



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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2011

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 333-170936

ASPECT SOFTWARE GROUP HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Cayman Islands
 (State or other jurisdiction of
 incorporation or organization)

98-0587778
 (I.R.S. Employer
 Identification No.)

300 Apollo Drive
Chelmsford, Massachusetts 01824
 (Address of principal executive offices)(Zip code)
 Telephone Number: Telephone: (978) 250-7900

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common shares as of July 31, 2011

Title	Outstanding
Class L voting ordinary shares	179,539,840
Class L non-voting ordinary shares	33,536,001
Class A-1 non-voting ordinary shares	10,548,786
Class A-2 non-voting ordinary shares	6,316,447



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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Aspect Software Group Holdings Ltd.

Condensed Consolidated Balance Sheets (unaudited)

<i>(in thousands, except par value and share amounts)</i>	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 149,668	\$ 86,370
Accounts receivable (net of allowances of \$5,732 and \$6,073, respectively)	60,901	80,387
Deferred tax assets	15,493	14,518
Other current assets	24,084	18,938
Total current assets	250,146	200,213
Property, plant, and equipment, net	16,010	18,524
Intangible assets, net	86,883	109,169
Goodwill	631,982	631,943
Other assets	21,970	24,896
Total assets	\$1,006,991	\$ 984,745
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable	\$ 16,397	\$ 21,472
Current portion of long-term debt (1)	5,000	6,500
Accrued liabilities	69,568	70,742
Deferred revenues	111,119	88,326
Total current liabilities	202,084	187,040
Deferred tax liabilities	42,244	46,777
Long-term deferred revenue	8,636	9,266
Long-term debt (2)	792,165	794,647
Other long-term liabilities	41,748	41,071
Total liabilities	1,086,877	1,078,801
Contingencies (Note 6 and 8)		
Shareholders' deficit:		
Ordinary shares, \$0.00001 par value: 1,000,000,000 shares authorized, 234,763,451 and 233,242,948 shares issued, respectively	4	4
Additional paid-in capital	12,253	11,369
Treasury shares, at cost, 4,822,337 and 4,152,775 shares, respectively	(4,614)	(3,549)
Notes receivable for purchase of ordinary shares	(425)	(425)
Accumulated other comprehensive loss	(2,996)	(2,286)
Accumulated deficit	(84,108)	(99,169)
Total shareholders' deficit	(79,886)	(94,056)
Total liabilities and shareholders' deficit	\$1,006,991	\$ 984,745

- (1) \$1.5 million held by a minority shareholder as of December 31, 2010—see Note 9.
- (2) \$50.0 million held by a related party as of June 30, 2011 and December 31, 2010. \$3.4 million and \$4.9 million held by a minority shareholder as of June 30, 2011 and December 31, 2010, respectively—see Note 9.

See accompanying notes.



Aspect Software Group Holdings Ltd.

Condensed Consolidated Statements of Income (unaudited)

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net revenues:				
Product revenue	\$ 32,399	\$ 28,534	\$ 58,847	\$ 53,794
Services revenue	100,730	96,765	199,092	191,062
Total net revenues	133,129	125,299	257,939	244,856
Cost of revenues:				
Cost of product revenue	8,078	7,468	16,097	14,348
Cost of services revenue	40,483	38,100	79,208	76,794
Amortization expense for acquired intangible assets	3,669	3,669	7,339	7,339
Total cost of revenues	52,230	49,237	102,644	98,481
Gross profit	80,899	76,062	155,295	146,375
Operating expenses:				
Research and development	9,719	11,571	19,417	23,173
Selling, general and administrative	34,577	33,926	65,458	63,081
Amortization expense for acquired intangible assets	7,503	7,399	14,947	14,773
Restructuring charges (credits)	(124)	(31)	2,745	247
Total operating expenses	51,675	52,865	102,567	101,274
Income from operations	29,224	23,197	52,728	45,101
Interest and other expense, net	(16,676)	(21,770)	(33,011)	(32,401)
Income before income taxes	12,548	1,427	19,717	12,700
Provision for income taxes	2,830	367	4,656	4,717
Net income	\$ 9,718	\$ 1,060	\$ 15,061	\$ 7,983

See accompanying notes.

Aspect Software Group Holdings Ltd.

Condensed Consolidated Statements of Shareholders' Deficit and Comprehensive Income (unaudited)
(In Thousands, Except Share Amounts)

	Ordinary Shares		Additional Paid-In Capital	Treasury Stock		Notes Receivable	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total
	Shares	Par Value		Shares	Cost				
Balance at December 31, 2010	233,242,948	\$ 4	\$ 11,369	(4,152,775)	\$(3,549)	\$ (425)	\$ (2,286)	\$ (99,169)	\$(94,056)
Net income	—	—	—	—	—	—	—	15,061	15,061
Foreign currency translation adjustments, net of tax	—	—	—	—	—	—	(710)	—	(710)
Comprehensive income									\$ 14,351
Issuance of ordinary shares	1,520,503	—	453	—	—	—	—	—	453
Repurchase of common stock	—	—	—	(669,602)	(1,065)	—	—	—	(1,065)
Stock-based compensation expense	—	—	431	—	—	—	—	—	431
Balance at June 30, 2011	<u>234,763,451</u>	<u>\$ 4</u>	<u>\$ 12,253</u>	<u>(4,822,377)</u>	<u>\$(4,614)</u>	<u>\$ (425)</u>	<u>\$ (2,996)</u>	<u>\$ (84,108)</u>	<u>\$(79,886)</u>

See accompanying notes.



Aspect Software Group Holdings Ltd.

Condensed Consolidated Statements of Cash Flows (unaudited)

<i>(in thousands)</i>	Six Months Ended June 30	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 15,061	\$ 7,983
Reconciliation of net income to net cash and cash equivalents provided by operating activities:		
Depreciation	4,320	4,093
Amortization expense for acquired intangible assets	22,286	22,112
Non-cash interest expense	2,023	7,671
Non-cash compensation expense	431	3,529
Increase to (reduction of) accounts receivable allowances	386	(794)
Deferred income taxes	(5,508)	(2,656)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	19,952	(794)
Other current assets and other assets	(3,943)	(7,973)
Accounts payable	(5,185)	(6,695)
Accrued liabilities and other liabilities	(1,319)	(91)
Deferred revenues	21,349	19,863
Net cash and cash equivalents provided by operating activities	69,853	46,248
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	—	(8,172)
Purchases of property and equipment	(1,719)	(2,689)
Net cash and cash equivalents used in investing activities	(1,719)	(10,861)
Cash flows from financing activities:		
Repayment of borrowings	(4,000)	(801,750)
Borrowings under debt facilities	—	800,000
Debt issuance costs in connection with borrowings	—	(23,530)
Repurchase of common stock for payment of employee taxes on option exercise	(619)	—
Proceeds received from issuance of ordinary shares	7	19
Net cash and cash equivalents used in financing activities	(4,612)	(25,261)
Effect of exchange rate changes on cash	(224)	(2,267)
Net increase in cash and cash equivalents	63,298	7,859
Cash and cash equivalents:		
Beginning of period	86,370	51,301
End of period	<u>\$149,668</u>	<u>\$ 59,160</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 31,538</u>	<u>\$ 13,948</u>
Cash paid for income taxes	<u>\$ 9,026</u>	<u>\$ 27,358</u>

See accompanying notes.



Aspect Software Group Holdings Ltd.

Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 1— DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND RECENT ACCOUNTING STANDARDS

Description of Business

Aspect Software Group Holdings Ltd., a Cayman Islands company, (together with its subsidiaries, “Aspect Software” or the “Company”), provides products and services that turn the potential of unified communications into real business results across the enterprise and in the contact center. Unified communications streamlines and enhances customer-facing business processes with complete visibility and control, and enables businesses to seamlessly extend those processes beyond the traditional boundaries of the contact center to reach knowledge workers or subject matter experts in the enterprise in order to enhance collaboration.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”). In the opinion of management, the financial information reflects all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the financial position, results of operations, and cash flows of the Company for the periods presented. The results of operations for the three and six months ended June 30, 2011 are not necessarily indicative of the results to be expected for the full year or any future periods. For further information, refer to the consolidated financial statements and footnotes for the year ended December 31, 2010, included in the Company’s Registration Statement on Form S-4 (File No. 333-170936) as amended, declared effective by the SEC on April 1, 2011. The accompanying condensed consolidated financial statements include amounts of Aspect Software Group Holdings Ltd. and its wholly owned subsidiaries. All intercompany amounts have been eliminated in consolidation.

Recent Accounting Standards

In October 2009, the Financial Accounting Standards Boards (“FASB”) ratified ASC Update (“ASU”) No. 2009-13, Multiple-Deliverable Revenue Arrangements (“ASU 2009-13”). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of FASB ASC, Subtopic 605-25, which is the revenue recognition guidance for multiple-element arrangements.

In October 2009, the FASB ratified ASU No. 2009-14, Certain Revenue Arrangements that Include Software Elements (“ASU 2009-14”). ASU 2009-14 amends the existing revenue recognition accounting standards to remove tangible products that contain software components and non-software components that function together to deliver the product’s essential functionality from the scope of industry specific software revenue recognition guidance.

The Company adopted these new accounting pronouncements on January 1, 2011 on a prospective basis for transactions originating or materially modified on or after the adoption date. Note 2 – Revenue Recognition provides additional information on the Company’s adoption of these accounting pronouncements and the impact to the Company’s financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220) — Presentation of Comprehensive Income (“ASU 2011-05”), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for the Company in our first quarter of 2012 and should be applied retrospectively. There will be no impact to the consolidated financial results as the amendments relate only to changes in financial statement presentation.

NOTE 2—REVENUE RECOGNITION

The Company derives its revenue primarily from two sources (i) product revenues, which include software licenses and hardware, and (ii) service revenues, which include software license updates and product support, installation, consulting, and



education. Revenues from license fees have been derived from sales of software products to end users through the Company's direct sales force, distributors, and resellers.

The Company recognizes revenue in accordance with FASB ASC 985-605, Software Revenue Recognition, ("ASC 985-605"), formerly known as AICPA Statement of Position 97-2, Software Revenue Recognition, Securities and Exchange Commission Staff Accounting Bulletin No. 104, Revenue Recognition, or the provisions of FASB ASC 605-25, Multiple Element Arrangements, ("ASC 605-25") formerly known as Emerging Issues Task Force Issue No. 00-21, Revenue Arrangements with Multiple Deliverables, depending on the nature of the arrangement.

Effective January 1, 2011, the Company prospectively adopted ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements ("ASU 2009-13"), and ASU No. 2009-14, Certain Revenue Arrangements that Include Software Elements ("ASU 2009-14"). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of ASC 605-25. ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

- 1) Eliminates the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement, which may result in more deliverables being treated as separate units of accounting.
- 2) Modifies the manner in which the arrangement consideration is allocated to the separately identified deliverables. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of a deliverable based on vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available, or management's estimated selling price ("ESP") if neither VSOE nor TPE is available. The objective of ESP is to determine the price if the product or service were sold on a stand-alone basis.
- 3) Eliminates use of the residual method and requires an entity to allocate revenue using the relative selling price method, which results in the discount in the transaction being evenly allocated to the separate units of accounting.

ASU 2009-14 amends the existing revenue recognition accounting standards to remove tangible products that contain software components and non-software components that function together to deliver the product's essential functionality from the scope of industry specific software revenue recognition guidance and should follow the guidance in ASU 2009-13 for multiple-element arrangements. In addition, ASU 2009-14 requires that hardware components of a tangible product containing software components always be excluded from the software revenue guidance.

The adoption of these new accounting pronouncements for transactions originating or materially modified on or after January 1, 2011 generally does not change the units of accounting for the Company's revenue transactions, since most products and services qualify as separate units of accounting.

As required by ASU 2009-13, the Company establishes selling price using VSOE, if it exists, otherwise TPE is used. If neither VSOE nor TPE of selling price exists for a unit of accounting, the Company uses ESP. TPE is determined based on the prices charged by competitors of the Company for similar deliverables when sold separately. ESP is based upon all reasonably available information including both market data and conditions and entity-specific factors. These factors include market trends and competitive conditions, product maturity, differences related to geography, distribution channel, and deal size, cumulative customer purchases, and profit goals.

The Company generally expects that it will not be able to establish TPE due to the nature of the products sold and the markets in which it competes and therefore relies upon VSOE or ESP in allocating revenue.

The Company plans to analyze the selling prices used in its allocation of arrangement consideration at a minimum on an annual basis, or more frequently if a significant change in the Company's business necessitates a more timely analysis or if the Company experiences significant variances in its selling prices.

The Company has established VSOE of selling price for support and maintenance services, professional services, and education, and ESP for software licenses and hardware.

The Company's arrangements with multiple deliverables may have stand-alone software deliverables that are subject to the existing software revenue recognition guidance. In accordance with the provisions of ASC 605-25, the transaction



consideration for these multiple element arrangements is allocated to software and non-software deliverables based on the relative selling prices of all of the deliverables in the arrangement using the hierarchy in the new revenue accounting guidance. In those circumstances where the Company cannot determine VSOE or TPE of the selling price for all of the deliverables in the arrangement, including the software deliverable, ESP is used for the purposes of performing this allocation. The amount allocated to the Software deliverables as a group is then accounted for in accordance with the Software Revenue Recognition guidance in ASC 985-605.

As a result of implementing ASU 2009-13 and ASU 2009-14, the Company recognized \$3.6 million and \$4.7 million as revenue in the three and six months ended June 30, 2011 that would have been deferred under the previous guidance for multiple element arrangements and software revenue recognition. The Company anticipates the effect of the adoption of this guidance in subsequent periods will be primarily based on the arrangements entered into and the timing of delivery of the elements in these arrangements at that time.

The Company recognizes revenue from the sale of software product licenses and hardware (the "Product") when persuasive evidence of an arrangement exists, the Product has been delivered, title and risk of loss have transferred to the customer, the fee is fixed or determinable, and collection of the resulting receivable is probable. Delivery generally occurs when the Product is delivered to a common carrier at the Company's loading dock unless title and risk of loss transfers upon delivery to the customer. In sales transactions through a distributor or reseller, the Company generally recognizes revenues upon shipment to the reseller or identified end user.

At the time of the Product sale, the Company assesses whether the fee associated with the revenue transaction is fixed or determinable and whether collection is probable. The assessment of whether the fee is fixed or determinable is based in part on the payment terms associated with the transaction. If any portion of a fee is due beyond the Company's normal payment terms, the Company evaluates the specific facts and circumstances to determine if the fee is fixed or determinable. If it is determined that the fee is not fixed or determinable, the Company recognizes revenue as the fees become due. If the Company determines that collection of a fee is not probable, then the Company will defer the entire fee and recognize revenue upon receipt of cash.

For software arrangements with multiple elements not subject to ASU 2009-13 and ASU 2009-14, the Company applies the residual method in accordance with ASC 985-605. The residual method requires the portion of the total arrangement fee attributable to undelivered elements be deferred based on its VSOE of fair value and subsequently recognized as the service is delivered. The difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements, which is generally Product. VSOE of fair value for all elements in an arrangement is based upon the normal pricing for those products and services when sold separately. The Company has established VSOE of fair value for support and maintenance services, professional services, and education. The Company has not established VSOE for its software licenses or hardware.

In connection with the sale of its software licenses, the Company sells support and maintenance services, which are recognized ratably over the term of the arrangement, typically one year. Under support and maintenance services, customers receive unspecified software product upgrades, maintenance and patch releases during the term, and internet and telephone access to technical support personnel.

Many of the Company's software arrangements also include professional services for consulting and implementation sold under separate agreements. Professional services revenue from these arrangements is generally accounted for separately from the software license because the services qualify as a separate element under ASC 985-605. The more significant factors considered in determining whether professional services revenue should be accounted for separately include the nature of services (i.e. consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments, and impact of milestones or acceptance criteria on the realizability of the software license fee. Professional services revenue under these arrangements, as well as when sold on a standalone basis, is generally recognized as the services are performed.

The Company recognizes revenue associated with education as these services are performed.



Deferred revenues primarily represent payments received from customers for software licenses and updates, hardware, product support, installation services, and educational services prior to satisfying the revenue recognition criteria related to those payments.

The Company records its estimate for customer returns as a reduction in revenues. In determining the Company's revenue reserve estimate, and in accordance with internal policy, the Company relies on historical data and known returned goods in transit. These factors, and unanticipated changes in the economic and industry environment, could cause the Company's return estimates to differ from actual results.

NOTE 3—EQUITY

Stock-based Compensation

Stock-based compensation expense is reflected within the Company's condensed consolidated statements of income as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Cost of services	\$ 8	\$ 32	\$ 69	\$ 40
Research and development	3	39	33	48
Selling, general and administrative	66	367	329	1,586
Total	<u>\$ 77</u>	<u>\$ 438</u>	<u>\$ 431</u>	<u>\$ 1,674</u>

Comprehensive Income

Comprehensive income consists of (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	\$ 9,718	\$ 1,060	\$ 15,061	\$ 7,983
Change in cumulative translation adjustment, net of tax	(435)	(502)	(710)	(1,651)
Comprehensive income	<u>\$ 9,283</u>	<u>\$ 558</u>	<u>\$ 14,351</u>	<u>\$ 6,332</u>

NOTE 4—FAIR VALUE OF ASSETS AND LIABILITIES

The following table summarizes the Company's fair value hierarchy for its financial assets and liabilities measured at fair value as of June 30, 2011 (in thousands):

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$149,668	\$ 149,668	\$ —	\$ —
Interest rate cap	9	—	9	—
Liabilities				
Debt(1)	\$797,165	\$ —	\$793,750	\$ 3,415
Accrued restructuring—facilities(2)	537	—	537	—

- (1) The decrease in the Company's level 3 debt balance when compared to December 31, 2010 represents a scheduled principal payment during the three months ended June 30, 2011.
- (2) Measured on a non-recurring basis.



The following table summarizes the Company’s fair value hierarchy for its financial assets and liabilities measured at fair value as of December 31, 2010 (in thousands):

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 86,370	\$ 86,370	\$ —	\$ —
Interest rate cap	186	—	186	—
Liabilities				
Debt	\$801,147	\$ —	\$796,250	\$ 4,897
Accrued restructuring—facilities(1)	839	—	839	—

(1) Measured on a non-recurring basis

The determination to classify a financial instrument within Level 3 is based upon the significance of the unobservable factors used in determining the overall fair value of the instrument. Level 3 unobservable inputs include situations where there is little, if any, market activity. The Company has considered the trading activity for its debt and determined that the fair market value of debt is equal to par at both June 30, 2011 and December 31, 2010. The inputs into the determination of fair value require significant management judgment and estimation.

During 2010 and in prior years, the Company recorded accruals associated with exiting all or portions of certain leased facilities. The Company estimates the fair value of such liabilities, which are discounted to net present value at an assumed risk-free interest rate, based on observable inputs, including the remaining payments required under the existing lease agreements, utilities costs based on recent invoice amounts, and potential sublease receipts based on market conditions and quoted market prices for similar sublease arrangements.

NOTE 5—DERIVATIVES

The Company’s first lien credit facility requires that the Company enter into one or more hedge instrument agreements for a minimum period of three years for fifty percent of the principal within 180 days of the debt refinancing. The Company purchased a two year interest rate cap at 5% in the third quarter of 2010. The Company will satisfy the requirement for the third year prior to November 7, 2012.

The interest rate cap agreement does not qualify for hedge accounting, and as a result, the Company recognizes changes in fair value of the cap as an asset or liability with an offset amount recorded as interest income or expense in the condensed consolidated statements of income. The Company utilizes observable inputs to determine the fair value of its interest rate cap and has recorded a loss of approximately \$0.1 million and \$0.2 million during the three and six months ended June 30, 2011, respectively.

Derivatives held by the Company as of June 30, 2011 are as follows (in thousands):

Instrument	Notional Amount	Effective Date	Expiration Date	Fixed Rate	Fair Value
Interest rate cap	\$250,000	September 3, 2010	November 7, 2012	5.0%	\$ 9

NOTE 6—INCOME TAXES

The Company’s effective tax rate was 22.6% and 23.6% for the second quarter and first six months of 2011, respectively. The effective tax rate differs from the statutory rate primarily due to the impact of foreign operations in lower tax jurisdictions partially offset by additions to ASC740-10 reserves for uncertain tax positions. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2011 and December 31, 2010 the Company had accrued approximately \$5.2 million and \$4.5 million respectively for potential interest and penalties related to uncertain tax positions.

The U.S. Internal Revenue Service (“IRS”) recently completed an audit of the Company’s consolidated federal income tax return for tax year 2005. As part of their audit, the IRS has proposed \$161.8 million of additional tax and penalties primarily attributable to its significantly higher valuation of certain intellectual property transferred offshore by Aspect Communications, Inc. (“Aspect Communications”) in 1999 and 2000 and the IRS’s reallocation of certain research and



development shared costs between the Company’s U.S. and offshore entities. In addition, the IRS has disallowed certain transaction costs the Company deducted in connection with its acquisition of Aspect Communications in 2005. The IRS assessment does not include interest on underpayments and additional state taxes that would be due if the Company is unsuccessful in defending the positions reported on its tax returns. The Company has analyzed the technical merits of each of the IRS’ assessments and the strength of the positions claimed on its tax returns, which included an analysis performed by an independent party at the time of the intellectual property transfer, and has reserved for certain items consistent with the requirements of FASB Accounting Standards Codification (“ASC”) 740-10 (formerly FASB Interpretation No. 48), Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109. However, the Company has not recorded any reserve for uncertain tax positions related to the transfer of intellectual property, because it believes that the positions reported on its tax returns will be sustained on their technical merits. The Company intends to vigorously contest the assessment at IRS Appeals and, if necessary, in court. The process may be time consuming and expensive and if the Company is not successful in reversing or minimizing the tax adjustment, the resulting liability could have a material adverse impact on the Company.

The tax years 2005 and forward remain open to examination by taxing authorities around the world.

NOTE 7—RESTRUCTURING

During 2010, the Company abandoned certain leases and reduced its workforce as a result of the acquisition and integration of Quilogy, Inc. In addition, the Company established a presence in Ireland for operations as well as certain back office functions which resulted in employee related restructuring costs during 2010 and in the first half of 2011. In the first quarter of 2011, the Company also realigned its headcount profile due to completion of the latest release of Unified IP and in order to fund additional investment in the Sales and Marketing functions. This realignment resulted in the reduction of research and development headcount by approximately 60 employees in the first quarter of 2011. The Company expects all severance payments to be made by the end of calendar 2011.

Components of the restructuring accrual were as follows (in thousands):

	Severance and Outplacement	Consolidation of Facilities Costs	Total
Balance at December 31, 2010	\$ 1,601	\$ 839	\$ 2,440
Provisions	2,745	—	2,745
Interest accretion	—	23	23
Payments	(2,465)	(325)	(2,790)
Balance at June 30, 2011	\$ 1,881	\$ 537	\$ 2,418

The Company utilizes observable inputs, including but not limited to, sublease information, interest rates and exit costs to determine the fair value of its provisions related to the consolidation of facilities cost.

NOTE 8—CONTINGENCIES

The Company, from time to time, is party to litigation arising in the ordinary course of its business. Management does not believe that the outcome of these claims will have a material adverse effect on the consolidated financial condition of the Company based on the nature and status of proceedings at this time.

In January 2008, the Company filed an action in state court in Massachusetts against Kenexa Technology, Inc. (“Kenexa”) alleging fraudulent misrepresentation, negligent misrepresentation, breach of contract, breach of the implied covenant of good faith and fair dealing, and violations of Mass. Gen. Laws ch. 93A, in each case in connection with a 2007 agreement pursuant to which Kenexa agreed to provide outsourced employee recruiting and processing. In May 2010, a jury trial resulted in a verdict totaling approximately \$0.8 million for Kenexa, of which approximately \$0.4 million was paid in July 2010. The court denied the Company’s 93A claims in January 2011, and it ruled in February 2011 that the Company must pay Kenexa approximately \$1.7 million in attorney fees, interest and costs which is included in accrued expenses at December 31, 2010. For the year ended December 31, 2010, the Company recorded approximately \$1.8 million in general and administrative expenses and \$0.3 million in interest expense related to this litigation. In April 2011, the Company filed a notice of appeal of the trial court verdict.

In May 2009, the Company was sued in Minnesota by a former sales representative of the Company, Automated Telemarketing Services, Inc. (“ATS”) for alleged claims of breach of contract, breach of covenant of good faith, and tortious interference with contract. In April 2011, a jury trial resulted in a verdict totaling approximately \$1.7 million in damages



plus interest in favor of ATS. During the three months ended March 31, 2011, the Company recorded approximately \$1.7 million in general and administrative expenses and \$0.3 million in interest expense related to this litigation. In May 2011, the Company filed a post-trial motion for a judgment notwithstanding the verdict with respect to the tortious interference claim or, alternatively, to reduce the damages on that claim. This motion was denied, and the Company is currently considering whether to file a notice of appeal.

The Company is not currently party to any other material legal proceedings. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. Legal costs are expensed as incurred.

NOTE 9—RELATED PARTY TRANSACTIONS

The Company incurred advisory fees related to management and advisory services rendered in connection with a consulting agreement entered into by both parties from its majority shareholder totaling \$0.5 million for the three months ended June 30, 2011 and 2010 and \$1.0 million for the six months ended June 30, 2011 and 2010. The advisory fees are included in general and administrative expenses in the accompanying condensed consolidated statements of income, with a related accrued expense amount \$1.0 million as December 31, 2010. There was no accrued expense relating to these fees at June 30, 2011. Additionally, the majority shareholder received stock options in exchange for certain shares during the year ended December 31, 2010 in connection with the Company’s equity consolidation.

The Company invoiced a minority shareholder \$0.1 million and \$0.3 million, respectively, during the three and six months ended June 30, 2011 and \$0.3 million and \$0.8 million, respectively, during the three and six months ended June 30, 2010 for product and services provided to the minority shareholder. Additionally, the Company had \$3.4 million and \$4.9 million of debt outstanding which was held by the minority shareholder at June 30, 2011 and December 31, 2010, respectively.

On October 1, 2009, Laurie Cairns joined the Company as Senior Vice President of Marketing and held this position through June 30, 2011. Ms. Cairns has an ownership interest in LEC Ltd., a marketing firm that provides consulting services to the Company. The Company paid \$0.4 million and \$1.0 million to LEC Ltd. during the three and six months ended June 30, 2011, respectively. Additionally, the Company paid \$0.5 million and \$0.6 million to LEC Ltd. during the three and six months ended June 30, 2010, respectively.

As of June 30, 2011 and December 31, 2010, approximately \$50.0 million of the second lien credit facility was held by a corporation owned by certain Class L shareholders and to which the Company paid semi-annual interest of \$2.7 million during the three months ended June 30, 2011. Additionally, the Company paid these Class L shareholders \$0.5 million and \$1.9 million of interest for the three and six months ended June 30, 2010, respectively. The Company had accrued interest expense of approximately \$0.7 million related to certain Class L shareholders second lien credit facility holdings as of June 30, 2011 and December 31, 2010.

NOTE 10—SUBSEQUENT EVENTS

Corsidian is a customer contact solutions provider in the Latin American (“LATAM”) region with approximately 100 employees and has been a top-producing Aspect channel partner for many years. On July 5, 2011, the Company acquired the Corsidian entities in Brazil, Mexico, and Puerto Rico and on July 22, 2011, the Company acquired certain assets of Corsidian’s Colombia entity (together, “Corsidian”). The total purchase price was \$14.8 million, including \$10.1 million held in escrow in connection with certain indemnification provisions. The Company will perform the purchase price allocation during the third quarter of 2011. The acquisition of Corsidian will provide the Company with an immediate and substantial direct presence in the LATAM region, helping to fully capitalize on market growth opportunities in that region.

The Company has evaluated all subsequent events and determined that there are no other material recognized or unrecognized subsequent events requiring disclosure.

NOTE 11—SUPPLEMENTAL GUARANTOR CONDENSED CONSOLIDATING FINANCIALS

The Company’s debt issued in May 2010 is fully and unconditionally and jointly and severally guaranteed by Aspect Software Group Holdings Ltd. (“Parent”) and each of its domestic subsidiaries. Aspect Software Inc. is the issuer of the Company’s debt. The following represents the supplemental condensed financial information of Aspect Software Group Holdings Ltd. and its guarantor and non-guarantor subsidiaries, as of June 30, 2011 and December 31, 2010 and for the three and six months ended June 30, 2011 and 2010.



Supplemental Condensed Consolidating Balance Sheet (unaudited)
June 30, 2011

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,526	\$ 50,914	\$ 97,228	\$ —	\$ 149,668
Accounts receivable, net	—	48,765	28,379	(16,243)	60,901
Deferred tax assets	—	14,709	784	—	15,493
Other current assets	—	17,888	6,196	—	24,084
Total current assets	<u>1,526</u>	<u>132,276</u>	<u>132,587</u>	<u>(16,243)</u>	<u>250,146</u>
Property, plant, and equipment, net	—	13,641	2,369	—	16,010
Intangible assets, net	—	86,342	541	—	86,883
Goodwill	—	630,800	1,182	—	631,982
Investment in subsidiaries	(80,537)	64,080	—	16,457	—
Other assets	183	20,521	1,266	—	21,970
Total assets	<u>\$(78,828)</u>	<u>\$ 947,660</u>	<u>\$ 137,945</u>	<u>\$ 214</u>	<u>\$1,006,991</u>
Liabilities and shareholders' equity (deficit)					
Current liabilities:					
Accounts payable	\$ 1,058	\$ 4,837	\$ 26,745	\$ (16,243)	\$ 16,397
Current portion of long-term debt	—	5,000	—	—	5,000
Accrued liabilities	—	56,446	13,122	—	69,568
Deferred revenues	—	83,515	27,604	—	111,119
Total current liabilities	<u>1,058</u>	<u>149,798</u>	<u>67,471</u>	<u>(16,243)</u>	<u>202,084</u>
Deferred tax liabilities	—	42,097	147	—	42,244
Long-term deferred revenue	—	7,591	1,045	—	8,636
Long-term debt	—	792,165	—	—	792,165
Other long-term liabilities	—	36,546	5,202	—	41,748
Total liabilities	<u>1,058</u>	<u>1,028,197</u>	<u>73,865</u>	<u>(16,243)</u>	<u>1,086,877</u>
Total shareholders' equity (deficit)	<u>(79,886)</u>	<u>(80,537)</u>	<u>64,080</u>	<u>16,457</u>	<u>(79,886)</u>
Total liabilities and shareholders' equity (deficit)	<u>\$(78,828)</u>	<u>\$ 947,660</u>	<u>\$ 137,945</u>	<u>\$ 214</u>	<u>\$1,006,991</u>



Supplemental Condensed Consolidating Balance Sheet (unaudited)
December 31, 2010

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,526	\$ 20,433	\$ 64,411	\$ —	\$ 86,370
Accounts receivable, net	—	68,657	34,400	(22,670)	80,387
Deferred tax assets	—	13,715	803	—	14,518
Other current assets	—	13,650	5,288	—	18,938
Total current assets	<u>1,526</u>	<u>116,455</u>	<u>104,902</u>	<u>(22,670)</u>	<u>200,213</u>
Property, plant, and equipment, net	—	15,734	2,790	—	18,524
Intangible assets, net	—	108,520	649	—	109,169
Goodwill	—	630,800	1,143	—	631,943
Investment in subsidiaries	(95,409)	44,223	—	51,186	—
Other assets	168	23,333	1,395	—	24,896
Total assets	<u>\$(93,715)</u>	<u>\$ 939,065</u>	<u>\$ 110,879</u>	<u>\$ 28,516</u>	<u>\$ 984,745</u>
Liabilities and shareholders' equity (deficit)					
Current liabilities:					
Accounts payable	\$ 341	\$ 19,752	\$ 24,049	\$ (22,670)	\$ 21,472
Current portion of long-term debt	—	6,500	—	—	6,500
Accrued liabilities	—	57,608	13,134	—	70,742
Deferred revenues	—	65,007	23,319	—	88,326
Total current liabilities	<u>341</u>	<u>148,867</u>	<u>60,502</u>	<u>(22,670)</u>	<u>187,040</u>
Deferred tax liabilities	—	46,777	—	—	46,777
Long-term deferred revenue	—	8,302	964	—	9,266
Long-term debt	—	794,647	—	—	794,647
Other long-term liabilities	—	35,881	5,190	—	41,071
Total liabilities	<u>341</u>	<u>1,034,474</u>	<u>66,656</u>	<u>(22,670)</u>	<u>1,078,801</u>
Total shareholders' equity (deficit)	(94,056)	(95,409)	44,223	51,186	(94,056)
Total liabilities and shareholders' equity (deficit)	<u>\$(93,715)</u>	<u>\$ 939,065</u>	<u>\$ 110,879</u>	<u>\$ 28,516</u>	<u>\$ 984,745</u>



**Supplemental Condensed Consolidating Statement of Income (unaudited)
 For the Three Months Ended June 30, 2011**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenues	\$ —	\$ 97,061	\$ 41,864	\$ (5,796)	\$ 133,129
Cost of revenues	—	40,979	17,047	(5,796)	52,230
Gross profit	—	56,082	24,817	—	80,899
Operating expenses:					
Research and development	—	8,472	1,247	—	9,719
Selling, general and administrative	48	20,550	13,979	—	34,577
Amortization expense for acquired intangible assets	—	7,503	—	—	7,503
Restructuring credits	—	—	(124)	—	(124)
Total operating expenses	48	36,525	15,102	—	51,675
Income (loss) from operations	(48)	19,557	9,715	—	29,224
Interest and other income (expense), net	7	(15,483)	(1,200)	—	(16,676)
Income (loss) before income taxes	(41)	4,074	8,515	—	12,548
Provision for income taxes	—	2,502	328	—	2,830
Equity in earnings of subsidiaries	9,759	8,187	—	(17,946)	—
Net income (loss)	<u>\$9,718</u>	<u>\$ 9,759</u>	<u>\$ 8,187</u>	<u>\$ (17,946)</u>	<u>\$ 9,718</u>

**Supplemental Condensed Consolidating Statement of Income (unaudited)
 For the Three Months Ended June 30, 2010**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer \ Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenues	\$ —	\$ 94,908	\$ 34,275	\$ (3,884)	\$ 125,299
Cost of revenues	—	39,875	13,246	(3,884)	49,237
Gross profit	—	55,033	21,029	—	76,062
Operating expenses:					
Research and development	—	10,073	1,498	—	11,571
Selling, general and administrative	480	25,765	7,681	—	33,926
Amortization expense for acquired intangible assets	—	7,399	—	—	7,399
Restructuring credits	—	(18)	(13)	—	(31)
Total operating expenses	480	43,219	9,166	—	52,865
Income (loss) from operations	(480)	11,814	11,863	—	23,197
Interest and other income (expense), net	13	(17,281)	(4,502)	—	(21,770)
Income (loss) before income taxes	(467)	(5,467)	7,361	—	1,427
Provision (benefit) for income taxes	—	775	(408)	—	367
Equity in earnings of subsidiaries	1,527	7,769	—	(9,296)	—
Net income (loss)	<u>\$1,060</u>	<u>\$ 1,527</u>	<u>\$ 7,769</u>	<u>\$ (9,296)</u>	<u>\$ 1,060</u>



**Supplemental Condensed Consolidating Statement of Income (unaudited)
 For the Six Months Ended June 30, 2011**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenues	\$ —	\$ 187,419	\$ 82,920	\$ (12,400)	\$ 257,939
Cost of revenues	—	80,591	34,453	(12,400)	102,644
Gross profit	—	106,828	48,467	—	155,295
Operating expenses:					
Research and development	—	17,082	2,335	—	19,417
Selling, general and administrative	106	42,899	22,453	—	65,458
Amortization expense for acquired intangible assets	—	14,947	—	—	14,947
Restructuring charges	—	1,510	1,235	—	2,745
Total operating expenses	106	76,438	26,023	—	102,567
Income (loss) from operations	(106)	30,390	22,444	—	52,728
Interest and other income (expense), net	15	(29,918)	(3,108)	—	(33,011)
Income (loss) before income taxes	(91)	472	19,336	—	19,717
Provision for income taxes	—	4,242	414	—	4,656
Equity in earnings of subsidiaries	15,152	18,922	—	(34,074)	—
Net income (loss)	<u>\$15,061</u>	<u>\$ 15,152</u>	<u>\$ 18,922</u>	<u>\$ (34,074)</u>	<u>\$ 15,061</u>

**Supplemental Condensed Consolidating Statement of Income (unaudited)
 For the Six Months Ended June 30, 2010**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer \ Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenues	\$ —	\$ 180,338	\$ 73,153	\$ (8,635)	\$ 244,856
Cost of revenues	—	77,810	29,306	(8,635)	98,481
Gross profit	—	102,528	43,847	—	146,375
Operating expenses:					
Research and development	—	20,456	2,717	—	23,173
Selling, general and administrative	480	47,201	15,400	—	63,081
Amortization expense for acquired intangible assets	—	14,773	—	—	14,773
Restructuring charges (credits)	—	314	(67)	—	247
Total operating expenses	480	82,744	18,050	—	101,274
Income (loss) from operations	(480)	19,784	25,797	—	45,101
Interest and other income (expense), net	41	(23,437)	(9,005)	—	(32,401)
Income (loss) before income taxes	(439)	(3,653)	16,792	—	12,700
Provision (benefit) for income taxes	—	4,770	(53)	—	4,717
Equity in earnings of subsidiaries	8,422	16,845	—	(25,267)	—
Net income (loss)	<u>\$7,983</u>	<u>\$ 8,422</u>	<u>\$ 16,845</u>	<u>\$ (25,267)</u>	<u>\$ 7,983</u>



**Supplemental Condensed Consolidating Statement of Cash Flows (unaudited)
 For the Six Months Ended June 30, 2011**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities:					
Net cash provided by operating activities	\$ 612	\$ 35,886	\$ 33,355	\$ —	\$ 69,853
Investing activities:					
Purchases of property and equipment	—	(1,404)	(315)	—	(1,719)
Net cash used in investing activities	—	(1,404)	(315)	—	(1,719)
Financing activities:					
Repayment of borrowings	—	(4,000)	—	—	(4,000)
Repurchase of common stock for payment of employee taxes on options exercised	(619)	—	—	—	(619)
Proceeds received from issuance of ordinary shares	7	—	—	—	7
Net cash used in financing activities	(612)	(4,000)	—	—	(4,612)
Effect of exchange rate changes on cash	—	—	(224)	—	(224)
Net change in cash and cash equivalents	—	30,482	32,816	—	63,298
Cash and cash equivalents:					
Beginning of period	1,526	20,433	64,411	—	86,370
End of period	<u>\$ 1,526</u>	<u>\$ 50,915</u>	<u>\$ 97,227</u>	<u>\$ —</u>	<u>\$ 149,668</u>

**Supplemental Condensed Consolidating Statement of Cash Flows (unaudited)
 For the Six Months Ended June 30, 2010**

<i>(in thousands)</i>	<u>Parent</u>	<u>Issuer / Guarantor Subsidiaries</u>	<u>Non-guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating activities:					
Net cash provided by operating activities	\$ (19)	\$ 29,174	\$ 17,093	\$ —	\$ 46,248
Investing activities:					
Cash paid for acquisitions, net of cash acquired	—	(8,172)	—	—	(8,172)
Purchases of property and equipment	—	(2,333)	(356)	—	(2,689)
Net cash used in investing activities	—	(10,505)	(356)	—	(10,861)
Financing activities:					
Repayment of borrowings	—	(801,750)	—	—	(801,750)
Borrowings under debt facilities	—	800,000	—	—	800,000
Debt issuance costs in connection with borrowings	—	(23,530)	—	—	(23,530)
Capital contribution	(5,000)	5,000	—	—	—
Proceeds received from issuance of ordinary shares	19	—	—	—	19
Net cash used in financing activities	(4,981)	(20,280)	—	—	(25,261)
Effect of exchange rate changes on cash	—	—	(2,267)	—	(2,267)
Net change in cash and cash equivalents	(5,000)	(1,611)	14,470	—	(7,859)
Cash and cash equivalents:					
Beginning of period	6,537	18,164	26,600	—	51,301
End of period	<u>\$ 1,537</u>	<u>\$ 16,553</u>	<u>\$ 41,070</u>	<u>\$ —</u>	<u>\$ 59,160</u>



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

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in this “Quarterly Report” on Form 10-Q, or this Quarterly Report, and in conjunction with our Registration Statement on Form S-4 (File No. 333-170936), as amended.

This Quarterly Report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report, including, but not limited to, statements regarding the extent and timing of future revenues and expenses and customer demand, statements regarding the deployment of our products, statements regarding our reliance on third parties and other statements using words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “forecasts,” “intends,” “may,” “plans,” “projects,” “should,” “will” and “would,” and words of similar import and the negatives thereof, are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance and business. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. Actual results could vary materially as a result of certain factors, including, but not limited to, those expressed in these statements. We refer you to the “Risk Factors,” “Quantitative and Qualitative Disclosures of Market Risks,” and “Liquidity and Capital Resources” sections contained in this Quarterly Report, and the risks discussed in our other SEC filings, which identify important risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements.

We urge you to consider these factors carefully in evaluating the forward-looking statements contained in this Quarterly Report. We claim the protection of the Private Securities Litigation Reform Act of 1995 for all forward-looking statements in this report. All subsequent written or oral forward-looking statements attributable to our company or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements included in this Quarterly Report are made only as of the date of this Quarterly Report. We do not intend, and undertake no obligation, to update these forward-looking statements.

Overview

We are a leading global provider of business communications solutions and services. We develop, market, license and sell software and hardware products that enable businesses to manage communications with their customers and employees more efficiently and effectively. In addition to contact center software, we provide enterprise-wide unified communications and collaboration services, which allow companies to expand the role of customer contact in their enterprises by utilizing various communications technologies, such as voice, email, instant messaging and video, on an integrated software platform. We believe this type of technology will be foundational as traditional contact centers evolve into customer contact hubs that engage with customers through social media and provide customer access to experts throughout the enterprise. In 2008, Microsoft purchased an equity stake in our company and entered into a strategic alliance with us to integrate our contact center products into Microsoft’s own industry-leading unified communications offerings. We believe this alliance increases our influence and visibility with new and existing customers.

We have identified certain items that management uses as performance indicators to manage our business, including revenue, certain elements of operating expenses and cash flow from operations, and we describe these items further below.

**Financial Summary**

The following table sets forth the results of our operations expressed in dollars and as a percentage of net revenue for the three and six months ended June 30, 2011 and 2010:

(In millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2011	2010	2011	2010	2011	2010	2011	2010
Net revenues:								
Product revenue	\$ 32.4	\$ 28.5	24%	23%	\$ 58.8	\$ 53.8	23%	22%
Services revenue	100.7	96.8	76%	77%	199.1	191.1	77%	78%
Total net revenues	133.1	125.3	100%	100%	257.9	244.9	100%	100%
Cost of revenues:								
Cost of product revenue	8.1	7.4	6%	6%	16.1	14.4	6%	6%
Cost of services revenue	40.4	38.1	30%	30%	79.2	76.8	31%	31%
Amortization expense for acquired intangible assets	3.7	3.7	3%	3%	7.3	7.3	3%	3%
Total cost of revenues	52.2	49.2	39%	39%	102.6	98.5	40%	40%
Gross profit	80.9	76.1	61%	61%	155.3	146.4	60%	60%
Operating expenses:								
Research and development	9.7	11.6	7%	9%	19.4	23.2	8%	10%
Selling, general and administrative	34.6	33.9	26%	27%	65.6	63.1	25%	26%
Amortization expense for acquired intangible assets	7.5	7.4	6%	6%	14.9	14.8	6%	6%
Restructuring charges	(0.1)	—	0%	0%	2.7	0.2	1%	0%
Total operating expenses	51.7	52.9	39%	42%	102.6	101.3	40%	42%
Income from operations	29.2	23.2	22%	19%	52.7	45.1	20%	18%
Interest and other expense, net	16.7	21.8	13%	18%	33.0	32.4	12%	13%
Income before income taxes	12.5	1.4	9%	1%	19.7	12.7	8%	5%
Provision for income taxes	2.8	0.3	2%	0%	4.6	4.7	2%	2%
Net income	\$ 9.7	\$ 1.1	7%	1%	\$ 15.1	\$ 8.0	6%	3%

Net Revenue

The following table presents the breakdown of net revenues between product and services revenue:

(In millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Product revenue	\$ 32.4	\$ 28.5	\$ 3.9	\$ 58.8	\$ 53.8	\$ 5.0
Services revenue	100.7	96.8	3.9	199.1	191.1	8.0
Total	\$ 133.1	\$ 125.3	\$ 7.8	\$257.9	\$244.9	\$ 13.0

For the three and six months ended June 30, 2011, net revenues increased \$7.8 million and \$13.0 million, respectively. Product revenue increased during the three and six months ended June 30, 2011 as compared to the same periods in the prior year driven by an increase in our growth products revenue (Unified IP and Workforce Optimization) of \$3.1 million and \$5.0 million, respectively. In addition, stronger foreign currencies, primarily the British pound and Euro, contributed \$1.2 million and \$1.5 million, respectively, to the product revenue improvement during the three and six months ended June 30, 2011 as compared to the same periods in 2010. Services revenue, including consulting, implementation and education services, increased \$2.7 million and \$4.1 million, respectively, during the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 primarily due to a significant Unified IP order as well as lower purchase accounting adjustments and revenue reserve amounts in the current year. Services revenue relating to maintenance increased \$1.3 million during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 primarily as a result of stronger foreign currencies, primarily the British pound and Euro, which improved revenue by \$2.0 million partially offset by decreased revenue from contract renewals. Services revenue relating to maintenance increased \$4.0 million during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 primarily as a result of stronger foreign currencies, primarily the British pound and Euro, which improved revenue by



\$2.5 million combined with increased first year maintenance from product purchases. As a result of prospectively implementing ASU 2009-13 and ASU 2009-14 on January 1, 2011, we recognized \$3.6 million and \$4.7 million, respectively, as revenue in the three and six months ended June 30, 2011 that would have been deferred under the previous guidance for multiple element arrangements and software revenue recognition.

Revenue by Geography

The following table presents the breakdown of net revenues by geographic location:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Americas	\$ 91.9	\$ 91.1	\$ 0.8	\$176.7	\$172.1	\$ 4.6
Europe and Africa	29.5	25.0	4.5	59.1	53.8	5.3
Asia Pacific (including Middle East)	11.7	9.2	2.5	22.1	19.0	3.1
Total	\$ 133.1	\$ 125.3	\$ 7.8	\$257.9	\$244.9	\$ 13.0

Revenue by Geography as a Percent of Total Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (pts)	2011	2010	Change (pts)
Americas	69.0%	72.7%	(3.7)	68.5%	70.3%	(1.8)
Europe and Africa	22.2%	20.0%	2.2	22.9%	22.0%	0.9
Asia Pacific (including Middle East)	8.8%	7.3%	1.5	8.6%	7.7%	0.9

The increase in Americas net revenues in the three months ended June 30, 2011 compared to the three months ended June 30, 2010 was mainly due to increased services and maintenance revenue of \$2.4 million and \$0.6 million, respectively, partially offset by a decrease in product revenue of \$2.3 million. The increase in services revenue is primarily due to professional services performed in 2011 relating to a significant Unified IP order booked in the fourth quarter of 2010 resulting in \$0.7 million of professional services revenue along with lower purchase accounting adjustments and reserves. The increase in maintenance revenue is a result of increased first year maintenance from product purchases. These improvements were partially offset by decreased product revenue as a result of delays in approvals for capital investments by our customers. Increased net revenues in Europe and Africa for the three months ended June 30, 2011 compared to the same period in the prior year was primarily driven by improved product sales as the economy continues to recover combined with stronger foreign currencies, primarily the British pound and Euro, which increased revenue by \$2.8 million. These improvements were partially offset by decreased maintenance revenue resulting from contract renewals, primarily from a large telecom company in the United Kingdom. The increase in Asia Pacific net revenues for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 related primarily to improved product revenue of \$2.0 million as the Asia Pacific region continues to be an area of growth.

The increase in Americas net revenues in the six months ended June 30, 2011 compared to the six months ended June 30, 2010 was mainly due to increased services and maintenance revenue of \$3.9 million and \$3.5 million, respectively, partially offset by a decrease in product revenue of \$2.8 million. The increase in services revenue is primarily due to \$1.2 million of professional services revenue relating to a significant Unified IP order as well as lower purchase accounting adjustments and reserves in the current year. The increase in maintenance revenue is related to increased first year maintenance from product purchases. These improvements were partially offset by decreased product revenue as a result of delays in approvals for capital investments by our customers. Increased net revenues in Europe and Africa for the six months ended June 30, 2011 compared to the same period in the prior year was primarily driven by improved product sales as the economy continues to recover combined with stronger foreign currencies, primarily the British pound and Euro, which increased revenue by \$3.4 million. These improvements were partially offset by decreased maintenance revenue resulting from delayed and contract renewals, primarily from a large telecom company in the United Kingdom. The increase in Asia Pacific net revenues related primarily to improved product revenue combined with stronger foreign currencies, mainly the Japanese Yen, Australian and Singapore dollars, increasing revenue by \$1.3 million for the six months ended June 30, 2011 compared to the six months ended June 30, 2010.



Cost of Revenue

The following table presents the breakdown of cost of revenues between product and service revenue and amortization expense for acquired intangible assets:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Cost of product revenue	\$ 8.1	\$ 7.4	\$ 0.7	\$ 16.1	\$ 14.4	\$ 1.7
Cost of services revenue	40.4	38.1	2.3	79.2	76.8	2.4
Amortization expense for acquired intangible assets	3.7	3.7	—	7.3	7.3	—
Total	\$ 52.2	\$ 49.2	\$ 3.0	\$ 102.6	\$ 98.5	\$ 4.1

The following table shows cost of revenue as a percentage of related revenue:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (pts)	2011	2010	Change (pts)
Cost of product revenue	25.0%	26.0%	(1.0)	27.4%	26.8%	0.6
Cost of services revenue	40.1%	39.4%	0.7	39.8%	40.2%	(0.4)

Cost of Product Revenue

A summary of cost of product revenue is as follows:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Product related costs	\$ 6.1	\$ 5.7	\$ 0.4	\$ 12.1	\$ 10.7	\$ 1.4
Manufacturing operation costs	2.0	1.7	0.3	4.0	3.7	0.3
Total	\$ 8.1	\$ 7.4	\$ 0.7	\$ 16.1	\$ 14.4	\$ 1.7

Product-related costs increased during the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010 due to increased product revenue. Manufacturing operation costs increased during the three and six months ended June 30, 2011 compared to the same periods in the prior year primarily due to increased freight costs as a result of higher fuel costs as well as increased shipping costs related to stocking the Company's new Ireland distribution center.

Cost of Services Revenue

A summary of the change in cost of services revenue is as follows:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Salary, benefits and other employee costs	\$ 31.4	\$ 29.7	\$ 1.7	\$ 61.2	\$ 60.1	\$ 1.1
IT allocations	3.0	2.5	0.5	6.1	5.3	0.8
Facilities allocations	2.2	1.8	0.4	4.3	4.1	0.2
Telecommunications	0.2	0.4	(0.2)	0.5	0.5	—
Software support costs	2.5	2.3	0.2	5.0	4.4	0.6
Other	1.1	1.4	(0.3)	2.1	2.4	(0.3)
Total	\$ 40.4	\$ 38.1	\$ 2.3	\$ 79.2	\$ 76.8	\$ 2.4

Cost of services revenue increased during the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 primarily due to increased salary, benefits and other employee costs related to increased headcount as the company continues to invest in sales, including professional services personnel, to be well positioned for the growth in the unified communications market. IT and facilities allocations increased for the three and six months ended



June 30, 2011 as compared to the three and six months ended June 30, 2010 primarily as a result of a proportional increase in services headcount. Software support costs increased as a direct result of increased support revenues.

Amortization Expense for Acquired Intangible Assets (Cost of Revenue)

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Amortization expense for acquired intangible assets	\$ 3.7	\$ 3.7	\$ —	\$ 7.3	\$ 7.3	\$ —

During the three and six months ended June 30, 2011, amortization expense for acquired intangible assets was consistent with the three and six months ended June 30, 2010.

Operating Expenses

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Research and development	\$ 9.7	\$ 11.6	\$ (1.9)	\$ 19.4	\$ 23.2	\$ (3.8)
Selling, general and administrative	34.6	33.9	0.7	65.6	63.1	2.5
Amortization expense for acquired intangible assets	7.5	7.4	0.1	14.9	14.8	0.1
Restructuring charges	(0.1)	—	(0.1)	2.7	0.2	2.5
Total	\$ 51.7	\$ 52.9	\$ (1.2)	\$ 102.6	\$ 101.3	\$ 1.3

The decrease in operating expenses for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 was primarily due to a decrease in salary, benefits and other employee costs as a result of certain incentive compensation relating to the successful debt refinancing in May 2010 consisting of \$5.2 million of bonuses and \$1.9 million of officer note forgiveness. This decrease was partially offset by higher legal fees, tax and audit fees, and marketing expenses in 2011. The increase in operating expenses for the six months ended June 30, 2011, as compared to the six months ended June 30, 2010 was primarily due to restructuring of the research and development and services and support functions in 2011 as we have rebalanced our resource profile across certain functions in order to fund additional investment in the sales and marketing functions. In addition, there were higher legal fees, tax and audit fees, and marketing expenses which were partially offset by lower salary, benefits and other employee costs as a result of certain incentive compensation relating to the successful debt refinancing in May 2010.

The following table shows operating expenses as a percentage of total revenue:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (pts)	2011	2010	Change (pts)
Research and development	7.3%	9.2%	(1.9)	7.5%	9.5%	(2.0)
Selling, general and administrative	26.0%	27.1%	(1.1)	25.4%	25.8%	(0.4)
Amortization expense for acquired intangible assets	5.6%	5.9%	(0.3)	5.8%	6.0%	(0.2)
Restructuring charges	-0.1%	0.0%	(0.1)	1.1%	0.1%	1.0
Total	38.8%	42.2%	(3.4)	39.8%	41.4%	(1.6)



Research and Development

A summary of the changes in research and development expenses follows:

<i>(In millions)</i>	Change (\$)	
	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Salary, benefits and other employee costs	\$ (1.6)	\$ (3.2)
Other	(0.3)	(0.6)
Total	\$ (1.9)	\$ (3.8)

The decrease in research and development expenses for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 was due to lower salary, benefits and other employee costs, which decreased primarily due to reduced staffing as a result of the restructuring in the research and development group in the first quarter of 2011.

Selling, General & Administrative

A summary of the changes in selling, general and administrative expenses follows:

<i>(In millions)</i>	Change (\$)	
	Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Salary, benefits and other employee costs	\$ (3.2)	\$ (3.7)
Discretionary marketing expenses	0.5	1.3
Legal fees	0.4	1.5
Tax and audit fees	2.3	3.0
Other	0.7	0.4
Total	\$ 0.7	\$ 2.5

Salary, benefits and other employee costs decreased for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010, primarily due to certain incentive compensation relating to the successful debt refinancing in May 2010 consisting of \$5.2 million of bonuses and \$1.9 million of officer note forgiveness. This decrease was partially offset by increased headcount and higher contractor, recruiting, travel, and training expenses related to rebalancing our resource profile across certain functions in order to fund additional investment in the sales and marketing functions.

For the three and six months ended June 30, 2011, discretionary marketing expenses were higher than for the three and six months ended June 30, 2010 primarily as a result of increased trade show, web marketing, and promotional materials expenses.

Legal fees increased for the three months ended June 30, 2011 compared to the three months ended June 30, 2010 primarily due to fees related to the Corsidian acquisition. Legal fees increased for the six months ended June 30, 2011 compared to the six months ended June 30, 2010, primarily as a result of fees related to the Corsidian acquisition and an unfavorable litigation judgment in the first quarter of 2011 as discussed in note 8 to the financial statements.

Tax and audit fees increased for the three and six months ended June 30, 2011 compared to the three and six months ended June 30, 2010, due to legal entity rationalization, increased audit work related to becoming an SEC registrant and professional fees related to the Corsidian acquisition.

**Amortization Expense for Acquired Intangible Assets**

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Amortization expense for acquired intangible assets	\$ 7.5	\$ 7.4	\$ 0.1	\$14.9	\$14.8	\$ 0.1

Amortization expense for acquired intangible assets remained relatively consistent during the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010.

Restructuring Charges

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Restructuring expense	\$ (0.1)	\$ —	\$ (0.1)	\$ 2.7	\$ 0.2	\$ 2.5

Restructuring charges were favorable during the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 as in 2011 we had a favorable adjustment of \$0.1 million to an earlier severance restructuring accrual. Restructuring charges increased during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 primarily due to a restructuring of the research and development organization in the first quarter of 2011 as we have rebalanced our resource profile across certain functions in order to fund additional investment in the sales and marketing functions. In addition, the Company established a presence in Ireland for operations and certain back office functions which resulted in employee related restructuring costs within other locations in the first quarter of 2011.

Interest and Other Expense, Net

The components of interest and other expense, net, were as follows:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change (\$)	2011	2010	Change (\$)
Interest expense, net	\$ 17.0	\$ 21.8	\$ (4.8)	\$ 34.3	\$ 33.6	\$ 0.7
Exchange rate (gain)/loss	(0.2)	(1.0)	0.8	(1.0)	(2.0)	1.0
Other (income) expense	(0.1)	1.0	(1.1)	(0.3)	0.8	(1.1)
Total interest and other expense, net	<u>\$ 16.7</u>	<u>\$ 21.8</u>	<u>\$ (5.1)</u>	<u>\$ 33.0</u>	<u>\$ 32.4</u>	<u>\$ 0.6</u>

Interest expense, net, for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 decreased primarily as a result of the \$5.2 million write-off of a portion of the remaining capitalized debt financing costs of our previous credit facility in the second quarter of 2010. This decrease was partially offset by higher interest rates of the refinanced debt in 2011. Interest expense, net, for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 increased primarily as a result of higher interest rates of the refinanced debt partially offset by the \$5.2 million write-off of a portion of the remaining capitalized debt financing costs of our previous credit facility in the second quarter of 2010.

Exchange rate gain reflects revaluation of certain accounts, including cash, accounts receivable and intercompany balances, as well as the settlement of certain transactions, including customer invoices and intercompany, that are based in other than local currency. For the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010, exchange rate gain was unfavorable primarily due to the fluctuation of the United States dollar against foreign currencies.

The change in other (income) expense for the three and six months ended June 30, 2011 as compared to the same periods in 2010 is associated with the dissolution of certain legal entities in line with our legal entity rationalization.



Income Taxes

The following table presents the provision for income taxes and the effective tax rate for the three and six months ended June 30, 2011 and June 30, 2010:

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Change	2011	2010	Change
Provision for income taxes	\$ 2.8	\$ 0.3	\$ 2.5	\$ 4.6	\$ 4.7	\$ (0.1)
Effective tax rate	22.6%	25.7%	(3.1)	23.6%	37.1%	(13.5)

Provision for income taxes was \$2.8 million for the three months ended June 30, 2011 as compared to \$0.3 million for the three months ended June 30, 2010. The increase in provision for income taxes was primarily due to an increase in income before taxes as a result of higher sales and lower interest expense. The decrease in the effective tax rate for those periods is due primarily to the foreign operations in lower tax jurisdictions, specifically, the Company's increased operations in Ireland resulting from the Ireland distribution facility, which opened in December 2010.

LIQUIDITY AND CAPITAL RESOURCES

The following table shows a summary of cash flows from operating activities, investing activities and financing activities for the stated periods:

(In millions)

	Six Months Ended June 30,		
	2011	2010	Change (\$)
Beginning cash and cash equivalents	\$ 86.4	\$ 51.3	\$ 35.1
Net cash provided by operating activities	69.8	46.2	23.6
Net cash used in investing activities	(1.7)	(10.8)	9.1
Net cash used in financing activities	(4.6)	(25.3)	20.7
Effect of exchange rate changes	(0.2)	(2.2)	2.0
Ending cash and cash equivalents	<u>\$149.7</u>	<u>\$ 59.2</u>	<u>\$ 90.5</u>

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities include net income, adjusted for certain non-cash charges as well as changes in the balances of certain assets and liabilities. Net cash provided by operating activities increased \$23.6 million during the six months ended June 30, 2011, as compared to the six months ended June 30, 2010, due to the following:

(In millions)

	Change (\$)
Net income, net of non-cash related items	\$ (2.9)
Changes in operating assets and liabilities	26.5
	<u>\$ 23.6</u>

For the six months ended June 30, 2011, net cash flows from operating activities increased as compared to the six months ended June 30, 2010 primarily as a result of improved net income and positive cash flows from our working capital accounts, primarily driven by the change accounts receivable due to improved cash collections as days sales outstanding improved by five days.

Net Cash Used In Investing Activities

(In millions)

	Change (\$)
Cash paid for acquisitions, net of cash acquired	\$ 8.2
Purchases of property and equipment	1.0
	<u>\$ 9.2</u>



Net cash used in investing activities decreased \$9.2 million during the six months ended June 30, 2011, as compared to the six months ended June 30, 2010, primarily due to the Quilogy acquisition that took place in the first quarter of 2010 along with lower capital spending during the six months ended June 30, 2011 as compared to the same period in 2010.

Net Cash Used In Financing Activities

Net cash used in financing activities decreased \$20.7 million during the six months ended June 30, 2011, as compared to the six months ended June 30, 2010, primarily due to the following:

<i>(In millions)</i>	Change (\$)
Principal payments	\$ 27.3
Refinancing activities, net of proceeds	(29.5)
Payment of financing costs related to refinancing	23.5
Repurchase of common stock	(1.1)
Proceeds received from issuance of ordinary shares	0.5
	<u>\$ 20.7</u>

In May 2010, we refinanced our existing debt resulting in a net increase in cash from refinancing of \$6.0 million. In addition, a \$30 million voluntary prepayment of debt was made under the Company’s old debt facility in 2010.

Net Working Capital

Net working capital increased \$62.4 million as of June 30, 2011, as compared to June 30, 2010, due to the following:

<i>(In millions)</i>	Change (\$)
Increase in cash and cash equivalents	\$ 90.5
Decrease in other current assets	(11.0)
Increase in accounts payable/accrued expenses	(5.4)
Increase in deferred revenue	(11.5)
Other	(0.2)
	<u>\$ 62.4</u>

Debt Covenants

We were in compliance with all of our financial debt covenants as of June 30, 2011.

Off-Balance Sheet Arrangements

In our Registration Statement on Form S-4 (333-170936), as amended, we included a discussion of our off-balance sheet arrangements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Off-Balance Sheet Arrangements.” There have been no significant changes to our off-balance sheet arrangements since December 31, 2010.

Critical Accounting Policies

Our financial statements are prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Management evaluates its estimates on an on-going basis. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates used. Our actual results have generally not differed materially from our estimates. However, we monitor such differences and, in the event that actual results are significantly different from those estimated, we disclose any related impact on our results of operations, financial position and cash flows.

During the first six months of fiscal 2011, there were only significant changes to the Revenue Recognition policy as a result of adopting ASU No. 2009-13 and ASU No. 200-14 as discussed in Note 1 and Note 2 to the Condensed Consolidated Financial Statements included in our Quarterly Report. For a complete discussion of all other critical accounting policies,



refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Registration Statement on Form S-4 (File No. 333-170936), as amended.

Item 3. Quantitative and Qualitative Disclosure of Market Risks

During the first six months of fiscal 2011, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures of Market Risks” in our Registration Statement on Form S-4 (File No. 333-170936), as amended, for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

Disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of June 30, 2011 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 to the Condensed Consolidated Financial Statements included in our Quarterly Report, which is incorporated by reference herein.

Item 1A. Risk Factors

We operate in a rapidly changing environment that involves certain risks and uncertainties, some of which are beyond our control. In addition to the information provided in this report, please refer to the Risk Factors section included in our Registration Statement on Form S-4 (File No. 333-170936), as amended, for a more complete discussion regarding certain factors that could materially affect our business, financial condition or future results.

Item 6. Exhibits

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

<u>Exhibit No.</u>	<u>Description</u>
10.1*	Employment Agreement, dated as of May 16, 2011, by and between Aspect Software Inc., and Michael Regan.
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 of Principal Financial Officer and Principal Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101***	The following materials from the Aspect Software Group Holdings, LTD. Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheet, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Shareholder's Deficit and Comprehensive Income (iv) the Consolidated Statements of Cash Flows and (v) related notes.

* Filed herewith

** Furnished herewith

*** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections



Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of May 16, 2011 (the "Effective Date"), between Aspect Software, Inc., a Delaware corporation (the "Company"), and Michael Regan ("Employee").

The Company and Employee desire to enter into this Agreement to provide the terms on which Employee will serve as the Senior Vice President of Engineering of the Company.

The parties hereto agree as follows:

1. Employment. The Company hereby employs Employee, and Employee hereby accepts employment with the Company, upon the terms and conditions set forth in this Agreement for the period beginning as of the Effective Date and ending as provided in Section 4 hereof (the "Employment Period").

2. Position and Duties.

(a) During the Employment Period, Employee will serve as the Senior Vice President of Engineering of the Company, subject to the overall direction and authority of Employee's manager or supervisor as designated by the Company from time to time.

(b) Employee will devote his or her reasonable best efforts and his or her full business time and attention to the business and affairs of the Company and its affiliates; provided that nothing in this Section 2(b) will prohibit Employee from devoting a reasonable amount of time to charitable or other similar activities. Employee will perform his or her duties and responsibilities hereunder to the best of his or her abilities in a diligent, trustworthy, businesslike and efficient manner.

3. Base Salary and Benefits.

(a) During the Employment Period, Employee's base salary will be \$235,000 per annum and will be subject to review by the Company's Chief Executive Officer (the "CEO") on an annual basis (the "Base Salary"), which salary will be payable in regular installments in accordance with the Company's general payroll practices and will be subject to customary withholding.

(b) During the Employment Period, Employee will be entitled to participate in all of the Company's employee benefit programs (including cash bonus programs) for which managerial employees of the Company are generally eligible in accordance with the terms and conditions of such programs as the same may be amended or modified from time to time.

(c) The Company will reimburse Employee for all reasonable expenses incurred by him or her in the course of performing his or her duties under this Agreement which are consistent with the Company's policies in effect from time to time with respect to travel, entertainment and other business expenses, subject to the Company's requirements with respect to reporting and documentation of such expenses.

4. Term.

(a) The Employment Period will commence as of the Effective Date and (i) will terminate upon Employee's resignation, death or Disability (as defined in Section 4(e) below) and (ii) may be terminated by the Company at any time for Cause (as defined in Section 4(f) below) or without Cause.



(b) Subject to the other terms and conditions of this Section 4(b), if the Employment Period is terminated by the Company without Cause during the term of this Agreement, Employee will be entitled to receive his or her Base Salary described in Section 3 (a) above and continuation of medical and dental benefits coverage during the six (6) month period immediately following any such termination (subject to the following sentence, the “Severance Period”). The Severance Period shall terminate immediately (and no further payments shall be due or payable under this Section 4(b)) if, prior to the end of the period specified in the preceding sentence, Employee becomes employed by or is engaged as a consultant or independent contractor on a full-time basis (i.e., 30 or more hours per week) with any person or entity other than the Company and its affiliates. Any amounts payable under this Section 4(b) will be payable at such times as such amounts would have been payable had Employee’s employment not been terminated. Notwithstanding anything in this Agreement to the contrary, the Company will have no obligation to pay any amounts payable under this Section 4(b) during such times as Employee is in breach of Sections 5, 6 or 7 hereof. As a condition to the Company’s obligations (if any) to make the payments described in this Section 4(b), Employee will execute and deliver a general release in the form attached hereto as Exhibit A (the “General Release”). Employee shall forfeit all rights to payments and benefits described in this Section 4(b) unless the General Release is signed and delivered (and no longer subject to revocation) within sixty (60) days following the date of Employee’s separation from service (it being agreed that the Company shall provide notice to Employee not less than ten (10) business days prior to the expiration of such period). To the extent any such cash payment or continuing benefit to be provided is not nonqualified deferred compensation subject to Code Section 409A, as determined by the Company in its sole discretion, then such payment or benefit shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the “Release Effective Date”). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Section 4(b) applied as though such payments commenced immediately upon Employee’s separation from service, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Employee’s separation from service. To the extent any such cash payment or continuing benefit to be provided is nonqualified deferred compensation subject to Code Section 409A, as determined by the Company in its sole discretion, then such payments or benefits shall be made or commence upon the sixtieth (60th) day following Employee’s separation from service. The first such cash payment shall include payment of all amounts that otherwise would have been due prior thereto under the terms of this Section 4(b) had such payments commenced immediately upon the Executive’s separation from service, and any payments made thereafter shall continue as provided therein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following the Executive’s separation from service. The Company may provide, in its sole discretion, that Employee may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Employee shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section 4(b), the Company may reimburse Employee the Company’s share of the cost of such benefits, if any, had such benefits commenced immediately upon Employee’s separation from service. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified therein.

(c) If the Employment Period is terminated by the Company for Cause or pursuant to Section 4(a)(i) above, Employee will be entitled only to receive his or her Base Salary through the date of termination.

(d) Except as otherwise expressly provided in Section 4(b) above, all of Employee’s rights to salary, bonuses, fringe benefits and other compensation hereunder (if any) which accrue or become payable after the termination of the Employment Period will cease upon such termination. The Company may offset any amounts Employee owes the Company or its affiliates against any amounts the Company owes Employee hereunder. Employee’s termination of employment with the Company for any reason shall be deemed to automatically



remove Employee, without further action, from any and all offices held by Employee with the Company or its affiliates.

(e) For purposes of this Agreement, “Disability” (i) means any physical or mental incapacitation which results in Employee’s inability to perform his or her duties and responsibilities for the Company for a total of 120 days during any twelve-month period, as determined by the CEO in his good faith judgment and (ii) will be deemed to have occurred on the 120th day of such inability to perform.

(f) For purposes of this Agreement, “Cause” means (i) the entering of a guilty plea or conviction of a felony or any other act or omission involving dishonesty, disloyalty or fraud with respect to the Company or any of its affiliates or any of their customers or suppliers, (ii) conduct tending to bring the Company or any of its affiliates into substantial public disgrace or disrepute, (iii) substantial and repeated failure to perform duties as reasonably directed by the CEO or his designees, (iv) gross negligence or willful misconduct with respect to the Company or any of its affiliates or (v) any other material breach of this Agreement.

5. Confidential Information. Employee acknowledges that the information, observations and data (including, without limitation, trade secrets, know-how, research and product plans, customer lists, software, inventions, processes, formulas, technology, designs, drawings, specifications, marketing and advertising materials, distribution and sales methods and systems, sales and profit figures and other technical and business information) concerning the business or affairs of the Company or any of its affiliates obtained by him or her while employed by the Company (“Confidential Information”) are the property of the Company or such affiliate. Therefore, Employee agrees that he or she shall not disclose to any unauthorized person or use for his or her own purposes any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Employee’s acts or omissions to act. Employee will deliver to the Company at the termination of the Employment Period, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) to the extent containing Confidential Information or Work Product (as defined in Section 6 below) of the Company or any of its affiliates which he or she may then possess or have under his or her control.

6. Inventions and Patents. Employee acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which relate to the Company’s or any of its affiliates’ actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by Employee while employed by the Company (“Work Product”) belong to the Company or such affiliate. Employee shall promptly disclose such Work Product to the Company and perform all actions requested by the Company (whether during or after the Employment Period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

7. Unfair Competitive Activities; Protection of Trade Secrets.

(a) Employee acknowledges that Employee’s services to the Company require the use of information including a formula, pattern, compilation, program, device, method, technique, or process that the Company has made reasonable efforts to keep confidential and that derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use (“Trade Secrets”). Employee further acknowledges and agrees that the Company would be irreparably damaged if Employee were to provide similar services requiring the use of such Trade Secrets to any person or entity competing with the Company or engaged in a similar business. Therefore, Employee agrees that during the Employment Period and during the twelve (12) month period immediately thereafter (the “Protection Period”), he or she will not, either directly or indirectly, for himself or herself or any other person or entity (i)



induce or attempt to induce any employee of the Company or any of its affiliates to leave the employ of the Company or such affiliate, or in any way interfere with the relationship between the Company or any affiliate and any employee thereof, (ii) hire any person who is (or in the case of a former employee, was an employee of the Company or any affiliate at any time during the 180 day period prior to any attempted hiring by Employee) an employee of the Company or any affiliate, (iii) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of the Company or any affiliate to cease doing business with the Company or such affiliate, or in any way interfere with the relationship between any such customer, supplier, licensee, licensor or business relation and the Company or any affiliate (including, without limitation, making any negative statements or communications about the Company or its affiliates) or (iv) Participate in any business that is in competition with the products or services created, developed, marketed, licensed, distributed, offered, sold or under development by the Company or in which he would be reasonably likely to employ, reveal, or otherwise utilize Trade Secrets used by the Company prior to the Employee's termination in any geographical area in which the Company or any of its affiliates conduct business. "Participate" includes any direct or indirect interest in any enterprise, whether as an officer, director, employee, partner, sole proprietor, agent, representative, independent contractor, consultant, executive, franchisor, franchisee, creditor, owner or otherwise; provided that the foregoing activities shall not include the passive ownership (i.e., Employee does not directly or indirectly participate in the business or management of the applicable entity) of less than 5% of the stock of a publicly-held corporation whose stock is traded on a national securities exchange.

(b) Employee agrees that the aforementioned covenant contained in Section 7(a) is reasonable with respect to its duration, geographical area and scope. In particular, Employee acknowledges and agrees that the Company and its affiliates conduct their businesses on a worldwide basis and that the geographic scope of the covenant contained in Section 7(a) is necessary to protect the goodwill and Confidential Information of the Company and its affiliates. Employee further acknowledges that the restrictions contained in Section 7(a) do not impose an undue hardship on him or her due to the fact that he or she has general business skills which may be used in industries other than those in which each of the Company and its affiliates conduct their businesses and do not deprive Employee of his or her livelihood. Employee agrees that the covenants made in Section 7(a) shall remain in full force and effect in the event he receives a promotion, demotion or change in job title or duties while employed by the Company, shall be construed as agreements independent of any other provision(s) of this Agreement, and shall survive any order of a court terminating any other provision(s) of this Agreement.

(c) If, at the time of enforcement of Sections 5, 6 or 7 of this Agreement, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area.

(d) Because Employee's services are unique and because Employee has access to Confidential Information and Work Product, the parties hereto agree that money damages may not be an adequate remedy for any breach of this Agreement. Therefore, in the event a breach or threatened breach of this Agreement, the Company or its successors or assigns may, in addition to other rights and remedies existing in their favor, apply to any court for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security). In addition, in the event of an alleged breach or violation of this Section 7, the Protection Period will be tolled until such breach or violation has been duly cured. Employee agrees that the restrictions contained in Sections 5, 6 and 7 are reasonable.

8. Additional Acknowledgments. Employee acknowledges that the provisions of Sections 5, 6 and 7 are in consideration of: (i) employment with the Company and (ii) additional good and valuable consideration as set forth in this Agreement. Employee expressly agrees and acknowledges that the restrictions contained in Sections 5, 6 and 7 do not preclude Employee from earning a livelihood, nor do they unreasonably impose



limitations on Employee's ability to earn a living. Employee acknowledges that he or she has carefully read this Agreement and has given careful consideration to the restraints imposed upon Employee by this Agreement.

9. Other Businesses. As long as Employee is employed by the Company, Employee agrees that he or she will not, except with the express written consent of the Company, become engaged in, render services for, or permit his or her name to be used in connection with any business other than the business of the Company or any of its affiliates.

10. Employee's Representations. Employee hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by Employee does not and will not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which Employee is a party or by which he or she is bound, (ii) Employee is not a party to or bound by any employment agreement, noncompete agreement or confidentiality agreement with any other person or entity and (iii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of Employee, enforceable in accordance with its terms. Employee hereby acknowledges and represents that he or she has had the opportunity to consult with independent legal counsel regarding his or her rights and obligations under this Agreement and that he or she fully understands the terms and conditions contained herein.

11. Deferred Compensation Matters.

(a) The intent of the parties is that payments and benefits under this Agreement comply with or be exempt from Internal Revenue Code Section 409A and the regulations and guidance promulgated thereunder (collectively "Code Section 409A") and, accordingly, to the maximum extent permitted the Employment Agreement shall be interpreted to be in compliance therewith or exempt therefrom. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on Employee by Code Section 409A or damages for failing to comply with Code Section 409A.

(b) A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(c) Unless this Agreement provides a specified and objectively determinable payment schedule to the contrary, to the extent that any payment of base salary or other compensation is to be paid for a specified continuing period of time beyond the date of the Employee's separation from service in accordance with the Company's payroll practices (or other similar term), the payments of such base salary or other compensation shall be made in no even less frequently than monthly. Notwithstanding the foregoing, with respect to any payments that are intended to fall under the short-term deferral exemption from Code Section 409A, unless this Agreement provides a specified and objectively determinable payment schedule to the contrary, all payments due thereunder shall be made as soon as practicable after the right to payment vests and in all events by March 15 of the calendar year following the calendar year in which the right to payment vests. For purposes of this section, a right to payment will be treated as having vested when it is no longer subject to a substantial risk of forfeiture as determined by the Company in its sole discretion.

(d) Notwithstanding any other payment schedule provided herein to the contrary, if Employee is identified on the date of his separation from service a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B) (which generally means a key employee of a corporation any stock of which is publicly traded on an established securities market or otherwise), then, with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation subject to Code Section 409A and



payable on account of a "separation from service," (i) such payment or benefit shall not be made or provided until the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of Employee's "separation from service" and (B) the date of Employee's death (the "Delay Period") to the extent required under Code Section 409A and (ii) at the end of such six (6)-month period, the Company shall make an additional payment to Employee equal to the amount interest accruing at the then-current short-term applicable federal rate published by the Internal Revenue Service on the value of any such payment or benefit, accruing from the date on which it would have otherwise been paid or provided. Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Employee in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them therein.

(e) To the extent that reimbursements or other in-kind benefits under this Agreement constitute "nonqualified deferred compensation" subject to Code Section 409A, (i) all such expenses or other reimbursements hereunder shall be paid on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Employee, (ii) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to provided, in any other taxable year, and (iii) Employee's right to such reimbursement or in-kind benefits shall not be subject to liquidation or exchange for any other benefit.

(f) For purposes of Code Section 409A, Employee's right to receive any installment payment pursuant to the Employment Agreement shall be treated as a right to receive a series of separate and distinct payments.

(g) Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

(h) Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes nonqualified deferred compensation subject to Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to Employee unless otherwise permitted by Code Section 409A.

12. Notices. Any notice provided for in this Agreement shall be in writing and shall be either personally delivered, or mailed by first class mail, return receipt requested, to Employee at the address indicated in the Company's payroll records, and to the Company at the address indicated below:

Aspect Software, Inc.
300 Apollo Drive
Chelmsford, MA 01824
Attention: General Counsel

or such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party. Any notice under this Agreement shall be deemed to have been given when so delivered or mailed.

13. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this



Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. In the event that any ruling of any court or governmental authority calls into question the validity of any portion of this Agreement, the parties hereto shall consult with each other concerning such matters and shall negotiate in good faith a modification to this Agreement which would obviate any such questions as to validity while preserving, to the extent possible, the intent of the parties and the economic and other benefits of this Agreement and the portion thereof whose validity is called into question.

13. Complete Agreement. This Agreement embodies the complete agreement and understanding among the parties and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

14. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

15. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

16. Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Employee, the Company and their respective heirs, successors and assigns, except that Employee may not assign his or her rights or delegate his or her obligations hereunder without the prior written consent of the Company. Each of the Company's affiliates are intended third party beneficiaries of this Agreement.

17. Choice of Law. All issues and questions concerning the construction, validity, enforcement and interpretation of this Agreement and the schedules hereto shall be governed by, and construed in accordance with, the laws of the Commonwealth of Massachusetts, without giving effect to any choice of law or conflict of law rules or provisions (whether of the Commonwealth of Massachusetts or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the Commonwealth of Massachusetts. Each party hereto submits to the co-exclusive jurisdiction of the United States District Court for Massachusetts, and of any Massachusetts state court sitting in Boston, Massachusetts over any lawsuit under this Agreement and waives any objection based on venue or *forum non conveniens* with respect to any action instituted therein.

18. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and Employee, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement. It is agreed and understood that Employee shall not be entitled to bind the Company in connection with this Agreement or any matter arising hereunder.

19. Incremental Equity Vesting.

(a) Reference is made to any restricted shares or share options (the "Incentive Equity") granted to Employee pursuant to any written share option agreement or share purchase agreement and the related share purchase and option plans (the "Equity Agreements") between Employee and the Company's affiliate, Aspect Software Group Holdings Ltd., a Cayman Island company ("Parent").

(b) Notwithstanding any provision to the contrary contained in the Equity Agreements, in the event of a Change of Control, then solely for the purpose of determining the vesting of the Incentive Equity, twenty-five percent (25%) of any then unvested Incentive Equity (as of the closing date of any such Change of Control) shall automatically become vested and exercisable.



(c) Notwithstanding any provision to the contrary contained in the Equity Agreements, in the event of a Change of Control and Employee's employment is terminated without Cause during the 180 day period immediately following the consummation of such Change of Control, then solely for the purpose of determining the vesting of the Incentive Equity, so long as Employee remains in the employ of the Company immediately prior to the consummation of such Change of Control, an additional twenty-five percent (25%) of any then unvested Incentive Equity (as of the date of termination of such Employee's employment and after giving effect to the vesting provided in subsection (a) above) shall automatically become vested and exercisable.

(d) In the event Employee has been granted Incentive Equity on more than one occasion or with different terms and conditions, the accelerated vesting provided for in each of Sections 20(a) and 20(b), to the extent applicable, shall apply to a pro rata strip of such Incentive Equity.

(e) "Change of Control" means (i) any sale or transfer by Parent or its subsidiaries of all or substantially all of their assets on a consolidated basis (for purposes hereof, "all or substantially all" shall have the meaning given to such term under Delaware law), (ii) any consolidation, merger or other reorganization of Parent with or into any other entity or entities as a result of which (A) any person or group other than investment funds managed by Golden Gate Capital and/or investment funds managed by Oak Investment Partners obtains possession of the voting power (under ordinary circumstances) to elect a majority of the surviving corporation's board of directors or (B) investment funds managed by Golden Gate Capital and/or investment funds managed by Oak Investment Partners cease to own, collectively, at least 20% (by value) of the surviving corporation's shares of capital stock or (iii) any sale or transfer to any third party of shares of Parent's capital stock by the holders thereof as a result of which (A) any person or group other than investment funds managed by Golden Gate Capital and/or investment funds managed by Oak Investment Partners obtains possession of the voting power (under ordinary circumstances) to elect a majority of the board of directors or (B) investment funds managed by Golden Gate Capital and/or investment funds managed by Oak Investment Partners cease to own, collectively, at least 20% (by value) of Parent's shares of capital stock.

(f) Except as set forth in this Section 20, no provision of this Agreement shall limit or impair any of the terms and conditions of the Equity Agreements.

* * * * *



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

ASPECT SOFTWARE, INC.

By: /s/ Michael J. Provenzano III

Its: Chief Financial Officer

EMPLOYEE

/s/ Michael Regan
Michael Regan



Exhibit 31.1

CERTIFICATION

I, James D. Foy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspect Software Group Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2011

/s/ JAMES D. FOY

James D. Foy
President and Chief Executive Officer
(Principal Executive Officer)



Exhibit 31.2

CERTIFICATION

I, Michael J. Provenzano III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspect Software Group Holdings Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure control and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 15, 2011

/s/ MICHAEL J. PROVENZANO III
Michael J. Provenzano III
Executive Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)



Exhibit 32.1

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Aspect Software Group Holdings Ltd. (the Company) for the three months ended June 30, 2011, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, James D. Foy, President and Chief Executive Officer, and Michael J. Provenzano III, Executive Vice President, Finance and Chief Financial Officer, of the Company, certifies, to the best knowledge and belief of the signatory, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES D. FOY
President and Chief Executive Officer

/s/ MICHAEL J. PROVENZANO III
Executive Vice President, Finance
and Chief Financial Officer

Date: August 15, 2011

Date: August 15, 2011