

MoSys, Inc.
Form 10-Q
November 09, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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, 2007

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 000-32929

MOSYS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of Incorporation or organization)

77-0291941
(I.R.S. Employer
Identification Number)

755 N. Mathilda Avenue

Sunnyvale, California, 94085

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(Address of principal executive office and zip code)

(408) 731-1800

(Registrant's telephone number, including area code)

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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 filing requirements for the past 90 days. YES NO

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

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 31, 2007, 32,644,813 shares of the Registrant's common stock, \$0.01 par value, were outstanding.

MOSYS, INC.

FORM 10-Q

September 30, 2007

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MOSYS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and per share data)

	September 30, 2007 (unaudited)	December 31, 2006*
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,190	\$ 11,118
Short-term investments and auction rate securities	36,257	70,689
Accounts receivable, net	829	2,491
Unbilled contract receivable	1,218	360
Prepaid expenses and other current assets	2,156	2,831
Total current assets	75,650	87,489
Long-term investments	14,189	2,492
Property and equipment, net	1,516	855
Goodwill	12,326	12,326
Intangible assets, net	2,362	
Other assets	464	598
Total assets	\$ 106,507	\$ 103,760
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 518	\$ 307
Accrued expenses and other liabilities	1,896	1,865
Deferred revenue	194	619
Total current liabilities	2,608	2,791
Long-term portion of restructuring liability		54
Total liabilities	2,608	2,845
Commitment and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 20,000 shares authorized; none issued and outstanding at September 30, 2007 and December 31, 2006		
Common stock, \$0.01 par value; 120,000 shares authorized; 32,643 shares and 31,638 shares issued and outstanding at September 30, 2007 and December 31, 2006	326	316
Additional paid-in capital	113,692	106,850
Accumulated other comprehensive loss	(9)	(79)
Retained deficit	(10,110)	(6,172)
Total stockholders' equity	103,899	100,915
Total liabilities and stockholders' equity	\$ 106,507	\$ 103,760

* Derived from audited financial statements.

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

MOSYS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Net revenue:				
Licensing	\$ 1,548	\$ 3,333	\$ 4,865	\$ 7,302
Royalty	2,421	705	6,570	2,598
Total net revenue	3,969	4,038	11,435	9,900
Cost of net revenue				
		Level 1	Level 2	Total
Mutual funds	\$ 962,564,612	–	\$ 962,564,612	
Common stock	545,957,460	–	545,957,460	
Total investments in the fair value hierarchy	\$ 1,508,522,072	\$ –	\$ 1,508,522,072	
Collective investment trusts (measured at net asset value) (a)	–	–	501,643,756	
Total investments at fair value	\$ 1,508,522,072	\$ –	\$ 2,010,165,828	

Investments at Fair Value as of
December 31, 2015

	Level		Total
	Level 1	2	
Mutual funds	\$916,403,068	–	\$916,403,068
Common stock	557,875,756	–	557,875,756
Total investments in the fair value hierarchy	\$1,474,278,824	\$ –	\$1,474,278,824
Collective investment trusts (measured at net asset value) (a)	–	–	459,167,789
Total investments at fair value	\$1,474,278,824	\$ –	\$1,933,446,613

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

The following table sets forth additional disclosures for the fair value measurement of investments in certain entities that calculate NAV per share (or its equivalent).

Investment Type	Fair Value 2016	2015	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
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Target Date Funds	\$ 364,668,858	\$ 321,959,543	\$ None	Daily	None
Stable Value Fund	\$ 136,974,898	\$ 137,208,337	\$ None	Daily	12 months

This Stable Value Fund's objective is to protect principal while providing a higher rate of return than shorter maturity investments. To achieve this, the Fund invests in instruments which are not expected to experience significant price fluctuation in most economic or interest rate environments. However, there is no assurance that this objective can be achieved.

The Stable Value Fund invests in a pool of investment contracts that are issued by insurance companies and commercial banks and in contracts that are backed by bond funds and trusts.

The Target Date Funds invest in index (mutual fund) funds consisting of U.S. and international stocks and bonds, and are designed based on target retirement ages.

BALL CORPORATION
401(k) and Employee Stock Ownership Plan
Notes to Financial Statements
December 31, 2016 and 2015

Note 4—Investments

The funds are managed by the Trustee of the Plan. The investments are maintained under the ERISA guidelines and guidelines provided by the Company.

The following investments individually represent 10 percent or more of the Plan's net assets available for benefits.

	December 31, 2016	December 31, 2015
Ball Corporation Common Stock (a)	\$545,957,460	\$557,875,756
Vanguard Institutional Index Fund (a)	220,934,088	204,528,886

(a) Party-in interest

Note 5—Stable Value Fund

The Vanguard Retirement Savings Trust II is held in a bank collective trust that is composed of fully benefit-responsive investment contracts that are valued at the net asset value of units of the bank collective trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months' notification in order to ensure that securities liquidations will be carried out in an orderly business manner.

Note 6—Plan Termination

Although the Company has not expressed any intent to terminate the Plan, it may do so at any time. In the event of termination of the Plan, all participants would become 100 percent vested, to the extent not already vested, in their accounts and the assets of the Plan, after payment of any expenses, would be distributed to the participants in proportion to their respective account balances.

Note 7—Federal Income Tax Status

The Internal Revenue Service ("IRS"), informed the Company by a letter dated July 6, 2016, that the Plan and related trust were designed in accordance with the applicable provisions of the IRC. Thus, contributions to the Plan and earnings thereon are not taxable until distributed to the participant. The Plan has since been amended but the Company believes the Plan is designed and being operated in compliance with the applicable provisions of the IRC.

U.S. GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken uncertain tax positions that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. The

BALL CORPORATION
401(k) and Employee Stock Ownership Plan
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Plan administrator has analyzed tax positions taken by the Plan and has concluded that, as of December 31, 2016, there are no uncertain tax positions taken that would require recognition of a liability or that would require disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Note 8—Related Party and Party-In-Interest Transactions

Plan assets include investments in funds managed by Vanguard Fiduciary Trust Company ("Vanguard"). Vanguard is the Plan's trustee/custodian and recordkeeper and, as such, transactions with the trustee/custodian qualify as party-in-interest transactions. In addition, the Plan holds shares of Ball Corporation common stock, the Plan sponsor, which also qualifies as a party-in-interest. These transactions are covered by an exemption from the prohibited transaction provisions of ERISA and the IRC. Notes receivable are secured by the vested balance of participant accounts, and, as such, these transactions qualify as party-in-interest transactions. Fees paid by the plan for the investment management services are included in net appreciation in fair value of investments.

The Plan also invests in Ball Corporation common stock, common stock of the plan sponsor, which also qualifies as a related party transaction. During the plan year ended December 31, 2016, the gain on investment was \$17,425,322, purchases of Ball common stock were \$20,280,821, sales of Ball common stock were \$36,345,585 and the net transfer out of Ball common stock was \$14,674,157. As of December 31, 2016 and 2015, the plan held 7,272,641 and 7,699,817 shares of Ball common stock at a value of \$545,957,460 and \$557,875,756, respectively, along with cash in the Vanguard Prime Money Market Fund Admiral Shares of \$736,629 and \$2,131,932, respectively, in the Ball Common Stock Fund. Transactions in such investments qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

Note 9—Concentrations, Risks and Uncertainties

The Plan has a significant concentration of Ball Corporation common stock. A change in the value of the Company stock or other investment(s) valued at greater than 10 percent of the plan assets (See Note 4) can cause the value of the Plan's net assets to change significantly due to this concentration.

The Plan provides for various investments in common stock, mutual funds, and collective investment trusts, which, in general, are exposed to various risks, such as significant world events, interest rates, credit risk and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term.

BALL CORPORATION
401(k) and Employee Stock Ownership Plan
Notes to Financial Statements
December 31, 2016 and 2015

Note 10—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 as of December 31:

	2016	2015
Net assets available for benefits per the financial statements	\$2,036,312,338	\$1,960,656,489
Adjustment from contract value to fair value		2,318,655
Deemed distributions	(141,407)	(85,850)
Net assets available for benefits per the Form 5500	\$2,036,170,931	\$1,962,889,294

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

	2016	2015
Net increase/(decrease) in net assets available for benefits per the financial statements, before transfers	\$75,874,180	\$(34,691,965)
Adjustment from contract value to fair value—current year		2,318,655
Adjustment from contract value to fair value—prior year	(2,318,655)	(4,171,206)
Deemed distributions—prior year	85,850	73,646
Deemed distributions—current year	(141,407)	(85,850)
Net increase/(decrease) in net assets available for benefits per the Form 5500	\$73,499,968	\$(36,556,720)

Note 11—Subsequent Events

Management has evaluated subsequent events through the date these financial statements were issued, and determined that there were no events or transactions which require recognition or disclosure in these financial statements, except as noted below.

On June 30, 2016, the Company completed the acquisition of Rexam PLC (Rexam). On January 26, 2017, the Company amended the Plan to merge the Rexam Retirement Savings Plan and the Rexam Investment Savings Plan into the Plan. The amendment is effective January 27, 2017. During January 2017, approximately \$157,000,000 was transferred into the Plan from the Rexam Retirement Savings Plan and Rexam Investment Savings Plan. Rexam employees were eligible to participate in the Plan as of January 1, 2017, and were auto-enrolled in the Plan effective February 3, 2017, if not already participating.

The Plan was amended in December 2016 to allow Roth 401(k) after-tax contributions effective January 1, 2017.

BALL CORPORATION
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The Plan was amended in December 2016 to remove the month of the change in the auto increase percentage of the participant contributions from a Plan provision to an administrative provision.

The Plan was amended in December 2016, effective January 6, 2017, to change the investment of the Company matching contribution, which was previously in Company stock, to reflect the investment election of the participant's own contribution elections.

The Plan was amended December 21, 2016, effective January 1, 2017, such that the BATC performance Sharing Matching Contribution will be calculated using the product of: (1) a maximum of 2 percent of eligible earnings, (2) the performance factor to a maximum of 1 and (3) 125 percent.

This information is an integral part of the accompanying financial statements.

BALL CORPORATION
401(k) and Employee Stock Ownership Plan
Schedule H, Line 4i–Schedule of Assets (Held at End of Year)
at December 31, 2016
EIN 35-0160610 Plan #030

<u>(a) (b)/(c) Identity of Issue/Description</u>	<u>(d) Cost**</u>	<u>(e) Current Value</u>
Mutual Funds:		
Morgan Stanley Institutional–International Equity Portfolio		\$18,583,999
TRP Growth Stock Fund		72,721,165
(1) Vanguard Explorer Fund Admiral Shares		53,920,432
(1) Vanguard Institutional Index Fund		220,934,088
(1) Vanguard International Growth Fund Admiral Shares		46,716,966
(1) Vanguard Mid-Cap Index Fund Institutional Shares		47,338,014
(1) Vanguard Prime Money Market Fund Admiral Shares		65,646,549
(1) Vanguard Small-Cap Index Fund Institutional Shares		74,387,607
(1) Vanguard Total Bond Market Index Fund Institutional Shares		84,540,187
(1) Vanguard Wellington Fund Admiral Shares		198,526,752
(1) Vanguard Windsor II Fund Admiral Shares		79,248,853
Total Mutual Funds		962,564,612
Collective Investment Trusts:		
(1) Vanguard Retirement Savings Trust II		136,974,898
(1) Vanguard Target Retirement 2010 Trust I		6,710,914
(1) Vanguard Target Retirement 2015 Trust I		30,159,545
(1) Vanguard Target Retirement 2020 Trust I		60,211,430
(1) Vanguard Target Retirement 2025 Trust I		77,176,972
(1) Vanguard Target Retirement 2030 Trust I		56,404,266
(1) Vanguard Target Retirement 2035 Trust I		42,131,907
(1) Vanguard Target Retirement 2040 Trust I		30,292,756
(1) Vanguard Target Retirement 2045 Trust I		27,137,190
(1) Vanguard Target Retirement 2050 Trust I		11,039,492
(1) Vanguard Target Retirement 2055 Trust I		5,643,374
(1) Vanguard Target Retirement 2060 Trust I		1,900,723
(1) Vanguard Target Retirement Income Trust I		15,860,289
Total Collective Investment Trusts		501,643,756
(1) Ball Corporation Common Stock		545,957,460
Notes Receivable from Participants (4.25% to 8.25%, maturity dates range from 2016 (1) to 2034)		25,037,531
Total assets held (at end of year)		\$2,035,203,359

(1) Identified party-in-interest.

** Cost omitted for participant-directed accounts.

