COLONY BANKCORP INC
Form 4
February 03, 2016

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Massee Mark H

(Last) (First) (Middle)

516 W. CENTRAL AVE.

(Street)

FITZGERALD, GA 31750

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COLONY BANKCORP INC [CBAN]

3. Date of Earliest Transaction (Month/Day/Year)
05/07/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

Director

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
COLONY BANKCORP, INC. COMMON STOCK	05/07/2015		G		35,214	A	(1)	60,464	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Massee Mark H 516 W. CENTRAL AVE. FITZGERALD, GA 31750	X		Director	

Signatures

/s/ MARK H. MASSEE	05/07/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) TRANSFER OF SECURITIES OWNED BY MARION MASSEE TO MARK MASSEE

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Gross margin
2% 89% 43% 89%

Operating expenses:

Research and development
67% 39% 65% 34%

Sales and marketing
36% 16% 34% 16%
General and administrative
32% 33% 32% 28%
Restructuring
7% 3%
Impairment of goodwill
210% 100%

Total operating expenses
351% 88% 234% 78%

Income (loss) from operations
(349%) 2% (191%) 11%

Interest and other income, net
2% (2%) 2% 1%

Income (loss) before income taxes
(347%) (1%) (189%) 11%

Income tax expense
1% 7% 5% 8%

Net income (loss)
(349%) (8%) (194%) 3%

Revenues

Revenues by geographic region for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages):*

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Revenues:						
North America	$ 3,959	$ 2,977	33%	$ 7,665	$ 6,591	16%
Japan	3,126	3,403	(8)%	6,973	5,665	23%
Taiwan	6,859	9,404	(27)%	15,034	19,455	(23)%
Other Asian countries	1,019	1,011	1%	2,123	2,104	1%
Europe	855	265	223%	1,389	609	128%

Total revenues	$ 15,818	$ 17,060	(7)%	$ 33,184	$ 34,424	(4)%

Explanation of Responses:

Table of Contents

Revenues by geographic region for the three and six months ended March 31, 2009 and 2008 by the relative percentages to the total revenues were as follows *(in percentages):*

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Revenues:						
North America	25%	17%	8%	23%	19%	4%
Japan	20%	20%		21%	16%	5%
Taiwan	43%	55%	(12)%	45%	57%	(11)%
Other Asian countries	7%	6%	1%	7%	6%	1%
Europe	5%	2%	3%	4%	2%	2%
Total revenues	100%	100%		100%	100%	

The portion of North America revenues from external customers attributed to the United States was $4.0 million and $3.0 million for the three month periods ended March 31, 2009 and 2008, respectively, and was $7.7 million and $6.6 million for the six month period ended March 31, 2009 and 2008, respectively.

Total revenues for the three months ended March 31, 2009 were $15.8 million, a decrease of 7%, from revenues of $17.1 million for the same period in fiscal year 2008. Revenues for the three months of fiscal year 2009 for most geographic regions, with the exception of Taiwan and Japan, increased as compared to the same period in fiscal year 2008. Total revenues for the first six months of fiscal year 2009 decreased by $1.2 million, or 4%, compared to the same period in fiscal year 2008. Revenues for the six months of fiscal year 2009 for most geographic regions, with the exception of Taiwan, increased as compared to the same period in fiscal year 2008. The increase in revenue in the three month and six month periods ended March 31, 2009 by 33% and 16%, respectively, for the North America region is primarily attributable to generation of subscription fee revenues, which resulted from the completion of our acquisitions of BeInSync Ltd. and TouchStone Software Corporation in the second half of fiscal year 2008. The increase in revenue during the three month and six month periods ended March 31, 2009 by 223% and 128%, respectively, for the Europe region is due to success of our initiative to convert a large customer who previously had the benefit of fully paid license arrangement, which generated no revenue during the three and six month periods ended March 31, 2008, to a VPA arrangement where the revenue is generated for the each unit of license consumed by the customer. The 27% decline in revenue from Taiwan in the current quarter and 23% decline in the six months ended March 31, 2009, are mainly due to reduced revenue from our large ODM customers which resulted from reduced end user demand for PCs and inventory reductions in the global PC supply chain mainly in connection with the weakening global economic environment.

Revenues by sources for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages):*

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
License revenues	$ 12,628	$ 14,818	(15)%	$ 27,112	$ 30,227	(10)%
Subscription revenues	743			1,191		
Service revenues	2,447	2,242	9%	4,881	4,197	16%
Total revenues	$ 15,818	$ 17,060	(7)%	$ 33,184	$ 34,424	(4)%

Table of Contents

Revenues by sources for the three and six months ended March 31, 2009 and 2008 by relative percentages to total revenues were as follows *(in percentages):*

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
License revenues	80%	87%	(7)%	82%	88%	(6)%
Subscription revenues	5%		5%	3%		3%
Service revenues	15%	13%	2%	15%	12%	3%
Total revenues	100%	100%		100%	100%	

License fees for the current quarter of fiscal year 2009 were $12.6 million, a decrease of $2.2 million, or 15%, from revenues of $14.8 million for the same period in fiscal year 2008. As a percentage of total revenues, license revenues were 80% in the current quarter of fiscal year 2009 versus 87% for the same period in the previous fiscal year 2008.

License fees for the six months of fiscal year 2009 were $27.1 million, a decrease of $3.1 million, or 10%, from revenues of $30.2 million for the same period in fiscal year 2008. As a percentage of total revenues, license revenues were 82% in the six months of fiscal year 2009 versus 88% for the same period in the previous fiscal year 2008.

The decrease in license fees during the second quarter and first six months of fiscal 2009 is primarily due to reduced end user demand for PCs and inventory reductions in the global PC supply chain mainly as a result of the weakening global economic environment.

In the current quarter of fiscal year 2009, we executed additional VPA transactions with certain of our customers with payment terms generally spread over a period of 6-12 months. Consistent with our policy, only fees due within 90 days are invoiced and recorded as revenues or deferred revenues. VPA fees due beyond 90 days are not invoiced or recorded by us. We consider these unbilled VPA commitments, along with deferred revenues, as order backlog. As of the end of the second quarter of fiscal 2009, our total order backlog of approximately $41.0 million, comprised of $24.8 million of unbilled VPA commitments and $16.2 million of deferred revenue, decreased by 25%, or $13.8 million, from the $54.8 million balance comprised of $40.4 million of unbilled VPA commitments and $14.4 million of deferred revenue at March 31, 2008. The reduction in the overall order backlog is associated with the fact that during the December 2007 period, we had executed a number of VPA s with payment terms extending over periods of up to 24 months. We expect that approximately 89% of our order backlog will be recognized as revenue within the next 12 months; however, uncertainties such as the timing of customer utilization of our products may impact the timing of recognition of these revenues.

During the three and six months periods ended March 31, 2009, we recognized subscription fee revenues of $0.7 million and $1.2 million, respectively, which principally resulted from the completion of our acquisitions of BeInSync Ltd. and TouchStone Software Corporation, each of which provide subscription-based services to customers. We did not have similar subscription revenues during the corresponding period of fiscal year 2008.

Service fees for the three months ended March 31, 2009 were $2.4 million, an increase of $0.2 million, or 9%, from $2.2 million for the same period in fiscal year 2008. As a percentage of total revenues, service fees were 15% in the second quarter of fiscal year 2009 versus 13% for the same period in fiscal year 2008. Service fees for the six months ended March 31, 2009 were $4.9 million, an increase of $0.7 million, or 16%, from $4.2 million for the same period in fiscal year 2008. As a percentage of total revenues, service fees were 15% in the six months of fiscal year 2009 versus 12% for the same period in fiscal year 2008. The increase in service fees is principally a result of the sale of increased number of

Table of Contents

support service days to our customers.

Cost of Revenues and Gross Margin

Cost of revenues for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Cost of revenues	15,489	1,802	760%	19,064	3,830	398%
Percent of consolidated revenue	98%	11%		57%	11%	

Cost of revenues consists of third party license fees, expenses related to the provision of subscription services, service fees and amortization and impairment of purchased intangible assets. License fees are primarily third party royalty fees, electronic product fulfillment costs and the costs of product labels for customer use. Expenses related to subscription services are primarily hosting fees associated with customer data, product fulfillment costs, credit card transaction fees and personnel-related expenses such as salaries associated with post-sales customer support costs. Service fees include personnel-related expenses such as salaries and other related costs associated with work performed under professional service contracts, non-recurring engineering agreements and post-sales customer support costs.

Cost of revenues increased by $13.7 million, or 760%, from $1.8 million in the three months ended March 31, 2008, to $15.5 million in the three months ended March 31, 2009. Of the $13.7 million increase, $12.9 million is associated with the amortization and impairment of purchased intangible assets. There were no such impairment or amortization charges recorded in the corresponding quarter of fiscal year 2008. Cost of revenues associated with license fees increased by 138%, to approximately $198,000 during the quarter ended March 31, 2009 from $83,000 for the same period in fiscal year 2008. This increase in costs associated with license fees is principally due to the sale of certain new products which had included intellectual property licensed from third parties and other personnel costs associated with servicing new product customers. Cost of revenues associated with service fees increased by 16%, from $1.7 million to $2.0 million. This increase is primarily due to higher service fee revenue, which increased by 9% during the current quarter as compared to the second quarter of fiscal year 2008 and partially due to higher headcount, which resulted in higher payroll and related benefit expenses.

Cost of revenues increased by $15.2 million, or 398%, from $3.8 million in the six months ended March 31, 2008, to $19.1 million in the six months ended March 31, 2009. Of the $15.2 million increase, $14.0 million is associated with the amortization and impairment of purchased intangible assets. Except for an amortization charge of $71,000, there were no such impairment or amortization charges recorded in the corresponding period of fiscal year 2008. Cost of revenues associated with license fees increased by 18%, to $0.3 million during the six months ended March 31, 2009 from $0.2 million for the same period in fiscal year 2008. This increase in costs associated with license fees is principally due to the sale of certain new products which had included intellectual property licensed from third parties and other personnel costs associated with servicing new product customers. Cost of revenues associated with service fees increased by 15%, from $3.5 million to $4.0 million. The increase is in line with the higher service fees revenues, which increased by 16% during the six months period ended March 31, 2009 as compared to the same period in fiscal year 2008.

Amortization of purchased intangibles during the three and six months period ended March 31, 2009 was mainly associated with (i) the amortization of intangible assets acquired during the second half of fiscal year 2008; and (ii) commencement of amortization of technology acquired in

Table of Contents

association with the development of FailSafe. In addition, as a result of the interim impairment analysis performed as of February 28, 2009, an impairment charge of $11.9 million in respect of other long-lived intangible assets was recorded in the second quarter of fiscal year 2009. There were no such impairment or amortization charges recorded in the corresponding periods of fiscal year 2008 except for an amortization charge of $71,000 recorded in the six months period ended March 31, 2008.

Gross margin for the three and six months ended March 31, 2009 and 2008 were as follows (*in thousands, except percentages*):

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Gross margin	329	15,258	(98)%	14,120	30,594	(54)%
Percent of consolidated revenue	2%	89%		43%	89%	

Gross margin percentages decreased from 89% of total revenues for the three months ended March 31, 2008 to 2% of total revenues for the same period of fiscal year 2009. Gross margins for the three months ended March 31, 2009 were $0.3 million, a 98% decrease, from gross margins of $15.3 million in the second quarter of the fiscal year 2008.

Gross margin percentages decreased from 89% of total revenues for the six months ended March 31, 2008 to 43% of total revenues for the same period of current fiscal year 2009. Gross margins for the six months ended March 31, 2009 were $14.1 million, a 54% decrease, from gross margins of $30.6 million in the six months of the previous fiscal year 2008.

Besides the change in gross margins on license and service fees explained below, the overall decrease in gross margin resulted primarily from the amortization and impairment charges of purchased intangible assets described above and partially from direct costs associated with subscription fees revenue. There were no subscription fee revenues or associated costs recorded during the three and six months period ended March 31, 2008.

The marginal decline in gross margins related to license revenue for both three months and six months period ended March 31, 2009 was principally due to decrease in overall license revenues and the increased cost of intellectual property licensed from third parties. The decline in gross margins associated with service fees revenues from 23% in the quarter ended March 31, 2008 to 19% in the quarter ended March 31, 2009 was principally due to higher headcount, which resulted in higher payroll and related benefit expenses. The gross margins associated with service fees revenues for the six months ended March 31, 2009 at 17% is slightly higher than 16% for the six months ended March 31, 2008 and is principally due to the increase in revenues partially offset by higher payroll and related benefit expenses.

Research and Development Expenses

Research and development expenses for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Research and development	10,591	6,569	61%	21,458	11,672	84%
Percent of consolidated revenue	67%	39%		65%	34%	

Research and development expenses consist primarily of salaries and other related costs for

Table of Contents

research and development personnel, quality assurance personnel, product localization expense, fees to outside contractors, facilities and IT support costs and depreciation of capital equipment.

Research and development expenses increased by $4.0 million, or 61%, to $10.6 million for the three months ended March 31, 2009, from $6.6 million for the same period in the previous fiscal year 2008. As a percentage of revenues, research and development expenses increased from 39% in the three months ended March 31, 2008 to 67% in the three months ended March 31, 2009.

The $4.0 million increase in research and development expense for the three months ended March 31, 2009 versus the same period in fiscal year 2008 was principally due to increased payroll and related benefit expenses of $2.6 million associated with increases in the number of engineering and engineering management personnel from 205 to 305 and the increase in net cost of facilities and other expenses by $1.4 million. The increase in the above expense categories was also in part due to three acquisitions completed in the second half of fiscal year 2008.

Research and development expenses increased by $9.8 million, or 84%, to $21.5 million for the six months ended March 31, 2009 from $11.7 million for the same period in the previous fiscal year 2008. As a percentage of revenues, research and development expenses increased from 34% in the six months ended March 31, 2008 to 65% in the six months ended March 31, 2009.

The $9.8 million increase in research and development expense for the six months ended March 31, 2009 versus the same period in fiscal year 2008 was principally due to increased payroll and related benefit expenses of $6.4 million associated with increases in the number of engineering and engineering management personnel and including increased stock-based compensation expense of $0.5 million (due in part to the grant of the Performance Options in second quarter of fiscal 2008), increased consulting costs of $1.2 million due to the use of additional consultants for recruiting and new product development and the increase in net cost of facilities and other expenses by $2.2 million. The increase in all the above expense categories was also in part due to three acquisitions completed in the second half of fiscal year 2008.

The increased research and development spending, and the growth in the number of employees and consultants used in development activities were principally a result of the Company s expanded investment in the development of its new products. The increase in research and development expense as a percentage of revenues by 28 percentage points for the current quarter and 31 percentage points for the six months ended March 31, 2009 was a result of this expense growth combined with a reduction in our consolidated revenues during the relevant periods.

We believe that in order to maintain our competitive position in the markets in which we operate, which are characterized by rapid technological changes, we must continue to invest in the further development of our new products and enhance existing products. At the same time, we are continuing to focus our efforts on achieving additional operating efficiencies and cost savings by reviewing and improving upon our existing business processes and cost structure. As a result, we expect that research and development expenses will remain flat in absolute dollars for the remainder of fiscal 2009.

Table of Contents

Sales and Marketing Expenses

Sales and marketing expenses for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Sales and marketing	5,740	2,769	107%	11,149	5,640	98%
Percent of consolidated revenue	36%	16%		34%	16%	

Sales and marketing expenses consist primarily of salaries, commissions, travel and entertainment, facilities and IT support costs, promotional expenses (marketing and sales literature) and marketing programs, including advertising, trade shows and channel development. Sales and marketing expenses also include costs relating to technical support personnel associated with pre-sales activities such as performing product and technical presentations and answering customers product and service inquiries.

Sales and marketing expenses increased by $3.0 million, or 107%, to $5.7 million for the three months ended March 31, 2009 from $2.8 million for the same period in the previous fiscal year. As a percentage of revenues, sales and marketing expenses increased from 16% in the three months ended March 31, 2008 to 36% in the three months ended March 31, 2009.

The $3.0 million increase in sales and marketing expenses for the three months ended March 31, 2009 versus the same period in the previous fiscal year was principally due to increased marketing expenses of $1.3 million associated with the launch of new products and increased facilities and other expenses of $1.7 million, which were principally associated with the sales and marketing activities retained following three acquisitions completed in the second half of fiscal year 2008 and the establishment of web based marketing capabilities in support of our new products.

Sales and marketing expenses increased by $5.5 million, or 98%, to $11.1 million for the six months ended March 31, 2009 from $5.6 million for the same period in the previous fiscal year. As a percentage of revenues, sales and marketing expenses increased from 16% in the six months ended March 31, 2008 to 34% in the six months ended March 31, 2009.

The $5.5 million increase in sales and marketing expenses for the six months ended March 31, 2009 versus the same period in the previous fiscal year was principally due to increased payroll and related benefit expenses of $1.1 million and outsourced recruiting efforts of $0.1 million, increased marketing expenses of $1.7 million associated with the launch of new products, increased use of consultants for marketing campaigns of $0.5 million, increased stock-based compensation expense of $0.2 million (due in part to the grant of the Performance Options in second quarter of fiscal 2008) and increased facilities and other expenses of $1.9 million, which were principally associated with the sales and marketing activities retained following three acquisitions completed in the second half of fiscal year 2008 and the establishment of web based marketing capabilities in support of our new products. We expect sales and marketing expenses to be lower in absolute dollars for the remainder of fiscal year 2009.

The combination of an increase in sales and marketing expenditure and a reduction in revenues led to an increase in sales and marketing expenses as a percentage of revenues by 20 percentage points for the current quarter and 18 percentage points for the six months ended March 31, 2009.

Table of Contents

General and Administrative Expenses

General and administrative expenses for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
General and administrative	4,998	5,586	(11)%	10,634	9,513	12%
Percent of consolidated revenue	32%	33%		32%	28%	

General and administrative expenses consist primarily of salaries and other costs relating to administrative, executive and financial personnel and outside professional fees, including those associated with audit and legal services.

General and administrative expenses decreased by $0.6 million, or 11%, to $5.0 million for the three months ended March 31, 2009 from $5.6 million for the same period in the previous fiscal year. As a percentage of revenues, general and administrative expenses marginally decreased from 33% in the three months ended March 31, 2008 to 32% in the three months ended March 31, 2009.

The $0.6 million decrease in general and administrative expenses for the three months ended March 31, 2009 as compared to the same period in the previous fiscal year was due to a $1.0 million decrease in stock-based compensation expense partially offset by a $0.4 million increase in other expenditures.

General and administrative expenses increased by $1.1 million, or 12%, to $10.6 million for the six months ended March 31, 2009 from $9.5 million for the same period in the previous fiscal year. As a percentage of revenues, general and administrative expenses increased from 28% in the six months ended March 31, 2008 to 32% in the six months ended March 31, 2009.

The $1.1 million increase in general and administrative expenses for the six months ended March 31, 2009 as compared to the same period in the previous fiscal year was principally due to increased payroll and related benefit expenses of $0.8 million and a $0.1 million increase in stock-based compensation expense which primarily resulted from the grant to executives of the Performance Options approved by stockholders on January 2, 2008. In addition, use of consultants, professional services and outsourced recruiting services increased by $0.7 million and administration and other expenses decreased by $0.5 million.

Despite the reduction in revenues, the one percentage point reduction in general and administrative expense as a percentage of revenues in the current quarter was a result of decreased spending as described above. The four percentage point increase in general and administrative expenses as a percentage of revenues during the six months ended March 31, 2009 was due to combination of an increase in general and administrative expenditures and a reduction in our consolidated revenues.

Restructuring

In response to the challenging global economic environment, management approved two restructuring plans during the three months ended March 31, 2009. In February 2009, a restructuring plan was approved to reduce expenses, eliminate overlapping functions and eliminate employees not meeting Company performance expectations. In March 2009, another restructuring plan was approved for the purpose of reducing future operating expenses by eliminating positions and closing the Company s facility in Tel Aviv, Israel. As a result of these restructuring activities, we reduced our global

Table of Contents

workforce by 96 employees, representing approximately 17% of our global workforce at December 31, 2008, although these reductions were partially offset by other workforce additions during the quarter. During the three months and six months period ended March 31, 2009, we recorded approximately $1.0 million and $1.1 million, respectively, as charges associated with our restructuring plans principally associated with severance and other employee costs. During the three and six month periods ended March 31, 2008, we recorded $44,000 and $0.1 million, respectively, as restructuring charges primarily associated with true up adjustments recorded in relation to the earlier restructuring plans announced in fiscal years 2003 and 2007. See Note 4 Restructuring Charges in the Notes to Condensed Consolidated Financial Statements for more information on our restructuring plans.

Impairment of Goodwill

During the three months ended March 31, 2009, based on a combination of factors, including the recent and rapid deterioration of global economic conditions, our operating results, a substantial and sustained decline in the our market capitalization and management s decisions to prioritize allocation of resources and to discontinue investments in certain products and services, we concluded that there were sufficient indicators to require us to perform an interim impairment analysis with respect to goodwill. Based on the analysis performed, we recorded an impairment charge of $33.2 million for goodwill during the quarter ended March 31, 2009. There was no such impairment charge recorded during the corresponding periods of fiscal year 2008.

Interest and Other Income, Net

Net interest and other income for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Interest and other income (expenses), net	335	(403)	(183)%	605	274	121%
Percent of consolidated revenue	2%	(2)%		2%	1%	

Net interest and other income consists mostly of interest income, which is primarily derived from cash and cash equivalents, foreign exchange transaction gains and losses, losses/gains on disposal of assets and other miscellaneous expenses/income.

We earned $0.3 million in net interest and other income for the three months ended March 31, 2009 as compared to a net expenditure of $0.4 million for the same period in the previous fiscal year, resulting in a net increase of $0.7 million. Despite the reduction in net interest income by $0.6 million due to reduction in both interest rates and invested cash balances, the increase in interest and other income primarily resulted from a $1.3 million change in net foreign exchange gains related mainly to appreciation of the New Taiwan Dollar to the U.S. Dollar.

We earned $0.6 million in net interest and other income for the six months ended March 31, 2009 as compared to $0.3 million for the same period in the previous fiscal year resulting in a net increase of $0.3 million. The increase of $0.3 million primarily resulted from higher net foreign exchange gains offset by lower interest earned due to lower interest rates and lower invested cash balances.

Table of Contents

Provision for Income Taxes

Income tax expense for the three and six months ended March 31, 2009 and 2008 were as follows *(in thousands, except percentages)*:

	Three months ended March 31,			Six months ended March 31,		
	2009	2008	% Change	2009	2008	% Change
Income tax expense	221	1,252	(82)%	1,620	2,803	(42)%
Percent of consolidated revenue	1%	7%		5%	8%	

We recorded an income tax provision of $0.2 million for the three months ended March 31, 2009, a decrease of $1.0 million, or 82%, from the provision of $1.3 million recorded for the same period in fiscal year 2008. The decrease is related to the reversal of the deferred tax liabilities of $0.5 million associated with the impairment of goodwill, a reduction in Taiwan withholding taxes on allocated expenses to the extent of $0.2 million and a reduction of $0.4 million related to the overall reduction in the Company s taxable income.

Of the $0.2 million income tax provision for the three months ended March 31, 2009, $0.6 million was attributable to the increase in FIN 48 liabilities associated with uncertain tax positions. The uncertain tax positions are related to income tax items in Taiwan, Japan and Korea, all recorded in foreign currencies. The liabilities have been offset by the currency gains of $0.4 million recorded upon translation of these foreign currency balances to our functional currency, the U.S. dollar.

We recorded an income tax provision of $1.6 million for the six months ended March 31, 2009, a decrease of $1.2 million, or 42%, from the provision of $2.8 million recorded for the same period in fiscal year 2008. This decrease is related to the reversal of the deferred tax liabilities of $0.2 million associated with the impairment of goodwill, a reduction in Taiwan withholding taxes on allocated expenses to the extent of $0.4 million and a reduction of $0.6 million related to the overall reduction in the Company s taxable income.

Of the $1.6 million income tax provision for the six months ended March 31, 2009, $1.5 million was attributable to the increase in FIN 48 liabilities associated with uncertain tax positions. The FIN 48 liabilities are primarily related to an ongoing dispute with the taxing authorities in Taiwan on the allocation of expenses.

The income tax provision for the quarter was calculated based on the results of operations for the three months ended March 31, 2009 and does not reflect an annual effective rate. Since we cannot consistently predict our future operating income or in which jurisdiction such income will be located, we do not use an annual effective tax rate to apply to the operating income for the quarter.

Acquisitions

An active acquisition program is an important element of our corporate strategy. We acquired three business entities during fiscal year 2008, all of which were accounted for in accordance with SFAS No. 141, *Business Combinations* . See Note 12 Business Combinations in the Notes to Condensed Consolidated Financial Statements for more information relating to these acquisitions.

We expect to continue to evaluate possible acquisitions of, or strategic investments in, businesses, products and technologies that are complementary to our business, which may require the use of cash. Future acquisitions could cause amortization expenses to increase. In addition, if impairment events occur, they could also accelerate the timing of charges.

Table of Contents

Financial Condition

At March 31, 2009, our principal source of liquidity consisted of cash and cash equivalents totaling $22.6 million compared to cash and cash equivalents and marketable securities totaling $79.0 million at March 31, 2008.

During the six months ended March 31, 2009, cash decreased by $15.1 million mainly as a result of $14.0 million and $1.7 million used in operating activities and investing activities, respectively, and a $0.1 million decrease due to the effect of changes in currency exchange rates. These cash uses were partially offset by cash of $0.7 million provided by financing activities. Cash used in operating activities was primarily due to the net loss of $64.4 million adjusted for non-cash items such as depreciation, amortization, impairment of purchased intangible assets and goodwill and stock-based compensation expense aggregating to $53.7 million. In addition, cash used in operations to the extent of $3.3 million was attributed to the changes in operating assets and liabilities related primarily to a $1.2 million increase in accounts receivable, due in part to delay in receipt of a payment from a large customer; $1.9 million and $0.9 million decrease in accrued compensation and related liabilities and other accrued liabilities, respectively, primarily due to payment of bonuses to employees based on the Company s performance for fiscal year 2008; $0.6 million decrease in other operating assets and liabilities which was partially offset by a $1.3 million increase in deferred revenue mainly driven by higher prepayments received and lower revenue generated from our VPA arrangements. Cash used in investing activities was due to purchases of property and equipment and other intangible assets of $1.5 million and additional acquisitions related costs of $0.2 million, while cash of $0.7 million provided by financing activities was mainly due to proceeds from stock issuances under stock option and stock purchase plans, net of repurchases.

At March 31, 2008, our principal source of liquidity consisted of cash and cash equivalents and marketable securities totaling $79.0 million. The net increase in cash of $16.3 million during the six months period ended March 31, 2008 was comprised of $13.4 million provided by operating activities, $0.9 million used in investing activities, $3.6 million provided by financing activities and $0.2 million from the effect of changes in currency exchange rates. Cash provided by operating activities was primarily due to net income from operations of $1.1 million which was reduced by non-cash charges of $4.7 million for stock-based compensation and $1.1 million for depreciation and amortization, $3.2 million of increased income taxes payable, $2.5 million of increased deferred revenue and $2.3 million of decreased accounts receivables, which was partially offset by $1.5 million of reduced accruals for restructuring charges. Cash used in investing activities was due to purchases of property and equipment, while cash provided by financing activities was due to proceeds from stock purchases under stock option and stock purchase plans.

We believe that our current cash and cash equivalents and the cash we expect to generate from future operations will be sufficient to meet our operating and capital requirements for at least the next twelve months. However, there are a number of factors that could impact our liquidity position, including, but not limited to:

(i) current global economic conditions which affect demand for our products and services and impact the financial stability of our suppliers and customers;

(ii) the recent tendency of customers to delay payments to manage their own liquidity positions;

(iii) plans to further restructure our business and operations; and

(iv) possible investments or acquisitions of complementary businesses, products or technologies.

Table of Contents

It is also likely that we may continue to incur a net loss and negative net cash flow in the remaining period of fiscal year 2009, particularly if we are unable to achieve the revenues we anticipate or if we are unable to effectively manage our cash expenditures.

Commitments

As of March 31, 2009, we had commitments for $12.4 million under non-cancelable operating leases ranging from one to six years. The operating lease obligations also include i) our facility in Norwood, Massachusetts which has been fully vacated and for which we have entered into a sublease agreement in October 2008 for the remainder of the term; ii) our facility in Milpitas, California, which has been partially vacated and for which we entered into a sublease agreement in November 2007; and iii) our facility in Irvine, California which has been fully vacated and subleased, and our lease is due to expire in April 2009. Further, as part of the restructuring announced during the current quarter, we are committed to pay $0.3 million related to employee severance and other benefit costs and expects to incur approximately $0.1 million related to on-going lease obligations for the Israel facility upon vacating the premises in the third quarter of fiscal year 2009. See Note 4 Restructuring Charges in the Notes to Condensed Consolidated Financial Statements for more information on our restructuring plans. In addition, as of March 31, 2009, we are committed to pay $0.6 million for the assets acquired under capital lease arrangements.

As of March 31, 2009, we had a non-current income tax liability of $14.4 million which was associated primarily with the accrual of income taxes on our operations in Taiwan.

Outlook

Based on past performance and current expectations, we believe that current cash and cash equivalents on hand and cash we expect to generate from operations in future periods will satisfy our working capital, capital expenditures, commitments and other liquidity requirements associated with our existing operations through at least the next twelve months. It is likely that we may continue to incur a net loss and negative net cash flow in future quarters during fiscal year 2009, particularly if we are unable to achieve the revenues we anticipate or if we are unable to effectively manage our cash expenditures. There are no transactions or arrangements that are reasonably likely to materially affect liquidity or the availability of our requirements for capital. Continued investment in our new product initiatives and businesses or future acquisitions may require us to seek additional funding sources beyond our current balances of cash and cash equivalents.

Available Information

Our website is located at www.phoenix.com. Through a link on the Investor Relations section of our website, we make available the following and other filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge. Also available on our website are printable versions of our Corporate Governance Guidelines, Audit Committee charter, Compensation Committee charter, Nominating and Corporate Governance Committee charter, Insider Trading Policy and Code of Ethics. Information accessible through our website does not constitute a part of, and is not incorporated into, this Quarterly Report or in to any of our other filings with the SEC.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We believe there has been no material change in our exposure to market risk from that discussed in our fiscal year 2008 Annual Report filed on Form 10-K.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed, as of the end of the period covered by this quarterly report, the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), which are designed to ensure that information relating to the Company that is 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 Exchange Act and related regulations. Based on this review, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of March 31, 2009, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During our most recent fiscal quarter, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to certain legal proceedings that arise in the normal course of our business. We believe that the ultimate amount of liability, if any, for any pending claims of any type (either alone or combined) will not materially affect our results of operations, liquidity, or financial position taken as a whole. However, actual outcomes may be materially different than anticipated.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Item 1A of Part I of our most recent Annual Report filed on Form 10-K for the fiscal year ended September 30, 2008.

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

In January 2009, we withheld 13,468 shares of our common stock, at $3.67 per share for a total value of approximately $49,428, from the restricted stock grants held by an employee for purposes of covering the payroll taxes on the vested portions of the employee s restricted stock grants. In March 2009, we withheld 4,465 shares of our common stock, at $1.62 per share for a total value of approximately $7,233, from the restricted stock grant held by another employee for purposes of covering the payroll taxes on the vested portion of the employee s restricted stock grant. Our restricted stock agreements allow for the Company to withhold, at the election of the employee, the appropriate number of shares to cover applicable taxes upon vesting (in lieu of the employee paying cash to cover such taxes).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

The Company held its Annual Meeting of Stockholders on January 22, 2009, at which the following occurred:

ELECTION OF DIRECTORS TO THE BOARD OF DIRECTORS OF THE COMPANY

The stockholders elected incumbent director nominees Michael Clair, Douglas Barnett, Woodson Hobbs, Richard Noling and Mitchell Tuchman to the Board of Directors of the Company. The vote on the matter was as follows:

	For	Against	Abstain
Michael Clair	25,133,966	568,537	130,824
Douglas Barnett	25,219,066	568,437	45,824
Woodson Hobbs	25,716,264	71,239	45,824
Richard Noling	25,716,519	70,984	45,824
Mitchell Tuchman	25,207,298	571,737	54,292

Table of Contents

RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP

The stockholders ratified the appointment of Ernst & Young LLP by the Audit Committee of the Board of Directors as the Company s independent registered public accounting firm for the fiscal year ending September 30, 2009. The vote on the matter was as follows:

For	Against	Abstain
25,771,198	53,392	8,738

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

10.1 Board Compensation Plan Update to Chairman of the Board retainer.

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHOENIX TECHNOLOGIES LTD.

By: /s/ WOODSON M. HOBBS

Woodson M. Hobbs
President and Chief Executive Officer

Date: May 01, 2009

By: /s/ RICHARD W. ARNOLD

Richard W. Arnold
Chief Operating Officer and Chief Financial Officer

Date: May 01, 2009

Page 54

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
10.1	Board Compensation Plan Update to Chairman of the Board retained.
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

Page 55