statement of Changes in Net Assets Available for Benefits
Year Ended December 31, 2003**

| | |
|---|--------------|
| Additions | |
| Investment income | |
| Net appreciation in fair value of investments | \$ 4,840,523 |
| Dividends | 402,918 |
| Interest on participant loan payments | 46,947 |
| | <hr/> |
| Total investment income | 5,290,388 |
| | <hr/> |
| Contributions | |
| Participants | 2,328,007 |
| Employer | 751,175 |
| Rollovers | 360,032 |
| | <hr/> |
| Total contributions | 3,439,214 |
| | <hr/> |
| Total additions | 8,729,602 |
| | <hr/> |
| Deductions | |
| Benefit payments | (2,697,768) |
| Administrative expenses | (815) |
| | <hr/> |
| Total deductions | (2,698,583) |
| | <hr/> |
| Net increase | 6,031,019 |
| Net assets available for benefits | |
| Beginning of year | 21,934,600 |
| | <hr/> |
| End of year | \$27,965,619 |
| | <hr/> |

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

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**RadiSys Corporation
401 (k) Plan**

**Notes to Financial Statements
December 31, 2003 and 2002**

1. Description of the Plan

The following brief description of the RadiSys Corporation 401(k) Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General

The Plan was established by RadiSys Corporation (the Company) on January 1, 1989 to provide a means for savings and investment by employees for retirement purposes. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Under the terms of a trust agreement between the Company and Putnam Corporate Services (the Trustee), all investments of the Plan are held in trust by the Trustee. Certain accounting and other administrative services for the Plan are performed by Putnam Corporate Services. The Plan is administered by a committee composed of management employees of the Company.

Eligibility

Currently, all employees of the Company who are age 21 or older and who are not covered under a collective bargaining agreement are eligible to participate in the Plan. Qualifying employees may begin to participate in the Plan on the date of employment with the Company.

Contributions

Participants may contribute up to 30% of their pre-tax compensation to the Plan, subject to the maximum allowed by the Internal Revenue Code (IRC) guidelines. Participants may also contribute up to 5% of their after-tax compensation, up to an annual maximum of \$10,000. Participants who have attained the age of 50 before the close of the Plan year may contribute up to 20% of their pre-tax compensation as catch up contributions, subject to maximums allowed by the IRC guidelines. Participants may also contribute amounts representing distributions from other qualified defined contribution plans. The employer will make matching contributions equal to a percentage of the amount of the salary deferral, as defined in the Plan document. Participants direct the investment of their contributions into various investment options available within the Plan.

Participant Accounts

Each participant s account is credited with the participant s contribution, the discretionary employer matching contributions and an allocation of Plan earnings, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the employer contribution is based upon the following schedule:

| | |
|--|-------------|
| Less than one year of service | 0% vested |
| 1 year of service, but less than 2 years of service | 33% vested |
| 2 years of service, but less than 3 years of service | 66% vested |
| 3 years of service or more | 100% vested |

Participants become fully vested in the employer contribution upon death or disability.

Forfeitures

If a participant terminates before becoming fully vested, the unvested portion of his or her account is forfeited and the amount attributable to employer contributions is used to reduce the employer contribution. Any remaining amounts will be allocated to the remaining participants based on a ratio of the participant's contributions to the total contributions of all active participants. At December 31, 2003 and 2002, forfeited nonvested accounts totaled \$32,241 and \$17,428, respectively.

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**RadiSys Corporation
401 (k) Plan
Notes to Financial Statements
December 31, 2003 and 2002**

Payments of Benefits

One hundred percent of the participant's vested benefits, including his or her allocation of Plan earnings, may be paid to the participant upon resignation discharge, death or disability. The Plan permits a withdrawal of pre-tax contributions (not including investment earnings), rollover contributions, and the vested portion of amounts attributable to the employer matching contribution to the extent approved by the Plan's administrative committee because of a qualified financial hardship. Terminated participants may keep their vested balance in the Plan subject to a minimum \$1,000 threshold. Vested balances less than \$1,000 are distributed to the participant as a lump sum distribution. The Trustee distributes all such amounts.

Participant Loans

Participants may borrow from their fund accounts amounts equal to 50% of the total vested value of their account, but not more than \$50,000 reduced by the highest outstanding loan balance from the previous 12 months. Loan terms range from one to five years, unless the loan qualifies as a home loan. The term for a home loan is not to exceed 15 years. The loans are secured by the balance in the participant's account and bear interest based upon the prime interest rate at the time the loan is issued, plus 2%. Principal and interest are paid ratably through biweekly payroll deductions.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. The Company may elect, at its discretion, to either make a complete distribution of the assets or to continue the trust created by the Plan and distribute benefits in such a manner as though the Plan had not been terminated. In the event of Plan termination, the accounts of all participants would become fully vested. The net assets of the Plan would be distributed among the participants and beneficiaries of the Plan in proportion to their interests after proper allocation of any Plan expenses incurred upon termination.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Investments

Investments in registered investment companies and collective trust funds are stated at fair value, based upon the market value of the underlying securities, as determined or provided by the Trustee. Collective trust funds represent investments in pooled funds. Investments are purchased and sold at the fair value of the underlying investments and receive the interest and dividend earnings of the underlying investments. Investments in common stock listed on a national securities exchange and over-the-counter securities are valued at the last reported sales price on the valuation date or, if no sales are reported for that day, the last published sale price. The self-directed brokerage account allows participants to invest in investment holdings of their choice.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The Plan presents, in the statement of changes in net assets available for benefits, the net appreciation or depreciation in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments.

Table of Contents**RadiSys Corporation
401(k) Plan
Notes to Financial Statements
December 31, 2003 and 2002**

Participant loans are valued at cost, which approximates fair value.

Benefits Payable

Benefits are recorded when paid. Accordingly, benefits payable to persons that have elected to withdraw from the Plan but not yet paid have not been accrued. At December 31, 2003 and 2002, there were no amounts payable to participants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions.

Risks and Uncertainties

The Plan provides for investments that are exposed to various risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits and, therefore, participants' account balances.

3. Investments

The following presents investments that represent 5% or more of the Plan's net assets at December 31, 2003:

| | |
|--|-------------|
| Registered investment companies | |
| Artisan Mid Cap Fund | \$3,165,534 |
| Putnam Asset Allocation Growth Portfolio | 2,929,498 |
| Putnam Growth Opportunities Fund | 2,748,601 |
| Weitz Partners Value Fund | 2,207,061 |
| PIMCO Total Return Fund | 1,843,876 |
| Neuberger & Berman Genesis Trust | 1,724,026 |
| PIMCO RCM Global Technology Fund | 1,544,459 |
| Collective trust funds | |
| Putnam Stable Value Fund | 2,726,200 |
| Putnam S&P 500 Index Fund | 2,315,349 |

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RadiSys Corporation
401 (k) Plan
Notes to Financial Statements
December 31, 2003 and 2002

The following presents investments that represent 5% or more of the Plan's net assets at December 31, 2002:

Registered investment companies

| | |
|--|-------------|
| Putnam Asset Allocation Growth Portfolio | \$2,434,792 |
| Putnam Growth Opportunities Fund | 2,248,106 |
| Weitz Partners Value Fund | 1,837,937 |
| PIMCO Total Return Fund | 1,815,352 |
| Putnam New Opportunities Fund | 1,424,390 |
| Putnam Asset Allocation Conservative Portfolio | 1,384,017 |

Collective trust funds

| | |
|---------------------------|-----------|
| Putnam Stable Value Fund | 2,322,496 |
| Putnam S&P 500 Index Fund | 1,533,211 |

During 2003 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated as follows:

| | |
|----------------------------------|-------------|
| Registered investment companies | \$3,943,827 |
| Collective trust funds | 513,941 |
| RadiSys Corporation stock | 348,713 |
| Self-directed brokerage accounts | 34,042 |
| | <hr/> |
| | \$4,840,523 |
| | <hr/> |

4. Plan Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated April 9, 2002 that the Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of December 31, 2003.

5. Party-in-Interest Transactions

The Plan's investments represent funds invested in, or maintained by, the Trustee. These transactions qualify as party-in-interest. Fees paid by the Plan to the Trustee for investment management services amounted to \$815 for the year ended December 31, 2003.

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RadiSys Corporation
401 (k) Plan
Notes to Financial Statements
December 31, 2003 and 2002

6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31:

| | <u>2003</u> | <u>2002</u> |
|--|---------------------|---------------------|
| Net assets available for benefits per the financial statements | \$27,965,619 | \$21,934,600 |
| Net difference in participant loans | <u>(109,966)</u> | <u>(166,794)</u> |
| Net assets available for benefits per Form 5500 | <u>\$27,855,653</u> | <u>\$21,767,806</u> |

The following is a reconciliation of the net increase in net assets available for benefits per the financial statements to the Form 5500 at December 31, 2003:

| | |
|---|--------------------|
| Net increase in net assets per the financial statements | \$6,031,019 |
| Certain deemed distributions of participant loans | <u>56,828</u> |
| Net increase in net assets per Form 5500 | <u>\$6,087,847</u> |

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Supplemental Schedule

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401 (k) Plan****Schedule of Assets (Held at End of Year)
December 31, 2003****Schedule I**

| (a) | (b) Identity of Issue, Borrower, Lessor or Similar Party | (c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value | (d) Cost ⁽¹⁾ | (e) Current Value |
|-----|--|---|----------------------------|-------------------------|
| | Artisan Mid Cap Fund | Registered investment company | | \$ 3,165,534 |
| | Putnam Asset Allocation Growth Portfolio | Registered investment company | | 2,929,498 |
| * | Putnam Growth Opportunities Fund | Registered investment company | | 2,748,601 |
| | Weitz Partners Value Fund | Registered investment company | | 2,207,061 |
| | PIMCO Total Return Fund | Registered investment company | | 1,843,876 |
| | Neuberger & Berman Genesis Trust | Registered investment company | | 1,724,026 |
| | PIMCO RCM Global Technology Fund | Registered investment company | | 1,544,459 |
| | Putnam Asset Allocation | Registered investment company | | 1,384,419 |
| * | Conservative Portfolio | | | 1,064,637 |
| | Putnam Asset Allocation Balanced Portfolio | Registered investment company | | 987,592 |
| * | Putnam International Equity Fund | Registered investment company | | 794,161 |
| | Dodge & Cox Balanced Fund | Registered investment company | | 725,258 |
| | Janus Balanced Fund | Registered investment company | | 490,337 |
| | Franklin Templeton Small Cap Fund | Registered investment company | | 40,686 |
| | Harbor International Fund | Registered investment company | | 20,296 |
| | Growth Fund of America | Registered investment company | | |
| | | | | 21,670,441 |
| * | Putnam Stable Value Fund | Collective trust fund | | 2,726,200 |
| * | Putnam S&P 500 Index Fund | Collective trust fund | | 2,315,349 |
| | | | | 5,041,549 |
| | RadiSys Corporation | Common stock | | 462,275 |
| | HarrisDirect Securities Account | Self-directed brokerage accounts | | 110,030 |
| | Participant loans | 6.0% - 11.0%, maturities ranging from 2004 - 2018 | | 633,259 |

\$27,917,554

* Party-in-interest.

(1) Cost information has been omitted for participant directed assets.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

RadiSys Corporation 401(k) Savings Plan

(Name of Plan)

Date: June 30, 2004

/s/ Julia A. Harper

Julia A. Harper
Plan Trustee