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

FORM 10-Q

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

For the quarterly period ended April 30, 2006

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: 0-20008

FORGENT NETWORKS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**74-2415696**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
108 Wild Basin Road **Austin, Texas**	**78746**
(Address of Principal Executive Offices)	(Zip Code)

(512) 437-2700
(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 such 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 (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

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

At June 13, 2006, the registrant had outstanding 25,436,786 shares of its Common Stock, $0.01 par value.

INDEX TO FINANCIAL STATEMENTS

FORGENT NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except per share data)

	APRIL 30, 2006 (UNAUDITED)	JULY 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents, including restricted cash of $650 at April 30, 2006 and July 31, 2005	$ 14,610	$ 15,861
Short-term investments	--	1,487
Accounts receivable, net of allowance for doubtful accounts of $11 and $10 at April 30, 2006 and July 31, 2005, respectively	724	471
Prepaid expenses and other current assets	335	266
Total Current Assets	**15,669**	**18,085**
Property and equipment, net	1,076	1,957
Intangible assets, net	10	33
Other assets	15	27
	$ 16,770	**$ 20,102**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 2,092	$ 1,856
Accrued compensation and benefits	463	590
Other accrued liabilities	922	1,209
Notes payable, current position	352	355
Deferred revenue	615	517
Total Current Liabilities	**4,444**	**4,527**
Long-Term Liabilities:		
Deferred revenue	14	4
Other long-term obligations	1,958	2,280
Total Long-Term Liabilities	**1,972**	**2,284**
Stockholders' Equity:		
Preferred stock, $.01 par value; 10,000 authorized; none issued or outstanding	--	--
Common stock, $.01 par value; 40,000 authorized; 27,163 and 26,967 shares issued; 25,373 and 25,177 shares outstanding at April 30, 2006 and July 31, 2005, respectively	271	269
Treasury stock at cost, 1,790 issued at April 30, 2006 and July 31, 2005	(4,815)	(4,815)
Additional paid-in capital	265,377	265,020
Accumulated deficit	(250,491)	(247,199)
Accumulated other comprehensive income	12	16
Total Stockholders' Equity	**10,354**	**13,291**
	$ 16,770	**$ 20,102**

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

FORGENT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in thousands, except per share data)

	FOR THE THREE MONTHS ENDED APRIL 30,		FOR THE NINE MONTHS ENDED APRIL 30,	
	2006	2005	2006	2005
	(UNAUDITED)		(UNAUDITED)	
REVENUES:				
Intellectual property licensing	$ 1,891	$ 665	$ 8,613	$ 7,628
Software and services	647	488	1,924	1,400
Total revenues	**2,538**	**1,153**	**10,537**	**9,028**
COST OF SALES:				
Intellectual property licensing	1,147	970	5,314	5,451
Software and services	213	294	604	709
Total cost of sales	**1,360**	**1,264**	**5,918**	**6,160**
GROSS MARGIN	**1,178**	**(111)**	**4,619**	**2,868**
OPERATING EXPENSES:				
Selling, general and administrative	2,561	4,047	7,721	10,197
Research and development	153	79	454	236
Amortization of intangible assets	6	12	23	36
Total operating expenses	**2,720**	**4,138**	**8,198**	**10,469**
LOSS FROM OPERATIONS	**(1,542)**	**(4,249)**	**(3,579)**	**(7,601)**
OTHER INCOME AND (EXPENSES):				
Interest income	128	115	360	285
Interest expense and other	(12)	(4)	(58)	(29)
Total other income and (expenses)	**116**	**111**	**302**	**256**
LOSS FROM CONTINUING OPERATIONS, BEFORE INCOME TAXES	**(1,426)**	**(4,138)**	**(3,277)**	**(7,345)**
Provision for income taxes	(5)	(7)	(15)	(12)
LOSS FROM CONTINUING OPERATIONS	**(1,431)**	**(4,145)**	**(3,292)**	**(7,357)**
Loss from discontinued operations, net of income taxes	--	(143)	--	(631)
(Loss) gain on disposal, net of income taxes	--	(3)	--	4,315
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	**--**	**(146)**	**--**	**3,684**
NET LOSS	**$ (1,431)**	**$ (4,291)**	**$ (3,292)**	**$ (3,673)**
BASIC AND DILUTED (LOSS) INCOME PER SHARE:				
Loss from continuing operations	$ (0.06)	$ (0.17)	$ (0.13)	$ (0.30)
Income from discontinued operations	$ 0.00	$ 0.00	$ 0.00	$ 0.15
Net loss	$ (0.06)	$ (0.17)	$ (0.13)	$ (0.15)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	25,372	24,927	25,262	24,910
Diluted	25,372	24,927	25,262	24,910

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

FORGENT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	FOR THE NINE MONTHS ENDED APRIL 30, 2006	2005
	(UNAUDITED)	(Revised)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss from continuing operations	$ (3,292)	$ (7,357)
Adjustments to reconcile loss from continuing operations to net cash used in operations:		
Depreciation and amortization	952	1,136
Amortization of leasehold advance and lease impairment	(420)	(463)
Provision for doubtful accounts	28	(12)
Share-based compensation	119	--
Foreign currency translation (gain) loss	(8)	6
(Gain) loss on disposal of fixed assets	(6)	18
Changes in operating assets and liabilities:		
Accounts receivable	(335)	(132)
Prepaid expenses and other current assets	(255)	(7)
Accounts payable	420	649
Accrued expenses and other long-term obligations	(318)	724
Deferred revenues	175	129
Net cash used in operating activities	**(2,940)**	**(5,309)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales of short-term investments	1,491	999
Net purchases of property and equipment	(42)	(29)
Net issuance of notes receivable	--	(3)
Decrease in other assets	--	100
Net cash provided by investing activities	**1,449**	**1,067**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of stock	240	143
Purchase of treasury stock	--	(89)
Proceeds from notes payable	297	304
Payments on notes payable and capital leases	(297)	(309)
Net cash provided by financing activities	**240**	**49**
CASH FLOWS FROM DISCONTINUED OPERATIONS (REVISED):		
Operating cash flows	--	(708)
Investing cash flows	--	4,315
Net cash provided by discontinued operations	**--**	**3,607**
Effect of exchange rate changes on cash and cash equivalents	--	5
Net change in cash and cash equivalents	(1,251)	(581)
Cash and cash equivalents at beginning of period	15,861	19,051
Cash and cash equivalents at end of period	**$ 14,610**	**$ 18,470**

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

FORGENT NETWORKS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except per share data unless otherwise noted)

NOTE 1 - GENERAL AND BASIS OF FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and accordingly, do not include all information and footnotes required under accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these interim financial statements contain all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of the financial position of Forgent Networks, Inc. (“Forgent” or the “Company”) as of April 30, 2006 and July 31, 2005, the results of operations for the three and nine months ended April 30, 2006 and April 30, 2005, and the cash flows for the nine months ended April 30, 2006 and April 30, 2005. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Company's annual report on Form 10-K for the year ended July 31, 2005. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

The Company has revised and separately disclosed the operating and investing portions of the cash flows attributable to its discontinued operations for the nine months ended April 30, 2005, which in prior periods were reported on a combined basis as a single amount. This revision did not have any affect on the Company’s cash balances, working capital, or operations.

NOTE 2 - INTELLECTUAL PROPERTY LEGAL CONTRACTS

In October 2004, Forgent terminated Jenkens & Gilchrist (“Jenkens”), who previously served as lead counsel in the litigation of the Company’s U.S. Patent No. 4,698,672 (the “’672 Litigation”). In December 2004, Forgent entered into a Resolution Agreement with Jenkens, paid Jenkens $1,000 and agreed to them pay 50% of the first $6,000 in gross recoveries received on or after October 27, 2004 and 10% of all gross recoveries received thereafter.

In January 2005, Forgent engaged Godwin Gruber, LLP (“Gruber”) to represent the Company as lead counsel in its Patent Licensing Program. Under this agreement, as amended in May 2005, Forgent agreed to pay Gruber a contingency fee of 22% of all license and litigation proceeds, net of expenses, once total proceeds from licensing and litigation exceed $6,000, and a fixed monthly fee of $200 for time incurred. In October 2005, Forgent terminated Gruber and engaged Susman Godfrey, LLP (“Susman”) to serve as lead counsel in the ‘672 Litigation. Forgent agreed to pay Susman 33% of all net proceeds received from licensing and litigation once Forgent receives $6,000 in gross recoveries received on or after October 27, 2004. Additionally, Forgent agreed to pay Susman a fixed monthly fee of $116 for time incurred.

In April 2006, Forgent engaged Hagans Burdine Montgomery Rustay & Winchester (“Hagans”) and Bracewell & Giuliani, L.L.P. (“Bracewell”) to provide legal services related to the litigation of the Company’s U.S. Patent No. 6,285,746 (the “’746 Litigation”). Hagans and Bracewell replaced Godwin Pappas Langley Ronquillo, LLP and Hagans will serve as lead counsel on the ‘746 Litigation. Forgent agreed to pay Hagans and Bracewell 30% (15% to each law firm) of all license and litigation proceeds, net of expenses. In May 2005, the Company engaged The Roth Law Firm, P.C. (“Roth”) to serve as local counsel in Marshall, Texas. Forgent agreed to pay Roth 10% of all litigation proceeds related to the ‘746 Litigation.

Legal expenses for contingency fees and legal counsel’s time incurred are recorded as part of cost of sales for Forgent’s intellectual property licensing business on the Consolidated Statements of Operations. Cost of sales for the intellectual property licensing business for the three and nine months ended April 30, 2006 were $1,147 and $5,314, respectively. Cost of sales for the intellectual property licensing business for the three and nine months ended April 30, 2005 were $970 and $5,451, respectively. Other legal expenses incurred related to the Patent Licensing Program are recorded as part of operating expenses on the Consolidated Statements of Operations. Other related legal expenses for the three and nine months ended April 30, 2006 were $562 and $1,379, respectively. Other related legal expenses for the three and nine months ended April 30, 2005 were $1,512 and $3,253 respectively.

NOTE 3 - COMPREHENSIVE INCOME (LOSS)

In accordance with the disclosure requirements of Statement of Financial Accounting Standard No. 130, *"Reporting Comprehensive Income,"* the Company's comprehensive income (loss) is comprised of net income (loss), foreign currency translation adjustments and unrealized gains and losses on short-term investments held as available-for-sale securities. Comprehensive loss for the three and nine months ended April 30, 2006 was $1,443 and $3,296, respectively. Comprehensive loss for the three and nine months ended April 30, 2005 was $4,292 and $3,665, respectively.

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2005, the Financial Accounting Standard Board ("FASB") issued FASB Staff Position ("FSP") FAS 115-1 and FAS 124-1, *"The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"* ("FSP 115-1"), which amends FASB Statement No. 115, "*Accounting for Certain Investments in Debt and Equity Securities,"* Statement No. 124, *"Accounting for Certain Investments Held by Not-for-Profit Organizations,"* and Accounting Principles Board ("APB") Opinion No. 18,*"The Equity Method of Accounting for Investments in Common Stock."* FSP 115-1 provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and the measurement of an impairment loss. FSP 115-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. FSP 115-1 is effective for reporting periods beginning after December 15, 2005. The adoption of FSP 115-1 during the third fiscal quarter did not have any material impact on the Company's consolidated financial statements.

In November 2005, the FASB issued FSP FAS 123R-3, *"Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards."* Effective upon issuance, this FSP describes an alternative transition method for calculating the tax effects of stock-based compensation pursuant to Statement No. 123R, *"Share-Based Payment."* The alternative transition method includes simplified methods to establish the beginning balance of the additional paid-in capital pool ("APIC pool") related to the tax effects of employee stock-based compensation and to determine the subsequent impact on the APIC pool and the statement of cash flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of Statement No. 123R. This FSP requires companies to follow either the transition guidance for the additional-paid-in-capital pool as prescribed in Statement No. 123R, or the alternative transition method as described in the FSP. Companies may take up to one year from the later of its initial adoption of Statement No. 123R or the effective date of this FSP to evaluate its available transition alternatives and make its one-time election. Implementation of this accounting guidance currently does not have any impact on the Company's consolidated financial statements.

In October 2005, the FASB issued FSP FAS 123R-2, *"Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123R."* This FSP allows companies to establish the grant date for a share-based award under Statement No. 123R prior to the communication of the award terms to the recipient if the award is unilateral and the terms are communicated within a relatively short time period. This FSP is effective upon the initial adoption of Statement No. 123R or in the first reporting period after the issuance of this FSP if a company has already adopted Statement No. 123R and has issued interim financial statements. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2005, the FASB issued Statement No. 154, *"Accounting Changes and Error Corrections,"* which replaces APB Opinion No. 20, *"Accounting Changes"* and Statement No. 3, *"Reporting Accounting Changes in Interim Financial Statements."* Statement No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle. The standard also requires that a change in depreciation or amortization method for long-lived non-financial assets be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a "restatement." Statement No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Thus, Forgent will adopt this standard for accounting changes and corrections of errors made beginning August 1, 2006.

(Amounts in thousands, except per share data unless otherwise noted)

NOTE 5 - SHARE BASED COMPENSATION

In December 2004, the FASB issued Statement No. 123 (Revised 2004), "*Share-Based Payment*" ("No. 123R"). This revised standard addresses the accounting for stock-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. Under the new standard, companies are no longer able to account for stock-based compensation transactions using the intrinsic-value method in accordance with APB Opinion No. 25, "*Accounting for Stock Issued to Employees.*" Instead, companies are required to account for such transactions using a fair-value method and recognize the related expense in the Consolidated Statement of Operations.

The Company adopted Statement No. 123R effective beginning August 1, 2005 using the modified prospective application transition method. The modified prospective application method requires that companies recognize compensation expense on stock-based payment awards that are modified, repurchased or cancelled after the effective date. Additionally, compensation cost of the portion of awards for which the requisite service has not been rendered that are outstanding as of the August 1, 2005 shall be recognized as the requisite service is rendered.

The impact of adopting Statement No. 123R was an increase of $12 and $44 in selling, general and administrative expenses for the three and nine months ended April 30, 2006, respectively, and an increase of $12 and $44 in loss from operations, loss before income taxes and net loss for the three and nine months ended April, 2006, respectively. The adoption of Statement No. 123R had no impact on basic and diluted net loss per share for the three and nine months ended April 30, 2006.

The weighted average estimated grant date fair value, as defined by Statement No. 123R, for options granted under the company's stock option plan during the three and nine months ended April 30, 2006 were $1.42 and $1.41 per share, respectively. The weighted average estimated grant date fair value, as defined by Statement No. 123 for options granted under the company's stock option plan during the three and nine months ended April 30, 2005 were $1.56 and $1.42 per share, respectively.

During the three and nine months ended April 30, 2005, had compensation expense for stock options been determined based on the fair value of the options at dates of grant consistent with the provisions of Statement No.123, *"Accounting for Stock-Based Compensation,"* net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated in the following table:

	For the Three Months Ended April 30, 2005	For the Nine Months Ended April 30, 2005
Net income (loss)		
Net income (loss), as reported	$ (4,291)	$ (3,673)
Add: Stock-based employee compensation expense included in reported net earnings (loss), net of related tax effects	--	--
Deduct: Stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(121)	(462)
Net income (loss), pro forma	**$ (4,412)**	**$ (4,135)**
Basic earnings (loss) per common share:		
As reported	$ (0.17)	$ (0.15)
Pro forma	$ (0.18)	$ (0.17)
Diluted earnings (loss) per common share:		
As reported	$ (0.17)	$ (0.15)
Pro forma	$ (0.18)	$ (0.17)

(Amounts in thousands, except per share data unless otherwise noted)

The fair value of each award granted from Forgent's stock option plan during the three and nine months ended April 30, 2006 and 2005 were estimated at the date of grant using the Black-Scholes option pricing model, assuming no expected dividends and the following weighted average assumptions:

	Three Months Ended April 30, 2006	Three Months Ended April 30, 2005	Nine Months Ended April 30, 2006	Nine Months Ended April 30, 2005
Expected volatility (based on historical data)	74.52%	74.84%	73.70%	77.18%
Expected life in years	4.92	6.02	5.05	5.96
Risk-free interest rate	4.92%	4.13%	4.69%	4.00%
Fair value per award	$ 1.42	$ 1.56	$ 1.41	$ 1.42

As of April 30, 2006, $73 of unrecognized compensation costs related to non-vested option grants is expected to be recognized over the course of the following 4 years.

On September 14, 2005 the Company's Board of Directors approved the repricing of all employee stock options with an exercise price greater than $1.42 (the average of the high and low for September 14, 2005), most of which were fully vested. The new exercise price is $1.42. The Board of Directors determined that the repricing was the most cost effective way to motivate employees with options that had exercise prices greater than the current fair market value. The repricing resulted in a charge of $65 for the nine months ended April 30, 2006 based on the incremental fair value of the new options versus the fair value of the old options.

The Company issued 1 and 171 shares of common stock related to exercises of stock options granted from its Stock Option and Stock Purchase Plans for the three and nine months ended April 30, 2006, respectively. The Company issued 0 and 30 shares of restricted common stock related from its Restricted Stock Plan for the three and nine months ended April 30, 2006, respectively.

NOTE 6 - SEGMENT INFORMATION

Currently, the Company operates in two distinct segments: intellectual property licensing and software and services. Forgent's intellectual property licensing business is currently focused on generating licensing revenues relating to the Company's technologies embodied in U.S. Patent No. 4,698,672 and its foreign counterparts as well as in U.S. Patent No. 6,285,746. Forgent's software and services business currently provides customers with scheduling and asset management software as well as software maintenance and support, installation and training services. In order to evaluate the intellectual property and software segments as stand-alone businesses, the Company records all unallocated corporate operating expenses in the Corporate segment. The prior year's segment information has been revised to present the Company's reportable segments as they are currently defined.

The Company evaluates the performance as well as the financial results of its segments. Included in the segment operating income (loss) is an allocation of certain corporate operating expenses. The Company does not identify assets or capital expenditures by reportable segments, and the Company's Chief Executive Officer and Chief Financial Officer do not evaluate the segments based on these criteria.

(Amounts in thousands, except per share data unless otherwise noted)

The table below presents segment information about revenue from unaffiliated customers, gross margins, and operating (loss) income for the three and nine months ended April 30, 2006 and 2005:

	Intellectual Property Licensing	Software & Services	Corporate	Total
For the Three Month Period Ending April 30, 2006				
Revenues from unaffiliated customers	$ 1,891	$ 647	$ -	$ 2,538
Gross margin	744	434	-	1,178
Operating income (loss)	(237)	(535)	(770)	(1,542)
For the Three Month Period Ending April 30, 2005				
Revenues from unaffiliated customers	$ 665	$ 488	$ -	$ 1,153
Gross margin	(305)	194	-	(111)
Operating income (loss)	(2,159)	(589)	(1,501)	(4,249)
For the Nine Month Period Ending April 30, 2006				
Revenues from unaffiliated customers	$ 8,613	$ 1,924	$ -	$ 10,537
Gross margin	3,299	1,320	-	4,619
Operating income (loss)	788	(1,503)	(2,864)	(3,579)
For the Nine Month Period Ending April 30, 2005				
Revenues from unaffiliated customers	$ 7,628	$ 1,400	$ -	$ 9,028
Gross margin	2,177	691	-	2,868
Operating income (loss)	(2,092)	(1,697)	(3,812)	(7,601)

NOTE 7 - CONTINGENCIES

Forgent is the defendant or plaintiff in various actions that arose in the normal course of business.

Litigation of United States Patent No. 4,698,672 (JPEG) and FTC Non-Public Investigation

Forgent and its wholly-owned subsidiary, Compression Labs, Incorporated ("CLI"), are currently in legal proceedings with multiple companies for infringement of the '672 patent. On March 9, 2006, Forgent and the defendants in the '672 Litigation appeared before the United States District Court for the Northern District of California at a claims construction hearing. The Company is currently awaiting the results of this hearing. However, the results are not yet known and uncertainties remain.

On November 16, 2005, the United States Patent and Trademark Office (the "USPTO") received a petition to re-examine the '672 patent. In January 2006, the USPTO granted the petition and subsequently issued its first office action on May 25, 2006. This first office action, which is not the final conclusion of the re-examination, confirmed 27 of the 46 claims in the '672 patent. Forgent has 60 days to respond to this first office action. The re-examination process is an extended process and Forgent will work directly with the USPTO to vigorously defend all of the claims, including those that were not initially upheld in the first office action. If the USPTO examiner ultimately rejects the claims, Forgent could pursue the appeal process within the USPTO and within the federal court system, if necessary. Any negative results would reduce the Company's ability to negotiate settlements with defendants and new licenses with other companies, which would materially and adversely affect Forgent's licensing revenues. The ultimate rejection of significant claims could have material and adverse consequences for Forgent.

In December 2003, the Company received notification from the Federal Trade Commission (the "FTC") that it is conducting a non-public investigation to determine whether the Company may have engaged in violation of the Federal Trade Commission Act by reason of the alleged involvement of CLI in the JPEG standard-setting process during the 1980's and very early 1990's and its subsequent licensing of the '672 patent, which the Company believes is infringed by the implementation of that standard. The Company believes that CLI has not acted improperly and advised the FTC accordingly. In April 2004, Forgent received a Subpoena Duces Tecum ("Subpoena") and a Civil Investigative Demand ("CID") in this FTC proceeding. The Company responded in May 2004 by filing a petition to quash and/or limit the Subpoena and CID. In November 2004, the FTC issued a ruling denying Forgent's Petition to Quash, but modifying the Subpoena and CID. In February 2005 and March 2005, the Company responded to the Subpoena and the CID by providing the required documents and other responsive material. Forgent has not received any final conclusion from the FTC on its inquiries.

Forgent continues to monitor the progress of the ‘672 Litigation, the USPTO’s re-examination and the FTC’s non-public investigation. The Company plans to vigorously defend the validity of its patents, as well as pursuing any entities that violated its patents. Presently, the final results of the claims construction hearing and the USPTO re-examination are uncertain. Resolution of some or all of these matters could materially affect the Company’s business, future results of operations, financial position or cash flows in a particular period.

Litigation of United States Patent No. 6,285,746 (DVR)

In July 2005, Forgent initiated litigation against 15 companies for infringement of the United States Patent No. 6,285,746 in the United States District Court for the Eastern District of Texas, Marshall Division, seeking injunctive relief against sales of infringing products and monetary damages, among other relief sought. The ‘746 litigation has since been moved to the United States District Court for the Eastern District of Texas, Tyler Division.

On September 19, 2005, Scientific-Atlanta Inc. and Motorola Inc. filed a declaratory judgment against Forgent in the United States District Court for the Eastern District of Texas, Tyler Division, claiming, among other assertions, that their products do not infringe Forgent’s patent and that the patent is invalid. During a hearing on November 8, 2005, the Court ordered this case to be transferred to the Marshall Division and consolidated with the case initiated by Forgent in July 2005.

On January 3, 2006, Diego, Inc. filed a motion to intervene as a declaratory judgment plaintiff after learning that their products were accused of infringing the ‘746 patent in the midst of the ongoing ‘746 Litigation. On January 4, 2006, the Court granted Diego Inc.’s motion.

In April 2006, Forgent participated in a court-ordered mediation with the defendants. In May 2006, the Court ordered another mediation proceeding to be held prior to the claims construction hearing. The Court also reset the ‘746 Litigation claims construction hearing date for November 9, 2006 and the trial date for May 14, 2007 in the Tyler Division of the United States District Court for the Eastern District of Texas.

Since July 2005, Forgent has dismissed six defendants from the lawsuit since they had no operational role with respect to infringement: Cox Communications, Inc.; DIRECTV Group, Inc.; DIRECTV Enterprises, LLC; DIRECTV Operations, LLC; EchoStar Communications Corporation; and EchoStar DBS Corporation. No settlements accompanied these dismissals.

Forgent continues to monitor the progress of the ‘746 Litigation. Resolution of this matter could materially affect the Company’s business, future results of operations, financial position or cash flows in a particular period.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of Forgent's financial position as of April 30, 2006 and July 31, 2005, and for the three and nine months ended April 30, 2006 and 2005, should be read in conjunction with the Company's 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report represent forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results of operations, levels of activity, economic performance, financial condition or achievements to be materially different from future results of operations, levels of activity, economic performance, financial condition or achievements as expressed or implied by such forward-looking statements.

Forgent has attempted to identify these forward-looking statements with the words "believes," "estimates," "plans," "expects," "anticipates," "may," "could" and other similar expressions. Although these forward-looking statements reflect management's current plans and expectations, which are believed to be reasonable as of the filing date of this report, they inherently are subject to certain risks and uncertainties, including:

- timing of intellectual property license agreements and related recording of licensing revenues;
- results of the claims construction hearing for the '672 Litigation;
- resolution of the USPTO's re-examination of the '672 patent;
- resolution of the FTC's non-public investigation;
- timing and costs related to the Company's patent litigation;
- market demand for the Company's software products and services;
- timing of customers' budget cycles;
- timing of customer orders and deployment of Forgent's software products and services;
- the mix of software license and services revenue;
- seasonal fluctuations in capital spending;
- changes in the rapidly evolving market for web-based applications;
- management's ability to manage operating costs, a large portion of which are relatively fixed in advance of any particular quarter;
- timing and costs related to possible acquisitions of technology or businesses;
- costs of attracting, retaining and training skilled personnel;
- management's ability to manage future growth; and
- general economic climate.

In addition to the items noted above, such risks and uncertainties include, but are not limited to, those described under "Risk Factors" in this Report and other risks indicated in Forgent's filings with the Securities and Exchange Commission from time to time. Forgent is under no obligation to update any of the forward-looking statements after the date of this Form 10-Q to conform such statements to actual results.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentage of total revenues represented by certain items in Forgent's Consolidated Statements of Operations:

	FOR THE THREE MONTHS ENDED APRIL 30,		FOR THE NINE MONTHS ENDED APRIL 30,	
	2006	2005	2006	2005
Intellectual property licensing revenues	75%	58%	82%	84%
Software and services revenues	25	42	18	16
Gross margin	46	(10)	44	32
Selling, general and administrative	101	351	73	113
Research and development	6	7	4	3
Total operating expenses	107	359	78	116
Other income, net	5	10	3	3
Income (loss) from continuing operations	(56)	(359)	(31)	(81)
Income (loss) from discontinued operations	--	(13)	--	40
Net income (loss)	(56%)	(372%)	(31%)	(41%)

THREE AND NINE MONTHS ENDED APRIL 30, 2006 AND 2005

Revenues

Revenues for the three months ended April 30, 2006 were $2.5 million, an increase of $1.3 million, or 120%, from the $1.2 million reported for the three months ended April 30, 2005. Revenues for the nine months ended April 30, 2006 were $10.5 million, an increase of $1.5 million, or 17%, from the $9.0 million reported for the nine months ended April 30, 2005. Consolidated revenues represent the combined revenues of the Company and its subsidiaries, including royalties and settlements received from licensing the Company's intellectual property as well as sales of Forgent's NetSimplicity software, installation and training and software maintenance services. Consolidated revenues do not include any revenues from Forgent's discontinued ALLIANCE operations, which provided conferencing and scheduling software and maintenance, installation, training and network consulting.

Intellectual Property Licensing Business

Intellectual property licensing revenues increased by $1.2 million, or 184%, to $1.9 million for the three months ended April 30, 2006 from $0.7 million for the three months ended April 30, 2005. Intellectual property licensing revenues increased by $1.0 million, or 13%, to $8.6 million for the nine months ended April 30, 2006 from $7.6 million for the nine months ended April 30, 2005. Intellectual property licensing revenues as a percentage of total revenues were 75% and 58% for the three months ended April 30, 2006 and 2005, respectively. Intellectual property licensing revenues as a percentage of total revenues were 82% and 84% for the nine months ended April 30, 2006 and 2005, respectively. Forgent’s licensing revenues relate to one-time intellectual property license agreements with companies for Forgent's data compression technology embodied in U.S. Patent No. 4,698,672 (the “ ‘672 patent”) and its foreign counterparts, which is utilized in several types of products including many digital cameras, personal computers, camera cell phones, scanners, printing devices, video cameras, rendering devices and other technologies. Additionally, the ‘672 patent is included in a group of Moving Picture Experts Group (“MPEG”) patents that garner royalties. Forgent’s licensing revenues include royalties received from the MPEG-2 consortium. The Company is also seeking to license its U.S. Patent No. 6,285,746 (the “ ‘746 patent”), which relates to technology for storing and retrieving multimedia data in a manner that allows playback during recording, although no licensing revenues have been achieved as of April 30, 2006.

As of April 30, 2006, Forgent has achieved approximately $110.2 million in aggregate revenues generated from one-time license agreements with international consumer and commercial electronics firms in multiple countries, including the United States. Licensing of the ‘672 patent is currently conducted through the Company’s wholly-owned subsidiary, Compression Labs, Inc. (“CLI”). These one-time license agreements generated approximately 95% and 96% of the intellectual property segment’s licensing revenues for the three and nine months ended April 30, 2006, respectively, and approximately 90% and 96% of the intellectual property segment’s licensing revenues for the three and nine months ended April 30, 2005, respectively. The timing of signing license agreements and the variable amount of each license fee has been and continues to be uncertain. Therefore, the $1.2 million increase in licensing revenues during the three months ended April 30, 2006, as well as the $1.0 million increase in licensing revenues during the nine months ended April 30, 2006, are due to the change in the number of license agreements signed related to the ‘672 patent as well as the amount of each license fee received during these periods. Although, the Company does not anticipate any additional licensing revenue from companies that have previously signed license agreements, Forgent will continue to seek new licenses from its ‘672 patent as well as its ‘746 patent.

Forgent is currently in legal proceedings with multiple companies in the United States District Court for the Northern District of California regarding the infringement of its ‘672 patent (the “ ‘672 Litigation”). During the three months ended April 30, 2006, Forgent settled and signed a license agreement with one of the defendants in the ‘672 Litigation. As of April 30, 2006, 14 of the defendants in the ‘672 Litigation have settled with Forgent and signed license agreements. The Company is currently awaiting the results of the claims construction hearing for the ‘672 Litigation.

On November 16, 2005, the United States Patent and Trademark Office (the "USPTO") received a petition to re-examine the '672 patent. In January 2006, the USPTO granted the petition and subsequently issued its first office action on May 25, 2006. This first action, which is not the final conclusion of the re-examination, confirmed 27 of the 46 claims in the '672 patent. Forgent has 60 days to respond to this first office action. The re-examination process is an extended process and Forgent will work directly with the USPTO to vigorously defend all of the claims, including those that were not initially upheld in the first office action. If the USPTO examiner ultimately rejects the claims, Forgent could pursue the appeal process within the USPTO and within the federal court system, if necessary. Additionally, the '672 Litigation could be stayed, pending the results of the USPTO's re-examination; however, no such stay has been initiated.

Presently, the final results of the claims construction hearing and the USPTO re-examination are uncertain. Any negative results would reduce the Company's ability to negotiate settlements with defendants and new licenses with other companies, which would materially and adversely affect Forgent's licensing revenues. The ultimate rejection of significant claims could have material and adverse consequences for Forgent.

Additionally, the '672 patent, which has generated all of the intellectual property licensing revenues to date, expires in October 2006 in the United States and its foreign counterparts expire in September 2007. Upon expiration of the '672 patent, no additional damages will accrue but the Company's ability to recover for past damages will not immediately be affected. Ultimately, the Company's ability to recover for past damages will be limited by any applicable statute of limitations. Also, upon expiration of the '672 patent, Forgent will cease receiving royalties from the MPEG-2 consortium.

Forgent is also currently in legal proceedings with several companies for the infringement of its '746 patent (the " '746 Litigation"). In April 2006, Forgent participated in a court-ordered mediation with the defendants. In May 2006, the Court ordered another mediation proceeding to be held prior to the claims construction hearing. The Court also reset the '746 Litigation claims construction hearing date for November 9, 2006 and the trial date for May 14, 2007 in the Tyler Division of the United States District Court for the Eastern District of Texas. See Part II, Item 1 "Legal Proceedings" for more detail.

Although there continues to be uncertainties and risks related to the Company's Patent Licensing Program, management anticipates generating revenues from its intellectual property licensing segment during the remainder of fiscal year 2006 and during fiscal year 2007. However, Forgent's Patent Licensing Program involves risks inherent in licensing intellectual property, including risks of protracted delays, legal challenges that would lead to disruption or curtailment of the program, increasing expenditures associated with pursuit of the licensing program and other risks that could adversely affect the Company.

There can be no assurance that the Company will be able to continue to effectively license its technology to other companies. Additionally, there are no guarantees that the Company can protect its intellectual property rights in its current litigation or prevent the unauthorized use of its technology in the future. However, Forgent will continue to seek to enforce and will pursue its rights through the legal system when necessary.

Software and Services Business

Software and services revenues increased by $0.1 million, or 33%, to $0.6 million for the three months ended April 30, 2006 from $0.5 million for the three months ended April 30, 2005. Software and professional services revenues increased by $0.5 million, or 37%, to $1.9 million for the nine months ended April 30, 2006 from $1.4 million for the nine months ended April 30, 2005. Software and services revenues as a percentage of total revenues were 25% and 42% for the three months ended April 30, 2006 and 2005, respectively. Software and services revenues as a percentage of total revenues were 18% and 16% for the nine months ended April 30, 2006 and 2005, respectively. Revenues from this line of business include sales of Forgent's NetSimplicity scheduling and asset management software. The NetSimplicity software includes Meeting Room Manager ("MRM"), Visual Asset Manager ("VAM") and Resource Scheduler. Also included in this segment's revenues are software maintenance and professional services, such as add-on software customization, installation and training.

During the three and nine months ended April 30, 2006, Forgent's NetSimplicity software revenues increased 13% and 15%, respectively, due to additional sales efforts and a reallocation of marketing program dollars in order to create more sales leads and optimize demand generation. The growth in software revenue and the renewals of maintenance and support contracts led to increased sales of maintenance and support contracts. Additionally, Forgent continued to provide more professional services and training in fiscal 2006. The additional software maintenance and professional services increased services revenues by $0.1 million and $0.3 million for the three and nine months ended April 30, 2006, respectively. Management believes that its software and services business is a growth business and will continue to actively pursue growing revenues from this segment.

Gross Margin

Gross margin for the three months ended April 30, 2006 was $1.2 million, an increase of $1.3 million from the ($0.1) million reported for the three months ended April 30, 2005. Gross margin for the nine months ended April 30, 2006 was $4.6 million, an increase of $1.7 million, or 61%, from the $2.9 million reported for the nine months ended April 30, 2005. Gross margin as a percentage of total revenues were 46% and (10%) for the three months ended April 30, 2006 and 2005, respectively. Gross margin as a percentage of total revenues were 44% and 32% for the nine months ended April 30, 2006 and 2005, respectively.

The cost of sales from the intellectual property licensing business relates to the legal fees incurred on successfully achieving licensing revenues as well as legal expenses incurred from legal counsel's time in connection with the Company's Patent Licensing Program. In October 2004, Forgent terminated Jenkens & Gilchrist ("Jenkens") and entered into an agreement with the law firm of Godwin Gruber, LLP ("Godwin") to represent the Company as lead counsel in its Patent Licensing Program. During fiscal 2005, Forgent's cost of sales from the intellectual property licensing business included 50% of the licensing revenues received on signed agreements and paid to Jenkens and 50% of Godwin's standard hourly rate for time incurred. In October 2005, Forgent terminated Gruber and engaged Susman Godfrey, LLP ("Susman") to lead its '672 Litigation. Under the agreement with Susman, Forgent agreed to pay Susman 33% of all net proceeds received from licensing and litigation once Forgent reached $6.0 million in gross recoveries received on or after October 27, 2004, and a fixed monthly fee of $0.1 million for time incurred. During second fiscal quarter of 2006, Forgent reached $6.0 million in gross recoveries received since October 27, 2004. Since reaching this milestone, Forgent is now obligated to pay Jenkens only 10% of licensing revenues. The combination of the increased licensing revenues generated, the decrease in legal expenses for legal counsel's time incurred and the change in contingency fees incurred during the three and nine months ended April 30, 2006, as compared to the three and nine months ended April 30, 2005, accounts for 81% and 64% of the increases in total gross margin, respectively. To date, all of the Company's licensing revenue has been generated by the '672 patent. The U.S. '672 patent expires in October 2006 and the foreign counterparts expire in September 2007. When the '672 patents expire, licensing revenues may decline unless alternative sources are found. If licensing revenues decline, total gross margins may be adversely affected. Based on the Company's current agreements with legal counsel, management anticipates higher gross margins for the Company since it has ceased paying Jenkens a 50% contingent fee.

The cost of sales associated with the software and services business is relatively fixed and results primarily from the amortization of the Company's purchased software development costs and intangible assets. Cost of sales for the software segment decreased during the three and nine months ended April 30, 2006 due to decreases in amortization expenses of the intangible assets, which were fully amortized during the 2005 fiscal periods. The combination of an increase in software revenues and a decrease in cost of sales during the three months ended April 30, 2006 resulted in a 67% gross margin for the software segment, as compared to a 40% gross margin during the three months ended April 30, 2005. Similarly, gross margin for the software segment during the nine months ended April 30, 2006 was 69%, compared to a 49% gross margin during the nine months ended April 30, 2005. The increases in gross margin from the software segment account for 19% and 36% of the increases in total gross margin during the three and nine months ended April 30, 2006, respectively. Since revenues generated from the software and services business directly affect gross margins, management expects gross margins from the software and services business to improve as Forgent generates more business from this segment and as the Company fully amortizes the purchased software development costs.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses for the three months ended April 30, 2006 were $2.5 million, a decrease of $1.5 million, or 37%, from the $4.0 million reported for the three months ended April 30, 2005. SG&A expenses for the nine months ended April 30, 2006 were $7.7 million, a decrease of $2.5 million, or 24%, from the $10.2 million reported for the nine months ended April 30, 2005. SG&A expenses as a percentage of total revenues were 101% and 351% for the three months ended April 30, 2006 and 2005, respectively. SG&A expenses as a percentage of total revenues were 73% and 113% for the nine months ended April 30, 2006 and 2005, respectively.

During fiscal 2005, Forgent incurred significant legal expenses as the Company responded to an inquiry with the Federal Trade Commission ("FTC") and successfully defended its position in a lawsuit with a former director's estate. Also, Forgent incurred more legal expenses related to the '672 patent during fiscal 2005 than during fiscal 2006 due to significant document production expenses, which are usually incurred during the early phases of a litigation case, and due to the different litigation and licensing approach under Godwin in fiscal 2005 as compared to the approach under Susman in fiscal 2006. Forgent initiated the '746 Litigation in July 2005 and incurred increased legal expenses in pursuit of this case during fiscal 2006.

The $1.5 million decrease in SG&A expenses during the three months ended April 30, 2006, as compared to the three months ended April 30, 2005, is due primarily to (1) a $0.7 million decrease in legal expenses related to the '672 patent, (2) a $0.6 million decrease in legal expenses related to the FTC inquiry and (3) a $0.4 million decrease in legal expenses related to the lawsuit with a former director's estate. These decreases were offset by a $0.3 million increase in legal expenses related to the '746 patent. Similarly, the $2.5 million decrease in SG&A expenses during the nine months ended April 30, 2006, as compared to the nine months ended April 30, 2005, is due primarily to (1) a $1.7 million decrease in legal expenses related to the '672 patent, including $1.2 million in one-time expenses incurred during the second fiscal quarter of 2005 related to the termination of Jenkens, (2) a $0.5 million decrease in legal expenses related to the FTC inquiry and (3) a $0.5 million decrease in legal expenses related to the lawsuit with a former director's estate. These decreases were offset by a $0.4 million increase in legal expenses related to the '746 patent.

As Forgent continues to pursue licensing and litigating the '672 patent and the '746 patent, significant legal fees and consulting expenses will continue to be incurred and may actually increase. However, management believes the Company has the necessary financial resources to support all of its current and upcoming licensing and litigation efforts. Management also continues to evaluate and reduce any unnecessary SG&A expenses that do not directly support the generation of revenues for the Company. In future periods, management expects its corporate SG&A expenses to fluctuate as legal fees and consulting expenses are incurred during the various litigation milestones.

Research and Development

Research and development ("R&D") expenses for the three months ended April 30, 2006 were $0.2 million, an increase of $0.1 million, or 94%, from the $0.1 million reported for the three months ended April 30, 2005. R&D expenses for the nine months ended April 30, 2006 were $0.4 million, an increase of $0.2 million, or 92%, from the $0.2 million reported for the nine months ended April 30, 2005. R&D expenses as a percentage of total revenues were 6% and 7% for the three months ended April 30, 2006 and 2005, respectively. R&D expenses as a percentage of total revenues were 4% and 3% for the nine months ended April 30, 2006 and 2005, respectively.

The $0.1 million and $0.2 million increases in R&D expenses during the three and nine months ended April 30, 2006 are due primarily to increases in compensation expenses resulting from shifting of resources between the NetSimplicity's sales and R&D teams in fiscal 2006. During the three months ended April 30, 2006, Forgent continued developing its MRM and VAM products and focused on developing its next major release of MRM, version 7.0, which the Company expects to release in June 2006. Management anticipates R&D expenses to remain relatively flat during the next fiscal quarter.

(Loss) Income from Discontinued Operations

Loss from discontinued operations for the three months ended April 30, 2005 was $0.1 million. Income from discontinued operations for the nine months ended April 30, 2005 was $3.7 million. Loss from discontinued operations as a percentage of total revenues was 13% for the three months ended April 30, 2005. Income from discontinued operations as a percentage of total revenues was 40% for the nine months ended April 30, 2005.

During the second fiscal quarter of 2005, Forgent sold certain patents and other intellectual property and documentation, including its ALLIANCE software suite, to Tandberg Telecom AS. As a result of this sale, Forgent recorded a $3.3 million gain, net of expenses, for the nine months ended April 30, 2005. Additionally, the Company recorded $1.0 million in income during the second fiscal quarter of 2005. The income represents the final cash payment received from Gores Technology Group ("Gores") in January 2005 for indemnity claims held in escrow related to the sale of Forgent's videoconferencing hardware services business. No indemnity claims were paid pursuant to the sales agreement with Gores. The $3.3 million gain and $1.0 income were offset by $0.6 million in losses from the ALLIANCE operations during the nine months ended April 30, 2005. The ALLIANCE operations incurred $0.1 million in losses during the three months ended April 30, 2005. During the fourth fiscal quarter of 2005, Forgent discontinued its ALLIANCE operations. The Company did not conduct any business from this business line during the nine months ended April 30, 2006.

Net (Loss) Income

Forgent realized a net loss of $1.4 million, or $0.06 per share, during the three months ended April 30, 2006 compared to a net loss of $4.3 million, or $0.17 per share, during the three months ended April 30, 2005. Forgent realized a net loss of $3.3 million, or $0.13 per share, during the nine months ended April 30, 2006 compared to a net loss of $3.7 million, or $0.15 per share, during the nine months ended April 30, 2005. Net loss as a percentage of total revenues were 56% and 372% for the three months ended April 30, 2006 and 2005, respectively. Net loss as a percentage of total revenues were 31% and 41% for the nine months ended April 30, 2006 and 2005, respectively. The $2.9 million increase in the Company's net income during the three months ended April 30, 2006 as compared to the three months ended April 30, 2005 is primarily attributable to the $1.3 million increase in gross margin and the $1.5 million decrease in SG&A expenses during the third fiscal quarter of 2006. The $0.4 million decrease in the Company's net loss during the nine months ended April 30, 2006 as compared to the nine months ended April 30, 2005 is primarily attributable to the $1.8 million increase in gross margin and the $2.5 million decrease in SG&A expenses, which is offset by a $3.7 million decrease in income from discontinued operations during fiscal 2006.

LIQUIDITY AND CAPITAL RESOURCES

On April 30, 2006, Forgent had working capital of $11.2 million, including $14.6 million in cash and cash equivalents. Cash used in operating activities was $2.9 million for the nine months ended April 30, 2006 due primarily to a $3.3 million net loss, which was offset by $0.5 million in non-cash depreciation and amortization expenses. Cash used in operating activities was $5.3 million for the nine months ended April 30, 2005 due primarily to a $7.4 million net loss, which was offset by $0.7 million in non-cash depreciation and amortization expenses and a $1.4 million increase in accounts payable and accrued expenses. During the nine months ended April 30, 2006, Forgent collected $8.3 million in cash receipts from its licensing program. Management plans to continue utilizing these cash receipts for its Patent Licensing Program, especially due to anticipated expenditures related to the '672 Litigation and the '746 Litigation, and to support its software operations. Although Forgent's average days sales outstanding was 26 for the third fiscal quarter of 2006, an increase from the 21 days for the second fiscal quarter of 2006, less than 4% of the Company's trade receivables were aged out past 60 days as of April 30, 2006.

Cash provided by investing activities was $1.4 million for the nine months ended April 30, 2006 due primarily to $1.5 million in net sales of short-term investments. Similarly, cash provided by investing activities was $1.1 million for the nine months ended April 30, 2005 due primarily to $1.0 million in net sales of short-term investments. Forgent manages its investments portfolio in order to fulfill corporate liquidity requirements and maximize investment returns while preserving the quality of the portfolio. The Company's current operations are not capital intensive and Forgent purchased minimal fixed assets during the nine months ended April 30, 2006. Approximately half of the purchases during fiscal year 2006 were for subtenant improvements as the Company subleased its vacated office space. Management does not anticipate any significant purchases of fixed assets during the rest of fiscal 2006.

The Company leased office space and equipment under non-cancelable operating leases that expire at various dates through 2013. Certain leases obligate Forgent to pay property taxes, maintenance and insurance. Additionally, the Company used the proceeds from its loans from Silicon Valley Bank to purchase equipment and fund operations. Any additional loans from Silicon Valley Bank will bear interest at prime plus 0.75% and require monthly installments over a three-year term. Forgent may periodically make other commitments and thus become subject to other contractual obligations. Forgent's future minimum lease payments under all operating leases and payments on its notes payable as of April 30, 2006 are as follows:

	Payments Due By Period (in thousands)				
	Total	Less than 1 year	1 - 3 years	3- 5 years	More than 5 years
Operating lease obligations	$ 23,614	$ 3,583	$ 6,920	$ 6,801	$ 6,310
Notes payable obligations	702	387	315	--	--
Total	**$ 24,316**	**$ 3,970**	**$ 7,235**	**$ 6,801**	**$ 6,310**

Approximately 98.1% of the Company's operating lease obligations relates to its corporate office location at Wild Basin in Austin, Texas. Additionally, Forgent had a $1.2 million liability related to impairment charges for the economic value of the lost sublease rental income for its Wild Basin property. As of April 30, 2006, Forgent had $3.5 million in future minimum lease payments receivable under non-cancelable sublease arrangements. Forgent will continue to sublease any vacated office space through the end of the Company's lease terms.

Cash provided by financing activities was $0.2 million for the nine months ended April 30, 2006 due primarily to $0.2 million in proceeds received from the issuance of stock. Similarly, cash provided by financing activities was $49 thousand for the nine months ended April 30, 2005 due primarily to $0.1 million in proceeds received from the issuance of stock. Forgent's stock repurchase program allows the Company to purchase up to three million shares of the Company's common stock. No shares were repurchased during the nine months ended April 30, 2006. During the nine months ended April 30, 2005, 36,200 shares were repurchased. As of April 30, 2006, Forgent had repurchased 1,790,401 shares and had the approval to repurchase approximately 1.2 million additional shares. Management will periodically assess repurchasing additional shares in the future, depending on the Company's cash position, market conditions and other factors.

As of April 30, 2006, Forgent's principal source of liquidity consisted of approximately $14.6 million in cash and cash equivalents. Management currently plans to utilize its cash balances as necessary to focus on the litigation efforts, continue licensing its intellectual property and fund its software operations. Forgent's ability to generate cash from its intellectual property licensing business is subject to certain risks as discussed under "Risk Factors." Additionally, there remain risks and uncertainties as to the timing of the receipts of license fees due, in part, to the inherent nature of a patent licensing program. Therefore, there is no assurance that the Company will be able to limit its cash consumption and preserve its cash balances, and it is possible that the Company's business demands may lead to cash utilization at levels greater than recently experienced due to the litigations, increased legal expense levels and other factors. While management believes that the Company has sufficient capital and liquidity to pursue its licensing and litigation efforts, due to uncertainties related to the timing and costs of these efforts, Forgent may need to raise additional capital in the future. However, there is no assurance that the Company will be able to raise additional capital if and when it is needed.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of Forgent's wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates made by management include the valuation allowance for the gross deferred tax asset, contingency reserves, useful lives of fixed assets, the determination of the fair value of its long-lived assets and the loss from discontinued operations. These estimates could be materially different under different conditions and assumptions. Additionally, the actual amounts could differ from the estimates made. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

Management believes the following represent Forgent's critical accounting policies:

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. The Company recognizes software revenue in accordance with Statement of Position ("SOP") 97-2, *"Software Revenue Recognition,"* as amended by SOP 98-4, "*Deferral of the Effective Date of a Provision of SOP 97-2,"* and SOP 98-9, "*Modification of SOP 97-2 With Respect to Certain Transactions,"* and Securities and Exchange Commission Staff Accounting Bulletin 104, *"Revenue Recognition."*

Intellectual property licensing revenue is derived from the Company's Patent Licensing Program, which is currently focused on generating licensing revenues relating to the Company's technologies embodied in the '672 patent and its foreign counterparts as well as in the '746 patent. Gross intellectual property licensing revenue is recognized at the time a license agreement has been executed and collection has been deemed probable. Related costs are recorded as cost of sales. The cost of sales on the intellectual property licensing business relates to contingent legal fees incurred on successfully achieving signed agreements, as well as legal fees incurred for legal counsel's time.

Software and service revenue consists of software license and service fees. Revenue from the software element is earned through the licensing or right to use the Company's software and from the sale of specific software products. Service fee income is earned through the sale of maintenance and technical support, training and installation. The Company allocates the total fee to the various elements based on the relative fair values of the elements specific to the Company. The Company determines the fair value of each element in the arrangement based on vendor-specific objective evidence ("VSOE") of fair value. During the nine months ended April 30, 2006, VSOE of fair value for the software, maintenance, and training and installation services are based on the prices charged for the software, maintenance and services when sold separately. During the nine months ended April 30, 2005, VSOE of fair value for maintenance was based upon the renewal rate specified in each contract; VSOE of fair value for training and installation services was based on the prices charged for these services when sold separately; and VSOE of fair value for the software element was not available and thus, software revenue was recognized under the residual method. Under the residual method, the contract value is first allocated to the undelivered elements (maintenance and service elements) based upon their VSOE of fair value; the remaining contract value, including any discount, is allocated to the delivered element (software element). The establishment of VSOE of fair value for the software element during the nine months ended April 30, 2006 did not have a material impact on the Company's consolidated financial statements. Revenue allocated to maintenance and technical support is recognized ratably over the maintenance term (typically one year). Revenue allocated to installation and training is recognized upon completion of these services. The Company's training and installation services are not essential to the functionality of its products as such services can be provided by a third party or the customers themselves. For instances in which VSOE cannot be determined for undelivered elements, and these undelivered elements do not provide significant customization or modification of its software product, Forgent recognizes the entire contract amount ratably over the period during which the services are expected to be performed.

The Company does not recognize revenue for agreements with rights of return, refundable fees, cancellation rights or acceptance clauses until such rights of return, refund or cancellation have expired or acceptance has occurred. The Company's arrangements with resellers do not allow for any rights of return.

Deferred revenue includes amounts received from customers in excess of revenue recognized, and is comprised of deferred maintenance, service and other revenue. Deferred revenues are recognized in the Consolidated Statements of Operations when the service is completed and over the terms of the arrangements, primarily ranging from one to three years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure relates to interest rate risk. Forgent's interest income is sensitive to changes in U.S. interest rates. However, due to the short-term nature of the Company's investments, Forgent does not consider these risks to be significant. For additional Quantitative and Qualitative Disclosures about Market Risk, reference is made to Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in the Company's Annual Report on Form 10-K for the year ended July 31, 2005.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, management of the Company has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing date of this report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the date of the evaluation, the Company's disclosure controls and procedures are effective in timely alerting them to the material information relating to the Company required to be included in its periodic filings with the Securities and Exchange Commission. No changes were made in the Company’s internal controls over financial reporting during the quarter ended April 30, 2006, that have materially affected, or is reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Forgent is the defendant or plaintiff in various actions that arose in the normal course of business. With the exception of the proceedings described below, none of the pending legal proceedings to which the Company is a party are expected to have a material adverse effect on the Company.

Litigation of United States Patent No. 4,698,672 (JPEG)

Between April 2004 and November 2004, Forgent's wholly-owned subsidiary, Compression Labs, Incorporated ("CLI"), initiated litigation against multiple companies for infringement of the '672 patent in the United States District Court for the Eastern District of Texas, Marshall Division, seeking royalties from sales of infringing products and monetary damages, among other relief sought. The original defendants included Agfa Corporation; Apple Computer, Incorporated; AudioVox Corporation; AudioVox Electronics Corporation; Axis Communications, Incorporated; BancTec, Inc.; Canon USA; Dell Incorporated; Eastman Kodak Company; Fuji Photo Film Co. U.S.A.; Fujitsu Computer Products of America; Gateway, Inc.; Hewlett-Packard Company; International Business Machines Corp.; JASC Software; JVC Americas Corporation; Macromedia, Inc.; Matsushita Electric Corporation of America; Mitsubishi Digital Electronics American, Incorporated; Oce' North America, Incorporated; PalmOne, Inc.; Ricoh Corporation; Riverdeep, Incorporated (d.b.a. Broderbund); Savin Corporation; ScanSoft, Inc.; Thomson S.A.; TiVo Inc.; Toshiba Corporation; Xerox Corporation; Yahoo! Inc.; Acer America Corporation; Adobe Systems Incorporated; BenQ America Corporation; Color Dreams, Inc. (d/b/a StarDot Technologies); Concord Camera Corporation; Creative Labs, Incorporated; Creo, Inc.; Creo Americas, Inc.; Google Inc.; Kyocera Wireless Corporation; Onkyo Corporation; Panasonic Communications Corporation of America; Panasonic Mobile Communications Development Corporation of USA; Sun Microsystems Inc.; and Veo Inc. Also included in the '672 Litigation is Microsoft Corporation. Forgent has since settled with defendants Adobe Systems, Inc.; AudioVox Corporation; Axis Communications, Incorporated; BenQ America Corporation; Color Dreams, Inc.; JASC Software; Google Inc.; Macromedia, Inc.; ScanSoft, Inc.; Oce' North America, Incorporated; Onkyo Corporation; Riverdeep, Incorporated; Xerox Corporation and Yahoo! Inc.

On November 16, 2005, the Public Patent Foundation filed a petition with the United States Patent and Trademark Office (the "USPTO") to re-examine the '672 patent. In January 2006, the USPTO granted the Public Patent Foundation's petition to re-examine the '672 patent and issued its first office action on May 25, 2006. This first action, which is not the final conclusion of the re-examination, confirmed 27 of the 46 claims in the '672 patent. Forgent has 60 days to respond to this first office action. The re-examination process is an extended process and Forgent will work directly with the USPTO to vigorously defend all of the claims, including those that were not initially upheld in the first office action.

On March 9, 2006, Forgent and the defendants in the '672 Litigation appeared before the United States District Court for the Northern District of California at a claims construction hearing. The Company is currently awaiting the results of this hearing. However, the results are not yet known.

Federal Trade Commission Inquiry

In December 2003, the Company received notification from the Federal Trade Commission (the "FTC") that it is conducting a non-public investigation to determine whether the Company may have engaged in violation of the Federal Trade Commission Act by reason of the alleged involvement of CLI in the JPEG standard-setting process during the 1980's and very early 1990's and its subsequent licensing of the '672 patent, which the Company believes is infringed by the implementation of that standard. The Company believes that CLI has not acted improperly and advised the FTC accordingly. In April 2004, Forgent received a Subpoena Duces Tecum ("Subpoena") and a Civil Investigative Demand ("CID") in this FTC proceeding. The Company responded in May 2004 by filing a petition to quash and/or limit the Subpoena and CID. In November 2004, the FTC issued a ruling denying Forgent's Petition to Quash, but modifying the Subpoena and CID. In February 2005 and March 2005, the Company responded to the Subpoena and the CID by providing the required documents and other responsive material. Forgent has not received any final conclusion from the FTC on its inquiries.

Litigation of United States Patent No. 6,285,746 (DVR)

In July 2005, Forgent initiated litigation against 15 companies for infringement of the United States Patent No. 6,285,746 in the United States District Court for the Eastern District of Texas, Marshall Division, seeking injunctive relief against sales of infringing products and monetary damages, among other relief sought. The defendants are Cable One, Inc., a subsidiary of the Washington Post Company; Charter Communications, Inc.; Comcast Corporation; Cox Communications, Inc., a subsidiary of Cox Enterprises, Inc.; EchoStar Communications Corporation; The DIRECTV Group, Inc.; Time Warner Inc.; and their respective subsidiaries. The ‘746 litigation has since been moved to the United States District Court for the Eastern District of Texas, Tyler Division.

On September 19, 2005, Scientific-Atlanta Inc. and Motorola Inc. filed a declaratory judgment against Forgent in the United States District Court for the Eastern District of Texas, Tyler Division, claiming, among other assertions, that their products do not infringe Forgent’s patent and that the patent is invalid. During a hearing on November 8, 2005, the Court ordered this case to be transferred to the Marshall Division and consolidated with *Forgent Networks, Inc. v. EchoStar Communications Corporation, et al.* .

On January 3, 2006, Diego, Inc. filed a motion to intervene as a declaratory judgment plaintiff after learning that their products were accused of infringing the ‘746 patent in the midst of the ongoing ‘746 Litigation. On January 4, 2006, the Court granted Diego Inc.’s motion.

In April 2006, Forgent participated in a court-ordered mediation with the defendants. In May 2006, the Court ordered another mediation proceeding to be held prior to the claims construction hearing. The Court also reset the ‘746 Litigation claims construction hearing date for November 9, 2006 and the trial date for May 14, 2007 in the Tyler Division of the United States District Court for the Eastern District of Texas.

Since July 2005, Forgent has dismissed six defendants from the lawsuit since they had no operational role with respect to infringement: Cox Communications, Inc.; DIRECTV Group, Inc.; DIRECTV Enterprises, LLC; DIRECTV Operations, LLC; EchoStar Communications Corporation; and EchoStar DBS Corporation. No settlements accompanied these dismissals.

ITEM 1A. RISK FACTORS

There are many factors that affect the Company's business, prospects, liquidity and the results of operations, some of which are beyond the control of the Company. The following is a discussion of some, but not all, of these and other important risk factors that may cause the actual results of the Company's operations in future periods to differ materially from those currently expected or desired. Additional risks not presently known to management or risks that are currently believed to be immaterial, but which may become material, may also affect the Company’s business, prospects, liquidity and results of operations.

Forgent is largely dependent on its Patent Licensing Program. If the Company’s patent licensing process is successfully challenged and/or the Company is unable to obtain new license agreements, licensing revenues will decrease.

Forgent is largely dependent on its ability to enter into new license agreements. Failure to sign new license agreements would cause operating results to suffer. The Company's Patent Licensing Program involves risks inherent in licensing intellectual property, including risks of protracted delays, legal or regulatory challenges that would lead to disruption or curtailment of the program, increasing expenditures associated with the pursuit of the program and other risks that could cause the Company’s results of operations to decline. Thus, there can be no assurance that the Company will be able to continue to license its technology to others. Additionally, quarterly operating results may fail to meet expectations for a number of reasons, including the unwillingness or inability of licensees to pay for the license and other fees, a decline in the demand for the Company's patented technology, higher than expected operating expenses and license delays due to legal and other factors.

The '672 patent will be expiring soon and revenues may decline if Forgent is unable to replace this revenue stream.

To date, all of the Company’s intellectual property licensing revenue has been derived from the '672 patent. The U.S. '672 patent expires in October 2006 and its foreign counterparts expire in September 2007. Upon expiration of the ‘672 patent, no additional damages will accrue but the Company’s ability to recover for past damages will not immediately be affected. Ultimately, the Company’s ability to recover for past damages will be limited by any applicable statute of limitations. Also, upon expiration of the ‘672 patent, Forgent will cease receiving royalties from the MPEG-2 consortium. Therefore, revenues from this patent are finite and, if such revenues are not replaced, net income and the market price of Forgent’s common stock will decline following the expiration of the '672 patent or the resolution of the '672 Litigation.

Forgent's '672 patent is currently being re-examined by the United States Patent and Trademark Office and the Federal Trade Commission is conducting a non-public inquiry into the Company's Patent Licensing Program. Any negative results from the re-examination or the inquiry would reduce the Company's ability to generate licensing revenues.

See Part II, Item 1 "Legal Proceedings" for information regarding the United States Patent and Trademark Office's ("USPTO") re-examination of the '672 patent and the Federal Trade Commission's ("FTC") non-public inquiry associated with the Company's Patent Licensing Program. This re-examination and inquiry can cause Forgent to incur significant legal expenses to defend its '672 patent and licensing program. Additionally, if the USPTO certain claims of the '672 patent, the Company's licensing abilities would be affected, which could result in significantly decreased licensing revenues. If the FTC proceeds with its inquiry and thereafter determines that the Company acted improperly, further proceedings before the FTC could ensue, which could result in a challenge to the Company's '672 patent licensing process. Any successful challenge to the licensing process would reduce the Company's ability to negotiate settlements with defendants and new licenses with other companies, which would materially and adversely affect Forgent's licensing revenues.

Forgent's licensing cycle is lengthy and costly, which could require the Company to incur significant legal expenditures, causing earnings to fluctuate.

Forgent's licensing cycle for its Patent Licensing Program is lengthy and costly, including expenditures related to various legal costs, consultant fees and travel costs. Due to multiple negotiations and legal due diligence required, the licensing process cannot necessarily be expedited. As a result, the Company's intellectual property licensing revenues will fluctuate from quarter to quarter, making it difficult for Forgent to predict its revenues. Additionally, these fluctuations may lead to reduced prices for the Company's common stock.

Forgent may not prevail in its litigation proceedings, which could cause the Company to incur significant legal expenditures without any related earnings.

The Company has initiated the '672 Litigation against multiple companies for infringement of its '672 patent. Additionally, the Company has initiated the '746 Litigation against several companies for the infringement of its '746 patent. As with any litigation, the outcome is uncertain, and although the Company intends to vigorously pursue its claims, there are no guarantees that the Company can protect its intellectual property rights in its current litigation or prevent the unauthorized use of its technology in the future. The litigation will be lengthy and costly. Additionally, unintended consequences of the Company's litigations may adversely affect the Company's business, including, without limitation, that the Company may have to devote significant time and financial resources to pursuing the litigations, that the Company may become subject to counterclaims or lawsuits and that the expenses of pursuing the litigations could increase based upon new developments occurring. These, and other factors not currently known to or deemed material by management, could have a material and adverse impact on the Company's business, prospects, liquidity and results of operations.

If Forgent is unable to retain qualified legal counsel to advise the Company in connection with its Patent Licensing Program, the Company's operating results and financial condition could suffer.

The Patent Licensing Program is dependent on intensive legal due diligence and negotiations. The Company may encounter a number of other risks associated with its legal counsel, including but not limited to (1) turnover of individual attorneys working on the Company's Patent Licensing Program; (2) availability of key attorneys working on the program; (3) financial and other resources available to legal counsel; and (4) the financial position of legal counsel. These risks may cause delays in Forgent's ability to proceed with its Patent Licensing Program, which could require significant additional legal expenditures and could result in declining revenues and earnings for the Company.

Forgent may not be able to protect or enforce its intellectual property rights which could cause the Company's ability to license its technologies to be impaired.

The Company's success and ability to compete are substantially dependent on its proprietary technology and trademarks. The Company seeks to protect these assets through a combination of patent and trademark laws, as well as confidentiality procedures and contractual provisions. These legal protections afford only limited protection and enforcement of these rights may be time consuming and expensive. If Forgent cannot protect or enforce these rights, the Company's ability to obtain future licenses could be impaired. Furthermore, despite best efforts, the Company may be unable to prevent third parties from infringing upon or misappropriating its intellectual property. Competitors may also independently develop similar, but not infringing, technology, duplicate products or design around the Company's patents or other intellectual property. Additionally, the Company's patent applications or trademark registrations may not be approved. Moreover, even if approved, the resulting patents or trademarks may not provide Forgent with any competitive advantage or may be challenged by third parties. If challenged, patents might not be upheld or claims could be narrowed. Any litigation surrounding the Company's rights would force Forgent to divert important financial and other resources away from business operations.

If Forgent is unable to successfully market and sell its software products and services, future software revenues may decline.

The future success of the Company's software segment is dependent in significant part on its ability to generate demand for its software products and services. To this end, Forgent's sales operations must increase market awareness of its products to generate increased revenue. All sales new hires will require training and may take time to achieve full productivity. Forgent cannot be certain that its new hires will become as productive as necessary or that it will be able to hire enough qualified individuals or retain existing employees in the future. The Company cannot be certain that it will be successful in its efforts to market and sell its products, and if it is not successful in building greater market awareness and generating increased sales, future software revenues may decline.

Lack of new customers or additional sales from current customers could negatively affect the Company's ability to grow revenues.

Forgent's business model depends on the expanded use of its software within its current and new customers' organizations. Therefore, Forgent must execute on its growth objectives. If the Company fails to grow its customer base or generate repeat and expanded business from its current customers, Forgent's software revenues could be adversely affected. Since the Company's maintenance and other service fees depend largely on the size and number of licenses that are sold, any downturn in Forgent's software license revenue would negatively impact the Company's deployment services revenue and future maintenance revenue. Additionally, if customers elect not to renew their maintenance agreements, Forgent's maintenance revenue could be adversely affected.

If Forgent cannot develop new or enhanced technologies for its software products, technological changes could adversely affect the Company's operating results.

The technology industry is characterized by continuing improvements in technology, resulting in the frequent introduction of new products, short product life cycles and continual improvement in product performance characteristics. Forgent expects that its future financial performance will depend, in part, on revenue generated from its existing and future software products and the related products that the Company plans to develop or acquire. To be successful, Forgent must be cost-effective and timely in enhancing its existing software applications, developing new software technology and solutions that address the increasingly sophisticated and varied needs of its existing and prospective clients, and anticipating technological advances and evolving industry standards and practices. Forgent may need to invest further in research and development in order to keep its software applications and solutions viable in the rapidly changing marketplace. This research and development effort may require significant resources and could ultimately be unsuccessful. If the Company fails to anticipate and respond effectively to technological improvements and new product introductions, these improvements could render the Company's products noncompetitive and adversely affect the Company's operating results as well as its liquidity.

If Forgent is unable to meet customer needs or expectations, the Company's sales may suffer.

Forgent cannot be certain that its existing or future software product offerings will meet customer performance needs or expectations when shipped or that they will be free of significant software defects or bugs. If the Company's products do not meet customer needs or expectations, for whatever reason, the Company's sales would be adversely affected and furthermore, upgrading or enhancing the Company's products could be costly and time consuming. Such upgrades or enhancements could have an adverse effect on the Company's results of operations and liquidity.

Increased competition may have an adverse effect on the Company's profitability.

The Company may encounter new entrants or competition from competitors in some or all aspects of its business. The Company currently competes on the basis of price, technology, availability, performance, quality, reliability, service and support. There can be no assurance that the Company will be able to maintain a competitive advantage with respect to any of these factors. Many of the Company's current and possibly future competitors have greater resources than the Company and, therefore, may be able to compete more effectively on price and other terms.

Forgent may experience significant fluctuations in its quarterly results and if the Company's future results are below expectations from market analysts or investors, the price for the Company's common stock may decline.

In the past, Forgent's revenues and operating results have varied significantly from quarter to quarter. Additionally, management expects that revenues and operating results will continue to fluctuate significantly from quarter to quarter. These fluctuations may lead to reduced prices for the Company's common stock. Several factors may cause the quarterly results to fluctuate, including:

- timing of intellectual property license agreements and related recording of licensing revenues;
- results of the claims construction hearing for the '672 Litigation;
- resolution of the USPTO's re-examination of the '672 patent;
- resolution of the FTC's non-public investigation;
- timing and costs related to the Company's patent litigation;
- market demand for the Company's software products and services;
- timing of customers' budget cycles;
- timing of customer orders and deployment of Forgent's software products and services;
- the mix of software license and services revenue;
- seasonal fluctuations in capital spending;
- changes in the rapidly evolving market for web-based applications;
- management's ability to manage operating costs, a large portion of which are relatively fixed in advance of any particular quarter;
- timing and costs related to possible acquisitions of technology or businesses;
- costs of attracting, retaining and training skilled personnel;
- management's ability to manage future growth; and
- general economic climate.

Some of these factors are within management's control while others are not. Accordingly, management believes that quarter-to-quarter comparisons of the Company's revenues and operating results are not necessarily meaningful. Therefore, market analysts and investors should not rely on the results of any particular quarter as an indication of future performance.

The loss of key management and personnel could hinder the development of Forgent's technology and otherwise adversely affect the Company's business.

Forgent's success depends upon its ability to attract, hire and retain highly trained and experienced software developers and engineers to design and develop software applications in order to keep pace with client demand for rapidly evolving technologies and varying client needs. The Company's operations are also dependent on the continued efforts of its executive officers and senior management. If any of the Company's key personnel or senior management are unable or unwilling to continue in his or her present role, or if Forgent is unable to retain, hire, train and integrate new personnel effectively, Forgent's business could be adversely affected.

Compliance with changing laws and regulations could cause the Company to incur additional expenses.

As a result of assessing, implementing and complying with proposed and enacted changes in the laws and regulations affecting public companies, including but not limited to, the Sarbanes-Oxley Act of 2002, management anticipates increased accounting, audit and legal fees, as well as increased costs for certain types of insurance. Additionally, the new and proposed rules could also make it more difficult for Forgent to retain qualified individuals to serve on its Board of Directors. Although management continually monitors and evaluates developments with respect to these new and proposed laws and regulations, management cannot estimate the amount of the additional costs the Company may incur or the timing of such costs at this time. However, such increased costs could materially affect Forgent's results of operations.

Due to Forgent's limited operating history in its current lines of business, the Company may not be able to accurately predict future operating results, which could cause the Company to miss market analysts' and investors' expectations.

Although founded in 1985, Forgent has a limited operating history in its current lines of business due to the Company's transition to a licensor of intellectual property and a provider of scheduling and asset management software and services. As a result of this limited operating history, Forgent cannot forecast revenues and operating expenses based on historical results. Additionally, the Company's ability to forecast quarterly revenue accurately is limited because of the relative unpredictability of its intellectual property licensing revenues. The Company's business, operating results and financial condition will be materially adversely affected if revenues do not meet projections and if results in a given quarter do not meet expectations.

Although Forgent has divested its non-core operations, the Company may not strengthen its core operations and achieve profitability.

As a result of Forgent's transition to a licensor of intellectual property and a provider of scheduling and asset management software and services, the Company has divested certain non-core operations, including its ALLIANCE software and services business, a videoconferencing hardware services business, an integration business and a videoconferencing endpoint manufacturing business. There can be no assurance that, having divested such non-core operations, Forgent will be able to achieve greater or any profitability, strengthen its core operations or compete more effectively in existing or new markets. In addition, the Company continues to evaluate the profitability realized or that is likely to be realized by its existing businesses and operations. Forgent reviews from a strategic standpoint, which, if any, of its businesses or operations should be divested. Entering into, evaluating or consummating divestiture transactions may entail risks and uncertainties in addition to those which may result from the divestiture-related change in the Company's business operations, including but not limited to extraordinary transaction costs, unknown indemnification liabilities and unforeseen administrative complications, any of which could result in reduced revenues, increased charges or post-transaction administrative costs, or could otherwise have a material adverse effect on Forgent's business, financial condition or results of operations.

Due to the risk factors noted above and elsewhere in "Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company," Forgent's past earnings and stock price have been, and future earnings and stock price potentially may be, subject to significant volatility, particularly on a quarterly basis. Past financial performance should not be considered a reliable indicator of future performance and investors are cautioned in using historical trends to anticipate results or trends in future periods. Any shortfall in revenue or earnings from the levels anticipated by market analysts and investors could have an immediate and significant effect on the trading price of the Company's common stock in any given period.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 23, 2006, an annual meeting of the stockholders was held in Austin, Texas, whereby the stockholders voted on the following proposals:

1. Proposal to elect six directors to the board of directors to hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified. The stockholders approved the proposal by the following vote:

Nominees	For	Withheld
Richard N. Snyder	23,194,741	1,127,715
Richard J. Agnich	23,204,797	1,117,659
Kathleen A. Cote	23,106,221	1,216,235
Lou Mazzucchelli	23,190,379	1,132,077
Ray R. Miles	23,206,730	1,115,726
James H. Wells	23,227,069	1,095,387

2 . Proposal to ratify the board of directors appointment of Ernst & Young LLP, independent accountants, as the Company's independent auditors for the year ending July 31, 2006. The stockholders approved the proposal by the following vote:

For	Against	Abstain
24,124,501	164,947	33,008

3. Proposal to amend the Company's 1998 Restricted Stock Plan. The stockholders approved the proposal by the following vote:

For	Against	Abstain	Broker Non-Votes
5,282,435	1,251,017	32,094	17,756,910

4. Proposal to transact such other business as may properly come before the meeting or any adjournment thereof. The stockholders approved the proposal by the following vote:

For	Against	Abstain
21,935,892	2,227,015	159,548

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibits:

3.1 Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's quarterly report on Form 10-Q for the three months ended October 31, 2004).

3.2 Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's quarterly report on Form 10-Q for the three months ended October 31, 2004).

4.1 Specimen Certificate for the Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 33-45876, as amended).

4.2 Rights Agreement, dated as of December 19, 2005, between Forgent Networks, Inc. and American Stock Transfer & Trust Company, which includes the form of Series A Preferred Stock, $0.01 par value, the form of Rights Certificate, and the Summary of Rights (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 15, 1995).

10.33	Legal Services Fee Agreement, effective April 14, 2006, by and among Forgent Networks, Inc., Hagans, Bobb & Burdine, P.C. and Bracewell & Giuliani, L.L.P.
10.34	Amended Restricted Stock Plan, effective May 23, 2006.
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

FORGENT NETWORKS, INC.

Date: June 14, 2006

By: /s/ RICHARD N. SNYDER

Richard N. Snyder
Chief Executive Officer

Date: June 14, 2006

By: /s/ JAY C. PETERSON

Jay C. Peterson
Chief Financial Officer

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EXHIBIT 10.33

LEGAL SERVICES FEE AGREEMENT

This Legal Services Fee Agreement (as amended from time to time, this "Agreement") is made and entered into this 14th day of April, 2006, by and between Forgent Networks, Inc. (the "Client") and Hagans, Bobb & Burdine, P.C. and Bracewell & Giuliani, L.L.P.(each individually a "Law Firm" and collectively the "Law Firms"). The Law Firms and the Client are sometimes collectively hereinafter referred to as the "Parties." Any one of the Parties may be sometimes hereinafter referred to as a "Party."

This Agreement concerns U.S. Patent Nos. 6,181,784, 6,285,746, 6,480,584, and 6,674,960, together with any continuations, continuations-in-part, divisions and/or foreign counterparts thereof (collectively, the "Patents"). The Client is executing this Agreement for the purpose of retaining the Law Firms to represent it in connection with (i) investigating and asserting claims, including the filing and prosecution of lawsuits, against any other person who may be infringing the Patents (any such claim as to which litigation is filed being hereinafter referred to as a "Lawsuit"), and (ii) negotiating with infringers to obtain and secure licensing or sublicensing agreements between the Client and the infringers (any such licensing or sublicensing agreements negotiated by the Law Firms referred to herein as a "License Agreement," and any negotiations for such License Agreements referred to herein as the "License Negotiations"). The Client is not engaging the Law Firms to market or commercialize its technologies to non-infringers. The Client understands and acknowledges that patent infringement litigation often presents novel and difficult questions of both law and fact, and the acceptance of the engagement by the Law Firm in this matter may preclude engagements by the Law Firms on other matters.

NOW, THEREFORE, for and in consideration of the mutual agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed by each Party, the Parties agree as follows:

1. Patents and Information Provided by Client. The Client agrees to use reasonable efforts to provide the Law Firms with all information and documents in the possession of the Client or any entities affiliated with the Client reasonably required in connection with performing Law Firm's duties and obligations hereunder.

2. Client's Patent Rights. The Client represents and warrants that, to the best of its knowledge after reasonable investigation, it owns the exclusive right to enforce all rights with respect to the Patents, including, without limitation, the exclusive right to bring actions against others for infringement of the Patents, to license and sublicense the Patents, and to collect all royalties, license fees, profits or other revenue or valuable consideration to be paid or exchanged by anyone else for the right to use the Patents. The Client agrees to timely pay all maintenance fees due on the Patents.

3. Contingent Fee Compensation to Law Firm.

(a) For services rendered pursuant hereto, the Client hereby agrees to pay the Law Firms a contingent fee equal to 30% (15% to each Law Firm) of all License Proceeds and Litigation Proceeds. For purposes hereof, (i) "License Proceeds" shall mean any revenues, including but not limited to, royalties or license fees, money or other valuable consideration received by the Client through, under or as a result of any License Agreement and/or any License Negotiations initiated after the effective date of this Agreement, and (ii) "Litigation Proceeds" shall mean any recovery realized out of or collected from or in connection with any Lawsuit, either through settlement, compromise or judgment, including, but not limited to, compensatory damages, exemplary damages, attorneys' fees, prejudgment interest, and post judgment interest (whether through trial or settlement of any Lawsuit), initiated after the effective date of this Agreement.

(b) The Law Firms will receive their respective percentage interest in the License Proceeds and Litigation Proceeds as they are paid to the Client or, at the election of the Client, based upon the present value of the amount of money that is to be paid to the Client over time. If the Client chooses to waive any such future payments, it will pay each Law Firm an amount equal to the Law Firm's interest in those payments as they otherwise would have been made to the Client. The Parties agree that (x) the License Proceeds shall include the full fair market value of any non-monetary proceeds and shall not be reduced by any cross-license, cross-action, setoff or other payment by Client, which shall be the sole responsibility of Client, and (y) the Litigation Proceeds shall include the full fair market value of any non-monetary relief obtained or received directly by the Client or any related entity as a proximate result of any Lawsuit, such as injunctive relief. The Law Firms' contingent fees based on License Proceeds and Litigation Proceeds shall collectively be referred to herein as the "Contingent Attorneys' Fees."

(c) The Client shall pay the Contingent Attorneys' Fees to the Law Firms quarterly, on or before the 10th day of each succeeding fiscal quarter. With each such lump sum payment, the Client shall provide the Law Firms with a (i) detailed accounting of all License Proceeds and Litigation Proceeds received by the Client during the immediately preceding fiscal quarter, and (ii) a calculation of the quarterly lump sum amount being tendered to the Law Firms. Each Law Firm shall have 30 days following its receipt of each quarterly payment and the accompanying detail within which to verify and/or object to the Client's calculation of the quarterly payment amount. If a Law Firm fails to object to any quarterly calculation within such 30 day period, the calculation and the payment received shall, absent fraud by the Client, be deemed to have been accepted by such Law Firm and shall be final.

4. Client Payment of Related Expenses. During the term hereof, the Client shall be liable for and shall pay all Related Expenses. For purposes hereof, "Related Expenses" shall mean any reasonable expenses incurred by the Client or by the Law Firms on the Client's behalf in connection with each Law Firm's performance of its duties and responsibilities hereunder, including but not limited to, travel expenses, long distance calls, investigation fees, consultant fees, expert and witness fees, charts, photographs, deposition fees and costs, court costs, photocopying and other document reproduction costs, postage charges, fax charges, on-line computer research. The Parties shall advise each other in advance of incurring Related Expenses that will exceed $5,000, and will provide each other with an updated list of Related Expenses incurred, received or paid by such Party on a monthly basis. It is anticipated that some Related Expenses will be paid by Law Firms and then billed to Client while other Related Expenses will be forwarded to Client for payment directly to the third party. Notwithstanding the foregoing, the Related Expenses shall be reimbursed to the Client out of any License Proceeds or Litigation Proceeds up to, but not to exceed, 20% of any such License Proceeds or Litigation Proceeds recovered from any person(s) at any one time. For example, if License Proceeds or Litigation Proceeds are recovered from a License Negotiation or any Lawsuit from any person, then up to 20% of such total proceeds will be paid to the Client as reimbursement for the Related Expenses incurred, and the remainder of the License Proceeds or Litigation Proceeds will be distributed to the Law Firms and the Client in accordance with the provisions of Paragraph 3(a) above. In the event that the total amount of the License Proceeds or Litigation Proceeds recovered with respect to a particular License Negotiation or Lawsuit are insufficient to reimburse the Client fully for the Related Expenses, the Client agrees that the Client shall bear the unreimbursed portion of the Related Expenses and that the Law Firms shall not be liable for any of the Related Expenses not reimbursed.

5. Court Award of Attorneys Fees or Costs. Where reasonably appropriate under the circumstances in any Lawsuit, the Law Firms shall apply to the Court for such amount of compensation, costs, and litigation expenses, if any, as may reasonably be allowed to the Client by law ("Attorneys Fees and Costs"). Any Attorneys Fees and Costs recovered under this paragraph shall be treated as Litigation Proceeds under this Agreement.

6. Defense of Counterclaims and Declaratory Judgment Actions. The Law Firms shall defend any action or counterclaim relating to the Patents filed against the Client by a defendant in a Lawsuit or by any person with whom the Client has been engaged in License Negotiations, including but not limited to, any action or counterclaim for declaratory judgment of patent invalidity, unenforceability or non-infringement relating to the Patents, or for violation of the state or federal antitrust laws relating to the Patents, or for any other claim that is substantively related to the Patents or Client's rights therein, on the basis specified in Paragraphs 3 and 4 above. To the extent that any action, claim or counterclaim is asserted against the Client that is unrelated to the subject matter of the Patents and the Client desires the Law Firms to defend the Client against such cause of action, the Law Firms and the Client may agree to such representation on such terms as are mutually acceptable.

7. Lead Counsel; Law Firm Association of other Lawyers or Assignment. Client and Law Firms agree that Hagans, Bobb & Burdine shall be lead counsel in connection a Lawsuit. The Law Firms agree to perform faithfully the duties imposed upon the Law Firms as attorneys for the Client in accordance herewith. The Law Firms may, with Client's prior written consent, associate any other attorney, law firm or other entity ("Other Counsel"), as allowed by law, in pursuing their duties and obligations hereunder. If such Other Counsel is located and/or has a permanent presence in the jurisdiction where the Lawsuit is pending (such Other Counsel being "Local Counsel" for purposes hereof), Client shall bear all related Local Counsel Fees due and payable to such Local Counsel. If such Other Counsel does not qualify as "Local Counsel" as defined herein, the Law Firms shall bear all fees and expenses due and payable to such Other Counsel. In either event, the engagement of Other Counsel in accordance herewith shall not (i) relieve the Law Firms from their responsibility as legal counsel for the Client without Client's prior written consent, or (ii) except as expressly noted herein relative to the payment of Local Counsel Fees by Client, increase the cost to Client of any Lawsuits or reduce the interest of the Client in the License Proceeds or Litigation Proceeds. To the extent it is necessary to hire Other Counsel in connection with any Lawsuit, Client and Law Firms shall cooperate in the selection of such local counsel.

8. Assignment of Patents or Any Rights Therein. The Law Firms and the Client acknowledge and agree that the Client's agreement to pay the Law Firms the Contingent Attorneys' Fees hereunder is in no way a conveyance or assignment of any interest or rights to the Patents. The Client retains the right to use the technology in the Patents and to make, have made, import, use, sell or offer for sale any equipment, device or apparatus and to practice any method covered by any claim of any of the Patents, for the customers of the Client.

9. Termination of Engagement.

(a) By the Law Firms. The Law Firms may at any time, at their option (and with Court approval in the case of any Lawsuit), with or without cause, terminate their representation of the Client hereunder by providing not less than 90 days' prior written notice to the Client.

(b) By the Client. The Client may at any time, with or without cause, terminate the Law Firm's representation of the Client hereunder by providing not less than 90 days' prior written notice to the Law Firm.

(c) Effect of Termination. Upon the termination of the Law Firms' representation of the Client hereunder by either Party, this Agreement shall be terminated and shall no longer be of any force or effect, and neither Party shall thereafter be liable to the other hereunder except as expressly provided herein. Notwithstanding the termination hereof, the Client shall compensate the Law Firms hereunder as follows:

(1) With respect to any Contingent Attorneys' Fees due as of or subsequent to the Termination Date with respect to any Lawsuits or License Negotiations completed prior to the Termination Date, the Client shall pay the Law Firms such fees as prescribed in Paragraph 3 above.

(2) With respect to any Lawsuit or License Negotiation hereunder that is not completed prior to the Termination Date, but that is thereafter completed by the Client with or without the assistance of replacement legal counsel, upon receipt of any License Proceeds or Litigation Proceeds with respect thereto, the Client shall pay the Law Firms their pro rata share of such proceeds. For purposes hereof, the Law Firms' "pro rata share" shall be (A) the total amount of the proceeds that otherwise would have been due and payable to the Law Firms hereunder relative to such Lawsuit or License Negotiation if this Agreement had remained in effect through the date of Client's receipt of the License Proceeds or Litigation Proceeds, multiplied by (B) a fraction, the numerator of which is equal to the amount that would represent the Law Firms' total billings (exclusive of Enforcement Expenses) for legal services rendered (assuming solely for purposes hereof that the Law Firms were in fact billing the Client at their then standard hourly rates (the "assumed billings") rather than billing the Client in accordance with Paragraph 3 above) relative to such Lawsuit or License Negotiation during the period beginning on the effective date of this Agreement and ending on the Termination Date, and the denominator of which is equal to the total billings (exclusive of Enforcement Expenses) by all law firms (including the assumed billings by the Law Firms) for legal services rendered relative to such Lawsuit or License Negotiation prior to the date such Lawsuit or License Negotiation is completed. Also for purposes hereof, the total billings of the Law Firms that comprise the numerator, and the total billings of the additional law firms that comprise part of the denominator, must be reasonable as to both time and billing rates.

10. Audit. As long as the Law Firms are entitled to receive payments resulting from any License Proceeds or Litigation Proceeds, the Law Firms shall have the right to audit all financial records of the Client related to the receipt of any such proceeds.

11. Law Firm Authority to Act for Client. Subject to the Client's right to pre-approve Related Expenses in accordance with Paragraph 4 above, the Client authorizes the Law Firms to try, negotiate, compromise, settle and receive for and in Client's name, all compensation, damages or property to which Client may become entitled by reason of any License Agreement or Lawsuit. Client agrees not to enter into any License Agreement or settle any Lawsuit without consultation with the Law Firms, and the Law Firms agree not to enter into any License Agreement or settle any Lawsuit without the written consent of the Client.

12. No Representation or Warranty by Law Firm. Each Party specifically recognizes that the other Party has made no representation or warranty whatsoever regarding the probable outcome of any Lawsuit and has in no way guaranteed the result or outcome of nor any recovery from the settlement or trail of any Lawsuit.

13. Other Documents. The Parties agree to execute such other documents as might be reasonably necessary or appropriate to consummate and implement the terms of this Agreement.

14. Bankruptcy. Client represents to Law Firms that Client is not presently filing, nor contemplating filing, for protection under the United States Bankruptcy Code or similar laws of any other country. Client agrees that in the event Client files for bankruptcy or ends up in bankruptcy under United States laws or similar laws of any other country, Law Firms will be promptly notified of any such event and that the lawsuits and cause(s) of action covered by this Agreement will be promptly scheduled as an asset by the Client in accordance with the Bankruptcy Code and its rules of procedure. Because a bankruptcy or similar proceeding by Client could require Law Firms to engage special counsel or to otherwise perform legal services in addition to those services for which Law Firms were retained under this Agreement (e.g. special retentions by Client or Trustee; issues relating to waiver of privilege and assumption of executory contracts; application and payment of attorney's fees and approval of settlements; etc.), Client agrees that Law Firms shall be fully reimbursed by Client, or reimbursed out of Client's share of Litigation Proceeds and License Proceeds, for the time spent and costs incurred for these extra services. Client expressly consents to the retention by Law Firms of such other special counsel and/or incurring such costs and time as reasonably necessary to address additional matters in bankruptcy as raised herein, and for the Law Firms to be reimbursed as set forth above.

15. Remedies for Breach. In the event that any Party hereto shall breach any of the obligations imposed by this Agreement, then a non-breaching Party shall be entitled to pursue a claim for monetary damages as a result of such breach. No Party, however, shall be entitled to recover special, indirect, or consequential damages, including lost profits, from any other Party. For purposes of this paragraph, if the Client breaches the Agreement, the compensation to which the Law Firms may be entitled under Paragraph 3 herein is not "special, indirect, or consequential damages, including lost profits."

16. Successors and Assigns. This Agreement is and shall be binding and inure to the benefit of the Parties, legal representatives, successors and assigns.

17. Governing Law. It is expressly understood and agreed that this Agreement shall be governed by, construed, interpreted, and enforced in accordance with the laws of the State of Texas without regard to conflicts of law rules or principles.

18. Tax Matters. Client's representation by Law Firms does not include matters pertaining to taxation or the tax consequences of any settlement of Client's claims, any Litigation Proceeds received by Client or any revenues or other benefits received by Client from License Negotiations or any other source.

19. Legal Construction. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions thereof, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

20. Waiver and Integration Clause. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings or written or oral agreement between the Parties respecting the subject matter of this Agreement. This Agreement may not be modified or amended except by a subsequent agreement in writing signed by the Parties. The Parties may waive any of the conditions contained herein or any of the obligations of any other party. Any such waiver shall be effective only if in writing and signed by the Party waiving such condition or obligation.

21. Counterparts. This Agreement may be executed in multiple counterparts, each one of which will be considered to be an original.

22. State Bar Notice. The Texas State Bar Act requires that Texas attorneys give notice to their clients that the State Bar of Texas investigates and prosecutes professional misconduct committed by Texas attorneys. Although not every complaint against or dispute with a lawyer involves professional misconduct, the State Bar's Office of the General Counsel will provide information about how to file a complaint by calling 1-800-932-1900 toll free.

FORGENT NETWORKS, INC.

By: /s/ Richard N. Snyder

Richard N. Snyder
Chief Executive Officer

HAGANS, BOBB & BURDINE, P.C.

By: /s/ Fred Hagans

Name: Fred Hagan
Title: ________________________

BRACEWELL & GIULIANI, L.L.P.

By: /s/ Richard N. Snyder

Name: R.D. McBride
Title: Partner

EXHIBIT 10.34

FORGENT NETWORKS
1998 RESTRICTED STOCK PLAN

1. PURPOSE. The purpose of this Plan is to advance the interests of Forgent Networks and its Affiliates, and increase shareholder value by providing additional incentives to attract, retain and motivate those qualified and competent employees, non-employee directors and consultants, upon whose efforts and judgment its success is largely dependent.

2. DEFINITIONS. As used herein, the following terms shall have the meaning indicated:

(A) "AFFILIATE" means any entity other than the Parent that is designated by the Board as a participating employer under the Plan, provided that the Parent directly or indirectly owns at least 50% of the combined voting power of all classes of stock of such entity or at least 50% of the ownership interests in such entity.

(B) "AVAILABLE SHARES" shall mean, at each time of reference, the total number of Shares described in Section 3 with respect to which the Committee may grant an Award, all of which Available Shares shall be held in the Parent's treasury or shall be made available from authorized and unissued Shares.

(C) "AWARD" shall mean Restricted Share Award.

(D) "BOARD" shall mean the Board of Directors of the Parent.

(E) "CHANGE IN CONTROL" shall mean the first to occur of (i) a merger, consolidation, statutory share exchange or 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 that requires the consent or vote of the holders of the Parent's Common Stock, other than a consolidation, merger or share exchange of the Parent in which the holders of the Parent's Common Stock immediately prior to such transaction continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 60% of the combined voting power of the voting securities of the Parent or such surviving entity outstanding immediately after such merger or consolidation; (ii) the shareholders of the Parent approve any plan or proposal for the liquidation or dissolution of the Company; (iii) the cessation of control (by virtue of their not constituting a majority of Directors) of the Board of Directors of the Parent by the individuals (the "Continuing Directors") who (x) on the Effective Date were Directors or (y) become Directors after the Effective Date and whose election or nomination for election by the Parent's shareholders was approved by a vote of at least two-thirds of the Directors then in office who were Directors at the Effective Date or whose election or nomination for election was previously so approved; (iv) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of an aggregate of 40% or more of the voting power of the Parent's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Exchange Act) who beneficially owned less than 30% of the voting power of the Parent's outstanding voting securities on the Effective Date, or the acquisition of beneficial ownership of an additional 10% of the voting power of the Parent's outstanding voting securities by any person or group who beneficially owned at least 30% of the voting power of the Parent's outstanding voting securities on the Effective Date; provided, however, that notwithstanding the foregoing, an acquisition shall not be described hereunder if the acquiror is (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and acting in such capacity, (y) a wholly-owned subsidiary of the Parent or a corporation owned, directly or indirectly, by the shareholders of the Parent in the same proportions as their ownership of voting securities of the Parent or (z) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or (v) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7.

(F) "CHANGE IN CONTROL PRICE" shall mean the highest price per share paid in any transaction reported on the principal trading market for the Common Stock, or paid or offered in any bona fide transaction related to a Potential or actual Change in Control at any time during the 60 day period immediately preceding such occurrence, in each case as determined by the Committee.

(G) "CODE" shall mean the Internal Revenue Code of 1986, as now or hereafter amended.

(H) "COMMITTEE" shall mean the Compensation Committee of the Board.

(I) "COMMON STOCK" shall mean the common stock, par value $.01 per share, of the Parent.

(J) "COMPANY" shall mean the Parent, its Subsidiaries and Affiliates, except when it shall be appropriate to refer only to Forgent Networks, then it shall be referred to as "Parent".

(K) "DATE OF GRANT" shall mean the date on which the Committee takes formal action to grant an Award.

(L) "DIRECTOR" shall mean a member of the Board.

(M) "DISABILITY" shall mean a Holder's present incapacity resulting from an injury or illness (either mental or physical) which, in the reasonable opinion of the Committee based on such medical evidence as it deems necessary, will result in death or can be expected to continue for a period of at least twelve (12) months and will prevent the Holder from performing the normal services required of the Holder by the Company, provided, however, that such disability did not result, in whole or in part: (i) from chronic alcoholism; (ii) from addiction to narcotics; (iii) from a felonious undertaking; or (iv) from an intentional self-inflicted wound.

(N) "EFFECTIVE DATE" shall mean November 2, 1998.

(O) "ELIGIBLE PERSON" shall mean employees, non-employee directors and consultants of the Company who the Committee determines have the capacity to substantially contribute to the success of the Company.

(P) "FAIR MARKET VALUE" shall mean, as of a particular date, such amount as the Committee, in its sole discretion shall determine; provided, however, that where there is a public market for the Common Stock, the Fair Market Value per Share shall be determined as follows: (i) if Common Stock is listed or admitted for trading on any United States national securities exchange or included in the National Market System of the National Association of Securities Dealers Automated Quotation System ("NASDAQ/NMS") or the NASDAQ Small Cap Market, the mean of the highest and lowest sales prices of the Common Stock on such exchange or system, on the Date of Grant, as reported by The Wall Street Journal, or (ii) if the securities are quoted on the National Association of Securities Dealers Automated Quotation System (but not NASDAQ/ NMS or NASDAQ Small Cap Market) or similar system of automated dissemination of quotations of securities prices in common use, the mean between the closing high bid and low asked quotations, of the securities on such system on the Date of Grant, as reported in such system. The closing sale price of Shares, which shall be (i) if the Shares are listed or admitted for trading on any United States national securities exchange, the last reported sale price of the Shares on such exchange as reported in any newspaper of general circulation, or (ii) if the Shares are quoted on NASDAQ, or any similar system of automated dissemination of quotations of securities prices in common use, the mean between the closing high bid and low asked quotation for such day on such system. If neither clause (i) nor clause (ii) is applicable, the fair market value shall be determined by the Committee by any fair and reasonable means as determined in its sole discretion.

(Q) "HOLDER" shall mean, at each time of reference, each person with respect to whom an Award is in effect; and provided, further, that to the extent provided under, and subject to the conditions of, the Award, it shall refer to the person who succeeds to the rights of the Holder upon the death of the Holder.

(R) "PARENT" means Forgent Networks, Inc., a Delaware corporation.

(S) "PLAN" shall mean this Forgent Networks 1998 Restricted Stock Plan.

(T) "PLAN YEAR" shall mean the Parent's fiscal year.

(U) "POTENTIAL CHANGE IN CONTROL" shall mean the first to occur of (i) approval by shareholders of an agreement by the Parent, the consummation of which would result in a Change in Control; or (ii) the acquisition of beneficial ownership, directly or indirectly, by any entity, person or group (other than the Company or any Company employee benefit plan) of securities of the Company representing 25% or more of the combined voting power of the Parent's outstanding securities and the adoption by the Committee of a resolution to the effect that a Potential Change in Control has occurred for purposes of this Plan.

(V) "RESTRICTION(S)" "Restricted" and similar shall mean the restrictions applicable to Available Shares subject to an Award which prohibit the "transfer" of such Available Shares, and which constitute "a substantial risk of forfeiture" of such Available Shares, as those terms are defined under Section 83(a)(1) of the Code.

(W) "RESTRICTED PERIOD" shall mean the period during which Restricted Shares shall be subject to Restrictions.

(X) "RESTRICTED SHARES" shall mean the Available Shares granted to an Eligible Person which are subject to Restrictions.

(Y) "RESTRICTED SHARE AWARD" shall mean the award of Restricted Shares.

(Z) "RESTRICTED SHARE DISTRIBUTIONS" shall mean any amounts, whether Shares, cash or other property (other than regular cash dividends) paid or distributed by the Parent with respect to Restricted Shares during a Restricted Period.

(aa) "SECTION 162(M) MAXIMUM" shall mean 250,000 Shares.

(bb) "SHARE(S)" shall mean a share or shares of Common Stock.

(cc) "SUBSIDIARY" shall mean any corporation (other than the Parent) in any unbroken chain of corporations beginning with the Parent if, at the time of the granting of the Award, each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such unbroken chain.

(dd) "1933 ACT" shall mean the Securities Act of 1933, as amended.

(ee) "1934 ACT" shall mean the Securities Exchange Act of 1934, as amended.

3. AWARD OF AVAILABLE SHARES. As of the Effective Date, 1,000,000 Shares shall automatically, and without further action, become Available Shares. To the extent any Award shall terminate, expire or be canceled, or the Award shall be paid in cash, the Available Shares subject to such Award (or with respect to which the Award is measured), shall remain Available Shares. No person whose compensation may be subject to the limitations on deductibility under Section 162(m) of the Code shall be eligible to receive Awards pursuant to this Plan in any Plan Year which relate to Shares which exceed the Section 162(m) Maximum.

4. AWARDS.

(a) Each Restricted Share Award shall be evidenced by an agreement that may contain any provisions selected by the Committee which is not prohibited by the terms of the Plan. As a condition to the grant of a Restricted Share Award, the Committee shall require the Eligible Person receiving the Restricted Share Award to pay an amount, which amount may not be less than the par value of the Restricted Shares granted under such Restricted Share Award, and such Restricted Share Award shall automatically terminate if full payment of such amount is not received within 30 days following the Date of Grant. Except as otherwise provided in the express terms and conditions of each Restricted Share Award, the Eligible Person receiving the Restricted Share Award shall have all of the rights of a shareholder with respect to such Restricted Shares including, but not limited to, voting rights and the right to receive any dividends paid, subject only to the retention provisions of the Restricted Share Distributions.

(b) The Restrictions on Restricted Shares shall lapse in whole, or in installments, over whatever Restricted Period shall be selected by the Committee; provided, however, that a complete lapse of Restrictions always shall occur on or before the 9th anniversary of the Date of Grant.

(c) Without limitation, the Committee may accelerate the date on which Restrictions lapse with respect to any Restricted Shares.

(d) During the Restricted Period, the certificates representing the Restricted Shares, and any Restricted Share Distributions, shall be registered in the Holder's name and bear a restrictive legend disclosing the Restrictions, the existence of the Plan, and the existence of the applicable agreement granting such Restricted

Share Award. Such certificates shall be deposited by the Holder with the Company, together with stock powers or other instruments of assignment, each endorsed in blank, which will permit the transfer to the Company of all or any portion of the Restricted Shares, and any assets constituting Restricted Share Distributions, which shall be forfeited in accordance with the applicable agreement granting such Restricted Share Award. Restricted Shares shall constitute issued and outstanding Common Stock for all corporate purposes and the Holder shall have all rights, powers and privileges of a Holder of unrestricted Shares except that the Holder will not be entitled to delivery of the stock certificates until all Restrictions shall have terminated, and the Company will retain custody of all related Restricted Share Distributions (which will be subject to the same Restrictions, terms, and conditions as the related Restricted Shares) until the conclusion of the Restricted Period with respect to the related Restricted Shares; and provided, further, that any Restricted Share Distributions shall not bear interest or be segregated into a separate account but shall remain a general asset of the Company, subject to the claims of the Company's creditors, until the conclusion of the applicable Restricted Period, and provided, finally, that any material breach of any terms of the agreement granting the Restricted Share Award, as reasonably determined by the Committee will cause a forfeiture of both Restricted Shares and Restricted Share Distributions.

5. CONDITIONS FOR GRANT OF AWARDS.

(a) Without limitation, Awards shall only be granted to such one or more Eligible Persons as shall be selected by the Committee.

(b) In granting Awards, the Committee shall take into consideration the contribution the Eligible Person has made or may be reasonably expected to make to the success of the Company and such other factors as the Committee shall determine. The Committee shall also have the authority to consult with and receive recommendations from officers and other personnel of the Company with regard to these matters. The Committee may from time to time in granting Awards under the Plan prescribe such other terms and conditions concerning such Awards as it deems appropriate, including, without limitation, relating an Award to achievement of specific goals established by the Committee or to the continued employment of the Eligible Person for a specified period of time, provided that such terms and conditions are not inconsistent with the provisions of this Plan.

(c) The Plan shall not confer upon any Holder any right with respect to continuation of employment by the Company, nor shall it interfere in any way with his right or the Company's right to terminate his employment at any time.

(d) The Awards granted to Eligible Persons shall be in addition to regular salaries, pension, life insurance or other benefits related to their service to the Company. Neither the Plan nor any Award granted under the Plan shall confer upon any person any right to continuance of employment by the Company, and provided, further, that nothing herein shall be deemed to limit the ability of the Company to enter into any other compensation arrangements with any Eligible Person.

(e) The Committee shall determine in each case whether periods of military or government service shall constitute a continuation of employment for the purposes of this Plan or any Award.

(f) Without limitation, each Award may provide for the issuance of Available Shares for consideration consisting of such consideration as the Committee may determine, including (without limitation) as compensation for past services rendered.

6. TERMINATION OF AWARD. Each Award shall be evidenced by an agreement that may contain any provisions selected by the Committee; provided, however, that in each case, unless expressly provided to the contrary in the Award, the Restricted portion of an Award shall automatically and without notice be canceled and become null and void on the date that Holder ceases to be employed by the Company for any reason other than death or Disability.

7. ACCELERATION.

(a) Unless expressly provided to the contrary in the Award, in the event the Holder ceases to be employed by the Company by reason of the Holder's death, or Disability, the Restricted Period shall terminate, and all Restrictions shall lapse, as of the day before the date of Holder's death or Disability.

(b) In the event of either a Change in Control, or a Potential Change in Control, unless otherwise expressly provided in the Award (i) the Restricted Period shall terminate, and all Restrictions shall lapse, and (ii) the value of all outstanding Restricted Shares shall be cashed out on the basis of the Change in Control Price, effective as the date of the Change in Control, or on such other date as the Committee may determine prior to the Change in Control.

8. ADJUSTMENT OF AVAILABLE SHARES.

(a) If at any time while the Plan is in effect or Awards with respect to Available Shares are outstanding, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of Shares, then and in such event an appropriate adjustment shall be made in the maximum number of Available Shares which may be granted under SECTION 3, and in the Available Shares which are then subject to each Award, so that the same proportion of the Parent's issued and outstanding Common Stock shall continue to be subject to grant under SECTION 3, and to such Award.

(b) Except as otherwise expressly provided herein, the issuance by the Parent of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale for adequate consideration, or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Parent convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to Available Shares subject to Awards granted under the Plan.

(c) Without limiting the generality of the foregoing, the existence of outstanding Awards with respect to Available Shares granted under the Plan shall not affect in any manner the right or power of the Parent to make, authorize or consummate (1) any or all adjustments, recapitalizations, reorganizations or other changes in the Parent's capital structure or its business; (2) any merger or consolidation of the Parent; (3) any issue by the Parent of debt securities, or preferred or preference stock which would rank above the Available Shares subject to outstanding Awards; (4) the dissolution or liquidation of the Parent; (5) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (6) any other corporate act or proceeding, whether of a similar character or otherwise.

9. TRANSFERABILITY OF AWARDS. Unless otherwise expressly provided in the Award, each Award shall provide that the Holder shall not be permitted to transfer (which includes, without limitation, a sale, pledge, assignment or other disposition) the Restricted Shares, except by will or the laws of descent and distribution; and if a transfer of any type is permitted under the express terms of the Award, the Restrictions shall remain in effect subsequent to such transfer.

10. ISSUANCE OF SHARES. Except as otherwise provided in SECTION 4(A), no Holder or other person shall be, or have any of the rights or privileges of, the owner of Shares subject to an Award unless and until the Restrictions shall have lapsed and certificates representing such Common Stock shall have been issued and delivered to such Holder or other person. As a condition of any issuance of Common Stock with respect to which Restrictions have lapsed, the Committee may obtain such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation, or shareholder agreement including, but not limited to, the following:

(i) a representation, warranty or agreement by the Holder to the Parent, at the time any Shares are transferred, that he is acquiring the Shares to be issued to him for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(ii) a representation, warranty or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares and are endorsed upon the Share certificates.

Notwithstanding any provision hereof to the contrary, no Shares shall be required to be issued with respect to an Award unless counsel for the Parent shall be reasonably satisfied that such issuance will be in compliance with applicable Federal or state securities laws.

11. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by the Compensation Committee of the Board and, except for the powers reserved to the Board in SECTION 14 hereof, the Committee shall have all of the administrative powers under Plan.

(b) The Committee, from time to time, may adopt rules and regulations for carrying out the purposes of the Plan and, without limitation, may delegate all of what, in its sole discretion, it determines to be ministerial duties to an officer of the Parent. The determinations under, and the interpretations of, any provision of the Plan or an Award by the Committee shall, in all cases, be in its sole discretion, and shall be final and conclusive.

(c) Any and all determinations and interpretations of the Committee shall be made either (i) by a majority vote of the members of the Committee at a meeting duly called, with at least 3 days prior notice and a general explanation of the subject matter given to each member, or (ii) without a meeting, by the written approval of all members of the Committee.

(d) No member of the Committee shall be liable for any action taken or omitted to be taken by him or by any other member of the Committee with respect to the Plan, and to the extent of liabilities not otherwise insured under a policy purchased by the Company, the Company does hereby indemnify and agree to defend and save harmless any member of the Committee with respect to any liabilities asserted or incurred in connection with the exercise and performance of their powers and duties hereunder, unless such liabilities are judicially determined to have arisen out of such member's gross negligence, fraud or bad faith. Such indemnification shall include attorney's fees and all other costs and expenses reasonably incurred in defense of any action arising from such act of commission or omission. Nothing herein shall be deemed to limit the Company's ability to insure itself with respect to its obligations hereunder.

(e) In particular, and without limitation, the Committee shall have the authority, consistent with the terms of the Plan:

(i) to select the Eligible Persons to whom Awards may from time to time be granted hereunder;

(ii) to determine whether and to what extent Awards are to be granted hereunder to one or more eligible persons;

(iii) to determine the number of Shares to be covered by each such Award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions, based in each case on such factors as the Committee shall determine, in its sole discretion); and to amend or waive any such terms and conditions to the extent permitted by the Plan;

(f) The Committee shall have the authority to adopt, alter, and repeal such rules, guidelines, and practices governing the Plan as it shall, from time to time, deem advisable; to interpret any and all of the terms and provisions of the Plan and any and all Awards issued under the Plan (and any agreements relating thereto), which decisions shall not be subject to review; and to otherwise supervise the administration of the Plan; provided, however, that to the extent that this Plan otherwise requires the approval of the Board or the shareholders of the Parent, all decisions of the Committee shall be subject to such Board or shareholder approval. Subject to the foregoing, and without limitation, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Holders.

12. TAX WITHHOLDING. On or immediately prior to the date on which an amount is required to be included in the income of the Holder as a result of an Award, the Holder shall be required to pay to the Company, in cash or in Shares (but in shares only if expressly provided with the Award or upon approval of the Committee), including, but not limited to, the reservation to the Company of the requisite number of Available Shares otherwise vested with respect to such Holder with respect to such Award the amount which the Company reasonably determines to be necessary in order for the Company to comply with applicable federal or state tax withholding requirements, and the collection of employment taxes, if applicable; provided, further, without limitations, that the Committee may require that such payment be made in cash.

13. INTERPRETATION.

(a) If any provision of the Plan is held invalid for any reason, such holding shall not affect the remaining provisions hereof, but instead the Plan shall be construed and enforced as if such provision had never been included in the Plan.

(b) THIS PLAN SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS.

(c) Headings contained in this Agreement are for convenience only and shall in no manner be construed as part of this Plan.

(d) Any reference to the masculine, feminine, or neuter gender shall be a reference to such other gender as is appropriate.

(e) The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation.

(f) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

14. AMENDMENT AND DISCONTINUATION OF THE PLAN. The Board, may from time to time amend the Plan; provided, however, that no such amendment may, without approval by the shareholders of the Parent, (a) increase the number of Available Shares or change the class of Eligible Persons, (b) extend the termination date of the Plan (c); increase the Section 162(m) Maximum; or (d) make any change for which applicable law or regulatory authority (including the regulatory authority of the market on which the Common Stock is traded) would require shareholder approval or for which shareholder approval would be required to secure all deductibility of compensation received under the Plan under Section 162(m) of the Code 24; and provided, further, that no amendment or suspension of the Plan or any Award issued hereunder shall, except as specifically permitted in this Plan or under the terms of such Award, substantially impair any Award previously granted to any Holder without the consent of such Holder. Solely for purposes of computing the Section 162(m) Maximum, if any Award(s) previously granted is canceled and new Award(s) granted with more favorable terms, as generally defined in applicable Treasury regulations, under some circumstances, as reasonably determined by the Committee, both the initial Award(s) and the replacement Award(s) will be deemed to be outstanding (although the canceled Award(s) will not deemed outstanding for any other purposes).

15. SECTION 83(B) ELECTION. As a result of receiving an Award a Holder may elect under Section 83(b) of the Code to include in his gross income, for his taxable year in which the Restricted Shares are transferred to him, the excess of the Fair Market Value (determined without regard to any Restriction other than one which by its terms will never lapse), of such Restricted Shares at the Date of Grant, over the amount paid for the Restricted Shares. If the Holder makes the Section 83(b) election described above, the Holder shall (i) make such election in a manner that is satisfactory to the Committee, (ii) provide the Committee with a copy of such election, (iii) agree to promptly notify the Company if any Internal Revenue Service or state tax agent, on audit or otherwise, questions the validity or correctness of such election or of the amount of income reportable on account of such election, and (iv) agree to such federal and state income withholding as the Committee may reasonably require in its sole and absolute discretion.

16. EFFECTIVE DATE AND TERMINATION DATE. The Plan shall be effective as of its Effective Date, and shall terminate on the tenth anniversary of such Effective Date; provided, however, that unless approved by the shareholders of the Company in the manner described under Section 422 of the Code on or before the first anniversary of its Effective Date, the Plan shall be terminated retroactive to its Effective Date and all Awards granted thereunder shall be null and void ab initio.

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned Richard N. Snyder, Chief Executive Officer, of Forgent Networks, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");

2. Based on my knowledge, the 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 the Report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in the Report;

4. The Company'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)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the Report is being prepared;

   (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

   (c) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended April 30, 2006) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:

   (a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal control over financial reporting.

/s/ RICHARD N. SNYDER

Richard N. Snyder
Chief Executive Officer
June 14, 2006

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Jay C. Peterson, Chief Financial Officer, of Forgent Networks, Inc. (the "Company"), certify, that:

1. I have reviewed this quarterly report on Form 10-Q of the Company (the "Report");

2. Based on my knowledge, the 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 the Report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in the Report;

4. The Company'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)) for the Company and we 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 Company, including its consolidated subsidiaries, is made known to us by others within these entities, particularly during the period in which the Report is being prepared;

   (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by the Report based on such evaluation; and

   (c) Disclosed in the Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the quarter ended April 30, 2006) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the Audit Committee of the Board of Directors:

   (a) All significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal control over financial reporting.

/s/ JAY C. PETERSON

Jay C. Peterson
Chief Financial Officer
June 14, 2006

EXHIBIT 32.1

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Richard N. Snyder, Chief Executive Officer of Forgent Networks, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report on Form 10-Q of the Company for the period ended April 30, 2006 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended, 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/ RICHARD N. SNYDER

Richard N. Snyder
Chief Executive Officer
June 14, 2006

A signed original of this written statement required by Section 906 has been provided to Forgent Networks, Inc. and will be retained by Forgent Networks, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CERTIFICATION OF PERIODIC REPORT
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, the undersigned, Jay C. Peterson, Chief Financial Officer of Forgent Networks, Inc. (the "Company"), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The quarterly report on Form 10-Q of the Company for the period ended April 30, 2006 (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended, 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/ JAY C. PETERSON

Jay C. Peterson
Chief Financial Officer
June 14, 2006

A signed original of this written statement required by Section 906 has been provided to Forgent Networks, Inc. and will be retained by Forgent Networks, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.