

EGAIN COMMUNICATIONS CORP  
Form 10-Q  
February 16, 2010  
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**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 December 31, 2009

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-30260

**eGAIN COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**77-0466366**  
(I.R.S. Employer  
Identification No.)

**345 E. Middlefield, Mountain View, CA**  
(Address of principal executive offices)

**94043**  
(Zip Code)

**(650) 230-7500**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

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, or non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company", in Rule 12b-2 of the Exchange Act (check one):

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 stock, as of the latest practicable date.

Class	Outstanding at December 31, 2009
Common Stock \$0.001 par value	22,178,589



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**eGAIN COMMUNICATIONS CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, unaudited)

	December 31, 2009	June 30, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,970	\$ 7,511
Restricted cash	13	13
Accounts receivable, net	4,688	4,308
Prepaid and other current assets	437	538
<b>Total current assets</b>	<b>11,108</b>	<b>12,370</b>
Property and equipment, net	968	995
Goodwill	4,880	4,880
Other assets	398	391
<b>Total assets</b>	<b>\$ 17,354</b>	<b>\$ 18,636</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 801	\$ 979
Accrued compensation	1,787	2,429
Accrued liabilities	1,662	2,141
Deferred revenue	6,118	5,398
Capital lease obligation	177	181
Bank borrowings	125	3,125
<b>Total current liabilities</b>	<b>10,670</b>	<b>14,253</b>
Deferred revenue, net of current portion	223	133
Capital lease obligation, net of current portion	99	187
Related party notes payable	8,199	7,697
Bank borrowings, net of current portion	52	115
Other long term liabilities	338	344
<b>Total liabilities</b>	<b>19,581</b>	<b>22,729</b>
Commitments and Contingencies (Notes 10 and 12)		
Stockholders' deficit:		
Common stock	22	22
Additional paid-in capital	323,644	323,550
Notes receivable from stockholders	(78)	(76)
Accumulated other comprehensive loss	(580)	(506)
<b>Accumulated deficit</b>	<b>(325,235)</b>	<b>(327,083)</b>

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Total stockholders' deficit	(2,227)	(4,093)
Total liabilities and stockholders' deficit	\$ 17,354	\$ 18,636

See accompanying notes

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	<b>Three Months Ended December 31,</b>		<b>Six Months Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenue:</b>				
License	\$ 2,516	\$ 3,529	\$ 4,470	\$ 5,128
Recurring services	4,292	3,637	8,276	7,748
Professional services	1,504	2,423	3,541	4,852
<b>Total revenue</b>	<b>8,312</b>	<b>9,589</b>	<b>16,287</b>	<b>17,728</b>
Cost of license	83	19	151	38
Cost of recurring services	1,129	1,078	2,281	2,204
Cost of professional services	1,336	1,501	2,631	3,216
<b>Gross profit</b>	<b>5,764</b>	<b>6,991</b>	<b>11,224</b>	<b>12,270</b>
<b>Operating costs and expenses:</b>				
Research and development	1,285	1,400	2,455	2,925
Sales and marketing	2,350	2,851	4,784	5,633
General and administrative	731	873	1,517	1,920
<b>Total operating costs and expenses</b>	<b>4,366</b>	<b>5,124</b>	<b>8,756</b>	<b>10,478</b>
<b>Income from operations</b>	<b>1,398</b>	<b>1,867</b>	<b>2,468</b>	<b>1,792</b>
Interest expense, net	(279)	(335)	(556)	(820)
Other income , net	36	341	30	365
<b>Income before income taxes</b>	<b>1,155</b>	<b>1,873</b>	<b>1,942</b>	<b>1,337</b>
Benefit / (provision) for income taxes	(94)	96	(94)	110
<b>Net income</b>	<b>\$ 1,061</b>	<b>\$ 1,969</b>	<b>\$ 1,848</b>	<b>\$ 1,447</b>
<b>Per Share information:</b>				
Basic net income per common share	\$ 0.05	\$ 0.09	\$ 0.08	\$ 0.08
Diluted net income per common share	\$ 0.04	\$ 0.09	\$ 0.08	\$ 0.08
Weighted average shares used in computing basic net income per common share	22,205	22,213	22,209	19,035
Weighted average shares used in computing diluted net income per common share	24,232	22,213	22,444	19,035

See accompanying notes



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	<b>Six Months Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,848	\$ 1,447
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	301	409
Loss on disposal of fixed assets		7
Stock-based compensation	132	172
Provisions for doubtful accounts and sales returns	(17)	163
Amortization of debt issuance costs	42	
Accrued interest and amortization of discount on related party notes payable	502	700
Changes in operating assets and liabilities:		
Accounts receivable	(433)	(4,032)
Prepaid and other current assets	56	263
Other assets	6	(37)
Accounts payable	(168)	(541)
Accrued compensation	(624)	859
Accrued liabilities	(465)	24
Deferred revenue	916	728
Other long term liabilities	(1)	(36)
<b>Net cash provided by operating activities</b>	<b>2,095</b>	<b>126</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(277)	(234)
Proceeds from sales of fixed assets		