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 October 31, 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 (State of other jurisdiction of incorporation or organization)	**74-2415696** (I.R.S. Employer Identification No.)
108 Wild Basin Road **Austin, Texas** (Address of Principal Executive Offices)	**78746** (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 December 11, 2006, the registrant had outstanding 25,433,043 shares of its Common Stock, $0.01 par value.

INDEX TO FINANCIAL STATEMENTS

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

	OCTOBER 31, 2006 (UNAUDITED)	JULY 31, 2006
ASSETS		
Current Assets:		
Cash and equivalents, including restricted cash of $454 and $543 at October 31, 2006 and July 31, 2006, respectively	$ 15,038	$ 16,206
Accounts receivable, net of allowance for doubtful accounts of $9 and $13 at October 31, 2006 and July 31, 2006, respectively	6,091	714
Prepaid expenses and other current assets	299	274
Total Current Assets	**21,428**	**17,194**
Property and equipment, net	584	788
Intangible assets, net	—	4
Other assets	3	3
	$ 22,015	**$ 17,989**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 4,752	$ 3,631
Accrued compensation and benefits	768	547
Other accrued liabilities	798	907
Notes payable, current position	282	313
Deferred revenue	765	683
Total Current Liabilities	**7,365**	**6,081**
Long-Term Liabilities:		
Deferred revenue	9	11
Other long-term obligations	1,640	1,777
Total Long-Term Liabilities	**1,649**	**1,788**
Stockholders' Equity:		
Preferred stock, $.01 par value; 10,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value; 40,000 shares authorized; 27,208 and 27,163 shares issued; 25,418 and 25,373 shares outstanding at October 31, 2006 and July 31, 2006, respectively	272	271
Treasury stock at cost, 1,790 shares at October 31, 2006 and July 31, 2006	(4,815)	(4,815)
Additional paid-in capital	265,535	265,406
Accumulated deficit	(248,005)	(250,754)
Accumulated other comprehensive income	14	12
Total Stockholders' Equity	**13,001**	**10,120**
	$ 22,015	**$ 17,989**

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

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

	FOR THE THREE MONTHS ENDED OCTOBER 31, 2006	2005
	(UNAUDITED)	
REVENUES:		
Intellectual property licensing	$ 8,134	$ 2,916
Software & services	962	731
Total Revenues	**9,096**	**3,647**
COST OF SALES:		
Intellectual property licensing	3,540	2,087
Software & services	310	194
Total Cost of Sales	**3,850**	**2,281**
GROSS MARGIN	5,246	1,366
OPERATING EXPENSES:		
Selling, general and administrative	2,500	2,683
Research and development	116	131
Amortization of intangible assets	4	10
Total Operating Expenses	**2,620**	**2,824**
INCOME (LOSS) FROM OPERATIONS	**2,626**	**(1,458)**
OTHER INCOME AND (EXPENSES):		
Interest income	155	98
Other	(32)	(17)
Total Other Income and (Expenses)	**123**	**81**
INCOME (LOSS) FROM OPERATIONS, BEFORE INCOME TAXES	**2,749**	**(1,377)**
Provision for income taxes	—	(5)
NET INCOME (LOSS)	**2,749**	**(1,382)**
BASIC AND DILUTED INCOME (LOSS) PER SHARE:		
Net income (loss) per share - basic and diluted	$ 0.11	$ (0.05)
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	25,381	25,178
Diluted	25,522	25,178

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

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

	FOR THE THREE MONTHS ENDED OCTOBER 31, 2006	2005
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) from operations	$ 2,749	$ (1,382)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation and amortization	239	329
Amortization of leasehold advance and lease impairment	(106)	(140)
Provision for doubtful accounts	1	3
Share-based compensation	128	81
Foreign currency translation gain	5	2
Gain on sale/disposal of fixed assets	—	(6)
Changes in operating assets and liabilities:		
Accounts receivable	(5,392)	(258)
Prepaid expenses and other current assets	(87)	(95)
Accounts payable	1,170	1,379
Accrued expenses and other long-term obligations	140	(38)
Deferred revenue	94	92
Net cash used in operating activities	**(1,059)**	**(33)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net sales of short-term investments	—	100
Net purchases of property and equipment	(32)	(12)
Net cash (used in) provided by investing activities	**(32)**	**88**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of stock	2	4
Proceeds from notes payable	—	95
Payments on notes payable and capital leases	(89)	(95)
Net cash (used in) provided by financing activities	**(87)**	**4**
Effect of translation exchange rates	10	—
Net (decrease) increase in cash and equivalents	(1,168)	59
Cash and equivalents at beginning of period	16,206	15,861
Cash and equivalents at end of period	**$ 15,038**	**$ 15,920**

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

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

NOTE 1 - GENERAL AND BASIS OF FINANCIAL STATEMENTS

The accompanying unaudited 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 U.S. generally accepted accounting principles 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 October 31, 2006 and July 31, 2006, and the results of operations and cash flows for the three months ended October 31, 2006 and 2005. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto filed with the Securities and Exchange Commission in the Company's annual report on Form 10-K/A for the fiscal year ended July 31, 2006. The results for the interim periods are not necessarily indicative of results for a full fiscal year.

NOTE 2 - INTELLECTUAL PROPERTY LEGAL CONTRACTS

In October 2005, Forgent terminated Godwin Gruber, LLP ("Godwin") 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 received $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. As a result of the Resolution Agreement entered into with Jenkens & Gilchrist ("Jenkens") in December 2004, the Company's liability to Jenkens is 10% of future gross licensing and litigation proceeds related to the '672 patent.

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. Hagans is the lead counsel on the '746 Litigation. See Note 8, "Subsequent Events," for information regarding an amendment to the agreement with Hagans and Bracewell. 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 the contingency fees and legal counsel's time incurred are recorded as part of cost of sales from Forgent's intellectual property licensing business on the Consolidated Statements of Operations. Cost of sales for the intellectual property licensing business for the three months ended October 31, 2006 and 2005 were $3,540 and $2,087, 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 months ended October 31, 2006 and 2005 were $264 and $420, 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 income for the three months ended October 31, 2006 was $2,751 and comprehensive loss for the three months ended October 31, 2005 was $1,378.

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standard Board ("FASB") issued Statement No. 157, *"Fair Value Measurements."* Statement No. 157 defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. Statement No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Forgent is currently evaluating the effect that the adoption of Statement No. 157 will have on its financial position and results of operations.

In June 2006, the FASB issued Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109"* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *"Accounting for Income Taxes."* This interpretation defines the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Forgent believes the adoption of FIN 48 will not have a material effect on its consolidated financial statements.

In May 2005, the FASB issued Statement No. 154, *"Accounting Changes and Error Corrections"*, which replaces Accounting Principles Board ("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 adopted this standard for accounting changes and corrections of errors made in fiscal year 2007, effective August 1, 2006. The adoption did not have any impact to the Company's consolidated financial statements.

NOTE 5 – SHARE BASED COMPENSATION

On August 1, 2006 the Company's Board of Directors approved the repricing of all employee stock options with an exercise price greater than \$0.385 (the average of the high and low for August 1, 2006). The new exercise price is \$0.385. 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 \$88 based on the incremental fair value of the new options versus the fair value of the old options for the three months ended October 31, 2006. Previously, 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). The new exercise price was \$1.42. The repricing resulted in a charge of \$65 based on the incremental fair value of the new options versus the fair value of the old options for the three months ended October 31, 2005.

The Company issued 45 and 3 shares of common stock related to exercises of stock options granted from its Stock Option and Stock Purchase Plans for the three months ended October 31, 2006 and 2005, respectively.

NOTE 6 - SEGMENT INFORMATION

Currently, the Company operates in two distinct segments: intellectual property licensing and software and services. During the three months ended October 31, 2006, Forgent's intellectual property licensing business 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. At the end of the first fiscal quarter of 2007, the Company settled with the remaining defendants in the '672 Litigation and does not anticipate generating additional licensing revenues from non-defendants going forward. Forgent's software and services business 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 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.

The table below presents segment information about revenue from unaffiliated customers, gross margins and operating income (loss) for the three months ended October 31, 2006 and 2005:

	Intellectual Property Licensing	Software & Services	Corporate	Total
For the Three Month Period Ending October 31, 2006				
Revenues from unaffiliated customers	$ 8,134	$ 962	$ —	$ 9,096
Gross margin	4,594	652	—	5,246
Operating income (loss)	3,800	(289)	(885)	2,626
For the Three Month Period Ending October 31, 2005				
Revenues from unaffiliated customers	$ 2,916	$ 731	$ —	$ 3,647
Gross margin	829	537	—	1,366
Operating income (loss)	73	(364)	(1,167)	(1,458)

NOTE 7 – CONTINGENCIES

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 material to the Company.

Litigation of United States Patent No. 4,698,672

Forgent and its wholly-owned subsidiary, Compression Labs, Incorporated ("CLI"), were in legal proceedings with multiple companies for infringement of the '672 patent. Prior to the first quarter of 2007, Forgent had settled with 15 defendants. On October 25, 2006, Forgent signed a Patent License and Settlement Agreement with the remaining defendants. Under this agreement, Forgent granted the defendants a patent license and the defendants agreed to pay Forgent $8.0 million. Additionally, all parties agreed to release all claims against each other and Forgent has no future obligations related to this settlement.

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 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 responded to this first office action. The re-examination process is an extended process and Forgent is working directly with the USPTO to vigorously defend all of the claims, including those that were not initially upheld in the first office action. The USPTO has not issued any additional office actions.

Litigation of United States Patent No. 6,285,746

Forgent is currently in litigation proceedings with multiple companies in the United States District Court for the Eastern District of Texas, Tyler Division, for infringement of its '746 patent. In September 2006, Forgent and the defendants participated in a court-ordered mediation, which did not result in any settlements or licenses. On November 9, 2006, Forgent and the defendants in the '746 Litigation appeared before the Court and presented arguments relating to claims construction, a motion for summary judgment and a motion to stay the litigation. On November 20, 2006, the Court denied the motion to stay the litigation. The Court did not rule on the motion for summary judgment and the Company is currently awaiting the Court's ruling on the claims construction.

On October 2, 2006, the USPTO granted Motorola Inc.'s petition and ordered an *inter partes* re-examination of the '746 patent. On October 30, 2006, the USPTO issued its first office action related to this re-examination. This first action, which is not the final conclusion of the re-examination, denied the five claims in the '746 patent. Forgent has 60 days to respond to the USPTO and anticipates working directly with the USPTO to vigorously defend all of the claims of the '746 patent. If the Company is unsuccessful in defending its patent's claims with the USPTO examiner, Forgent could pursue the appeal process within the USPTO and within the federal court system, if necessary. Any negative results from the re-examination would reduce the Company's ability to negotiate settlements with defendants and licenses with potential licensees, which could materially and adversely affect Forgent's licensing revenues. The ultimate rejection of significant claims could have material and adverse consequences for Forgent.

Forgent continues to monitor the progress of the '746 Litigation and the USPTO's re-examinations of its '746 and '672 patents. The Company will vigorously defend the validity of its patents, as well as pursue any entities that violated its patents. 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.

NOTE 8 – SUBSEQUENT EVENTS

In November 2006, Forgent sold certain patents associated with videoconferencing and related fields and technology, together with related goodwill, rights and documentation, to Tandberg Telecom AS ("Tandberg") for $3,150. Upon closing, Forgent received $2,900 of the purchase price, all of which was recorded as a gain. The remaining balance of $250 will be held in escrow for two years for indemnity claims. Following this sale, Forgent maintains approximately 10 patents and patent applications, including the '746 Patent, which Forgent is asserting in the U.S. District Court for the Eastern District of Texas.

On December 1, 2006, Forgent signed an amendment to the Legal Services Fee Agreement with Hagans, Burdine, Montgomery, Rustay & Winchester, P.C. and Bracewell & Giuliani, L.L.P. This amendment increased the contingency fee payable to Hagans and Bracewell from 30% (15% to each law firm) of all license and litigation proceeds related to the '746 patent, net of expenses, to 37.5% (20% to Hagans and 17.5% to Bracewell). Additionally, effective September 1, 2006, all related expenses, including consultant fees, travel expenses, document production expenses, etc. will be allocated as follows: 25% to Forgent, 50% to Hagans, and 25% to Bracewell, until total expenses reach $2,500. Prior to the amendment, Forgent was liable for all related expenses. Although the Company does not believe it will reach the $2,500 threshold, Forgent will be liable for all subsequent expenses if this threshold is exceeded.

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

The following review of Forgent's financial position as of October 31, 2006 and July 31, 2006 and for the three months ended October 31, 2006 and 2005 should be read in conjunction with the Company's 2006 Annual Report on Form 10-K/A filed with the Securities and Exchange Commission. Forgent's internet website address is http://www.forgent.com. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through the investor relations page of the Company's internet website free of charge as soon as reasonably practicable after they are electronically filed, or furnished to, the Securities and Exchange Commission. Forgent's internet website and the information contained therein or connected thereto are not intended to be incorporated into this Quarterly Report on Form 10-Q.

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. 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. Additionally, 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 fiscal periods indicated the percentage of total revenues represented by certain items in Forgent's Consolidated Statements of Operations:

	FOR THE THREE MONTHS ENDED OCTOBER 31, 2006	2005
Intellectual property licensing revenues	89%	80%
Software and services revenues	11	20
Gross margin	58	37
Selling, general and administrative	28	73
Research and development	1	4
Total operating expenses	29	77
Other income, net	1	2
Net income (loss)	30%	(38)%

THREE MONTHS ENDED OCTOBER 31, 2006 AND 2005

Revenues

Revenues for the three months ended October 31, 2006 were $9.1 million, an increase of $5.5 million, or 149%, from the $3.6 million reported for the three months ended October 31, 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.

Intellectual Property Licensing Business

Intellectual property licensing revenues for the three months ended October 31, 2006 were $8.1 million, an increase of $5.2 million, or 179%, from the $2.9 million reported for the three months ended October 31, 2005. Intellectual property licensing revenues as a percentage of total revenues were 89% and 80% for the three months ended October 31, 2006 and 2005, respectively. Forgent's licensing revenues relate primarily 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. Additionally, the '672 patent is included in a group of Moving Picture Experts Group ("MPEG") patents that garners royalties. Forgent's licensing revenues include royalties received from this 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. However, no licensing revenues have been achieved as of October 31, 2006.

During the past nineteen consecutive quarters, Forgent has achieved approximately $121.6 million in aggregate revenues generated from multiple companies in Asia, Europe and the United States. These one-time license agreements generated approximately 98% and 95% of the intellectual property segment's licensing revenues for the three months ended October 31, 2006 and 2005, respectively. The Company does not anticipate any additional licensing revenue from companies that have previously signed license agreements. The '672 patent, which has generated all of the intellectual property licensing revenues to date, expired in October 2006 in the United States and its foreign counterparts will expire in September 2007. Upon expiration of the '672 patent's foreign counterparts, Forgent will cease receiving any royalties from the MPEG-2 consortium.

Forgent was 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"). Prior to the first quarter of 2007, Forgent had settled with 15 of the defendants. On October 25, 2006, Forgent signed a Patent License and Settlement Agreement with the remaining defendants. Under this agreement, Forgent granted the defendants a patent license and the defendants agreed to pay Forgent $8.0 million. Additionally, all parties agreed to release all claims against each other and Forgent has no future obligations related to this settlement. This settlement accounts for the increase in licensing revenues during the three months ended October 31, 2006, as compared to the three months ended October 31, 2005. Going forward, the Company believes its ability to garner additional licensing revenues from non-defendants related to the '672 patent is substantially concluded.

Forgent is also currently in legal proceedings with several companies in the United States District Court for the Eastern District of Texas, Tyler Division, for the infringement of its '746 patent (the " '746 Litigation"). In September 2006, Forgent and the defendants participated in a court-ordered mediation, which did not result in any settlements or licenses. On November 9, 2006, Forgent and the defendants in the '746 Litigation appeared before the Court and presented arguments relating to claims construction, a motion for summary judgment and a motion to stay the litigation. On November 20, 2006, the Court denied the motion to stay the litigation. The Court did not rule on the motion for summary judgment and the Company is currently awaiting the Court's ruling on the claims construction. At any time during the litigation process, Forgent will consider any reasonable settlements with the defendants, if the settlement amount provides an appropriate value.

On October 2, 2006, the USPTO granted Motorola Inc.'s petition and ordered an *inter partes* re-examination of the '746 patent. On October 30, 2006, the USPTO issued its first office action related to this re-examination. This first action, which is not the final conclusion of the re-examination, denied the five claims in the '746 patent. Forgent has 60 days to respond to the USPTO and anticipates working directly with the USPTO to vigorously defend all of the claims of the '746 patent. If the Company is unsuccessful in defending its patents' claims with the USPTO examiner, Forgent could pursue the appeal process within the USPTO and within the federal court system, if necessary. Any negative results from the re-examination would reduce the Company's ability to negotiate settlements with defendants and licenses with potential licensees, which could materially and adversely affect Forgent's licensing revenues. The ultimate rejection of significant claims could have material and adverse consequences for Forgent.

The trial date for the '746 Litigation is set for May 14, 2007. Prior to the trial date, any negative results from the claims construction hearing, summary judgment motion, or the USPTO's re-examination could significantly and adversely affect the Company's ability to proceed with the litigation and/or negotiate license agreements related to the '746 patent. Thus, 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, management expects to generate licensing revenues related to the '746 patent.

Software and Services Business

Software and services revenues for the three months ended October 31, 2006 were $0.9 million, an increase of $0.2 million, or 32%, from the $0.7 million reported for the three months ended October 31, 2005. Software and services revenues as a percentage of total revenues were 11% and 20% for the three months ended October 31, 2006 and 2005, respectively. Revenues from this line of business include sales of Forgent's NetSimplicity scheduling and asset management software, which 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 first fiscal quarter of 2007, as compared to the first fiscal quarter of 2006, software revenues increased by 26% due to increased MRM sales resulting from the release of Version 7.0 in June 2006 and increased VAM sales resulting from the employment of a sales representative dedicated solely to selling VAM. Continued pursuit of maintenance renewals, as well as the increase in software sales, led to additional sales of maintenance and support contracts and increased maintenance revenues by 38% during the three months ended October 31, 2006. Towards the end of fiscal year 2006, Forgent partnered with several vendors which enabled the Company to resell hardware to complement its MRM and VAM software products. Hardware sales during the three months ended October 31, 2006 led to a 33% increase in revenues as Forgent did not have any hardware sales during the three months ended October 31, 2005. Increases in software revenues, maintenance revenues and hardware revenues accounted for 97% of the $0.2 million increase in the software segment's revenues during the first fiscal quarter of 2007. Forgent will continue to target North American and international companies in the education, governmental, healthcare and legal sectors, which generated approximately 49% of its software revenues during the three months ended October 31, 2006.

Gross Margin

Gross margins for the three months ended October 31, 2006 were $5.3 million, an increase of $3.9 million, or 284%, from the $1.4 million reported for the three months ended October 31, 2005. Gross margins as a percentage of total revenues were 58% and 37% for the three months ended October 31, 2006 and 2005, respectively.

The $3.9 million increase in gross margin, as well as the related increase in gross margin as a percentage of total revenues, for the three months ended October 31, 2006, is due primarily to the $3.8 million increase in gross margin resulting from licensing revenues generated during first fiscal quarter of 2007. To date, all of the Company's licensing revenue has been generated by the '672 patent. Because the '672 Litigation is concluded, the U.S. '672 patent expired in October 2006 and its foreign counterparts will expire in September 2007, licensing revenues will decline unless alternative sources of revenue are found. If licensing revenues decline, total gross margins will be adversely affected.

Intellectual Property Licensing Business

Intellectual property gross margins for the three months ended October 31, 2006 were $4.5 million, an increase of $3.7 million, or 454%, from the $0.8 million reported for the three months ended October 31, 2005.

Intellectual property gross margins as a percentage of total revenues were 56% and 28% for the three months ended October 31, 2006 and 2005, respectively.

The cost of sales from the intellectual property licensing business relates to the legal fees incurred in successfully achieving signed license agreements as well as legal expenses incurred from legal counsel's time in connection with licensing and litigating the Company's patents. In October 2005, Forgent terminated Godwin Gruber, LLP ("Godwin"), and engaged Susman Godfrey, LLP ("Susman") to lead its Patent Licensing Program. Under the amended agreement with Godwin, Forgent agreed to pay Godwin a fixed monthly fee of $0.2 million for time incurred. 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. Since the Company achieved $6.0 million in gross recoveries during the second fiscal quarter of 2006, Forgent's contingency fee to Jenkens & Gilchrist ("Jenkens") was reduced from 50% of the gross licensing revenues received related to the '672 patent to 10%. As a result of the change in legal counsel and the reduction in contingency fees to Jenkens, Forgent's gross margins from the intellectual property licensing business increased to 56% for the three months ended October 31, 2006, as compared to 28% for the three months ended October 31, 2005.

In April 2006, Forgent engaged Hagans and Bracewell to provide legal services related to the '746 Litigation. On December 1, 2006, Forgent signed an amendment to the original agreement, which increased the contingency fee payable to Hagans and Bracewell from 30% (15% to each law firm) of all license and litigation proceeds, net of expenses, to 37.5% (20% to Hagans and 17.5% to Bracewell). 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. Under these legal services agreements, Forgent does not pay any legal expenses for time incurred. Therefore, management anticipates achieving 52.5% gross margin on any licensing revenues related to future license agreements associated with the '746 patent.

Software and Services Business

Software and services gross margins for the three months ended October 31, 2006 were $0.6 million, an increase of $0.1 million, or 21%, from the $0.5 million reported for the three months ended October 31, 2005. Software and services gross margins as a percentage of total revenues were 68% and 73% for the three months ended October 31, 2006 and 2005, respectively.

The cost of sales associated with the software segment is relatively fixed and results primarily from the amortization of the Company's purchased software development costs and compensation expenses. During the three months ended October 31, 2006, cost of sales from the software segment increased by $0.1 million, approximately 80% of which related to changes in amortization expenses, compensation expenses and hardware expenses. As of July 31, 2006, the Company had formalized a group dedicated to providing maintenance and support. The compensation expenses and related expenses for this group were classified as cost of sales during the three months ended October 31, 2006. Since the group did not exist during the three months ended October 31, 2005, no related expenses were recorded during the first fiscal quarter of 2006. The increase in compensation and related expenses was offset by a decrease in amortization expenses since the purchased software development costs were fully amortized during the first fiscal quarter of 2007. Additionally, the hardware sales during the three months ended October 31, 2006 also increased cost of sales. Although the increase in software and services revenues led to a $0.1 million increase in total gross margin for the software segment, the additional compensation expenses and the lower margins generated by the hardware sales resulted in a 68% gross margin from the software segment during the first fiscal quarter of 2007, as compared to 73% during the first fiscal quarter of 2006. Since the purchased software development costs were fully amortized and since Forgent expects to generate more business from its software segment, management expects gross margins from the software segment to improve during the next fiscal quarter, in terms of total dollars and percentage of revenues.

Selling, General and Administrative

Selling, general and administrative expenses for the three months ended October 31, 2006 were $2.5 million, a decrease of $0.2 million or 7%, from the $2.7 million reported for the three months ended October 31, 2005. Selling, general and administrative ("SG&A") expenses as a percentage of revenues were 28% and 74% for the three months ended October 31, 2006 and 2005, respectively.

The $0.2 million decrease in SG&A expenses during the three months ended October 31, 2006 is due to the decrease in legal expenses from Forgent's intellectual property licensing segment. Legal expenses recorded as part of SG&A expenses, as opposed to legal expenses recorded as part of cost of sales, relate primarily to consultants' fees, document production expenses and travel expenses. During the first fiscal quarter of 2007, legal expenses related to the '672 Litigation decreased by approximately $0.4 million, as compared to the first fiscal quarter of 2006. The '672 Litigation was resolved on October 25, 2006 when Forgent signed a settlement agreement with the remaining defendants. The decrease in legal expenses related to the '672 Litigation was offset by an increase of approximately $0.2 million in legal expenses related to the '746 Litigation.

As Forgent continues to pursue licensing and litigating the '746 patent, significant legal fees and consulting expenses will continue to be incurred and may increase. However, management believes the Company has the necessary financial resources to support all of its current and upcoming licensing and litigation efforts. Due to uncertainties inherent with litigation, management is unable to accurately predict the ultimate outcome and thus, there can be no assurances that the Company will be able to recover these costs. Forgent will continue, however, 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 SG&A expenses to fluctuate as legal fees and consulting expenses are incurred during the various litigation milestones.

Research and Development

Research and development expenses for the three months ended October 31, 2006 were $116 thousand, a decrease of $15 thousand, or 121%, from the $131 thousand reported for the three months ended October 31, 2005. Research and development ("R&D") expenses as a percentage of revenues were 1% and 4% for the three months ended October 31, 2006 and 2005, respectively.

During the three months ended October 31, 2006, Forgent continued developing its MRM product and released versions 7.1 and 7.2, which included minor enhancement updates requested by the Company's enterprise customers. The Company also continued to develop VAM and will release version 5.6 in December 2006. VAM 5.6 also included minor enhancement updates. Forgent is currently working on MRM 7.5 and VAM 6.0 and expects to release these new versions during the third fiscal quarter of 2007. Management will attempt to maintain R&D expenses at reasonable levels in terms of percentage of revenue and anticipates R&D expenses to remain relatively flat during the next fiscal quarter.

Net Income (Loss)

Forgent generated a net income of $2.7 million, or $0.11 per share, during the three months ended October 31, 2006, compared to a net loss of $1.4 million, or $0.05 per share, during the three months ended October 31, 2005. Net income (loss) as a percentage of total revenues were 30% and (38%) for the three months ended October 31, 2006 and 2005, respectively. The $4.1 million increase in the Company's net income is primarily attributable to the $3.9 million increase in gross margin, which is mainly associated with the '672 settlement in the current period.

LIQUIDITY AND CAPITAL RESOURCES

	FOR THE THREE MONTHS ENDED OCTOBER 31,	
	2006	2005
	(in thousands)	
Working capital	$14,063	$12,479
Cash, cash equivalents and short-term investments	15,038	17,309
Cash used in operating activities	(1,059)	(33)
Cash (used in) provided by investing activities	(32)	88
Cash (used in) provided by financing activities	(87)	4

Cash used in operating activities was $1.1 million for the three months ended October 31, 2006 due primarily to a $5.4 million increase in accounts receivable, which was offset by the $2.8 million in net income and a $1.2 million increase in accounts payable. Cash used in operating activities was $33 thousand for the three months ended October 31, 2005 due primarily to $1.4 million in net loss, which was offset by a $1.4 million increase in accounts payable. During the three months ended October 31, 2006, Forgent collected $2.8 million in accounts receivable from its intellectual property licensing business. Management plans to continue utilizing these cash receipts for its Patent Licensing Program, especially due to anticipated expenditures related to the '746 Litigation, and to support the growth of its software operations. Forgent's average days sales outstanding was 60 for the first fiscal quarter of 2007, an increase from 15 days for the fourth fiscal quarter of 2006. This increase was due to $5.2 million in outstanding receivables from the intellectual property licensing program as of October 31, 2006. Subsequently, approximately $3.8 million of these receivables were collected as of December 12, 2006. The remaining outstanding receivables are due from international companies and are anticipated to be received fully during the second fiscal quarter. Additionally, Forgent's ability to collect its accounts receivables from the software segment timely is evidenced by the fact that only 5% of the Company's trade receivables were aged out past 60 days as of October 31, 2006.

Cash used in investing activities was $32 thousand for the three months ended October 31, 2006 due to purchases of fixed assets. Cash provided by investing activities was $0.1 million for the three months ended October 31, 2005 due largely to $0.1 million in net sales/maturities 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. During the first fiscal quarter, Forgent's investments were maintained in short-term investments that were classified as cash equivalents. The Company's current operations are not capital intensive and Forgent purchased minimal fixed assets during the three months ended October 31, 2006. Management does not anticipate any significant purchases of fixed assets during the remaining fiscal quarters of 2007.

The Company leases 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 and include escalation clauses. The total amount of base rentals over the term of the Company's leases is charged to expense on a straight-line basis, with the amount of the rental expense in excess of the lease payments recorded as a deferred rent liability. Additionally, the Company used the proceeds from its loans with Silicon Valley Bank to purchase equipment and fund operations. As of October 31, 2006, Forgent had an additional $0.5 million available in notes payable from Silicon Valley Bank. Additional notes payable obtained from Silicon Valley Bank would 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 October 31, 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	$ 21,849	$ 3,502	$ 6,938	$ 6,797	$ 4,612
Notes payable obligations	486	305	181	—	—
Total	**$ 22,335**	**$ 3,807**	**$ 7,119**	**$ 6,797**	**$ 4,612**

Approximately 98% of the Company's operating lease obligations relates to its corporate office location at Wild Basin in Austin, Texas. As of October 31, 2006, Forgent had $5.6 million in future minimum lease payments receivable under non-cancelable sublease arrangements. Additionally, Forgent had a $1.0 million liability related to impairment charges for the economic value of the lost sublease rental income related to its Austin property. In November 2006, the Company fully paid off its outstanding notes payables.

Cash used in financing activities was $87 thousand for the three months ended October 31, 2006 due primarily to $0.1 million in notes payable payments. Cash provided by financing activities was $4 thousand for the three months ended October 31, 2005 due to $0.1 million in proceeds received from the issuance of a note payable, which was offset by $0.1 million in notes payable payments and $4 thousand 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 three months ended October 31, 2006 or 2005.

As of October 31, 2006, Forgent had repurchased 1,790,401 shares for approximately $4.8 million and had the approval to repurchase approximately 1.2 million additional shares. Management will periodically assess repurchasing additional shares during fiscal year 2007, depending on the Company's cash position, market conditions and other factors.

As of October 31, 2006, Forgent's principal sources of liquidity consisted of $15.0 million of cash and cash equivalents and its ability to generate cash from its intellectual property licensing segment. 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." 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 litigation, increased legal expense levels and other factors. Management believes that the Company has sufficient capital and liquidity to pursue its licensing and litigation efforts and to fund its current operations. However, due to uncertainties related to the timing and costs of these efforts, Forgent may need to raise additional capital in the future. Yet, there is no assurance that the Company will be able to raise additional capital if and when it is needed.

CRITICAL ACCOUNTING POLICY

The Company's consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles 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 U.S. generally accepted accounting principles 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 its impairments. 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 represents Forgent's critical accounting policy:

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,"* and Emerging Issues Task Force Issue No. 00-21, *"Revenue Arrangements with Multiple Deliverables."*

Intellectual property licensing revenue is derived from the Company's Patent Licensing Program, which has generated licensing revenues relating to the Company's technologies embodied in the '672 patent and its foreign counterparts. 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 based upon 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. Forgent sells multiple elements within a single sale. 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. 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. 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.

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/A for the year ended July 31, 2006.

ITEM 4. CONTROLS AND PROCEDURES

Management established and is responsible for maintaining internal control over the Company's financial reporting. 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 under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing date of this report. 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 October 31, 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 material to the Company.

Litigation of United States Patent No. 4,698,672

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 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.; Veo Inc.; and Microsoft Corporation.

Prior to the first quarter of 2007, Forgent settled with defendants Adobe Systems, Inc.; Apple Computer, Incorporated; 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 October 25, 2006, Forgent signed a Patent License and Settlement Agreement with the remaining defendants. Under this agreement, Forgent granted the defendants a patent license and the defendants agreed to pay Forgent $8.0 million. Additionally, all parties agreed to release all claims against each other and Forgent has no future obligations related to this settlement.

Litigation of United States Patent No. 6,285,746

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 include 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.; Scientific-Atlanta Inc.; Motorola Inc.; Diego, Inc.; and their respective subsidiaries. Forgent has since 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 and there have been no other settlements to date in this litigation. The '746 litigation has since been moved to the United States District Court for the Eastern District of Texas, Tyler Division.

On October 2, 2006, the USPTO granted Motorola Inc.'s petition and ordered an *inter partes* re-examination of the '746 patent. On October 30, 2006, the USPTO issued its first office action related to this re-examination. This first action, which is not the final conclusion of the re-examination, denied the five claims in the '746 patent. Forgent has 60 days to respond to the USPTO and anticipates working directly with the USPTO to vigorously defend all of the claims of the '746 patent.

On July 18, 2006 the defendants in the '746 Litigation filed a motion for summary judgment against Forgent, asserting that the '746 patent claims are invalid based on alleged indefiniteness in the patent's claims. On September 11, 2006, Forgent and the defendants participated in a court-ordered mediation, which did not result in any settlements or licenses. On September 29, 2006, Motorola, Inc. filed a motion to stay the '746 Litigation pending the re-examination of '746 patent by the USPTO.

On November 9, 2006, Forgent and the defendants in the '746 Litigation appeared before the Court and presented arguments relating to claims construction, the motion for summary judgment and the motion to stay the litigation. On November 20, 2006, the Court denied Motorola Inc.'s motion to stay the litigation. The Court did not rule on the motion for summary judgment and the Company is currently awaiting the Court's ruling on the claims construction. The trial date for the '746 Litigation is set for May 14, 2007.

ITEM 1A. RISK FACTORS

There are many factors that affect Forgent'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 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.

INTELLECTUAL PROPERTY LICENSING BUSINESS

If the Company is unable to obtain new license agreements, operating results will decline.

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. Failure to sign new license agreements would cause operating results to suffer. 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 expired in the U.S. and revenues will 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 expired in October 2006 and its foreign counterparts will expire in September 2007. Upon expiration of the '672 patent's foreign counterparts, Forgent will cease receiving any 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.

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 could reduce the Company's ability to proceed with its licensing process.

The United States Patent and Trademark Office's ("USPTO") is currently re-examining the '672 patent and the Federal Trade Commission's ("FTC") is conducting a 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. Additionally, 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 licensing process.

Negative results from the United States Patent and Trademark Office's re-examination of the '746 patent may negatively affect the Company's ability to generate licensing revenues.

See Part II, Item 1 "Legal Proceedings" for information regarding the USPTO's first office action issued related to the '746 patent. The USPTO's re-examination can cause Forgent to incur significant legal expenses to defend its '746 patent. Since the USPTO denied the claims of the '746 patent, the Company's licensing abilities may be negatively affected. Although Forgent has not recognized any licensing revenues from the '746 patent to date, any successful challenge to the licensing process would reduce the Company's ability to negotiate settlements with defendants in the '746 Litigation and new licenses with other companies.

Forgent may not prevail in its '746 Litigation proceedings, which could cause the Company to incur significant legal expenditures without any related earnings.

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 litigation, that the Company may become subject to counterclaims or lawsuits and that the expenses of pursuing the litigation could increase based upon new developments. 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.

Forgent's litigation is dependent on highly competent, experienced and qualified legal counsel. If the Company changes its legal counsel, the Company's operating results and financial condition could suffer.

Forgent's litigation involves intensive legal due diligence and negotiations. In the past, the Company changed its legal counsel, which cost the Company in terms of time and money. The Company may still encounter a number of risks associated with its current 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 strength of legal counsel. These risks may cause delays in Forgent's ability to proceed with its litigation, which could require significant additional legal expenditures and could result in declining revenues and earnings for the Company.

<u>**SOFTWARE & SERVICES BUSINESS**</u>

Claims of intellectual property infringement by third parties may adversely affect Forgent's business.

Forgent may become subjected to claims of intellectual property infringement by third parties as the number of competitors and available software products continues to grow and the functionality of such products increasingly overlap. Any infringement claims, with or without merit, could be time-consuming, result in costly litigation, divert management's attention and financial resources, cause the loss or deferral of sales or require Forgent to enter into royalty or license agreements. In the event of a successful claim of intellectual property infringement against Forgent, the Company's business, operating results and financial condition could be materially adversely affected, if Forgent is unable to either license the technology or similar technology or develop alternative technology on a timely basis. If Forgent is able to license the technology, such royalty or license agreements may not be available on terms acceptable to the Company.

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

The future success of the Company's software segment is dependent in significant part on its ability to generate demand for its NetSimplicity software products and services. To this end, Forgent's marketing and 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 and 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.

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 software 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 Forgent'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.

Open source software may increase competition, resulting in decreases in Forgent's prices of its software products.

Many different formal and informal groups of software developers and individuals have created a wide variety of software and have made that software available for use, distribution and modification, often free of charge. Such open source software has been gaining in popularity among business users, particularly small to medium sized businesses, which are some of Forgent's targeted customers. Although management is currently unaware of any competing open source software, if developers make scheduling or asset management software applications available to the open source community, and that software has competitive features, Forgent may need to change its product pricing and distribution strategy in order to compete.

Forgent's software products' functionality may be impaired if third-party hardware products associated with the NetSimplicity software do not operate successfully.

In addition to its software products, Forgent currently sells hardware from partnered vendors to its customers. The effective implementation of Forgent's software products depends upon the successful operation of these third-party hardware products. Any undetected defects in these third-party products could prevent the implementation of or impair the functionality of Forgent's software or blemish the Company's reputation.

If Forgent fails to introduce new versions and releases of functional and scalable software products in a cost-effective and timely manner, customers may license competing products and Forgent's revenues will decline.

The technology industry is characterized by continuing improvements in technology, resulting in the frequent introduction of new products, short product life cycles, changes in customer needs 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 spends a large portion of its research and development resources to product upgrades and 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, which may require significant resources, could ultimately be unsuccessful if Forgent does not achieve market acceptance for its new products or enhancements. Additionally, if the Company fails to anticipate and respond effectively to technological improvements or if Forgent's competitors release new products that are superior to Forgent's products in performance and/or price, demand for the Company's software products may decline and Forgent may lose sales and fail to achieve anticipated revenues.

Errors or defects in Forgent's software could reduce demand for its software and result in decreased revenues, decreased market acceptance and injury to the Company's reputation.

Errors or defects in the Company's software, sometimes called "bugs," may be found from time-to-time, particularly when new versions or enhancements are released. Any significant software errors or defects may result in loss of sales, decreased revenues, delay in market acceptance and injury to the Company's reputation. Despite extensive product testing during development, new versions or enhancements of Forgent's software may still have errors after commencement of commercial shipments. Forgent corrects the "bugs" and delivers the corrections in subsequent maintenance releases and patches. However, errors or defects could put Forgent at a competitive disadvantage and can be costly and time-consuming to correct.

If Forgent is unable to develop or maintain strategic relationships with its resellers and vendor partners who market and sell the Company's products, software revenues may decline.

Forgent supplements its direct sales force by contracting with resellers to generate international sales and vendor partners to help increase sales. Currently, resellers generate a relatively small portion of Forgent's software sales. Therefore, Forgent's software revenue growth will depend, in part, on adding new resellers and partners to expand its sales channels, as well as leveraging the relationships with existing resellers and partners. If the Company is unable to enter into successful new strategic relationships in the future or if the Company's current relationships with its resellers and partners deteriorate or terminate, Forgent may lose sales and software revenues may decline.

OTHER

Forgent's stock may be de-listed from NASDAQ, which may adversely affect the Company's ability to raise capital and stockholders' ability to sell their shares.

On August 11, 2006, Forgent received a NASDAQ deficiency letter indicating that for 30 consecutive days, the per-share price of the Company's common stock closed below the minimum $1.00 per-share requirement and therefore, its common stock is subject to potential delisting from the NASDAQ Global Market pursuant to Rule 4450(a)(5). The Company was provided 180 calendar days, or until February 7, 2007, to regain compliance by maintaining a bid price of at least $1.00 for 10 consecutive trading days. If the Company cannot achieve compliance with the minimum per-share price requirement by February 7, 2007, NASDAQ will provide written notification that the Company's securities will be de-listed.

The Company may pursue trading on the NASDAQ Capital Market. If NASDAQ approves, Forgent would be provided an additional 180 calendar days to regain compliance with the minimum $1.00 per-share requirement while trading on the NASDAQ Capital Market. If NASDAQ does not approve the Company to trade on the Capital Market and the Company cannot achieve compliance by any other means, Forgent's common stock will be de-listed from NASDAQ.

If Forgent's common stock is de-listed from NASDAQ, the market liquidity of Company's common stock will be significantly limited, which would reduce stockholders' ability to sell their Forgent securities in the secondary market. Additionally, any such de-listing would harm Forgent's ability to raise capital through alternative financing sources on acceptable terms, if at all, and may result in the loss of confidence in the Company's financial stability by suppliers, customers and employees. Forgent cannot give investors in its common stock any assurance that the Company will be able to regain and maintain compliance with the $1.00 per-share minimum price requirement for continued listing on NASDAQ or that its stock will not be de-listed by NASDAQ.

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.

Although Forgent is unable to determine the extent to which piracy of its software products occurs, management believes software piracy could be a problem. Since Forgent has international resellers and customers, piracy may occur in foreign countries where laws do not protect proprietary rights to the same extent as the laws in the United States.

Forgent may face problems in connection with future acquisitions, which could create business difficulties and adversely affect operations.

As part of Forgent's business strategy, Forgent may acquire additional businesses, products and technologies that could complement or expand its ongoing business. However, Forgent may be unable to identify suitable acquisitions or investment candidates. Even if Forgent identifies suitable candidates, there are no assurances that the Company will be able to make the acquisitions or investments on favorable terms. Negotiations of potential acquisitions could divert management time and resources and the Company may incorrectly judge the value or worth of an acquired business, product or technology. Additionally, Forgent may incur significant debt or be required to issue equity securities to pay for such future acquisitions or investments.

If Forgent acquires a company, Forgent may have difficulties integrating the products, services, technologies, personnel and operations into the Company's ongoing business. These difficulties could disrupt Forgent's ongoing business, distract management and the workforce, increase expenses and adversely affect operating results. If Forgent is unable to fully integrate acquired businesses, products or technologies with its existing operations, Forgent may not achieve the intended benefits of such acquisitions and related expenditures.

If Forgent elects to raise additional capital, funds may not be available or if available, may not be on favorable terms to the Company.

In the future, Forgent may elect to raise additional capital to fund its operations and/or acquisitions. However, Forgent cannot be certain that it will be able to obtain additional financing on favorable terms, if at all. If Forgent takes out additional loans, the Company may incur significant interest expense, which could adversely affect results of operations. If Forgent issues equity securities, its stockholders' percentage of ownership would be reduced and the new equity securities may have rights, preferences or privileges senior to those existing stockholders of the Company's common stock. If Forgent is unable to raise funds on acceptable terms, Forgent may not be able to develop or enhance its products, respond to competitive pressures or unanticipated requirements, or take advantage of future opportunities, all of which could adversely affect Forgent's business, operating results and financial condition.

Historically, the Company has not been profitable and Forgent may continue to incur losses, which may result in decreases in revenues if customers raise viability concerns.

Although Forgent generated net income for the three months ended October 31, 2006, the Company incurred losses during the prior fiscal quarters. As of October 31, 2006, Forgent had an accumulated deficit of $248.0 million and Forgent may continue to incur additional losses in the future. Continued losses may cause existing and new customers to question the Company's viability and be reluctant to purchase from the Company. If Forgent is unable to increase its sales due to such concerns, revenues will decline, which would further adversely affect the Company's operating results. Therefore, there are no assurances that the Company can achieve or generate sufficient revenues to achieve profitability.

Forgent may experience significant fluctuations in its quarterly results and if the Company's future results are below expectations, 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 and summary judgment hearings for the '746 Litigation;
- resolution of the USPTO's re-examination of the '672 patent and the '746 patent;
- resolution of the FTC's non-public investigation;
- timing and costs related to the Company's patent litigation;
- market demand for NetSimplicity's software products and services;
- timing of customers' budget cycles;
- timing of customer orders and deployment of NetSimplicity's software products and services;
- the mix of software license and services revenue;
- timing of introducing new products and services or enhancements to existing products and services;
- new product releases or pricing policies by Forgent's competitors;
- 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 businesses, products or technologies;
- costs of attracting, retaining and training skilled personnel;
- management's ability to manage future growth;
- changes in U.S. generally accepted accounting principles; 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 and that 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 relies on the continued contributions of its senior management, sales and marketing, professional services and finance personnel. Forgent's success depends upon its ability to attract, hire and retain highly qualified and experienced personnel, especially software developers and engineers who 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 and Forgent will likely depend on the senior management of any business it may acquire in the future. 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 attract, train, retain and manage its employees effectively, Forgent could encounter difficulties in developing new products and product enhancements, generating revenue through increased sales efforts and providing high quality customer service.

Forgent executed a new shareholders rights plan that could make it difficult for another company to acquire control of the Company.

In December 2005, Forgent's Board of Directors approved and executed a shareholder rights plan ("Rights Plan") whereby one preferred share purchase right was distributed for each outstanding share of Forgent's common stock for all stockholders of record on December 31, 2005. The Rights Plan, which was not adopted in response to any threat to the Company, was designed to guard against any proposed takeover, partial tender offers, open market accumulations and other tactics designed to gain control of the Company. Under the new plan, the rights become exercisable if a person or group thereafter acquires 15% or more of Forgent's common stock or announces a tender offer for 15% or more of Forgent's common stock. Such events, or if the Company is acquired in a merger or other business combination transaction after a person or group acquires 15% or more of its common stock, would entitle the right holder to purchase, at an exercise price of $13.00, a number of shares of common stock having a market value at that time of twice the right's exercise price. The Rights Plan may have the effect of discouraging, delaying or preventing unsolicited acquisition proposals, but there are no assurances a change of control will not occur.

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.

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

None

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, $.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 19, 2005).
10.35*	Patent License and Settlement Agreement, effective October 25, 2006, by and among Forgent Networks, Inc., ACER, Incorporated, Agfa-Gevaert N.V., BancTec, Inc., Canon Inc., Concord Camera Corp., Creative Technology, Ltd., Dell Inc., Eastman Kodak Company and Creo, Inc., FUJIFILM Holdings Corporation, Fujitsu Limited, Gateway, Inc., Hewlett Packard Company, International Business Machines Corporation, Kyocera Corporation, Matsushita Electric Industrial Co., Ltd., Microsoft Corporation, Mitsubishi Electric Corporation, Palm, Inc., Ricoh Company, Ltd., Sun Microsystems, Inc., Thomson, Inc., TiVo Inc., and Toshiba Corporation (incorporated by reference to Exhibit 10.35 of the Company's annual report on Form 10-K for the year ended July 31, 2006).
10.36*	Second Asset Purchase Agreement, effective November 21, 2002, between Forgent Networks, Inc. and Tandberg Telecom AS.
10.37*	Amended Legal Services Fee Agreement, effective September 1, 2006, by and among Forgent Networks, Inc., Hagans, Burdine, Montgomery, Rustay & Winchester, P.C. and Bracewell & Giuliani, L.L.P.
10.38*	Forgent Networks, Inc. Incentive Bonus Plan
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.

* Filed herewith

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.
December 15, 2006	By:	/s/ RICHARD N. SNYDER Richard N. Snyder Chief Executive Officer
December 15, 2006	By:	/s/ JAY C. PETERSON Jay C. Peterson Chief Financial Officer

INDEX TO EXHIBITS

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EXHIBIT 10.36

SECOND ASSET PURCHASE AGREEMENT

THIS SECOND ASSET PURCHASE AGREEMENT (this "Agreement") is entered into as of the 21st day of November, 2006, by and between **FORGENT NETWORKS, INC.**, a corporation organized and existing under the laws of the State of Delaware, U.S.A. (the "Seller"), and **TANDBERG TELECOM AS**, a corporation organized and existing under the laws of the Kingdom of Norway (the "Buyer").

RECITALS

WHEREAS, the Seller owns certain "Patents" (as this term is hereinafter defined) related to video conferencing, video compression, streaming video, scheduling and media management; and

WHEREAS, the Buyer desires to purchase such Patents from Seller, and the Seller desires to sell and transfer to the Buyer such Patents, all as more fully set forth below; and

WHEREAS, the Buyer desires to have certain assurances and to continue and reconfirm a covenant of non-assertion from Seller with regard to "Other Patents" (as hereinafter defined) owned or controlled by Seller.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Buyer and the Seller hereby agree as follows:

ARTICLE 1 - PURCHASE AND SALE OF ASSETS

1.1 Defined Terms. Capitalized terms used herein have the meanings set forth in Article 12.1.

1.2 Purchased Assets. Subject to the terms and conditions of this Agreement, and in reliance upon the representations, warranties, covenants and agreements made in this Agreement by the Seller and the Buyer, the Buyer shall purchase, accept and acquire from the Seller, and the Seller shall sell, transfer, convey, assign and deliver to the Buyer all of Seller's right, title and interest in and to: (i) the Patents, all goodwill associated directly with the Patents and all rights thereunder, (ii) all supporting documentation for the Patents and including relevant portions of laboratory notebooks, invention disclosure forms, patent prosecution files, and correspondence, opinions of counsel, and similar documents ("Documentation"), (iii) remedies if any against past, present and future infringements thereof, and (iv) rights to protection of interests therein under the laws of all jurisdictions (collectively, the "Purchased Assets").

1.3 Closing. The closing (the "Closing") of the purchase and sale of the Purchased Assets shall take place at 10 a.m., local time, on the Closing Date, at the offices of Oblon, Spivak, McClelland, Maier & Neustadt, P.C., 1940 Duke Street, Alexandria, Virginia 22314. The "Closing Date" means the date on which the Closing occurs, anticipated to be Friday, November 24, 2006.

ARTICLE 2 - PURCHASE PRICE

In consideration of (i) the transfer, sale and assignment of the Purchased Assets and (ii) the reaffirmation of the covenant of non-assertion contained in Article 6.9, Buyer agrees to pay Seller the sum of THREE MILLION ONE HUNDRED AND FIFTY THOUSAND U.S. DOLLARS ($3,150,000.00) (the "Purchase Price"). TWO MILLION NINE HUNDRED THOUSAND DOLLARS ($2,900,000.00) of the Purchase Price shall be paid to Seller at Closing by wire transfer in immediately available funds to an account designated by Seller in writing at or prior to the Closing. The balance of TWO HUNDRED FIFTY THOUSAND DOLLARS ($250,000.00) shall constitute a deferred payment to be paid on the second anniversary of the Closing Date, provided that as of that date no claim in opposition to Buyer's ownership of the Patents or the Purchased Assets has been made and remains uncured and further provided that no transaction has occurred pursuant to which any entity has secured a license or other rights to any of the Patents after the Closing Date, other than from Buyer itself.

ARTICLE 3 – NON-ASSUMPTION OF LIABILITIES

Except as set forth on Schedule 3, the Buyer shall not be responsible for, assume, pay, perform, discharge, or accept any liabilities, debts, contractual obligations or other obligations of the Seller of any kind whatsoever, whether actual, contingent, accrued, known or unknown, including, without limitation, any relating to interest and termination penalties on indebtedness, taxes, breach or negligent performance of any contract, liabilities resulting from breach of contract, illegal activity, unlawful business practice, infringement of intellectual property rights, any liabilities, obligations or commitments by Seller relating to or arising out of the ownership of the Purchased Assets prior to the Closing, or the transfer of the Purchased Assets or any other liability or obligation of the Seller whatsoever. All such non-assumed liabilities, debts and obligations shall remain the responsibility of the Seller.

ARTICLE 4 - REPRESENTATIONS AND WARRANTIES OF THE SELLER

In order to induce the Buyer to enter into this Agreement, the Seller makes the following representations and warranties to the Buyer, each of which shall be deemed to be independently made and relied upon by the Buyer, regardless of any investigation made by, or information known to, the Buyer:

4.1 Ownership, Organization and Qualification. The Seller is a corporation duly incorporated and validly existing and in good standing under the laws of the State of Delaware, has not filed articles of dissolution and has a perpetual period of existence. The Seller has all requisite corporate power and authority to own, operate and lease its properties and to conduct its business as now being conducted.

4.2 Authorization. The Seller has obtained the approval from its Board of Directors and, if necessary, its shareholders to enter into this Agreement and has all necessary power and authority to enter into this Agreement. Seller shall have all necessary power and authority to perform the transactions contemplated hereby in accordance with the terms and conditions hereof.

4.3 Enforceability. This Agreement and all other agreements of the Seller contemplated hereby are or, upon the execution and delivery thereof will be, the valid and binding obligations of the Seller, enforceable against it in accordance with their terms, subject to any limitation of enforceability that may be imposed by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting creditor's rights and remedies generally and by the application by a court of equitable jurisdiction (whether such enforceability is considered a proceeding in equity or in law).

4.4 Conflicting Obligations. The execution and delivery of this Agreement does not, and the consummation of the sale and purchase of the Purchased Assets contemplated hereby will not: (a) conflict with or result in a material violation of any provisions of the articles or certificate of incorporation or bylaws of the Seller, as amended and in effect on and as of the date hereof and on and as of the Closing Date; (b) conflict with or result in a material violation of any provisions of, or result in the maturation or acceleration of, any obligations under any contract, agreement, instrument, document, lease, license, permit, indenture, or obligation, or any law, statute, ordinance, rule, regulation, code, guideline, order, arbitration award, judgment or decree, to which the Seller is subject or to which the Seller is a party; or (c) conflict with, result in a material breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the Seller is a party or by which it is bound or to which any of the Purchased Assets are subject (or result in the imposition of any Lien upon any of the Purchased Assets).

4.5 Title to Assets; Sufficiency. Except as set forth in Schedule 4.5, the Seller has good and marketable title to all of the Purchased Assets, free and clear of any Lien, encumbrance, claim or restriction on transfer and the Patent Assignment contemplated by this Agreement is sufficient to transfer good and marketable title of the Purchased Assets to Buyer, free and clear of all Liens. The Purchased Assets include but are not limited to all of the Patents owned or controlled by Seller that are set forth in Article 4.7.1 and the Documentation.

4.6 Third Party Consents. Except as set forth on Schedule 4.6, no material third party consents, approvals or authorizations are necessary for the execution and consummation of the transactions contemplated hereby, nor are any such consents, approvals or authorizations required in order for any of the Purchased Assets to be assigned to the Buyer. Seller has full power and authority to uphold and enforce the covenant of non-assertion set forth in Article 6.9 hereof without the consent of any other party.

4.7 Purchased Assets.

4.7.1 Schedule 4.7.1.1 identifies each Patent that has been issued to or is owned or controlled by the Seller which is to be transferred to Buyer and Schedule 4.7.1.2 identifies each pending patent application or application for registration which the Seller has made, the rights to which are to be transferred to Buyer. Seller has made available to the Buyer correct and complete copies of all of the Patents.

4.7.2 To the Seller's Knowledge, the Seller has taken all actions that are necessary or reasonably appropriate to maintain and to protect each of the Patents, including, but not limited to payment of any and all issuance fees, maintenance fees and annuities.

4.7.3 With respect to each of the Patents: (i) they are not subject to any outstanding injunction, judgment, order, decree, ruling, or charge; (ii) no action, suit, opposition or reexamination proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Seller's Knowledge, is threatened which challenges the legality, validity, enforceability, use, or ownership of the Patent; (iii) no person has notified the Seller of any claim concerning any alleged interference, infringement, misappropriation, reexamination, opposition or other conflict of any of the Patents with the intellectual property of any third party.

4.7.4 The Seller has no Knowledge of any state of facts or contemplated event that may give rise to any claim, action, suit, proceeding, complaint, investigation or inspection which could have a materially adverse effect on the ownership, validity, enforceability or reasonably anticipated use of the Purchased Assets.

4.7.5 The Seller has no Knowledge of any products, inventions or procedures of competitors which infringe or misappropriate any Patent and has not given any notice of infringement, sent any demand to "cease and desist", or offered to license any Patent to any third party based on any claim in the Patents except as set forth in Schedule 4.7.5.

4.7.6 The Patents and the Other Patents together encompass all patents and patent applications in and related to the Field which are owned or controlled by Seller and its Affiliates.

4.7.7 To the Seller's Knowledge, the Seller and Seller's patent counsel have complied with the duty of candor in prosecution of each of the Patents before the United States Patent and Trademark Office.

4.8 No Sale, Transfer or License. Except for licenses and encumbrances listed in Schedule 4.8, (a) the Seller has not sold, leased, transferred, or assigned any interest in any of the Purchased Assets; (b) the Seller has not imposed or permitted any third party to impose any Lien, not subsequently released, upon any of the Purchased Assets; (c) the Seller has not granted any option, license or sublicense of any rights under or with respect to any of the Patents; and (d) the Seller has not committed to any of the foregoing.

4.8.1 The Seller warrants that the pre-existing license(s) of the '667 and '754 patents to Polycom is not transferable and not assignable by Seller. The Seller warrants that the license of the '667 and '754 patents to Polycom includes no encumbrances on a successor-in-interest to Seller relative to the patents and applications identified in Schedule 4.7.1.1 and 4.7.1.2.

4.8.2 The Seller warrants that the "Large Computer Manufacturer" granted a Covenant not to Assert (CNA) by Seller prior to this Agreement is not a "Competing Company" which shall be defined as Polycom, Avistar, Starbak, Cisco, Radvision or another prominent developer or supplier of video teleconferencing equipment to the U.S. market. The Seller warrants that the CNA expires in July 2008. The Seller agrees to notify "Large Computer Manufacturer" of Buyer's purchase within 30 days of the closing of this agreement, and to invite "Large Computer Manufacturer" to contact Buyer. The Seller warrants that the CNA to the "Large Computer Manufacturer" includes no encumbrances on a successor-in-interest to Seller relative to the patents and applications identified in Schedule 4.7.1.1 and 4.7.1.2.

4.8.3 The Seller warrants that the pre-existing license(s) of the patents and applications listed in Schedule 4.8 to VTEL Products Corporation is transferable either in conjunction with a sale of substantially all of VTEL Products Corporation's assets or with Seller's permission. In the event of a contemplated transfer of licenses in conjunction of a sale of substantially all assets, the Seller will make reasonable efforts to exercise its consent for the transfer of the licenses in a manner to prevent the transfer of the licenses to a Competing Company. In the event of a contemplated transfer of licenses that is not in conjunction with a sale of substantially all assets, the Seller will exercise its consent for the transfer of the licenses in a manner to prevent the transfer of the licenses to a Competing Company. Seller warrants that in either of the above cases, Seller and all successors-in-interest will not agree to a transfer of the license(s) now granted to VTEL Products Corporation without first providing immediate notice of a request to transfer and obtaining a written concurrence from Buyer or Buyer's successor-in-interest. The Seller warrants that the license(s) to VTEL Products Group includes no additional encumbrances on a successor-in-interest to Seller relative to the patents and applications identified in Schedule 4.7.1.1 and 4.7.1.2.

4.9 Authority to Grant Covenant. Seller has full power and authority to grant the covenant of non-assertion contained in Article 6.9 hereof and no other person or entity has any right to bring a claim of infringement pursuant to one or more of the Other Patents as defined herein.

4.10 Brokerage. The Seller has neither incurred nor made commitments for, any brokerage, finders or similar fee in connection with the transaction contemplated by this Agreement.

4.11 Bankruptcy. The Seller has not filed a petition for relief under the United States Bankruptcy Code or under any state insolvency statute nor has it consulted with any counsel or advisor in anticipation of or to consider the filing of any petition in bankruptcy, moratorium, receivership or any similar state or federal law.

4.12 No Bulk Sales Laws. No "bulk sales" laws are applicable to the acquisition of the Purchased Assets or any transactions contemplated by this Agreement.

4.13 Warranty. EXCEPT AS SPECIFICALLY AND EXPLICITLY PROVIDED HEREIN (INCLUDING, WITHOUT LIMITATION, IN ARTICLES 4.5, 4.6, 4.7 AND 4.8 ABOVE), THE PURCHASED ASSETS ARE BEING SOLD "AS IS" WITHOUT ADDITIONAL WARRANTY.

4.14 Representations and Warranties True and Correct. The representations and warranties contained herein, and all other documents, certifications, materials and statements or information given to the Buyer by or on behalf of the Seller or disclosed in this Agreement, do not include any untrue statement of a material fact to Seller's Knowledge or omit to state a material fact, to the Knowledge of Seller, required to be stated herein or therein in order to make the statements herein or therein, in light of the circumstances under which they are made, not misleading.

ARTICLE 5 - REPRESENTATIONS OF THE BUYER

In order to induce the Seller to enter into this Agreement, the Buyer makes the following representations and warranties to the Seller, each of which shall be deemed to be independently made and relied upon by the Seller, regardless of any investigation made by, or information known to, the Seller.

5.1 Ownership, Organization and Qualification. The Buyer is a corporation duly incorporated and validly existing under the laws of the Kingdom of Norway, has not filed articles of dissolution and has a perpetual period of existence. Buyer has all requisite corporate power and authority to own, operate and lease its properties and conduct its business as now being conducted.

5.2 Authorization. The Buyer has all necessary power and authority to enter into and perform the transactions contemplated hereby in accordance with the terms and conditions hereof.

5.3 Enforceability. This Agreement and all other agreements of the Buyer contemplated hereby are or, upon the execution thereof, will be the valid and binding obligations of the Buyer enforceable against it in accordance with their terms, subject to any limitation of enforceability that may be imposed by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws affecting creditor's rights and remedies generally and by the application by a court of equitable jurisdiction (whether such enforceability is considered a proceeding in equity or in law).

5.4 Conflicting Obligations. The execution and delivery of this Agreement do not, and the consummation of the sale and purchase of the Purchased Assets contemplated hereby will not: (a) conflict with or result in a material violation of any provisions of the certificate of formation of the Buyer; (b) conflict with or result in a material violation of any provisions of, or result in the maturation or acceleration of, any obligations under any contract, agreement, instrument, document, lease, license, permit, indenture, or obligation, or any law, statute, ordinance, rule, regulation, code, guideline, order, arbitration award, judgment or decree, to which the Buyer is subject to or which the Buyer is a party; or (c) conflict with, result in a material breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject.

5.5 Brokerage. The Buyer has neither incurred, nor made commitment for, any brokerage, finders or similar fee in connection with the transactions contemplated by this Agreement.

5.6 Present Knowledge. As of the Closing Date, Buyer has no Knowledge of any actions by, or products held by Seller, which infringe or misappropriate any intellectual property embodied in the Purchased Assets and has no present intention of making any action, claim, suit, proceeding, complaint, investigation or inspection regarding such against or with respect to Seller.

ARTICLE 6 - COVENANTS OF THE SELLER

The Seller covenants and agrees with the Buyer as follows:

6.1 Maintenance of Property. From the date hereof and until the Closing Date, the Seller, upon notice to Buyer, shall take all actions necessary or reasonably appropriate to maintain its right, title and interest in and to the Purchased Assets. Furthermore, to the extent any of the Purchased Assets are registered or held in the name of an Affiliate of Seller or other person, Seller shall take such actions as are necessary to ensure such Purchased Assets are effectively assigned to Buyer on the Closing Date. The Seller shall pay all costs related to the same. Commencing immediately, Seller and its agents shall refrain from any activity to sell, license, sublicense, assign, hypothecate, alienate, encumber, pledge or otherwise transfer any of Seller’s interest in or to any portion of the Patents.

6.2 Access. Between the date of this Agreement and the Closing Date, Seller will, and will instruct its agents and representatives to give Buyer and its employees, agents or representatives access to the Documentation and permit Buyer to make reasonable inspection and copies thereof. Further, Seller shall instruct its prosecuting patent counsel or patent agent in each country where the Patents are issued or pending to reasonably cooperate with Buyer and its employees, agents or representatives to enable and assist such persons in understanding the prosecution history of the Patents and to facilitate the continuing prosecution of the any pending Patents following Closing. All such access and inspections will be conducted during Seller’s (or its patent counsel’s or patent agent’s, as applicable) normal business hours and in a manner that does not unreasonably interfere with the conduct of Seller’s (or its patent counsel’s or patent agent’s) business.

6.3 Compliance with Laws. From the date hereof and until the Closing Date, the Seller shall comply with all applicable laws, statutes, ordinances, rules, regulations, guidelines, orders, arbitration awards, judgments and decrees applicable to, or binding upon, the Seller if the breach of any of the foregoing could reasonably be expected to have a materially adverse effect on the Purchased Assets.

6.4 Supplemental Disclosure. Promptly after it becomes aware of such information and in any event not later than the Closing Date, the Seller shall inform the Buyer in writing of all material information, events or actions which, if this Agreement were signed on the Closing Date, would be required to be disclosed on the Schedules in order to make the Seller’s representations and warranties contained herein true and not misleading. The delivery thereof by the Seller shall not absolve the Seller from liability for breach of any representation or warranty which was untrue when made.

6.5 Documents of Transfer. On the Closing Date, the Seller shall duly execute and deliver to the Buyer:

6.5.1 the Bill of Sale as described in Exhibit 6.5.1;

6.5.2 the Patent Assignment as set forth in Exhibit 6.5.2;

6.5.3 All such other assignments, if any, that shall be required to transfer title to the Buyer pursuant to the terms as set forth herein.

6.6 Other Deliveries. On the Closing Date, the Seller shall deliver to the Buyer the following:

6.6.1 A certificate from an officer of Seller whose responsibilities include maintenance of the Seller's patent portfolio substantially in the form of Schedule 6.6.1.

6.6.2 Evidence satisfactory to Buyer's Counsel that the Board of Directors of Seller has approved the transaction contemplated by this Agreement;

6.6.3 A certificate from the Corporate Secretary of Seller certifying that any necessary approvals from the shareholders of the Seller have been obtained;

6.6.4 A certificate from an officer of Seller as described in Articles 8.1 and 8.2 below;

6.6.5 All Documentation in Seller's possession or control (in each instance through transmission via computer to the extent possible) together with a detailed description of any Documentation which, to Sellers Knowledge, is in existence but which Seller has not delivered to Buyer; and

6.6.6 All other documents reasonably requested by counsel for the Buyer to consummate the transactions herein contemplated.

6.6.7 Within thirty (30) days after Closing, Seller shall transfer all files and Documentation relating to the Patents to the offices of Oblon, Spivak, McClelland, Maier & Neustadt, PC, 1940 Duke St., Alexandria, VA, 22314. Seller shall maintain all patent and patent application files pending until such transfer is completed.

6.7 Further Assurances. The Seller, upon request of the Buyer, shall execute, acknowledge and deliver such other instruments as reasonably may be requested to more effectively transfer and vest in the Buyer the Purchased Assets pursuant to the terms of this Agreement or to otherwise carry out the terms and conditions of this Agreement.

6.8 Confidentiality. Information embodied in the Purchased Assets and the Documentation include confidential information that Seller shall hold confidential for a period of five (5) years from the date of this Agreement except (a) information that is or becomes publicly available at the time of disclosure (through no act of the Seller or any of its Affiliates in violation of this Article 6.8); (b) information that is disclosed to Seller or any of its Affiliates by a third party that to the knowledge of Seller or its Affiliates, after due inquiry, did not disclose in violation of a duty of confidentiality; (c) disclosures that are required to be made by Seller under any applicable laws or regulations; or (d) information that is independently developed, as demonstrated by Seller's written records.

6.9 Covenant not to Assert. In a prior agreement between the Parties entered into in November 2004 and subsequently amended (the "Prior Agreement"), Seller agreed and covenanted that it will not assert against Buyer or its Affiliates or, solely in connection with their relationship with Buyer and within the Field, their respective contract manufacturers, distributors, resellers or customers (the "Covered Parties"), the violation or infringement of any Relevant Rights related to (i) the Patents listed on Schedule 4.7.1 of the Prior Agreement or (ii) the Other Patents listed on Schedule 6.9 of the Prior Agreement. In the event that Buyer delivers or resells products that Buyer and Seller agree fall within the scope of any claims of Other Patents in this Agreement, Buyer shall make a good faith effort to mark those products according the marking requirements of the United States patents statutes. Buyer and Seller hereby agree and affirm that the foregoing clarifies the intent of the Prior Agreement. Seller also agreed and covenanted that in the event Seller seeks to sell, assign, transfer or license any of its Relevant Rights to a third party after the Closing, pursuant to which transaction such third party would acquire a right to claim that any of the Covered Parties is infringing such Relevant Rights, Seller shall (i) notify Buyer of such proposed transaction and (ii) shall obtain the written undertaking by such third party to abide by the terms of this covenant. These agreements and covenants are hereby reaffirmed by Seller and nothing in this Agreement shall be in derogation or constitute a rescission of such agreements and covenants.

6.9.1 Schedule 6.9.1 contains a release of all claims by Seller against the Covered Parties, through and including the Closing Date.

6.10 License. To the extent that Seller owns any Additional Patents having one or more claims overlapping in scope with any claim of the Patents ("Claim Scope Overlap"), Seller hereby grants, and agrees to cause its appropriate Affiliates to grant, to Buyer and its Affiliates with effect from the Closing Date a personal, irrevocable, non-exclusive, worldwide, fully paid-up and royalty free non-assignable and non-transferable license, to use any and all Additional Patents, limited in scope to the extent that there is such Claim Scope Overlap.

ARTICLE 7 - COVENANTS OF THE BUYER

7.1 The Buyer covenants and agrees with the Seller that on the Closing Date, the Buyer shall deliver to Seller:

7.1.1 The Purchase Price in accordance with the terms set forth in Article 2 above;

7.2 Subject to Article 14.12, Buyer shall hold confidential until the longer of the Closing Date, or a date five (5) years from the date of the execution of this Agreement if no closing has occurred, any information regarding any of the Purchased Assets except (a) information that is or becomes publicly available at the time of disclosure (through no act of the Buyer or any of its Affiliates in violation of this Article 7.2); (b) information that is disclosed to Buyer or any of its Affiliates by a third party that to the knowledge of Buyer or its Affiliates, after due inquiry, did not disclose in violation of a duty of confidentiality; (c) disclosures that are required to be made by Buyer under any applicable laws or regulations; or (d) information that is independently developed, as demonstrated by Buyer's written records.

ARTICLE 8 - CONDITIONS OF THE BUYER'S OBLIGATION TO CLOSE

The obligation of the Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction and fulfillment, prior to and on the Closing Date, of the following express conditions precedent:

8.1 Representation and Warranties. The representations and warranties in this Agreement made by the Seller shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though said representations and warranties had been again made on the Closing Date, and the Buyer shall have been furnished a certificate signed by the President of the Seller to that effect.

8.2 Performance of Covenants and Obligations. The Seller shall have performed and complied in all material respects with all of its covenants and obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date, and the Buyer shall have been furnished a certificate signed by an officer of the Seller to that effect.

8.3 Proceedings and Instruments Satisfactory. All proceedings, corporate or otherwise, to be taken in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be reasonably satisfactory in form and substance to the Buyer. The Seller shall have made available to the Buyer, either directly or through its patent counsel, for examination the originals or true and correct copies of all documents which the Buyer reasonably may request in connection with the transactions contemplated by this Agreement.

8.4 Adverse Change. From and after the date of this Agreement and until the Closing Date, the Buyer (in its reasonable discretion) shall have determined that there has been no material adverse change in the Purchased Assets from that disclosed to the Buyer in or under this Agreement.

8.5 No Litigation. No investigation, suit, action or other proceeding shall be threatened or pending before any court or governmental agency in which it is sought to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

8.6 Consents, Approvals, Certifications, Licenses and Permits. All necessary consents, approvals, certifications, licenses and permits with respect to the transaction contemplated hereby shall have been received by the Buyer on or before the Closing Date.

8.7 Assignments. Seller shall have prepared and delivered to Buyer all documents necessary or appropriate to transfer and assign to Buyer title to the Purchased Assets, including any foreign counterparts to the Patents.

ARTICLE 9 - CONDITIONS TO THE SELLER'S OBLIGATION TO CLOSE

The obligation of the Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction and fulfillment, prior to and on the Closing Date, of the following express conditions precedent:

9.1 Representations and Warranties. The representations and warranties in this Agreement made by the Buyer shall be true and correct in all material respects as of and at the Closing Date with the same force and effect as though said representations and warranties had been again made on the Closing Date.

9.2 Performance of Covenants and Obligations. The Buyer shall have performed and complied with all of its covenants and obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date.

9.3 No Litigation. No investigation, suit, action or other proceeding shall be threatened or pending before any court or governmental agency in which it is sought to restrain, prohibit or obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

ARTICLE 10 - INDEMNIFICATION BY SELLER

10.1 Indemnification. Notwithstanding the Closing, and regardless of any investigation made by or on behalf of the Buyer or any information known to the Buyer; the Seller (the "Seller" or "Indemnifying Party", for purposes of Articles 10.2 and 10.3) subject to the terms and conditions of this Article 10, indemnifies and saves the Buyer, its shareholders, officers, directors and/or employees (collectively, the "Buyer" or "Indemnified Party" for purposes of Articles 10.2 and 10.3 as used in this Article 10) harmless from and against any and all losses, claims, damages, actions, liabilities, costs, expenses or deficiencies including, but not limited to, reasonable attorneys' fees and other costs and expenses reasonably incident to proceedings or investigations or the defense or settlement of any claim or claims, incurred by or asserted against the Buyer or the Purchased Assets due to or resulting from any of the following: (a) the inaccuracy or breach of any representation or warranty of the Seller given in or pursuant to this Agreement; (b) any breach or default in the performance by the Seller of any of its covenants, obligations or agreements in or pursuant to this Agreement; (c) any liability or obligation of the Seller not expressly assumed by the Buyer pursuant to this Agreement; (d) the ownership or use of the Purchased Assets at any time prior to the Closing, or any incident, occurrence, condition or claim existing, arising or accruing prior to the Closing and relating to the ownership or use by Seller or its Affiliates, or any other person, of the Purchased Assets; or (e) breach of Seller's Confidentiality obligations in sections 6.8 and 13.2. The foregoing are collectively referred to as "Indemnifiable Damages."

10.2 Procedure For Indemnification with Respect to Non-Third Party Claims. In the event that the Indemnified Party asserts a claim (a "Notice of Claim") for Indemnifiable Damages (but excluding a claim for Indemnifiable Damages resulting from the assertion of liability by third parties), it shall give written notice to the Indemnifying Party specifying the nature and amount of the Indemnifiable Damages. If the Indemnifying Party, within 30 business days after receipt of such Notice of Claim by the Indemnified Party, has not given written notice (a "Notice of Objection") to the Indemnified Party announcing its intent to contest such assertion by the Indemnified Party, such assertion shall be deemed accepted and the amount of Indemnifiable Damages stated in the Notice of Claim shall be deemed a valid claim therefor.

10.3 Procedure For Indemnification with Respect to Third Party Claims. If any third party notifies the Indemnified Party with respect to any matter that may give rise to a claim for indemnification against the Indemnifying Party under this Article 10, then the Indemnified Party will notify the Indemnifying Party thereof promptly and in any event within 30 days after receiving any written notice from a third party; provided that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation hereunder unless, and then solely to the extent that, the Indemnifying Party is prejudiced thereby. Once the Indemnified Party has given notice of the matter to the Indemnifying Party, the Indemnified Party may defend against the matter in any manner it reasonably may deem appropriate. In the event the Indemnifying Party notifies the Indemnified Party within 30 days after the date the Indemnified Party has given notice of the matter that the Indemnifying Party is assuming the defense of such matter (a) the Indemnifying Party will defend the Indemnified Party against the matter with counsel of its choice reasonably satisfactory to the Indemnified Party, (b) the Indemnified Party may retain separate counsel at its sole cost and expense (except that the Indemnifying Party will be responsible for the fees and expenses of such separate co-counsel to the extent the Indemnified Party concludes in good faith that the counsel the Indemnifying Party has selected has a conflict of interest), (c) the Indemnified Party will not consent to the entry of a judgment or enter into any settlement with respect to the matter, or take any measure that imposes any burden or encumbrance upon the conduct of the Indemnified Party or its operations, without the written consent of the Indemnifying Party (not to be withheld or delayed unreasonably), (d) the Indemnifying Party will not consent to the entry of a judgment with respect to the matter or enter into any settlement that does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all liability with respect thereto, without the written consent of the Indemnified Party (not to be withheld or delayed unreasonably), and (e) the Indemnified Party shall have the right to attend, at its own expense, any meetings relating to, and to receive upon request copies of all correspondence, reports or other documents submitted or received by or on behalf of the Indemnifying Party in connection with, the defense of such matter.

10.4 Survival of Representations and Indemnification. The Seller's obligation to pay Indemnifiable Damages and to comply with this Article 10 shall survive the Closing of this transaction for a period of five (5) years.

10.5 Limitation on Amount. Seller will have no liability under Article 10.1 until the total of all Indemnifiable Damages exceeds FIFTY THOUSAND DOLLARS ($50,000.00). In no event will Seller be liable for the Indemnifiable Damages of any nature on any one or more claims under Article 10.1, which in the aggregate, exceed TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00), except that Indemnified Damages arising directly or indirectly from a breach by Seller of the representations made in Articles 4.4, 4.5, 4.6, 4.7(.1-.7), 4.8 and 4.9 shall not be subject to such limitation.

10.6 Other Indemnification Provisions. The foregoing indemnification provisions are in addition to, and not in derogation of, any statutory, equitable, or common law remedy the Buyer may have with respect to the Seller or pursuant to the Prior Agreement, or the transactions contemplated by this Agreement; provided, however, that the amount of any monetary changes shall be limited by Article 10.5.

10.7 Buyer's Indemnification of Seller. Notwithstanding the Closing, and regardless of any investigation made by or on behalf of the Seller or any information known to the Seller; the Buyer, subject to the terms and conditions of this Article 10.7, indemnifies and saves the Seller, its shareholders, officers, directors and/or employees harmless from and against any and all losses, claims, damages, actions, liabilities, costs, expenses or deficiencies including, but not limited to, reasonable attorneys' fees and other costs and expenses reasonably incident to proceedings or investigations or the defense or settlement of any claim or claims, incurred by or asserted against the Seller due to or resulting from any of the following: (a) the inaccuracy or breach of any representation or warranty of the Buyer given in or pursuant to this Agreement; (b) any breach or default in the performance by the Buyer of any of its covenants, obligations or agreements in or pursuant to this Agreement. The foregoing are collectively referred to as "Seller's Indemnifiable Damages."

10.7.1 Limitation on Amount. Buyer will have no liability under Article 10.7 until the total of all Seller's Indemnifiable Damages exceeds FIFTY THOUSAND DOLLARS ($50,000.00). In no event will Buyer be liable for the Seller's Indemnifiable Damages of any nature on any one or more claims under Article 10.7, which in the aggregate, exceed TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00).

10.7.2 Procedure for Indemnification. The procedures set forth in Articles 10.2 and 10.3 shall be operative, provided that for these purposes the term "Indemnifiable Damages" shall be replaced with the term "Seller's Indemnifiable Damages".

ARTICLE 11 – PRIOR AGREEMENTS

11.1 The obligations of Seller and Buyer set forth in this Agreement shall be in addition to and not in derogation of their obligations of the Prior Agreement.

ARTICLE 12 - DEFINITIONS

12.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the meanings specified in this Article 12.1 unless the context otherwise requires. Any term defined in the Prior Agreement that is not defined in this Agreement shall have the meaning set forth in the Prior Agreement.

12.1.1 "Additional Patents" shall mean any and all Other Patents having one or more claims that overlap in scope with any claim of the Patents.

12.1.2 "Affiliate" shall mean any entity that is now or hereafter becomes Controlled by, is in Control of, or is under common Control with a Party. "Control" shall mean a fifty percent (50%) or more ownership of issued and outstanding voting securities, or fifty percent (50%) or more of the voting rights in a partnership or limited liability company, directly or indirectly.

12.1.3 "Agreement" means this Asset Purchase Agreement, together with all Exhibits and Schedules hereto, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

12.1.4 "Bill of Sale" means that Bill of Sale Agreement, dated as of the Closing Date, between the Seller and the Buyer and as set forth in Exhibit 6.5.1.

12.1.5 "Closing" has the meaning set forth in Article 1.3.

12.1.6 "Closing Date" has the meaning set forth in Article 1.3.

12.1.7 "Documentation" has the meaning set forth in Article 1.2.

12.1.8 "Field" shall mean the design, development, manufacture and use of video conferencing equipment and media management procedures and technology.

12.1.9 "Governmental Authority" means the government of the United States of America and any other country, and any state, province, municipality or other governmental unit, or any agency, board, bureau, instrumentality, department or commission (including any court or other tribunal) of any of the foregoing.

12.1.10 "Indemnifiable Damages" has the meaning set forth in Article 10.1.

12.1.11 "Knowledge" means, with respect to any party, the actual knowledge of such party, its executive officers or its agents after due inquiry; provided, however, that if such party fails to make such inquiry, it shall include the constructive knowledge of such facts as would have been learned had such due inquiry been made.

12.1.12 "Liability" means any liability or obligation (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due).

12.1.13 "Lien" means any pledge, lien, encumbrance, charge or other security interest of any kind.

12.1.14 "Notice of Claim" has the meaning set forth in Article 10.2.

12.1.15 "Notice of Objection" has the meaning set forth in Article 10.2.

12.1.16 "Other Patents" means the issued, unexpired patents and applications for patents owned or controlled by Seller and not assigned by this Agreement, and any foreign counterparts, reissues, extensions, substitutions, confirmations, registrations, revalidations, additions, or continuations, continuations-in-part, and divisions thereof in existence as of the Closing Date.

12.1.17 "Patent Assignment" means that Patent Assignment, dated as of the Closing Date, between the Seller and the Buyer and as set forth in Exhibit 6.5.2.

12.1.18 "Patents" means the issued patents and applications for patents set forth on Schedule 4.7.1 hereto, and any foreign counterparts, reissues, extensions, substitutions, confirmations, registrations, revalidations, additions, or continuations, continuations-in-part, and divisions thereof in existence as of the Closing Date.

12.1.19 "Purchase Price" has the meaning set forth in Article 2.

12.1.20 "Purchased Assets" has the meaning set forth in Article 1.2.

12.1.21 "Relevant Rights" shall mean all rights existing under or hereafter accruing under any of the Patents or Other Patents, specifically including but not limited to the right to claim infringement thereof.

ARTICLE 13– MISCELLANEOUS

13.1 Survival of Representations and Warranties. All of the representations and warranties and disclaimers thereof of the parties contained in this Agreement shall survive the Closing hereunder for a period of three (3) years. Covenants shall continue indefinitely unless limited by their own terms.

13.2 Benefit and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors, assignees, and beneficiaries in interest; provided, however, that this Agreement may not be assigned by either party without the prior written consent of the other party, other than in connection with the sale of all or substantially all of the assets of such party and, in the case of assignment by Buyer, Tandberg ASA.

13.3 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware (regardless of such State's conflict of laws principles), and without reference to any rules of construction regarding the party responsible for the drafting hereof.

13.4 Expenses. Except as otherwise herein provided, all expenses incurred in connection with this Agreement or the transactions herein provided for shall be paid by the party incurring such expenses and costs.

13.5 Submission to Jurisdiction. Each of the Buyer and the Seller submits to the exclusive jurisdiction of any state or federal court sitting in Delaware in any action or proceeding arising out of or relating to this Agreement and all agreements and transactions contemplated hereby, and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each of the Buyer and the Seller also covenants and agrees not to bring any action or proceeding arising out of or relating to this Agreement or any agreement or transaction contemplated hereby in any other court. Each of the Buyer and the Seller waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto. Each party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

13.6 Notices. Any and all notices, demands, and communications provided for herein or made hereunder shall be given in writing and shall be deemed given to a party at the earlier of (i) when hand delivered to such party, (ii) when facsimile transmitted to such party to the facsimile number indicated for such party below (or to such other facsimile number for a party as such party may have substituted by notice pursuant to this Article 13.6), or (iii) when received if sent by express courier, confirmed by receipt, and addressed to such party at the address designated below for such party (or to such other address for such party as such party may have substituted by notice pursuant to this Article 13.6):

If to the Buyer:

Tandberg Telecom AS
Philip Pedersens Vei 22
1366 Lysaker
NORWAY
Fax: 011-47-67-125-234
Attention: President

With a copy to:

Oblon, Spivak, McClelland, Maier & Neustadt, P.C.
1940 Duke Street
Alexandria, Virginia 22314
Fax: 703-413-2220
Attention: Michael Monaco, Esq.

If to the Seller: Forgent Networks, Inc.
108 Wild Basin Road
Austin, Texas 78746
Fax: 512-437-2580
Attention: President

13.7 Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, provided that all such counterparts, in the aggregate, shall contain the signatures of all parties hereto.

13.8 Headings. All Article headings herein are inserted for convenience only and shall not modify or affect the construction or interpretation of any provision of this Agreement.

13.9 Amendment, Modification and Waiver. This Agreement may not be modified, amended or supplemented except by mutual written agreement of all the parties hereto. Any party may waive in writing any term or condition contained in this Agreement and intended to be for its benefit; provided, however, that no waiver by any party, whether by conduct or otherwise, in any one or more instances, shall be deemed or construed as a further or continuing waiver of any such term or condition. Each amendment, modification, supplement or waiver shall be in writing signed by the party or the parties to be charged.

13.10 Entire Agreement. This Agreement and the Exhibits and Schedules attached hereto represent the full and complete agreement of the parties with respect to the subject matter hereof and supersede and replace any prior understandings and agreements among the parties with respect to the subject matter hereof and no provision or document of any kind shall be included in or form a part of such agreement unless signed and delivered to the other party by the parties to be charged.

13.11 Third-Party Beneficiaries. No third parties are intended to benefit from this Agreement, and no third-party beneficiary rights shall be implied from anything contained in this Agreement.

13.12 Publicity. The Buyer and the Seller shall cooperate in making appropriate additional public announcements concerning the terms of this Agreement and the transactions contemplated hereby and shall not do so independently, except that each Party shall unilaterally have the authority to make such statements upon advanced notice to the other Party to the extent it reasonably decides such disclosure is required in order to comply with the laws or stock exchange rules of any country.

13.13 Intepretation. Each of the Parties have been represented by counsel and has had the opportunity to negotiate, review, revise and comment on the terms set forth herein. As a result, the Parties acknowledge and agree that in interpreting the provisions of this contract no weight shall be given to which Party drafted or revised any provision of this Agreement, each provision considered to have been the joint work product of both Parties.

13.14 Disclosure Schedules. The disclosure of information on any disclosure schedule shall be deemed to constitute disclosure of such information on any other schedules hereto to which such information may relate and shall qualify all of the representations and warranties contained herein that are relevant thereto.

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

FORGENT NETWORKS, INC.

/s/ RICHARD N. SNYDER

By: Richard Snyder
Title: Chairman and CEO

TANDBERG TELECOM AS

/s/ PER H. KOGSTAD

By: Per H. Kogstad
Title: President

SCHEDULE 3

ASSUMED LIABILITIES

None.

SCHEDULE 4.5

TITLE ISSUES

None.

SCHEDULE 4.6

REQUIRED THIRD PARTY CONSENTS

None.

CONFIDENTIAL: Subject to Attorney-Client Privilege

Schedule 4.7.1.1 – Patents Assigned

Patent Number	Filing date	Issue date	Title
5,657,246	3/7/1995	8/12/1997	Method and apparatus for a video conference user interface
5,768,263	10/20/1995	6/16/1998	Method for talk/listen determination and multipoint conferencing system using such method
5,825,754	12/28/1995	10/20/1998	Filter and process for reducing noise in audio signals
5,872,922	8/8/1997	2/16/1999	Method and apparatus for a video conference user interface
5,920,356	6/6/1996	7/6/1999	Coding parameter adaptive transform artifact reduction process
5,933,597	4/4/1996	8/3/1999	Method and system for sharing objects between local and remote terminals
5,959,667	5/9/1996	9/28/1999	Voice activated camera preset selection system and method of operation
5,991,277	4/9/1998	11/23/1999	Primary transmission site switching in a multipoint videoconference environment based on human voice
6,178,205	12/12/1997	1/23/2001	Video postfiltering with motion-compensated temporal filtering and/or spatial-adaptive filtering
6,192,342	11/17/1998	2/20/2001	Automated camera aiming for identified talkers
6,285,405	10/14/1998	9/4/2001	System and method for synchronizing data signals
6,476,873	10/23/1998	11/5/2002	Enhancement of a selectable region of video
6,590,603	10/31/2001	7/8/2003	System and method for managing streaming data
6,707,489	12/8/1998	3/16/2004	Automatic voice tracking camera system and method of operation
6,731,334	7/31/1995	5/4/2004	Automatic voice tracking camera system and method of operation
6,968,064	9/28/2001	11/22/2005	Adaptive thresholds in acoustic echo canceller for use during double talk

CONFIDENTIAL: Subject to Attorney-Client Privilege

Schedule 4.7.1.2 – Patent Applications Assigned

App. Ser. No Publication No.	Filing Date	Title
11/124,772 2005/0207567	5/9/2005	Communications System and Method Utilizing Centralized Signal Processing
11/129,962 2005/0210393	5/16/2005	Asynchronous Collaboration via Audio/Video Annotation
09/627,731 unpublished	7/28/2000	System and Method for Generating Invisible Notes on a Presenter's Screen
11/243,236 2006/0034448	10/4/2005	Distortion Compensation in an Acoustic Echo Canceler
09/845,947 2002/0062403	4/30/2001	Method and System for Creation of Virtual Events

SCHEDULE 4.7.5

INFRINGEMENT NOTICES SENT

None.

Schedule 4.8

Party		License to Patent #	Covenant Not To Assert	Expiration of C.N.A.	Transferrable / Assignable	Sub-Licensable
1.)	Polycom	5,959,667 5,825,754	None	N/A	No	No
2.)	Large Computer Manufacturer	None on list	Yes All owned patents	July, 2008	No	No
3.)	VTEL Products Group	Patents 5,657,246 5,768,263 5,825,754 5,972,922 5,920,356 5,933,597 5,959,667 5,991,277 6,178,205 6,192,342 B1 6,285,405 6,476,873 6,731,334 Applications 09/609,609 09/627,731 09/660,205	None	N/A	Yes. One time for the sale of all/substantially all of the assets of the company.	No

EXHIBIT 10.37

FIRST AMENDED LEGAL SERVICES FEE AGREEMENT

This First Amended Legal Services Fee Agreement ("First Amended Agreement") is made and entered into as of the 1st day of September, 2006 (the "Effective Date"), by and between Forgent Networks, Inc., a Delaware corporation (the "Client") and Hagans, Burdine, Montgomery, Rustay & Winchester, P.C. ("HBMRW") (formerly Hagans, Bobb & Burdine, P.C.) and Bracewell & Giuliani, L.L.P. ("B&G"). HBWRW and B&G shall be each individually referred to as a "Law Firm," shall be collectively referred to as the "Law Firms"). The Law Firms and the Client are sometimes collectively referred to as the "Parties." Any one of the Parties may be sometimes hereinafter referred to as a "Party."

RECITALS

A. Client and Law Firms have previously entered into that certain Legal Services Fee Agreement as of April 14, 2006 concerning 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").

B. Client and Law Firms now desire to replace the Legal Services Fee Agreement with this First Amended Agreement. Client is executing this First Amended Agreement for the purpose of continuing Client's representation by the Law Firms in connection with (i) investigating and asserting claims, including the filing and prosecution of lawsuits, against any other person or entity that may be infringing the Patents (any such claim as to which litigation has been or is hereafter 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 has not engaged and is not engaging the Law Firms to market or commercialize its technologies to non-infringers, or to handle any patent prosecution or re-examination concerning any of the Patents or any other patents. 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 First Amended 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:

CERTAIN DEFINITIONS

For purposes of this First Amended Agreement, the following terms shall have the meaning given to such terms below (in addition to other terms defined in other parts of this First Amended Agreement):

"Actual Patent Proceeds" shall mean, in the case of a Qualified Sale that is structured as an asset sale, the Net Proceeds received by Client as payment for the Patent-Related Assets sold by Client as part of such Qualified Sale.

"Allocated Patent Proceeds" shall mean, in the case of a Qualified Sale that is structured other than as an asset sale (i.e., as a sale of the stock of Client, as a merger or consolidation of Client, or otherwise) that portion of the Net Proceeds received by Seller(s) in such Qualified Sale that is equal to the Designated Value of the Patent-Related Assets sold or otherwise transferred as part of such Qualified Sale.

"Closing Date" shall mean the effective date of the closing of a Qualified Sale.

"Designated Value" shall mean the dollar value of the Patent-Related Assets as determined by the parties in accordance with Section 3(d) hereof.

"Gross Proceeds" shall mean 100% of the consideration received by the Seller(s) in a Qualified Sale, which consideration shall consist of (i) the total cash consideration received by the Seller(s) on the Closing Date, plus (ii) the present value (reflecting a present value discount as reasonably determined by Client and Law Firms), as of the Closing Date, of any cash installment payments to be received by the Seller(s) after the Closing Date, plus (iii) the fair market value (as reasonably determined by Client and Law Firms), as of the Closing Date, of any non-cash consideration received by Seller(s) on the Closing Date or to be received by Seller(s) after the Closing Date.

"Net Proceeds" shall mean Gross Proceeds minus all Transaction Costs.

"Patent-Related Assets" shall mean, collectively, the Patents and/or any rights pertaining thereto that are sold or transferred as part of a Qualified Sale.

"Qualified Sale" shall mean a sale or transfer to one or more of the defendants in a Lawsuit (or to any designee of one or more of the defendants in a Lawsuit) of all or substantially all of the Patents and/or any rights pertaining thereto (whether through a sale of assets or through a sale, merger or consolidation of Client) which occurs or is initiated within 12 months of (i) the abandonment or termination of a Lawsuit by Client against the advice of Law Firms, or (ii) the termination of this First Amended Agreement by Client without good cause.

"Qualified Sale Proceeds" shall mean either the Actual Patent Proceeds or the Allocated Patent Proceeds, as the case may be, received by the Seller(s) in a Qualified Sale.

"Seller(s)" shall mean (i) the stockholders of Client, in the event the Qualified Sale is structured as a stock sale, merger or consolidation, or (ii) Client, together with its affiliates and designees, in the event the Qualified Sale is structured as an asset sale.

"Transaction Costs" shall mean all third party costs incurred by Seller(s) in connection with and in furtherance of a Qualified Sale, including attorneys' fees, accounting fees, brokers' fees, and other professional fees and expenses.

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 Firms.

(a) For services rendered pursuant hereto, the Client hereby agrees to pay the Law Firms a contingent fee equal to 37.5% (20% to HBMRW and 17.5% to B&G) of all License Proceeds, Litigation Proceeds and Qualified Sale 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 April 14, 2006, 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.

(b) The Law Firms will receive their respective percentage interest in the License Proceeds, Litigation Proceeds and Qualified Sale 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, Litigation Proceeds and Qualified Sale 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, Litigation Proceeds and Qualified Sale 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.

(d) In the event that a Qualified Sale is structured other than as an asset sale (i.e., as a sale of the stock of Client, as a merger or consolidation of Client, or otherwise), Client and the Law Firms shall determine the Designated Value of the Patent-Related Assets sold or otherwise transferred as part of such Qualified Sale as follows: Promptly following the closing of the Qualified Sale, Client and the Law Firms shall attempt to mutually agree upon the value, as of the Closing Date, of the Patent-Related Assets sold or otherwise transferred as part of the Qualified Sale (the "Designated Value"). If Client and the Law Firms are unable to agree upon the Designated Value within 30 days following the closing of the Qualified Sale, Client and the Law Firms shall each select one independent appraiser with at least ten (10) years experience in business evaluation. The two appraisers so selected shall in turn select a third independent appraiser with at least ten (10) years experience in business evaluation, and the three appraisers shall then determine the Designated Value using such valuation methodologies, protocols and procedures as they deem appropriate. The determination of the Designated Value by the three appraisers shall be binding on Client and the Law Firms and shall not be subject to challenge or appeal, absent fraud, willful misconduct and/or gross negligence by one or more of the three appraisers. Client and the Law Firms shall each bear 100% of the fees and the expenses of the appraiser they select, and 50% of the fees and expenses of the third appraiser.

4. Related Expenses.

(a) Payment of Related Expenses. During the term hereof, Related Expenses shall be paid as follows:

(1) Client shall be liable for and shall pay all Related Expenses incurred prior to September 1, 2006;

(2) Subject to the provisions of sub-paragraph (4) of this sentence, Client shall be liable for and shall pay 25% of all Related Expenses incurred on and after September 1, 2006;

(3) Subject to the provisions of sub-paragraph (4) of this sentence, HBMRW shall be liable for and shall pay 50% of all Related Expenses incurred on and after September 1, 2006 up to a maximum of $1,250,000 and B&G shall be liable for and shall pay 25% of all Related Expenses incurred on and after September 1, 2006 up to a maximum of $625,000; and

(4) Once the total amount of Related Expenses incurred after September 1, 2006 equals $2,500,000 (such that Client's share of such Related Expenses is $625,000, HBMRW's share is $1,250,000, and B&G's share is $625,000), the Client shall be liable for and shall pay all Related Expenses incurred on and after September 1, 2006 in excess of $2,500,000.

For purposes hereof, “Related Expenses” shall mean any reasonable expenses incurred by 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, and on-line computer research. Related Expenses shall not include any expenses related to any patent prosecution or re-examination concerning any of the Patents or any other patents. The Parties will advise each other in advance of incurring Related Expenses that will exceed $5,000. Notwithstanding the foregoing, Related Expenses shall be reimbursed to the Parties out of any License Proceeds, Litigation Proceeds or Qualified Sale Proceeds up to, but not to exceed, 20% of any such License Proceeds, Litigation Proceeds or Qualified Sale Proceeds recovered from any person(s) at any one time in the ratio that each has paid as of the time the reimbursement is made. 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 Parties in the ratio that each Party has paid as of the time the reimbursement is made 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 Client in accordance with the provisions of Paragraph 3(a) above. Any expenses incurred by The Roth Law Firm, P.C. that are reimbursed by Client pursuant to that certain Legal Services Fee Agreement between Client and The Roth Law Firm, P.C. shall be considered “Related Expenses” of Client for purposes of this First Amended Agreement.

(b) Monthly Reconciliation of Related Expenses. Promptly after the end of each month, the Parties will advise each other of the amount of Related Expenses they have incurred or paid during such month. Promptly after receiving such information from B&G and Client, HBMRW will calculate the amount due from each Party pursuant to this First Amended Agreement and shall invoice Client and B&G accordingly. Client and B&G shall pay such invoice within 30 days of receipt.

Example
Assume:

- $1,000,000 in Litigation Proceeds is received from Defendant A on 12/1/06.
- Client has incurred $250,000 in Related Expenses prior to 9/1/06 and $100,000 in Related Expenses after 9/1/06.
- HBMRW has incurred $200,000 in Related Expenses after 9/1/06
- B&G has incurred $100,000 in Related Expenses after 9/1/06

Result:

- $200,000 is applied to reimbursement of Related Expenses, as follows:

  Total Related Expenses as of 12/1/06 = $650,000
  Client reimbursement is $350,000/$650,000 x $200,000 = $107,692.31
  HBMRW reimbursement is $200,000/$650,000 x $200,000 = $61,538.46
  B&G reimbursement is $100,000/$650,000 x $200,000 = 30,769.23

- $800,000 is distributed as follows:

  Client - $420,000 (52.5%)
  HBMRW - $160,000 (20%)
  B&G - $140,000 (17.5%)
  The Roth Law Firm, P.C. - $80,000 (10%)

5. Client’s Retention of Independent Legal Counsel Client acknowledges that Client requested the Law Firms to pay a percentage of Related Expenses incurred on and after September 1, 2006, and that the Parties thereafter agreed to increase the percentage of contingent fees payable to Law Firms under Paragraph 3(a) and to the other provisions of this First Amended Agreement. Client represents to Law Firms that, prior to entering into this First Amended Agreement, Client sought and obtained advice of independent counsel.

6. Court Award of Attorneys Fees or Costs. Where reasonably appropriate under the circumstances in any Lawsuit, the Law Firms may 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 First Amended Agreement.

7. 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.

8. Lead Counsel; Law Firm Association of other Lawyers. Client and Law Firms agree that HBMRW shall continue to be lead counsel in connection with any 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 a Lawsuit is pending (such Other Counsel being "Local Counsel" for purposes hereof), Client shall bear all related Local Counsel fees and expenses 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 and expenses by Client, increase the cost to Client of any Lawsuits or reduce the interest of the Client in the License Proceeds, Litigation Proceeds or Qualified Sale 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 Other Counsel.

9. 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.

10. 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 Firms' representation of the Client hereunder by providing not less than 90 days' prior written notice to the Law Firms.

(c) Effect of Termination. Upon the effective date of the termination of the Law Firms' representation of the Client under Paragraph 10(a) or 10(b) above (the "Termination Date"), this First Amended 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 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 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 April 14, 2006 and ending on the Termination Date, and the denominator of which is equal to the total billings 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.

(3) With respect to any Related Expenses paid by Law Firms pursuant to this First Amended Agreement that have not been reimbursed to Law Firms as of the Termination Date ("Unreimbursed Related Expenses"), Client shall pay to Law Firms all Unreimbursed Related Expenses within thirty (30) days after the Termination Date.

(4) With respect to any Qualified Sale Proceeds received by Client after the Termination Date, notwithstanding anything in this First Amended Agreement to the contrary, Client shall pay to Law Firms 37.5% of such Qualified Sale Proceeds within thirty (30) days after such Qualified Sale Proceeds are received by Client or, at the election of the Client, Client may pay to Law Firms within thirty (30) days after the inception of Client's right to receive Qualified Sale Proceeds, the present value of the amount of money that is to be paid to the Client over time.

11. 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.

12. Law Firm Authority to Act for Client. Subject to the Client's right to pre-approve Related Expenses in accordance with Paragraph 4 above and the other provisions of this First Amended Agreement, 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.

13. 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.

14. 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 First Amended Agreement.

15. 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 First Amended Agreement will be promptly scheduled as an asset by the bankrupt 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 First Amended 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.), the bankrupt Client agrees that Law Firms shall be fully reimbursed by Client, or reimbursed out of the bankrupt Client's share of Litigation Proceeds, License Proceeds and Qualified Sale Proceeds, for the time spent and costs incurred for these extra services. Client expressly consents to the retention by such 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.

16. Remedies for Breach. In the event that any Party hereto shall breach any of the obligations imposed by this First Amended 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 16, if the Client breaches the First Amended 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."

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

18. Governing Law. It is expressly understood and agreed that this First Amended 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.

19. 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 or Qualified Sale Proceeds received by Client or any revenues or other benefits received by Client from License Negotiations or any other source.

20. Legal Construction. In case any one or more of the provisions contained in this First Amended 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 First Amended Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

21. Waiver and Integration Clause. This First Amended Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings or written or oral agreements between the Parties respecting the subject matter of this First Amended Agreement, including, without limitation, that certain Legal Services Fee Agreement entered into among the Parties as of April 14, 2006. This First Amended 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.

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

23. **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
Date: 11/29/06

HAGANS, BURDINE, MONTGOMERY,
RUSTAY & WINCHESTER, P.C.

By: /s/ FRED HAGANS
Fred Hagans
Shareholder
Date: 11/29/06

BRACEWELL & GIULIANI, L.L.P.

By: /s/ RALPH MCBRIDE
Ralph McBride
Partner
Date: 12/1/06

EXHIBIT 10.38

FORGENT NETWORKS, INC.

INCENTIVE BONUS PLAN

ARTICLE I
PURPOSE

The purpose of the Forgent Networks, Inc. Incentive Bonus Plan (the "Plan") is to provide specified benefits to a select group of Employees and Consultants who contribute materially to the implementation, execution and success of the Company's Patent Licensing and Enforcement Program. The Plan is intended to be a "bonus program" within the meaning of Labor Reg. § 2510.3-2(c) and, therefore, is not intended to be subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE II
DEFINITIONS

For the purposes of the Plan, the following terms shall have the following meanings unless the context clearly indicates otherwise:

2.01 "Award" shall mean the amount a Participant is awarded by the Committee under the Plan for a particular Performance Cycle.

2.02 "Beneficiary" shall mean the Participant's legal beneficiary.

2.03 "Bonus Pool" shall mean, with respect to a Performance Cycle, the total dollar amount set aside by the Company and reserved for distribution to the Participants under the Plan with respect to such Performance Cycle, being the amount equal to one percent (1%) of the Company's Gross Patent Program Revenues for such Performance Cycle multiplied by the Designated Acceleration Factor for the Performance Cycle.

2.04 "Committee" shall mean the committee established by the Company that is responsible for administering the Plan.

2.05 "Company" shall mean the Forgent Networks, Inc. and its successors and assigns.

2.06 "Consultant" shall mean any third party consultant engaged by the Company, whether on a full time or part time basis, to assist the Company with the Company's Patent Licensing and Enforcement Program.

2.07 "Designated Acceleration Factor" shall mean with respect to each Performance Cycle, the following multiple:

Performance Cycle	Designated Acceleration Factor
1st	2.0
2nd	1.5
3rd	1.0

; unless such multiples are otherwise amended or modified by the Committee in accordance herewith.

2.08 "Disability" shall mean permanent and total inability to engage in any substantial gainful activity, even with reasonable accommodation, by reason of any medically determinable physical or mental impairment which has lasted or can be reasonably be expected to last without material interruption for a period of not less than twelve (12) months, as determined in the sole discretion of the Committee.

2.09 "Effective Date" shall mean, for purposes of this Plan, January 1, 2006, the effective date of the Plan.

2.10 “Employee” shall mean any person who is employed by the Company, whether on a full time or part time basis, to assist the Company with the Company’s Patent Licensing and Enforcement Program.

2.11 “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

2.12 “Fiscal Year” shall mean that period which begins each January 1 and ends each following December 31.

2.13 “Gross Patent Program Revenues” shall mean the total revenues collected by the Company from the Patent Licensing and Enforcement Program during a particular Performance Cycle.

2.14 “Participant” shall mean any Employee or Consultant who is selected to participate in the Plan by the Committee, as provided under Article III of the Plan.

2.15 “Patent Licensing and Enforcement Program” shall mean the Company’s ongoing general efforts to secure license agreements with, and otherwise pursue remedial actions against and obtain recoveries from, various third parties who, in the Company’s judgment, have historically infringed and/or are currently infringing one or more of the Company’s patents.

2.16 “Performance Cycle” shall mean each full calendar year during the term hereof, beginning on January 1 and ending on December 31, except where the Termination Date occurs other than on (or effective as of) the close of business on December 31, in which case, as to the final Performance Cycle only, the Performance Cycle shall be that period of time beginning on January 1 immediately preceding the Termination Date and ending on the Termination Date.

2.17 “Plan” shall mean the Company’s Incentive Bonus Plan, as set forth herein.

2.18 “Plan Administrator” shall mean that individual appointed by the Committee to assist the Committee with the administration of the Plan.

2.19 “Retires” shall mean the termination by an Employee of his employment with the Company after he attains the age of 65 years of age.

2.20 “Termination Date” shall mean the effective date of the termination of the Plan.

2.21 “Termination of Employment” shall mean a Participant’s separation from service with the Company, voluntarily or involuntarily, for any reason other than because the Participant Retires, suffers a Disability or dies.

ARTICLE III
PERFORMANCE CYCLES

Unless this Plan is earlier terminated by the Committee in accordance herewith, the first Performance Cycle will begin on the Effective Date and will end on December 31, 2006; the second Performance Cycle will begin on January 1, 2007, and will end on December 31, 2007; and the third and final Performance Cycle will begin on January 1, 2008 and will end on December 31, 2008.

ARTICLE IV
ELIGIBILITY AND PARTICIPATION

4.01 Eligibility and Selection. Any Employee or Consultant is eligible to participate in the Plan, subject to being selected for participation by the Committee. At such time and from time to time as appropriate, whether before the commencement of or during a particular Performance Cycle, the Committee shall designate the

Employee(s) and/or Consultant(s) who will be Participants in the Plan for that Performance Cycle. An Employee's or Consultant's selection for participation in the Plan for a particular Performance Cycle shall be based on the current responsibilities and contributions to the Company's Patent Licensing and Enforcement Program of the Employee or Consultant as determined by the Committee in its sole discretion. The Committee may identify and designate at any time and from time to time to a new Participant during a Performance Cycle.

4.02 Limits of Participation. An Employee's or Consultant's selection by the Committee as a Participant for one Performance Cycle does not guarantee that such Employee or Consultant will be selected as a Participant for any future Performance Cycle.

4.03 Condition of Participation. The Committee may adopt one or more additional conditions for eligibility and/or participation, or modify its existing conditions for eligibility and participation, from time to time as it deems appropriate in its sole discretion.

ARTICLE V
DETERMINATION OF AWARDS

5.01 Determination of Awards. As soon as administratively practicable following the end of a Performance Cycle, the Committee shall determine the amount of the Gross Patent Program Revenues for the Performance Cycle just completed. Then, the Committee shall multiply one percent (1%) of that amount by the Designated Acceleration Factor for that Performance Cycle to determine the aggregate amount of the Bonus Pool for that Performance Cycle. Finally, the Committee shall then determine the amounts of the individual Awards to be awarded to each of the Participants for that Performance Cycle. The amounts of the individual Awards shall be determined by the Committee in its sole discretion based on the Committee's evaluation of the relative efforts and contributions of the respective Participants to the Patent Licensing and Enforcement Program during that Performance Cycle. The total amount of all Awards awarded to the Participants for a Performance Cycle will equal the aggregate amount of the Bonus Pool for that Performance Cycle.

5.02 Termination of Employment During Performance Cycle. If a Participant experiences a Termination of Employment during a Performance Cycle, such Participant's rights under the Plan shall terminate. The effective date of the Participant's Termination of Employment shall be the close of business on the date of such Termination of Employment. The Participant shall not be entitled to the payment of any Award for the Performance Cycle in which the Participant's Termination of Employment occurs; however, the Committee may in its sole discretion elect to grant such Participant an Award on a pro-rated basis or otherwise.

5.03 Participation After the Beginning of a Performance Cycle. If an Employee first becomes a Participant in the Plan after a Performance Cycle has begun, then the Participant shall be eligible to receive an Award for the Performance Cycle in which the Employee became a Participant as determined by the Committee in its sole discretion.

5.04 Retirement Disability or Death During a Performance Cycle. If a Participant Retires, experiences a Disability or dies during a Performance Cycle, then the Participant shall be eligible to receive a pro-rated Award for the Performance Cycle in which the Participant Retires, experiences a Disability or dies. The amount of any pro-rated Award shall be determined by the Committee in its sole discretion.

ARTICLE VI
DISTRIBUTION OF AWARDS

6.01 Timing of Payment. Any Award payable to a Participant or a Participant's Beneficiary, as applicable, shall be distributed as soon as administratively practicable following the end of the applicable Performance Cycle. Notwithstanding the foregoing, in no event will the distribution of an Award for a Performance Cycle occur more than 2 ½ months following the end of the applicable Performance Cycle.

6.02 Taxes. Payments under the Plan are ordinary income to the Participants. The Company may withhold or cause to be withheld from payments made to the Participant pursuant to Article VI any withholding or other taxes required to be withheld or paid with respect to the payment and in such amounts as the Company determines is necessary to cover the taxes or withholding associated with the payment.

6.03 Obligations to the Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owed to the Company, then the Company may offset such amounts owed by the Participant against the amount of benefits otherwise distributable to the Participant.

ARTICLE VII
TERM AND TERMINATION

7.01 Term. This Plan shall have an initial term of three (3) years, beginning on the Effective Date and expiring on December 31, 2008. The term of this Plan may be extended by the Company in its sole discretion from time to time on such terms as the Company shall determine.

7.02 Termination. This Plan may be terminated by the Committee at any time in its sole discretion. In the event that this Plan is terminated during a Performance Cycle, the Committee shall grant Awards to the Participants for such Performance Cycle in accordance herewith based on the total amount of Gross Patent Program Revenues through the Termination Date.

ARTICLE VIII
ADMINISTRATION

8.01 Committee. The Committee shall have the authority to make and amend all appropriate rules and regulations for the administration of the Plan. Any action with respect to the administration of the Plan may be taken by the Committee pursuant to a meeting of the Committee duly called and held for purposes of taking any such action, or may be taken by unanimous written consent of all members of the Committee. When performing its duties hereunder, the Committee shall be entitled to rely on information furnished by a Participant, the Company, or any other individual or entity that the Committee deems appropriate.

8.02 Plan Administrator. A Plan Administrator may be appointed by the Committee to be responsible for the day-to-day administration of the Plan. The Plan Administrator's responsibilities will be established by the Committee, but may include: (i) enforcing all appropriate rules and regulations for the administration of the Plan, (ii) deciding or resolving any and all questions involving claims under the Plan, (iii) calculating benefits under the Plan, (iv) calculating any necessary withholding amounts from benefit payments to Participants and Beneficiaries hereunder. When performing its duties hereunder, the Plan Administrator shall be entitled to rely on information furnished by a Participant or the Company.

8.03 Agents. In the administration of the Plan, the Committee or the Plan Administrator may from time to time employ agents of the Plan including actuaries, accountants, lawyers or third party administrators, and delegate duties to them to administer the Plan including acting through a duly appointed representative.

8.04 Binding Effect of Decisions. The decision or action of the Committee, or the Plan Administrator with respect to any question arising out of or in connection with the administration and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

8.05 Indemnity of Committee and Plan Administrator. The Company shall indemnify and hold harmless the members of the Committee, Plan Administrator, and any Employee to whom any duties are delegated under Article VIII of the Plan against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to the Plan, except in the case of willful misconduct by the Committee, Plan Administrator, and Employee to whom any duties are delegated under Article VIII of the Plan.

8.06 Information. To enable the Committee and Plan Administrator to perform its functions, the Company shall supply full and timely information to the Committee and Plan Administrator, as the case may be, on (i) all matters relating to the operations and performance of the Company's Patent Licensing and Enforcement Program during each Performance Cycle, (ii) the Termination of Employment, death, retirement or Disability of any

Participants during each Performance Cycle, and (iii) any and all other matters as the Committee or Plan Administrator may reasonably request.

ARTICLE IX
MISCELLANEOUS

9.01 Amendments. This Plan may be amended by the Committee from time to time in its sole discretion, however, no amendment during a Performance Cycle, may reduce or otherwise adversely affect any Award to which a Participant would have been entitled, without the Participant's consent.

9.02 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under the Plan, a Participant shall have no more rights than those of a general creditor of the Company. The Company's obligation under the Plan shall be that of an unfunded and unsecured promise to pay money in the future.

9.03 Liability. The Company's liability for the payment of benefits shall be defined only by the Plan. The Company shall have no obligation to a Participant under the Plan except as expressly provided in the Plan.

9.04 Cessation of Obligation. Upon payment to the Participant of all amounts due under the Plan, all responsibilities and obligations of the Company shall be fulfilled and the Participant shall have no further claims against the Company for further performance.

9.05 Nonassignability. Neither a Participant nor any other person shall have any right to assign the amounts, if any, payable hereunder. No part of the amounts payable shall, prior to actual payment, be subject to seizure or attachment for the payment of any debts, judgments or other obligations of a Participant.

9.06 Not a Contract of Employment. The terms and conditions of the Plan shall not be deemed to constitute a contract of employment between the Company and the Participant. Such employment is hereby acknowledged to be, to the extent applicable, an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in the Plan shall be deemed to give a Participant the right to be retained in the service of the Company or to interfere with the right of the Company to discipline or discharge the Participant at any time.

9.07 Furnishing Information. A Participant or his Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

9.08 Interpretation. Except when otherwise indicated by the context, any reference to the masculine gender shall also include the feminine gender and the neutral, or vice versa, and the definition of any term in the singular shall also include the plural, or vice versa.

9.09 Governing Law. The provisions of the Plan shall be construed and interpreted according to the laws of the of the State of Texas.

9.10 Notice. Any notice or filing required or permitted to be given to the Committee under the Plan shall sent to the address below:

Incentive Bonus Plan Committee
c/o Plan Administrator
Forgent Networks, Inc.
108 Wild Basin Drive
Austin, TX 78746

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under the Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

9.11 Successors. The provisions of the Plan shall bind and inure to the benefit of the Company and its successors and assigns and the Participant and the Participant's legal Beneficiaries.

9.12 Severability. In case any provision of the Plan is deemed to be prohibited by law, determined to be subject to ERISA, or creates any obligation or liability for the Company beyond its agreement to pay the compensation under the terms and conditions of the Plan, then such provision or provisions shall be rendered ineffective without invalidating the remaining provisions.

9.13 Incompetent. If the Committee determines in its discretion that a benefit under the Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

9.14 Court Order. The Committee is authorized to comply with any court order in any action in which the Plan, Committee has been named as a party, including any action involving a determination of the rights or interests in a Participant's benefits under the Plan.

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 October 31, 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
December 15, 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 October 31, 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
December 15, 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 October 31, 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
December 15, 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 October 31, 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
December 15, 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.