SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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OPENWAVE SYSTEMS INC

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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 September 30, 2011

or

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

For the transition period from to

Commission File Number: 001-16073

OPENWAVE SYSTEMS INC.
(Exact name of registrant as specified in its charter)

Delaware	**94-3219054**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2100 Seaport Blvd. Redwood City, California	**94063**
(Address of principal executive offices)	**(Zip Code)**

(650) 480-8000
(Registrant' s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant 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 of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒

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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 ☒

As of October 31, 2011 there were 85,778,318 shares of the registrant' s Common Stock outstanding.

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OPENWAVE SYSTEMS INC.

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

OPENWAVE SYSTEMS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2011	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$23,982	$47,266
Short-term investments	32,306	33,947
Accounts receivable, net of allowance for doubtful accounts	36,612	22,293
Prepaid and other current assets	15,719	15,808
Total current assets	108,619	119,314
Property and equipment, net	5,733	6,680
Long-term investments	10,302	15,630
Deposits and other assets	5,231	5,373
Goodwill	267	267
Intangible assets, net	144	553
Total assets	$130,296	$147,817
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$4,315	$7,014
Accrued liabilities	19,841	19,810
Accrued settlement related to discontinued operations	–	12,000
Accrued restructuring costs	15,839	13,660
Deferred revenue	26,024	29,088
Total current liabilities	66,019	81,572
Accrued restructuring costs, net of current portion	9,108	12,515
Deferred revenue, net of current portion	7,740	9,370
Deferred rent obligations and other	1,360	1,415
Total liabilities	84,227	104,872
Commitments and contingencies		
Stockholders' equity:		
Common stock	85	85
Additional paid-in capital	3,192,479	3,191,775
Accumulated other comprehensive loss	(1,814)	(1,592)
Accumulated deficit	(3,144,681)	(3,147,323)
Total stockholders' equity	46,069	42,945
Total liabilities and stockholders' equity	$130,296	$147,817

See accompanying notes to condensed consolidated financial statements

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OPENWAVE SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,	
	2011	**2010**
Revenues:		
License	$9,914	$12,332
Maintenance and support	10,671	13,993
Services	16,790	11,203
Patents	15,021	4,000
Total revenues	52,396	41,528
Cost of revenues:		
License	895	439
Maintenance and support	3,722	4,152
Services	13,797	8,887
Total cost of revenues	18,414	13,478
Gross profit	33,982	28,050
Operating expenses:		
Research and development	9,348	11,430
Sales and marketing	8,737	10,821
General and administrative	7,786	6,612
Restructuring and other related costs	5,072	708
Total operating expenses	30,943	29,571
Operating income (loss) from continuing operations	3,039	(1,521)
Interest income	88	160
Interest expense	(60)	(83)
Other income (expense), net	33	(40)
Income (loss) from continuing operations before provision for income taxes	3,100	(1,484)
Income tax expense	458	681
Net income (loss) from continuing operations	2,642	(2,165)
Discontinued operations:		
Gain on sale of discontinued operation, net of tax	$–	$2,236
Net income	$2,642	$71
Basic net income (loss) per share from:		
Continuing operations	$0.03	$(0.03)
Discontinued operations	–	0.03
Net income	$0.03	$0.00
Diluted net income (loss) per share from:		
Continuing operations	$0.03	$(0.03)
Discontinued operations	–	$0.03
Net income	$0.03	$0.00
Shares used in computing basic income (loss) per share	85,482	84,017
Shares used in computing diluted net income (loss) per share	86,432	84,017
Supplemental disclosures:		

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Total other-than-temporary impairments	$–	$–
Portion of other-than-temporary impairments included in other comprehensive income	–	–
Net other-than-temporary impairments	–	–
Other investment gain	–	–
Total net investment losses in Other income (expense), net	$–	$–

See accompanying notes to condensed consolidated financial statements

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OPENWAVE SYSTEMS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended September 30,	
	2011	**2010**
Cash flows from operating activities:		
Net income	$2,642	$71
Gain on sale of discontinued operation	–	(2,236)
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization of intangibles	1,572	1,666
Stock-based compensation	585	661
Non-cash restructuring charges	212	315
Provision for (recovery of) doubtful accounts	197	(185)
Amortization of premiums/discounts on investments, net	307	346
Changes in operating assets and liabilities, net of effect of acquired assets and liabilities:		
Accounts receivable	(14,516)	(2,411)
Prepaid assets, deposits, and other assets	231	(741)
Accounts payable	(2,526)	437
Accrued liabilities	(24)	(98)
Accrued restructuring costs	(1,440)	(3,388)
Deferred revenue	(4,694)	2,698
Net cash used for operating activities	(17,454)	(2,865)
Cash flows from investing activities:		
Purchases of property and equipment	(389)	(1,066)
Proceeds from sale of discontinued operation, net	–	2,236
Payment of settlement related to discontinued operations	(12,000)	–
Purchases of short-term investments	(981)	(11,329)
Proceeds from sales and maturities of short-term investments	7,418	13,130
Purchases of long-term investments	–	(825)
Proceeds from sales and maturities of long-term investments	3	–
Net cash provided by (used for) investing activities	(5,949)	2,146
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	119	70
Net cash provided by financing activities	119	70
Net decrease in cash and cash equivalents	(23,284)	(649)
Cash and cash equivalents at beginning of period	47,266	60,935
Cash and cash equivalents at end of period	$23,982	$60,286

See accompanying notes to condensed consolidated financial statements

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OPENWAVE SYSTEMS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

(1) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not contain all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management of Openwave Systems Inc. (the "Company" or "Openwave"), the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company' s financial position as of September 30, 2011 and June 30, 2011, and the results of operations for the three months ended September 30, 2011 and 2010 and cash flows for the three months ended September 30, 2011 and 2010. The following information should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto included in the Company' s Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Use of Estimates and Business Risks

The preparation of condensed consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company derives more than half of its revenues from U.S. customers, which consists primarily of sales to Sprint Nextel and patent license arrangements. Individual sales to Sprint Nextel can be significant and the timing of these transactions can create significant variability in the timing and level of Company revenues and profitability. For all periods presented, revenues from Sprint Nextel ranged from 21% to 23% of total revenues. Additionally, during the first quarter of fiscal 2012, 29% of revenue came from the licensing of the Company' s patents. As the Company continues to execute its licensing plans, the Company anticipates the related revenue in future periods to be unpredictable. Additionally, the program to monetize the Company' s intellectual property can create significant variability in its profitability.

Revenue Recognition

There have been no material changes to the Company' s significant accounting policies as provided in Note 2 to the consolidated financial statements included in the Company' s Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Stock Based Compensation

The following table illustrates stock-based compensation recognized in the condensed consolidated statements of operations by category of award (in thousands):

	Three Months Ended September 30,	
	2011	**2010**
Stock-based compensation related to:		
Grants of nonvested stock	$ 44	$ 56
Stock options granted to employees and directors	381	523
Employee stock purchase plan	54	82
Stock option modification in relation to restructuring	106	–
Stock-based compensation recognized in the condensed consolidated statements of operations	$ 585	$ 661

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During the three months ended September 30, 2011 and 2010, the tax benefits related to stock option expense were immaterial.

The Company amortizes stock-based compensation for awards granted on a straight-line basis over the requisite service (vesting) period for the entire award.

(a) Assumptions and Activity

The fair value of each option grant is estimated on the date of grant using the Black-Scholes-Merton option pricing model and assumptions noted in the following table.

	Three Months Ended September 30,	
	2011	**2010**
Expected volatility	78.0%	65.4%
Expected dividends	–	–
Expected term (in years)	3.89 - 3.98	3.93 - 3.94
Risk-free rate	0.8%	1.2%

The Company estimates the expected term for new grants based upon actual post-vesting option cancellation and exercise experience, as well as the average midpoint between vesting and the contractual term for outstanding options. The Company' s expected volatility for the expected term of the option is based upon the historical volatility experienced in the Company' s stock price, as well as implied volatility in the market traded options on Openwave common stock, when appropriate. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company determines the fair value of nonvested shares based on the NASDAQ closing stock price on the date of grant.

(b) Employee Stock Purchase Plan

Under the Openwave Systems Inc. 1999 Employee Stock Purchase Plan ("ESPP"), eligible employees may purchase common stock through payroll deductions at a price equal to 85% of the lower of the fair market value of the Company' s common stock as of the beginning and the end of the six month offering periods. The amount of stock-based compensation expense recognized relating to the ESPP during the three months ended September 30, 2011 and 2010 was $0.1 million and $0.1 million, respectively.

The fair value used in recording the stock-based compensation expense associated with the ESPP is estimated for each offering period using the Black-Scholes-Merton option pricing model.

There were no ESPP purchases during the three months ended September 30, 2011 and 2010. The expected term is six months, coinciding with each offering period. Expected volatilities are based on the historical volatility experienced in the Company' s stock price, as well as implied volatility in the market traded options on Openwave common stock when appropriate. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

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(c) Equity awards activity

A summary of option activity from July 1, 2011 to September 30, 2011 is presented below (in thousands except per share and year amounts):

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at July 1, 2011	9,889	$ 3.21		
Options granted	2,228	1.93		
Exercised	(80)	1.60		
Forfeited, canceled or expired	(1,407)	2.54		
Outstanding at September 30, 2011	10,630	$ 3.04	7.64	$ 751
Vested and expected to vest at September 30, 2011	9,421	$ 3.18	7.40	$ 737
Exercisable at September 30, 2011	5,703	$ 3.98	6.22	$ 632

The weighted average grant date fair values of options granted during the three months ended September 30, 2011 and 2010 were $1.09 and $0.82, respectively. The total intrinsic value of options exercised during the three months ended September 30, 2011 and 2010 was $41,000 and $12,000, respectively. Upon the exercise of options, the Company issues new common stock from its authorized shares.

A summary of the activity of the Company' s nonvested share awards from July 1, 2011 to September 30, 2011 is presented below (in thousands except per share amounts):

Nonvested Shares	Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested at July 1, 2011	197	$2.07
Nonvested shares granted	28	1.93
Vested	–	–
Forfeited	–	–
Nonvested at September 30, 2011	225	$2.05

The total fair value of shares vested during the three months ended September 30, 2010 was $39,000. As of September 30, 2011, there was $4.9 million of total unrecognized compensation cost related to all unvested share awards. That cost is expected to be recognized as the awards vest over the next four years.

Stock-based compensation expense impacted the Company' s results of operations as follows (in thousands):

	Three Months Ended September 30,	
	2011	2010
Stock-based compensation by category:		
Maintenance and support services	$42	$45
Services	54	59

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Research and development	94	131
Sales and marketing	116	156
General and administrative	173	270
Restructuring	106	–
	$585	$661

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Recently Issued Accounting Pronouncements

Accounting Standards Update No. 2010-28, Intangibles−Goodwill and Other (Topic 350), *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* ("Update 2010-28"). Update 2010-28 amends the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. Update 2010-28 is effective for fiscal years beginning after December 15, 2011. The adoption of this guidance is not expected to have a material impact on the Company' s condensed consolidated financial position, results of operations or cash flows.

Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* ("Update 2011-04"). Update 2011-04 amends the requirements related to fair value measurement, in particular changing the wording used to describe many requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. The amendments also serve to clarify the FASB' s intent about the application of existing fair value measurement requirements. The amended guidance is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The Company will adopt this guidance beginning in the third quarter of fiscal 2012. Adoption of this guidance is not expected to have a material impact on the Company' s condensed consolidated financial statements.

Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220), *Presentation of Comprehensive Income* ("Update 2011-05"). Update 2011-05 allows the option of presenting 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. Additionally, Update 2011-05 requires companies to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The amended guidance is effective for interim and annual periods beginning after December 15, 2011, and is applied retrospectively. The Company will adopt this guidance beginning in the third quarter of fiscal 2012. Adoption of this guidance is not expected to have a material impact on the Company' s condensed consolidated financial statements.

Accounting Standards Update No. 2011-08, Intangibles−Goodwill and Other (Topic 350)−*Testing Goodwill for Impairment* ("Update 2011-08"), allows entities to use a qualitative approach to test goodwill for impairment. Update 2011-08 permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. Update 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. Adoption of this guidance is not expected to have a material impact on the Company' s condensed consolidated financial statements.

(2) Net Income (Loss) Per Share

Basic net income (loss) per common share has been computed using the weighted average number of shares of common stock outstanding during the period, less shares subject to repurchase. The following table reconciles the number of shares used in the basic and diluted net income (loss) per share computations for the periods presented (in thousands):

	Three Months Ended September 30,	
	2011	**2010**
Weighted average shares used in computing basic net income (loss) per common share	85,482	84,017
Dilutive effect of restricted stock subject to repurchase	203	−
Dilutive effect of employee stock options	747	−
Weighted average shares used in computing diluted net income (loss) per share	86,432	84,017

The Company excludes potentially dilutive securities from its diluted net income (loss) per share computation when their effect would be anti-dilutive to the net income (loss) from continuing operations per share computation. The following table sets forth potential shares of common

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stock that are not included in the diluted net income (loss) per share calculation because to do so would be anti-dilutive for the periods indicated below (in thousands):

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	Three Months Ended September 30,	
	2011	2010
Weighted average effect of potential common stock:		
Unvested common stock subject to repurchase	–	218
Options that would have been included in the computation of dilutive shares outstanding had the Company reported net income from continuing operations, prior to applying the treasury method	–	2,504
Options that were excluded from the computation of dilutive shares outstanding because the total assumed proceeds exceeded the average market value of the Company' s common stock during the quarter	6,970	7,832

(3) Discontinued Operations

Client Operations

During fiscal 2008, the Company sold its Client operations to Purple Labs, a private company based in Chambéry, France. The terms of the agreement include initial consideration of $20.0 million in cash received by the Company in June 2008, and a note receivable of $5.8 million that was paid in July 2008.

Additionally, upon the sale in June 2008, $4.2 million was placed in escrow by Purple Labs, originally to be held until September 30, 2009, to secure indemnification claims made by Purple Labs, if any. On September 23, 2009, Myriad AG (formerly known as Purple Labs) made claims against the escrow in excess of $4.2 million and therefore the funds were not released from escrow. On September 24, 2010, the parties agreed to release $2.0 million from the escrow to Myriad and the remaining balance of $2.2 million, plus accrued interest, to Openwave. This amount was recognized as a gain on sale of discontinued operations in the first quarter of fiscal 2011.

On August 28, 2011, the Company entered into an agreement with Myriad (the "Agreement") for the purposes of settling all existing litigation between the Company and Myriad in connection with the Company' s sale of the client business to Purple Labs in June 2008. The Agreement terminated specified sections of an intellectual property licensing agreement which was entered into in connection with the sale of its client business that occurred in June 2008, clarified which patents were transferred with the sale of the client business and which remained the property of Openwave, contained a mutual covenant not to sue, and provided that the Company would pay to Myriad $12.0 million. The payment of $12.0 million occurred in September 2011, and was recorded as a loss on discontinued operations in the fourth quarter of fiscal 2011.

The Client operations financial results have been classified as a discontinued operation in the Company' s condensed consolidated statements of operations for each period presented.

The financial results of Client operations included in discontinued operations were as follows (in thousands):

	Three Months Ended September 30,	
	2011	2010
Gain on sale of discontinued operation	$ –	$ 2,236
Total income from discontinued operation	$ –	$ 2,236

As of September 30, 2011, there were no operational assets or liabilities attributable to Client operations due to the sale of the discontinued operation in June 2008.

(4) Geographic, Segment and Significant Customer Information

The Company' s Chief Executive Officer ("CEO") is considered to be the Company' s chief operating decision maker. The CEO reviews financial information presented on a consolidated basis accompanied by disaggregated information about revenues by geographic region for purposes of making operating decisions and assessing financial performance.

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The Company has organized its operations based on a single operating segment.

The Company markets its products primarily from its operations in the United States. International sales are primarily to customers in Japan and Europe, Middle East and Africa. Information regarding the Company' s revenues in different geographic regions is as follows (in thousands):

	Three Months Ended September 30,	
	2011	2010
United States	$32,015	$19,004
Americas, excluding the United States	4,411	4,938
Europe, Middle East, and Africa	5,089	5,872
Japan	7,758	9,197
Asia Pacific, excluding Japan	3,123	2,517
Total revenues	$52,396	$41,528

As noted in the table above, the Company has derived a significant portion of its revenues from sales to U.S.-based customers during the three months ended September 30, 2011 and 2010, of which a significant portion consisted of sales to Sprint Nextel and patent license arrangements. Although the Company intends to broaden its markets, there can be no assurance that this objective will be achieved.

The Company' s long-lived assets residing in countries other than in the United States are insignificant and thus have not been disclosed.

The majority of the Company' s revenues have been from a limited number of customers and the Company' s sales are concentrated in a single industry segment. During the periods noted below the Company had two significant customers, as shown in the following table:

	% of Total Revenue Three Months Ended September 30,	
	2011	2010
Customer:		
Sprint Nextel	23 %	21 %
Microsoft	29 %	–

(5) Balance Sheet Components

(a) Accounts Receivable, net

The following table presents the components of accounts receivable as of the dates noted (in thousands):

	September 30, 2011	June 30, 2011
Accounts receivable	$ 29,025	$16,344
Unbilled accounts receivable	7,905	6,093
Allowance for doubtful accounts	(318)	(144)
	$ 36,612	$22,293

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Significant customer accounts receivable balances as a percentage of total gross accounts receivable were as follows:

	% of Total Accounts Receivable	
	September 30, 2011	June 30, 2011
Customer:		
Microsoft	52 %	–
Itochu	9 %	17 %
Telefonica Moviles Espana	8 %	13 %

The amount owed by Microsoft shown above was received in October 2011.

(b) Goodwill and Intangible Assets, net

The following table presents activity recorded to goodwill and intangible assets from June 30, 2011 to September 30, 2011 (in thousands):

	Balance as of June 30, 2011	Amortization	Balance as of September 30, 2011
Goodwill	$ 267	$ –	$ 267
Intangible assets:			
Developed and core technology	553	(409)	144
	$ 820	$ (409)	$ 411

Total amortization related to intangible assets was as follows (in thousands):

	Three Months Ended September 30,	
	2011	2010
Developed and core technology	$ 409	$ 409
Customer contracts - support	–	11
Total amortization of intangible assets	409	420

Amortization of acquired developed and core technology and customer license contracts is included in Cost of Revenues – License. Amortization of acquired customer support contracts is included in Cost of Revenue – Maintenance and Support.

The following tables set forth the carrying amount of intangible assets, net as of the dates noted (in thousands):

	September 30, 2011			June 30, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed and core technology	$19,294	$(19,150)	$ 144	$19,294	$(18,741)	$ 553
	$19,294	$(19,150)	$ 144	$19,294	$(18,741)	$ 553

The following table presents the estimated future amortization of intangible assets, based upon the recorded intangible assets as of September 30, 2011 (in thousands):

Fiscal Year	Amortization
2012 (remaining)	$ 144
	$ 144

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(c) Deferred Revenue

As of September 30, 2011 and June 30, 2011, the Company had deferred revenue of $33.8 million and $38.5 million, respectively, consisting of deferred license fees, new version coverage, maintenance and support fees, and professional services fees. Deferred revenue results from amounts billed to the customer but not yet recognized as revenue as of the balance sheet date, since the billing related to one or more of the following:

- amounts billed prior to acceptance of product or service;
- new version coverage and/or maintenance and support elements prior to the time service is delivered; and
- license arrangements amortized over a specified future period due to the provision of unspecified future products.

Amounts in accounts receivable that have corresponding balances included in deferred revenue aggregated to approximately $5.5 million and $7.6 million as of September 30, 2011 and June 30, 2011, respectively.

(d) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive losses were as follows as of the dates noted (in thousands):

	September 30, 2011	June 30, 2011
Net unrealized gains (losses) on marketable securities:		
Unrealized gain (loss) on marketable securities not other-than-temporarily impaired	$ (39)	$18
Unrealized loss on marketable securities other-than-temporarily impaired	(1,024)	(855)
Net unrealized loss on marketable securities	(1,063)	(837)
Interest on marketable securities	20	16
Cumulative translation adjustments	(771)	(771)
Total Accumulated other comprehensive loss	$ (1,814)	$(1,592)

Comprehensive loss is comprised of net income (loss) and changes in unrealized loss on marketable securities (in thousands):

	Three Months Ended September 30,	
	2011	2010
Net income	$ 2,642	$ 71
Other comprehensive income (loss):		
Change in unrealized gain (loss) on marketable securities	(226)	85
Total comprehensive income	$ 2,416	$ 156

(6) Financial Instruments

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with remaining maturities of 90 days or less at the date of purchase. Cash equivalents are comprised of short-term investments with an investment rating of any two of the following: Moody’ s of A-2 or higher, or by Standard & Poor’ s of A1 or higher. The Company is exposed to credit risk in the event of default by the financial institutions or the issuers of these investments to the extent the amounts recorded on the balance sheet are in excess of amounts that are insured by the FDIC.

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Investments

The Company' s investment policy is consistent with the definition of available-for-sale securities. From time to time, the Company may sell certain securities but the objectives are generally not to generate profits on short-term differences in price. The following tables show the Company' s available-for-sale investments within investments and cash and cash equivalents in the condensed consolidated balance sheet (in thousands):

	Expected maturity for the year ending June 30,			Cost Value	Fair Value
	2012	2013	Thereafter	September 30, 2011 Total	September 30, 2011 Total
U.S. Government Agencies	$ 3,396	$ 3,299	$ –	$ 6,695	$ 6,710
Commercial Paper	9,345	–	–	9,345	9,346
Certificates of Deposit	240	240	–	480	480
Corporate Bonds	17,499	7,414	–	24,913	24,858
Auction Rate Securities	–	–	5,237	5,237	4,213
	$ 30,480	$ 10,953	$ 5,237	$ 46,670	$ 45,607

	September 30, 2011			
	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
U.S. Government Agencies	$6,695	$ 16	$(1)	$ 6,710
Commercial Paper	9,345	1	–	9,346
Certificates of Deposit	480	–	–	480
Corporate Bonds	24,913	1	(56)	24,858
Auction Rate Securities	5,237	–	(1,024)	4,213
	$46,670	$ 18	$(1,081)	$ 45,607

	June 30, 2011			
	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
U.S. Government Agencies	$5,911	$ 18	$(2)	$ 5,927
Commercial Paper	10,691	–	–	10,691
Certificates of Deposit	480	–	–	480
Corporate Bonds	28,095	14	(12)	28,097
Auction Rate Securities	5,237	–	(855)	4,382
	$50,414	$ 32	$(869)	$ 49,577

Temporary and Other-Than-Temporary Impairments On Available-For-Sale Securities

The Company reviews its investments in an unrealized loss position as of each balance sheet date for impairment in accordance with guidance issued by the FASB and the SEC in order to determine whether an impairment is temporary or other-than-temporary ("OTTI"). When an unrealized loss on a security is considered temporary, the Company records the unrealized loss in other comprehensive income (loss) and not in earnings.

An OTTI occurs when it is anticipated that the amortized cost will not be recovered for a security in an unrealized loss position. In such situations, the amount of OTTI recorded in earnings is the entire difference between the security' s amortized cost and its fair value when either: (i) the Company has the intent to sell the security; or (ii) it is more likely than not that the Company will be required to sell the security before recovery of the decline in fair value below amortized cost. If neither of these two conditions exists, only the difference between the amortized cost basis of the security and the present value of projected future cash flows expected to be collected is recognized as an OTTI charge in earnings ("credit loss"). If the fair value is less than the present value of projected future cash flows expected to be collected, this

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portion of OTTI relates to other-than credit factors (“noncredit loss”) and is recorded as other comprehensive income (loss) within stockholders’ equity.

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During both the three months ended September 30, 2011 and 2010 there were no OTTI charges in earnings.

The following tables show the gross unrealized losses and fair value of the Company' s investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	As of September 30, 2011					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate Bonds	$23,767	$ (56)	$−	$−	$23,767	$ (56)
U.S. Government Agencies	3,094	(1)	−	−	3,094	(1)
Auction Rate Securities	−	−	4,213	(1,024)	4,213	(1,024)
	$26,861	$ (57)	$ 4,213	$ (1,024)	$31,074	$ (1,081)

	As of June 30, 2011					
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government Agencies	$2,300	$ (2)	$−	$−	$2,300	$ (2)
Corporate Bonds	14,096	(12)	−	−	14,096	(12)
Auction Rate Securities	−	−	4,382	(855)	4,382	(855)
	$16,396	$ (14)	$ 4,382	$ (855)	$20,778	$ (869)

As of September 30, 2011, the Company had 45 investments in an unrealized loss position. As of June 30, 2011, the Company had 27 investments in an unrealized loss position.

Fair Value Measurement

The FASB has established a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs reflecting the Company' s own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

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The following tables summarizes the Company' s financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy (in thousands):

	Fair value of securities as of September 30, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents:				
Money Market Funds	$ 12,425	$ –	$ –	$12,425
Commercial Paper	2,000	–	–	2,000
U.S. Government Agencies	1,000	–	–	1,000
Short-term investments:				
Certificates of Deposit	480	–	–	480
U.S. Government Agencies	3,403	–	–	3,403
Corporate Bonds	21,077	–	–	21,077
Commercial Paper	7,346	–	–	7,346
Long-term investments:				
U.S. Government Agencies	2,307	–	–	2,307
Corporate Bonds	3,781	–	–	3,781
Auction Rate Securities	–	–	4,213	4,213
Foreign currency derivatives	194	–	–	194
Total Assets	$ 54,013	$ –	$ 4,213	$58,226

	Fair value of securities as of June 30, 2011			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and cash equivalents:				
Money Market Funds	$ 39,216	$ –	$ –	$39,216
Short-term investments:				
Certificates of Deposit	240	–	–	240
U.S. Government Agencies	2,414	–	–	2,414
Corporate Bonds	20,602	–	–	20,602
Commercial Paper	10,691	–	–	10,691
Long-term investments:				
U.S. Government Agencies	3,513	–	–	3,513
Corporate Bonds	7,495	–	–	7,495
Certificates of Deposit	240	–	–	240
Auction Rate Securities	–	–	4,382	4,382
Total Assets	$ 84,411	$ –	$ 4,382	$88,793
Liabilities				
Foreign currency derivatives	$ 115	$ –	$ –	115
Total Liabilities	$ 115	$ –	$ –	$115

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Auction Rate Securities ("ARS")

As of September 30, 2011, $4.2 million in ARS, recorded in long-term investments on the condensed consolidated balance sheet, were considered illiquid based upon a lack of auction results beginning in fiscal 2008. The Company estimated the fair value of these ARS based on probabilities of potential scenarios: (1) successful auction/early redemption; (2) failing auctions until maturity; or (3) default and the estimated cash flows for each scenario. Other factors were considered, such as the value of the investments held by the issuer and the financial condition and credit ratings of the issuer, insurers, and parent companies, as applicable.

These ARS were issued by two different entities and are held by two investment firms on the Company' s behalf. One of these securities is "Triple X" structured obligations of special purpose reinsurance entities associated with life insurance companies. One ARS is related to federal education student loans programs. As of September 30, 2011, these instruments were BBB by Standard and Poor' s and Aaa by Moody' s and all of the $5.7 million par value of these illiquid investments is insured against defaults of principal and interest by third party insurance companies.

The Company' s ARS were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2011. The fair value was $4.2 million as of September 30, 2011 and $4.4 million as of June 30, 2011.

The following table represents the reconciliation of the beginning and ending balances of the Company' s ARS measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three months ended September 30, 2011 (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) ARS
Balance at June 30, 2011	**$ 4,382**
Sale of ARS	–
Change in unrealized losses included in other comprehensive income	(169)
Other-than-temporary impairment	–
Balance at September 30, 2011	**$ 4,213**

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(7) Borrowings

Credit Agreement

On January 23, 2009, the Company and Silicon Valley Bank entered into a secured revolving credit facility for up to $40.0 million. On January 20, 2010, the Company entered into two amendments to the $40.0 million revolving credit facility with Silicon Valley Bank to modify the definition of EBITDA. Additionally, on April 14, 2010, the Company entered into another amendment to the $40.0 million revolving credit facility with Silicon Valley Bank to extend the maturity date to January 23, 2012, as well as to modify the commitment fee and several definitions, including EBITDA, Borrowing Base, and Investments. The Company entered into a Waiver and Amendment on April 26, 2011 to modify the EBITDA covenant minimum levels. The Company entered into an Amendment on September 6, 2011 to modify several definitions including the Borrowing Base. The Company may borrow, repay and re-borrow under the revolving credit facility at any time up to the maturity date. As of September 30, 2011, the revolving credit facility bears interest at 4% per annum. Monthly, the Company is required to pay a fee of 0.03% on any undrawn amounts under the revolving credit facility. For each letter of credit issued, the Company is required to pay 0.75% per annum on the face amount of the letter of credit. Annually, the Company is required to pay a commitment fee to the lender. In January 2010, the Company paid a $0.2 million commitment fee to the lender. In January 2011, the Company paid a $0.1 million commitment fee to the lender.

As of September 30, 2011, the Company had letters of credit outstanding against the revolving credit facility totaling $18.0 million, reducing the available borrowings on the revolving credit facility. The revolving credit facility requires a monthly borrowing base calculation to determine the amount of the revolving credit facility available for the Company to borrow (“Borrowing Base”). The Borrowing Base calculation is $20.0 million plus 75% of accounts receivables defined as eligible in the credit agreement. As of September 30, 2011, the Borrowing Base was $33.9 million and the total available for the Company to borrow on the revolving credit facility was $15.9 million, which is the difference between the Borrowing Base calculation of $33.9 million and the amount of outstanding letters of credit amount of $18.0 million.

The revolving credit line is secured by a blanket lien on all of the Company’ s assets and contains certain financial and reporting covenants customary to these types of credit facilities agreements which the Company is required to satisfy as a condition of the agreement. In particular, the revolving credit facility requires that the Company meet certain minimum four quarter EBITDA amounts, as well as meet a minimum monthly liquidity ratio. In addition, the revolving credit facility requires the Company to provide to the bank annual financial projections, promptly report any material legal actions, and timely pay material taxes and file all required tax returns and reports. Further, without the bank’ s consent, the Company cannot take certain material actions, such as change any material line of business, sell the Company’ s business, acquire other entities, incur liens, make capital expenditures beyond a certain threshold, or engage in transactions with affiliates. As of September 30, 2011, the Company was in compliance with all debt covenants.

(8) Commitments and Contingencies

Litigation

IPO securities class action

On November 5, 2001, a securities fraud class action complaint was filed in the United States District Court for the Southern District of New York. In re Openwave Systems Inc. Initial Public Offering Securities Litigation, Civ. No. 01-9744 (SAS) (S.D.N.Y.), related to In re Initial Public Offering Securities Litigation, 21 MC 92 (SAS) (S.D.N.Y.). It is brought purportedly on behalf of all persons who purchased shares of the Company’ s common stock from June 11, 1999 through December 6, 2000. The defendants are the Company and five of its present or former officers (the “Openwave Defendants”), and several investment banking firms that served as underwriters of the Company’ s initial public offering and secondary public offering. Three of the individual defendants were dismissed without prejudice, subject to a tolling of the statute of limitations. The complaint alleges liability under Sections 11 and 15 of the Securities Act of 1933 (the “Securities Act”) and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), on the grounds that the registration statements for the offerings did not disclose that: (1) the underwriters had agreed to allow certain customers to purchase shares in the offerings in exchange for excess commissions paid to the underwriters; and (2) the underwriters had arranged for certain customers to purchase additional shares in the aftermarket at predetermined

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prices. The amended complaint also alleges that false analyst reports were issued by Credit Suisse First Boston, Hambrecht & Quist, Robertson Stephens, and Piper Jaffray. No specific damages are claimed. Similar allegations were made in over 300 other lawsuits challenging public offerings conducted in 1999 and 2000, and the cases were consolidated for pretrial purposes.

On April 2, 2009, the parties in all the lawsuits submitted a settlement for the Court's approval. Under the settlement, the Openwave Defendants would not be required to make any cash payment. On October 6, 2009, the Court approved the settlement, under which the Openwave Defendants are not required to contribute any cash. Subsequently, the Court entered a judgment on the settlement. Several notices of appeal were filed by putative class members, challenging the settlement and the judgment. Subsequently, the Court determined that none of the objectors had standing to appeal. One of the putative objectors has filed a notice of appeal of the determination as to him. The Company believes a loss is not probable or reasonably estimable. Therefore no amount has been accrued as of September 30, 2011.

Simmonds v. Credit Suisse Group, et al.,

On October 3, 2007, Vanessa Simmonds, a purported stockholder of the Company, filed suit in the U.S. District Court for the Western District of Washington against Credit Suisse Group, Bank of America Corporation, and JPMorgan Chase & Co., the lead underwriters of the Company's initial public offering in June 1999, alleging violations of Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78p(b). The complaint seeks to recover from the lead underwriters any "short-swing profits" obtained by them in violation of Section 16(b). The suit names the Company as a nominal defendant, contains no claims against the Company, and seeks no relief from the Company. Simmonds filed an Amended Complaint on February 25, 2008 (the "Amended Complaint"), naming as defendants Credit Suisse Securities (USA), Robertson Stephens, Inc., J.P. Morgan Securities, Inc., and again naming Bank of America Corporation. The Amended Complaint asserts substantially similar claims as those set forth in the initial complaint.

On March 12, 2009, the Western District Court entered its judgment in the case and granted the moving issuers' motion to dismiss, finding plaintiff's demand letters were insufficient to put the issuers on notice of the claims asserted against them. The Western District Court also granted the underwriters' motion to dismiss as to the claims arising from the non-moving issuers' IPOs, finding plaintiff's claims were time-barred under the applicable statute of limitations.

Following an appeal to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"), on December 2, 2010, the Ninth Circuit affirmed the Western District Court's decision to dismiss the moving issuers' cases on the grounds that plaintiff's demand letters were insufficient to put the issuers on notice of the claims asserted against them and further ordered that the dismissals be made with prejudice. The Ninth Circuit, however, reversed and remanded the Western District Court's decision on the underwriter's motion to dismiss as to the claims arising from the non-moving issuers' IPOs, finding plaintiff's claims were not time-barred under the applicable statute of limitations. In remanding, the Ninth Circuit advised the non-moving issuers and underwriters to file in the Western District Court the same challenges to plaintiff's demand letters that moving issuers had filed.

On January 18, 2011, the Ninth Circuit denied all petitions for rehearing and petitions for rehearing en banc. On January 25, 2011, the Ninth Circuit granted the underwriters' motion to stay the issuance of mandate and ordered that the mandate in the cases involving the non-moving issuers is stayed for ninety days pending the filing of a petition for writ of certiorari in the United States Supreme Court. On January 26, 2011, the Ninth Circuit granted the appellant's motion and ruled that the mandate in all cases is stayed for ninety days pending the appellant's filing of a petition for writ of certiorari in the United States Supreme Court. On April 5, 2011, the plaintiff filed a Petition for Writ of Certiorari with the United States Supreme Court seeking reversal of the Ninth Circuit's December 2, 2010 decision. On April 15, 2011, underwriter defendants filed a Petition for Writ of Certiorari with the United States Supreme Court seeking reversal of the Ninth Circuit's December 2, 2010 decision relating to the statute of limitations issue.

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On June 27, 2011, the United States Supreme Court denied Simmonds' petition regarding the demand issue and granted the underwriters' position relating to the statute of limitations issue. The Ninth Circuit mandate for all cases continues to be stayed pending final disposition of the underwriters' Petition. Underwriters' brief on the merits was submitted on August 18, 2011, and Simmonds' brief was submitted on September 26, 2011. Oral argument in that case is scheduled for November 29, 2011.

No amount has been accrued as of September 30, 2011, as a loss is not considered probable or reasonably estimable.

In the Matter of Certain Devices of Mobile Communication

On August 31, 2011, the Company filed a complaint with the International Trade Commission (ITC) in Washington, DC, with Apple Inc., Research In Motion Ltd. and Research In Motion Corp. as proposed respondents, requesting that the ITC bar Apple and the Research In Motion entities (RIM) from importing into the United States their products, including smart devices and tablet computers, that infringe certain of the Company's patents. The complaint alleges that Apple and RIM infringe upon five of the Company's patents that cover technology that gives consumers access to the Internet from their mobile devices.

Openwave Systems Inc. v. Apple Inc., Research in Motion Ltd, and Research in Motion Corp.

On August 31, 2011, the Company filed a complaint in the federal district court for the district of Delaware against Apple and RIM, again alleging that Apple and RIM products infringe certain of the Company's patents, seeking among other things a declaration that the Company's patents cited in the complaint have been infringed by Apple and RIM and that these patents are valid and enforceable, damages as a result of the infringement, and an injunction against further infringement.

From time to time, the Company may be involved in litigation or other legal proceedings, including those noted above, relating to or arising out of its day-to-day operations or otherwise. Litigation is inherently uncertain, and the Company could experience unfavorable rulings. Should the Company experience an unfavorable ruling, there exists the possibility of a material adverse impact on its financial condition, results of operations, cash flows or on its business for the period in which the ruling occurs and/or in future periods.

Indemnification claims

The Company's software license and services agreements generally include a limited indemnification provision for claims from third parties relating to the Company's intellectual property. As of September 30, 2011, no amount is accrued for indemnifications as there were no existing claims where a loss is considered probable. Historically, costs related to these indemnification provisions have been infrequent and the Company is unable to estimate the maximum potential impact of these indemnification provisions on its future results of operations.

(9) Restructuring and Other Related Costs

As a result of the Company's change in strategy and its desire to improve its cost structure, the Company has announced several restructurings. These restructuring plans include the restructuring announced during the first quarter of fiscal 2012, and various other restructurings in fiscal 2002 through 2011.

The Company implemented a restructuring plan in fiscal 2012 (the "FY2012 Restructuring") to better align the Company's resources among its operational groups, reduce costs and improve operating efficiencies. As such, during the three months ended September 30, 2011, the Company incurred approximately $4.9 million in pre-tax restructuring and related charges associated with the FY2012 Restructuring's employee termination benefits. Of these charges, the Company paid approximately $2.1 million in the first quarter of fiscal 2012. The Company expects to pay the current accrued charges for employee termination benefits during the second quarter of fiscal 2012.

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The following table sets forth the restructuring liability activity from June 30, 2011 through September 30, 2011 (in thousands):

	FY 02 to FY 06 Restructuring Plans Facility	FY 09 Restructuring Plan Facility	FY 10 Restructuring Plan Facility	FY 11 Restructuring Plan Severance	FY 12 Restructuring Plan Severance	Total Accrual
Accrual balances as of June 30, 2011	$ 22,927	$ 2,283	$ 748	$ 217	$ –	$26,175
New charges[1]	(6)	(126)	–	(12)	4,905	4,761
Accretion expense	194	15	3	–	–	212
Cash paid, net of sublease income	(3,503)	(232)	(138)	(205)	(2,123)	(6,201)
Balance as of September 30, 2011	$ 19,612	$ 1,940	$ 613	$ –	$ 2,782	$24,947

(1) Total charges does not include approximately $0.1 million in non-cash stock based compensation expense as represented on the Company' s condensed consolidated statement of operations under restructuring and other costs for the first quarter of fiscal 2012.

As of September 30, 2011, the Company has sublease contracts in place for all of its exited facilities, which provides for approximately $13.3 million of future sublease income from third parties. Future minimum lease payments under non-cancelable operating leases, associated with exited facilities, with terms in excess of one year and future contractual sublease income were as follows at September 30, 2011 (in thousands):

Year ending June 30,	Contractual Cash Obligation	Contractual Sublease Income	Estimated Future Net Cash Outflow
2012 (remaining)	$ 15,758	$(5,950)	$ 9,808
2013	18,260	(6,073)	12,187
2014	1,627	(1,019)	608
2015	499	(232)	267
	$ 36,144	**$(13,274)**	**$ 22,870**

The Company' s restructuring liabilities are recorded at net present value. Over time, the net present value increases to equal the amount of the net future cash payments, removing the need for time-based discounting. Accretion expense reflects the increase in the net present value during the relevant period. Future accretion expense on the restructured facility obligations above is $0.7 million, which will be recorded as restructuring expense over the life of the respective leases.

(10) Income Taxes

Income tax expense consisted of foreign withholding tax, foreign corporate tax and foreign deferred tax. Both foreign withholding tax and foreign corporate tax fluctuate quarterly based on the product and geographic mix of the Company' s revenue, with a resulting fluctuation in the Company' s quarterly effective tax rate.

In light of the Company' s history of operating losses, the Company recorded a full valuation allowance for its U.S. federal and state deferred tax assets. The Company intends to maintain this valuation allowance until there is sufficient evidence to conclude that it is more likely than not that the federal and state deferred tax assets will be realized. Under Internal Revenue Code Section 382, the utilization of a corporation' s net operating loss ("NOL") carryforwards is limited following a change in ownership (as defined by the Internal Revenue Code) of greater than 50% within a three-year NOL period. If it is determined that prior equity transactions limit the Company' s NOL carryforwards, the annual limitation will be determined by multiplying the market value of the Company on the date of the ownership change by the federal long-term tax-exempt rate. Any amount exceeding the annual limitation may be carried forward to future years for the balance of the NOL carryforward period. As of September 30, 2011, the Company has net foreign deferred tax assets recorded of approximately $2.6 million, which consists of $2.7 million of realizable deferred tax assets in selected countries based upon the Company' s conclusion that it is more likely than not that these foreign subsidiaries will earn future taxable profit through transfer pricing; this is offset by $0.1 million of deferred tax liabilities recorded with respect to acquisitions for which the amortization expense of acquired intangibles is not deductible for tax purposes.

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The unrecognized tax benefits activity is as follows (in thousands):

Balance as of July 1, 2011	$1,027
Foreign currency fluctuations	(11)
Balance as of September 30, 2011	$1,016

The total amount of gross unrecognized tax benefits was $1.0 million as of September 30, 2011, all of which would affect the effective tax rate if realized.

Although timing of the resolution and/or closure on the Company' s unrecognized tax benefits is highly uncertain, the Company does not believe it is reasonably possible that the unrecognized tax benefits would materially change in the next 12 months.

The Company files U.S. federal, U.S. state and foreign tax returns. The Company' s U.S. federal tax return for fiscal 2009 is currently under examination by the Internal Revenue Service. Although the outcome of the examination is uncertain, we do not expect the results to have a material impact on the financial statements. Because of net operating loss carry forwards, substantially all of the Company' s tax years, from fiscal year 1995 through fiscal year 2010, remain open to state tax examinations with the exception of Alabama, Massachusetts and Texas. Most of the Company' s foreign jurisdictions have three or four open tax years at any point in time.

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

Forward-Looking Statements

In addition to historical information, this Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based upon current expectations and beliefs of management and are subject to risks and uncertainties that may cause actual events, results or performance to differ materially from those indicated by these statements. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" and similar expressions identify forward-looking statements. Forward-looking statements include, among other things, statements regarding our ability to attract and retain customers, our ability to obtain and expand market acceptance for our products and services, our expectations concerning our future financial performance and potential or expected competition and growth in our markets and markets in which we expect to compete, our business strategy, projected plans and objectives, anticipated cost savings from restructurings, our ability to realize anticipated benefits of our acquisitions on a timely basis, our estimates with respect to future operating results, including, without limitation, earnings, cash flow and revenue and any statements of assumptions underlying the foregoing. These forward-looking statements are only predictions. Risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements include the limited number of potential customers, the highly competitive market for our products and services, technological changes and developments, potential delays in software development and technical difficulties that may be encountered in the development or use of our software, patent litigation, our ability to retain management and key personnel, and the other risks discussed under the subheading "Risk Factors" in Item 1A, Part II of this Current Report on Form 10-Q, as well as elsewhere in this report. The occurrence of the events described in "Risk Factors" could harm our business, results of operations and financial condition. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements except as required by law. Readers should carefully review the risk factors described in this section and in "Risk Factors" below and other risks identified from time to time in the Openwave' s public statements and reports filed with the Securities and Exchange Commission.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes, and Management' s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which was filed with the Securities and Exchange Commission on September 6, 2011, and the unaudited condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q.

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Overview of Our Business and Products

Openwave is a global software innovator delivering context-aware mediation and messaging solutions that enable communication service providers and the broader ecosystem to create and deliver smarter services.

We see demand building for mobile data as traditional voice revenues continue to flatten. This demand for data is fueling the growth of the mobile web, with application stores, social networking and video leading the way. The continuous introduction of new devices such as smartphones, tablets and other mobile internet-capable devices encourages users to consume more data. The increase in demand for mobile data may not result in an immediate or direct impact on our financial results, as we are dependent upon how and when the mobile carriers respond to these trends and how, whether, and when they invest in the required infrastructure. Additionally, the sales cycle generally lasts several quarters, and often can be more than one year.

The cautious spending environment by communication service providers has contributed to reducing our revenues over recent years, and we have also experienced lower-than-expected sales of our new products, which in some cases is a result of slow market adoption, and competition from competitors. In some cases, our customers choose to address capacity issues by purchasing additional hardware rather than improving their network' s efficiency with the purchase of additional software. In addition, as the generation of technology platforms (i.e, 2G and 3G) begin to be replaced more quickly, we notice operators are exercising caution in spending on capital additions due to the shorter period of benefit. While we intend to introduce new products to market, expanding our customer base in new regions, increase our sales through channel partners, and monetizing our portfolio of intellectual property, our success or failure in these endeavors could have a material effect on our financial condition.

The key performance measures that we use in assessing our business include bookings, backlog, gross margins, operating cash flows and disciplined management of operating expenses. Our goal is to maintain, over time, a book-to-bill ratio of 1:1 or better. This in turn builds backlog and, therefore, predictability of future revenues.

Bookings comprise the aggregate value of all new contractual arrangements executed during a period. We define backlog as the aggregate value of all existing contractual arrangements less revenue recognized to date under these contractual arrangements. For the first quarter of fiscal 2012, bookings were approximately $23.7 million, down $18.7 million, or 44%, from approximately $42.4 million for the first quarter of fiscal 2011. $15.0 million of our bookings during the first quarter of fiscal 2012 related to a patent license. Backlog was approximately $141.8 million as of September 30, 2011, down from $173.6 million as of September 30, 2010. Many of our bookings include the ability for customers to cancel services or maintenance. Cancellations of bookings from prior quarters, if any, are treated as a reduction in backlog. For example, during the second fiscal quarter of 2011, our largest booking was the renewal of maintenance for several products for three years, totaling $25.4 million. After the first year, the customer may terminate the renewal for convenience. While we do not expect any material terminations from this booking, it is possible for the customer to do so without penalty. Support or hosting agreements that cover multiple years can contribute to the variability in the quarterly amount of bookings achieved, as well as the timing of revenue, billings and collections from those bookings. Generally, revenue resulting from license and services bookings are recognized and collected over approximately two years based upon the dollar-weighted average project time. Support bookings typically cover one to three years. Bookings related to royalty or usage arrangements are recognized concurrently with the related revenue and therefore do not impact backlog.

Bookings that span multiple years are generally recognized, billed and collected over the same period.

The table below presents our gross margin on a GAAP basis and provides a reconciliation to the key metric monitored by management, as this metric excludes items which management does not consider in evaluating Openwave' s on-going business. Because amortization of intangibles and stock-based compensation are non-cash items, management excludes them from the metric in order to compare Openwave with other companies, as many other companies also exclude these items. Further, investors often use measures such as these to evaluate the financial performance of a company.

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	Three Months Ended September 30,			
	2011		2010	
	(dollars in thousands)			
Gross Margin	$33,982	64.8%	$28,050	67.5%
Amortization of intangibles included in Cost of revenues	409	0.8 %	420	1.0 %
Stock based compensation included in Cost of revenues	96	0.2 %	104	0.3 %
Management Metric	$34,487	65.8%	$28,574	68.8%

Until the end of fiscal 2011, we expected to maintain gross margins of approximately 60%. For the remainder of fiscal 2012, in response to lower-than-expected bookings during the fourth quarter of fiscal 2011 and our forecast for fiscal 2012, we expect that our gross margins will decline to between approximately 52% and 56%. However, our gross margin will continue to fluctuate from quarter to quarter, depending on the mix of software, services and hardware delivered during the quarter, which is subject to our customers' schedules and demands. Additionally, patent revenues, if any, would cause our gross margin to be higher since these revenues do not have an associated cost of revenue. The timing of these revenues is unpredictable and is not guaranteed. During the three months ended September 30, 2011, our overall gross margin excluding the impact of amortization of intangibles and stock based compensation was 65.8%, compared to 68.8% in the three months ended September 30, 2010. For a breakout of revenue by type, see the tables below under "Summary of Operating Results". Despite an $11.0 million increase in patent revenues from the prior year' s quarter having a positive impact on gross margins, the decrease in gross margin related to all other types of revenues caused an overall decline in gross margin. Additionally, the proportion of license and maintenance and support revenues decreased, while services revenues, which typically yield a lower gross margin, increased from the prior year' s period. The decline in maintenance and support revenues relates to reductions in certain renewed rates, service levels and platform coverage during fiscal 2011. The increase in services revenue relates to a $4.7 million hardware order fulfilled during the first fiscal quarter of 2012. Our goal is to increase the services revenue gross margin through better project management, which in turn would improve our overall gross margin. We expect that any improvements in maintenance and support gross margins will be gradual given the recurring nature of maintenance and support activities over the term of the agreements.

Since its inception in 1994, Openwave and its predecessor companies have invested in and patented certain intellectual property for the mobile internet industry. We have commenced plans to license this intellectual property. For example, during the first quarter of fiscal 2012, we entered into a license agreement with a third-party whereby we licensed rights to the majority of our patents for a fee of $15.0 million which was received during the second quarter of fiscal 2012. Additionally, during the first quarter of fiscal 2011 we licensed a number of patents to a competitor which generated $4.0 million in patent revenue for the period. As we execute our licensing plans, we anticipate the related revenue in future periods to be unpredictable and volatile. Additionally, legal costs associated with our efforts to license and protect our intellectual property and proprietary rights could be material in any given period, and are unpredictable and volatile. Effectively policing and enforcing our intellectual property is time consuming and costly. In addition, there can be no assurance that any ongoing or future litigation will be successful.

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Overview of Financial Results During the Three Months Ended September 30, 2011

The following table represents a summary of our operating results from continuing operations for the three months ended September 30, 2011, compared with the three months ended September 30, 2010 (dollars in thousands):

	Three Months Ended September 30,		Percent
	2011	2010	Change
		(unaudited)	
Revenues	$52,396	$41,528	26 %
Cost of revenues	18,414	13,478	37 %
Gross profit	33,982	28,050	21 %
Operating expenses	30,943	29,571	5 %
Operating income (loss)	3,039	(1,521)	-300 %
Interest and other expense, net	61	37	65 %
Income tax expense	458	681	-33 %
Net income (loss) from continuingoperations	$2,642	$(2,165)	-222 %

Revenues increased during the three months ended September 30, 2011, compared to the corresponding periods of the prior year. See discussion of Revenues below under the Summary of Operating Results.

Overall, operating expenses increased $1.4 million during the three months ended September 30, 2011, compared with the corresponding period of the prior year. This increase is primarily due to increases in restructuring and other related costs, as discussed in further detail under Summary of Operating Results below.

Operating Environment during the Three Months Ended September 30, 2011

Although mobile data services revenues are growing, the average revenue per user, commonly referred to as ARPU, has remained flat over the last several years for many of Openwave' s mobile operator customers. Many operators moved to flat rate mobile data revenue plans which have successfully driven mobile data usage. This increased demand is fueling the growth of mobile web traffic, with application stores, social networking and video leading the way. The continuous introduction of new devices (Android-based smartphones, iPhones, tablets and other connected devices) encourages users to consume more data, driving ever-increasing levels of traffic to mobile networks.

Mobile networks were built and managed on the underlying assumption of predictable consumption. Even some 3G networks will not be able to handle the expected increase in mobile traffic. Although operators have announced their planned migrations to next-generation 4G networks, upgrades of their software infrastructure continue to be incremental, with minimal commitment and smaller capacity purchases.

In the infrastructure market overall, we expect to see continued, but cautious capital equipment spending levels by the operators. We believe that some of the products Openwave and our competitors sell will continue to be viewed by operators as necessary costs that will maintain, but not grow, monthly ARPU. Other Openwave products and those of our competitors are being viewed as ways to drive additional revenue though innovative ways to monetize the increasing demand for mobile services.

Recent Executive Officer and Board of Director Changes

John Giere, Senior Vice President, Products and Marketing assumed the majority of the role previously held by John Charters, Senior Vice President, Worldwide Sales, who departed the Company on November 3, 2011.

On October 6, 2011, we announced the appointment of Mike Mulica as Chief Executive Officer ("CEO"), replacing CEO, Ken Denman, who departed the Company on September 9, 2011.

On July 28, 2011, the Board of Directors of Openwave Systems Inc. elected Peter A. Feld as a Class III director of Openwave, which class of directors shall serve until the 2011 annual meeting of stockholders. Mr. Feld was also appointed to the Company' s Nominating and Corporate Governance Committee and the Special Projects Committee.

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Critical Accounting Policies and Judgments

We believe that there are several accounting policies that are critical to understanding our business and prospects for our future performance, as these policies affect the reported amounts of revenue and other significant areas that involve management' s judgment and estimates. These significant accounting policies are:

- Revenue recognition;
- Allowance for doubtful accounts;
- Stock-based compensation;
- Valuation of investments; and
- Restructuring-related assessments.

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There have been no material changes to our critical accounting policies and estimates since our fiscal year end on June 30, 2011. For further discussion of our critical accounting policies and judgments, please refer to the Notes to our condensed consolidated financial statements included in this Form 10-Q and to our Management' s Discussion and Analysis of Financial Condition and Results of Operations and audited consolidated financial statements and accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Summary of Operating Results

Three Months Ended September 30, 2011 and 2010

Revenues

We generate four different types of revenues: license revenues are primarily associated with the licensing of our software products to communication service providers; maintenance and support revenues are derived from providing support services to communication service providers; services revenues are primarily a result of providing deployment and integration consulting services to communication service providers; and patents revenues are derived from licensing our intellectual property. Service revenues may include a limited amount of packaged solution elements which may be comprised of our software licenses, professional services, third-party software and hardware.

The majority of our revenues have been from a limited number of customers and our sales are concentrated in a single industry segment. During the periods noted below we had two significant customers, as shown in the following table:

	% of Total Revenue Three Months Ended September 30,	
	2011	**2010**
Customer:		
Sprint Nextel	23 %	21 %
Microsoft	29 %	–

We derived a significant portion of our revenues from sales to U.S. based customers during the three months ended September 30, 2011 and 2010, which itself primarily consisted of sales to Sprint Nextel in both periods. Additionally, we recognized a $15.0 million patent license to Microsoft during the three months ended September 30, 2011. Although we intend to broaden our markets, there can be no assurance that this objective will be achieved.

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The following table presents key revenue information (dollars in thousands):

	Three Months Ended September 30,		Percent
	2011	2010	Change
Revenues:			
License	$9,914	$12,332	-20 %
Maintenance and support	10,671	13,993	-24 %
Services	16,790	11,203	50 %
Patents	15,021	4,000	276 %
Total Revenues	$52,396	$41,528	26 %
Percent of revenues:			
License	19 %	30 %	
Maintenance and support	20 %	33 %	
Services	32 %	27 %	
Patents	29 %	10 %	
Total Revenues	100 %	100 %	

License Revenues

License revenues decreased by 20% during the three months ended September 30, 2011, as compared with the corresponding period of the prior year. The decrease in license revenue during this period was driven by the low level of license bookings beginning in the prior quarter.

Maintenance and Support Revenues

Maintenance and support revenues decreased by 24% during the three months ended September 30, 2011, as compared with the corresponding period of the prior year. This decrease was primarily a result of reductions in renewed support services.

Services Revenues

Services revenue increased by 50% for the three months ended September 30, 2011, as compared with the corresponding period of the prior year. This increase was due to a project in the Americas that generated $5.0 million in revenue which was primarily from third-party hardware and related services during the first quarter of fiscal 2012, with no such comparable project in the prior year.

Patents Revenues

During the first quarter of fiscal 2012, we entered into a license agreement with a third-party whereby we licensed rights to the majority of our patents for a fee of $15.0 million which was received during the second quarter of fiscal 2012. During the first quarter of fiscal 2011, we entered into a license agreement for a fee of $4.0 million plus future royalties from domestic sales of products and related services covered under the patent license after September 22, 2010. We intend to continue to seek monetization opportunities for our intellectual property; however, there can be no guarantee that our efforts will be successful.

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Cost of Revenues

The following table presents cost of revenues in dollars, as well as gross margin, by revenue type (dollars in thousands):

	Three Months Ended September 30,		Percent
	2011	2010	Change
Cost of revenues:			
License	$895	$439	104 %
Maintenance and support	3,722	4,152	-10 %
Services	13,797	8,887	55 %
Total Cost of Revenues	$18,414	$13,478	37 %

	Three Months Ended September 30,	
	2011	2010
Gross margin per related revenue category:		
License	91 %	96 %
Maintenance and support	65 %	70 %
Services	18 %	21 %
Patents	100 %	100 %
Total Gross Margin	65 %	68 %

Cost of License Revenues

Cost of license revenues consists primarily of third-party license fees and amortization of developed technology and customer contract intangible assets related to our acquisitions.

Costs of license revenues increased by104% during the three months ended September 30, 2011, as compared with the corresponding period of the prior year. The increase in cost of license revenues primarily results from additional royalties generated by revenues from a product in the current quarter which has a higher third-party component than most of our other products.

Cost of Maintenance and Support Revenues

Cost of maintenance and support revenues consists of compensation and related overhead costs for personnel engaged in support services to communication service providers.

Cost of maintenance and support decreased by 10% during the three months ended September 30, 2011, as compared with the corresponding period of the prior year. This decrease is primarily attributed to reduced labor costs in the current year' s period, as headcount declined by approximately 22% from the prior year' s period. The decline in the gross margin related to maintenance and support is attributed to lower contracted revenues.

Cost of Services Revenues

Cost of services revenues consist of compensation and independent consultant costs for personnel engaged in performing professional services, hardware purchased for resale, and related overhead.

Cost of services increased by 55% during the three months ended September 30, 2011, as compared with the corresponding period of the prior year. This increase is a result of the 50% increase in services revenue during the same period. The majority of this increase relates to third-party hardware installed at Sprint Nextel during the three months ended September 30, 2011.

Cost of Patents Revenues

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Openwave has invested in and patented intellectual property for the mobile internet industry. The administrative cost of filing these patents has not been material. The cost of creating the intellectual property has been reflected in research and development costs over the years as incurred, with the primary purpose of developing intellectual property

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for sale in the form of enterprise software. Additionally, we recently entered into a significant contract to license the use of our patents to a third-party in the first quarter of fiscal 2012 as described above. Contract negotiation costs on all contracts are primarily incurred by our legal department and are reflected in general and administrative costs as incurred. As such, the gross margin on patents is 100% as any direct or indirect associated costs have been expensed as incurred in operating expenses. The primary operating expense associated with our efforts to license and protect our intellectual property and proprietary rights relate to professional fees from outside legal counsel, which are recorded in general and administrative expenses, and could be material in any given period, and are unpredictable and volatile. In addition, during the first quarter of fiscal 2012, we recorded $0.4 million of commission expense in Sales and marketing related to the patent deal recognized during the period .

Operating Expenses

The following table represents operating expenses for the three months ended September 30, 2011 and 2010, respectively (dollars in thousands):

	Three Months Ended September 30,		Percent
	2011	2010	Change
Operating expenses:			
Research and development	$9,348	$11,430	-18 %
Sales and marketing	8,737	10,821	-19 %
General and administrative	7,786	6,612	18 %
Restructuring and other related costs	5,072	708	616 %
Total Operating Expenses	$30,943	$29,571	5 %
Percent of Revenues:			
Research and development	18 %	28 %	
Sales and marketing	17 %	26 %	
General and administrative	15 %	16 %	

Research and Development Expenses

Research and development expenses consist principally of salary and benefit expenses for software developers, contracted development efforts, related facilities costs and expenses associated with computer equipment used in software development.

During the three months ended September 30, 2011, research and development costs decreased 18% as compared with the corresponding period in the prior year. This decrease is primarily attributable to a decrease in labor and associated costs of related to a reduction in average headcount of approximately 18%, as well as lower allocations and contingent worker expense.

Sales and Marketing Expenses

Sales and marketing expenses include salary and benefit expenses, sales commissions, travel expenses, and related facility costs for our sales and marketing personnel, and amortization of customer relationship intangibles. Sales and marketing expenses also include the costs of trade shows, public relations, promotional materials and other market development programs.

During the three months ended September 30, 2011, sales and marketing costs decreased by 19% as compared with the corresponding period of the prior year. This decrease is primarily due to a decline in costs incurred in the prior year period to recruit and, in some cases, replace portions of the salesforce. Additionally, there was a decline in expenses for the corporate incentive plan and a decline in costs for corporate sales events from the prior year’ s period.

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General and Administrative Expenses

General and administrative expenses consist principally of salary and benefit expenses, travel expenses, and facility costs for our finance, human resources, legal, information services and executive personnel. General and administrative expenses also include outside legal and accounting fees, provision for doubtful accounts, and expenses associated with computer equipment and software used in administration of the business.

During the three months ended September 30, 2011, general and administrative costs increased 18% compared with the corresponding period in the prior year. This increase is primarily due to an increase in professional services costs of $1.6 million, which is primarily related to $0.8 million of external legal costs associated with our settlement of the patent dispute with the acquirer of our former Client business, as well as $0.8 million of external legal costs associated with our filing of the patent-related lawsuit filed with the International Trade Commission. Both of these events occurred in August 2011, as previously announced. We also experienced a $0.2 million increase in facilities costs. Partially offsetting this increase is a decline in labor and associated costs of $0.8 million, as Openwave experienced a decline in average headcount of 39% from the prior year' s period.

Restructuring and Other Related Costs

Restructuring and other related costs for the three months ended September 30, 2011, increased over the same period in the prior year, primarily as a result of the fact that we implemented a restructuring plan in the first quarter of fiscal 2012, resulting in a headcount reduction of approximately 18-20%. This implementation resulted in new charges of approximately $5.0 million related to labor costs, compared with charges of approximately $0.4 million in the prior year' s period related to a revision to the estimated sublease terms associated with a facility that was exited under a restructuring plan implemented in fiscal 2009. Additionally, there was a decline of $0.1 million in facilities related accretion charges.

Refer to Note 9 in the notes to the condensed consolidated financial statements for more information.

Amortization of Intangible Assets and Goodwill Impairment

The following table presents the amortization of intangible assets (dollars in thousands):

	Three Months Ended September 30,	
	2011	2010
Developed and core technology	$409	$409
Customer contracts - support	−	11
Total amortization of intangible assets	409	420

Aside from acquired customer support contracts which became fully amortized in the second quarter of fiscal 2011, amortization in the three months ended September 30, 2011, was consistent with the prior year' s periods.

Amortization of developed and core technology and customer contracts for licenses is included in cost of license revenue in our condensed consolidated statements of operations. These assets are being amortized over an average useful life of four years.

Amortization of acquired customer support contracts is included in Cost of revenues−Maintenance and support. These assets were amortized over an approximate useful life of three years.

Interest Income

Interest income was approximately $0.1 million for the three months ended September 30, 2011, as compared with $0.2 million for the corresponding period of the prior year. The decrease in interest income is primarily attributed to lower interest rates.

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Interest Expense

Interest expense was approximately $0.1 million for the three months ended September 30, 2011, relatively unchanged from the corresponding period of the prior year. The majority of our interest expense relates to the line of credit facility entered into during the third quarter of fiscal 2009.

Income Taxes

Income tax expense consisted of foreign withholding tax, foreign corporate tax and foreign deferred tax. Both foreign withholding tax and foreign corporate tax fluctuate quarterly based on the product and geographic mix of our revenue, with a resulting fluctuation in our quarterly effective tax rate.

The decrease in income tax expense for the three months ended September 30, 2011, compared to the three months ended September 30, 2010, from $0.7 million to $0.5 million, is primarily the result of a decrease in foreign withholding taxes due to lower revenue from countries imposing foreign withholding taxes during the three months ended September 30, 2011.

In light of our history of operating losses we continue to maintain a full valuation allowance for our U.S. federal and state deferred tax assets. We intend to maintain this valuation allowance until there is sufficient evidence to conclude that it is more likely than not that the federal and state deferred tax assets will be realized. As of September 30, 2011, we have foreign deferred tax assets recorded of approximately $2.7 million in selected countries based upon our conclusion that it is more likely than not that the foreign subsidiaries in the respective countries will earn future taxable profits enabling the realization of their respective deferred tax assets. As of September 30, 2011, we have approximately $0.1 million of deferred tax liabilities recorded with respect to acquisitions for which the amortization expense of acquired intangibles is not deductible for tax purposes.

Discontinued Operations

During fiscal 2008, we sold our Client operations to Purple Labs, a private company based in Chambéry, France. During the first quarter of fiscal 2011, $2.0 million of the escrowed funds associated with the sale was distributed to Myriad AG (formerly Purple Labs) and the remaining $2.2 million was released to us, and was recorded as an additional $2.2 million gain on sale of discontinued operation in the condensed consolidated statement of operations.

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Liquidity and Capital Resources

Working Capital and Cash Flows

The following table presents selected financial information and statistics as of September 30, 2011 and June 30, 2011, and for the three months ended September 30, 2011 and 2010 (dollars in thousands):

	September 30, 2011	June 30, 2011	Percent Change
Working capital	$ 42,600	$37,742	13 %
Cash and cash investments:			
Cash and cash equivalents	$ 23,982	$47,266	-49 %
Short-term investments	32,306	33,947	-5 %
Long-term investments	10,302	15,630	-34 %
Total cash and cash investments	$ 66,590	$96,843	-31 %

	Three Months Ended September 30,	
	2011	2010
Cash used for operating activities	$(17,454)	$(2,865)
Cash provided by (used for) investing activities	$(5,949)	$2,146
Cash provided by financing activities	$119	$70

We have obtained a majority of our cash and investments through public offerings of common stock, including a common stock offering in December 2005 which raised $277.8 million in net proceeds. In fiscal 2008, we sold Musiwave and our Client operations, resulting in $56.0 million of proceeds in fiscal 2008, $11.7 million in fiscal 2009, $4.5 million in fiscal 2010 and $2.2 million in fiscal 2011. We also entered into a $40.0 million revolving credit facility on January 23, 2009, which we have amended several times, which has a maturity date of January 23, 2012.

As of September 30, 2011 and June 30, 2011, we had letters of credit outstanding against the revolving credit facility totaling $18.0 million and $18.2 million, respectively, reducing the available borrowings on the revolving credit facility. The revolving credit facility requires a monthly borrowing base calculation to determine the amount of the revolving credit facility available for us to borrow (“Borrowing Base”). The Borrowing Base calculation is $20.0 million plus 75% of accounts receivables defined as eligible in the credit agreement. As of September 30, 2011, the Borrowing Base was $33.9 million and the total available for us to borrow on the revolving credit facility was $15.9 million, which is the difference between the Borrowing Base calculation of $33.9 million and the amount of outstanding letters of credit amount of $18.0 million. As of June 30, 2011, the Borrowing Base was $32.1 million and the total available for us to borrow on the revolving credit facility was $13.9 million, which is the difference between the Borrowing Base calculation of $32.1 million and the amount of outstanding letters of credit amount of $18.2 million. Our letters of credit expire between June 2012 and October 2012. We intend to renew them, but there is no guarantee of renewal. The revolving credit line is secured by a blanket lien on all of our assets and contains financial and reporting covenants customary to these types of credit facilities agreements which we are required to satisfy as a condition of the agreement. In particular, the revolving credit facility requires that we meet specified minimum four quarter trailing EBITDA amounts, as well as meet a minimum monthly liquidity ratio. In addition, the revolving credit facility requires us to provide to the bank annual financial projections, promptly report any material legal actions, and timely pay material taxes and file all required tax returns and reports. Further, without the bank’ s consent, we cannot take some material actions, such as change any material line of business, sell our business, acquire other entities, incur liens, make capital expenditures beyond a specified threshold, or engage in transactions with affiliates. As of September 30, 2011, we were in compliance with all debt covenants.

While we believe that our current working capital and anticipated cash flows from operations will be adequate to meet our cash needs for daily operations and capital expenditures for at least the next 12 months, we may elect to raise additional capital through the sale of additional equity or debt securities, or sell some assets. If additional funds are raised through the issuance of additional debt securities, these securities could have rights, preferences and privileges senior to holders of

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common stock, and the terms of any debt could impose restrictions on our operations. The sale of additional equity or convertible debt securities could result in additional dilution to our stockholders, and additional financing may not be available in amounts or on terms acceptable to us.

If additional financing is necessary and we are unable to obtain the additional financing, we may be required to reduce the scope of our planned product development and marketing efforts, which could harm our business, financial condition and operating results. In the meantime, we will continue to manage our cash and investment portfolio in a manner designed to facilitate adequate cash and cash equivalents to fund our operations as well as future acquisitions, if any.

Working capital

Our working capital, defined as current assets less current liabilities, increased by approximately $4.9 million, or 13%, from June 30, 2011 to September 30, 2011. The increase in working capital balances is primarily due to the $14.3 million increase in account receivable, net as a result of the $15.0 million in patent license revenue recognized during the first quarter of fiscal 2012 with payment received during the second quarter of fiscal 2012, as well as an improvement in accounts payable and accrued liabilities of $14.7 million. These increases are partially offset by the use of $23.3 million of cash and cash equivalents, primarily a result of cash used for operations of $17.5 million.

Cash used for operating activities

Cash used for operating activities was $17.5 million during the three months ended September 30, 2011. This use of cash is primarily a result of the operating results for the quarter, excluding the $15.0 million of patent revenue which was recognized in the first quarter of fiscal 2012, while the related accounts receivable was collected in the second quarter of fiscal 2012. Additionally, we paid $6.2 million of restructuring liabilities during the first quarter of fiscal 2012, which included $2.1 million in severance paid to employees impacted by the restructuring announced in August 2011. We expect another $2.8 million of severance to be paid relating to this restructuring plan during the remainder of fiscal 2012.

Cash used for operating activities was $2.9 million during the three months ended September 30, 2010. This use of cash primarily represents $3.4 million of payments on restructuring plans and a $2.4 million increase in accounts receivable, offset in part by an increase of $2.7 million in deferred revenue.

Cash provided by (used for) investing activities

Net cash used for investing activities during the three months ended September 30, 2011 was $5.9 million, which primarily was due to the payment of the $12.0 million related to the settlement of the Myriad litigation, partially offset by the $6.4 million of maturities from the sale of investments, net of purchases of investments.

Net cash provided by investing activities during the three months ended September 30, 2010 was $2.2 million, which primarily was due to the $2.2 million payment received from the release of escrowed funds related to the sale of the Client operations.

Cash flows provided by financing activities

Net cash provided by financing activities during the three months ended September 30, 2011 was $0.1 million, resulting from the exercise of stock options during the period.

Net cash provided by financing activities during the three months ended September 30, 2010 was $70,000, from the exercise of stock options during the period.

Operating Lease Obligations and Contractual Obligations

There has been no material change to our contractual obligations during the first three months of fiscal 2012. As such, see our Annual Report on Form 10-K for the fiscal year ended June 30, 2011 for a description of our facility leases and Note 9 in the notes to the condensed consolidated financial statements. We currently have subleased our restructured facilities which will generate contractual sublease income in aggregate of approximately $13.3 million, resulting in a net future obligation on these properties of approximately $22.9 million through our fiscal 2015. The decrease in our liability for restructured facilities since the fiscal year ended June 30, 2011, relates primarily to payments made in the normal course of business.

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Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

(a) Foreign Currency Risk

We operate internationally and are exposed to potentially adverse movements in foreign currency rate changes. We have entered into foreign exchange derivative instruments to reduce our exposure to foreign currency rate changes on

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receivables, payables and intercompany balances denominated in a nonfunctional currency. The objective of these derivatives is to neutralize the impact of foreign currency exchange rate movements on our operating results. These derivatives may require us to exchange currencies at rates agreed upon at the inception of the contracts. These contracts reduce the exposure to fluctuations in exchange rate movements because the gains and losses associated with foreign currency balances and transactions are generally offset with the gains and losses of the foreign exchange forward contracts. We do not enter into foreign exchange transactions for trading or speculative purposes, nor do we hedge foreign currency exposures in a manner that entirely offsets the effects of movement in exchange rates. We do not designate our foreign exchange forward contracts as accounting hedges and, accordingly, we adjust these instruments to fair value through earnings in the period of change in their fair value. Net foreign exchange transaction losses included in Other income (expense), net in the accompanying condensed consolidated statements of operations totaled $33,000 for the three months ended September 30, 2011. As of September 30, 2011, we have the following forward contracts (notional amounts in thousands):

Currency	Notional Amount	Foreign Currency per USD	Date of Maturity
AUD	1,500	0.99	10/31/2011
CAD	3,500	0.98	10/31/2011
EUR	2,300	0.73	10/31/2011
JPY	130,000	76.38	10/31/2011

As of September 30, 2011, the nominal value multiplied by the USD exchange rate of these forward contracts was $9.7 million. Our mark-to-market net unrealized gain on these contracts as of September 30, 2011 was $0.2 million.

In comparison, as of June 30, 2011, we had the following forward contracts (notional amounts in thousands):

Currency	Notional Amount	Foreign Currency per USD	Date of Maturity
AUD	1,600	1.05	7/29/2011
CAD	2,100	1.01	7/29/2011
EUR	1,250	0.69	7/29/2011
JPY	200,000	80.93	7/29/2011

As of June 30, 2011, the nominal value multiplied by the USD exchange rate of these forward contracts was $8.2 million. Our mark-to-market net unrealized gain on these contracts as of June 30, 2011 was $0.1 million.

(b) Interest Rate Risk

As of September 30, 2011, we had cash and cash equivalents, short-term and long-term investments, and restricted cash and investments of $66.6 million compared to $96.8 million at June 30, 2011. Our exposure to market risks for changes in interest rates relates primarily to money market accounts, certificates of deposit, corporate bonds, government securities, and auction rate securities. We place our investments with high credit quality issuers that have a rating by Moody's of A2 or higher and Standard & Poor' s of A or higher, and, by policy, limit the amount of the credit exposure to any one issuer. Our general policy is to limit the risk of principal loss and ensure the safety of invested funds by limiting market and credit risk. All highly liquid investments with a maturity of less than three months at the date of purchase are considered to be cash equivalents; all investments with maturities of three months or greater are classified as available-for-sale and considered

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to be short-term investments; all investments with maturities of greater than one year are classified as available-for-sale and considered to be long-term investments.

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The following is a chart of the principal amounts of short-term investments and long-term investments by expected maturity at September 30, 2011 (dollars in thousands):

	Expected maturity for the year ending June 30,			Cost Value	Fair Value
				September 30,	September 30,
	2012	2013	Thereafter	2011 Total	2011 Total
U.S. Government Agencies	$ 3,396	$ 3,299	$ –	$ 6,695	$ 6,710
Commercial Paper	9,345	–	–	9,345	9,346
Certificates of Deposit	240	240	–	480	480
Corporate Bonds	17,499	7,414	–	24,913	24,858
Auction Rate Securities	–	–	5,237	5,237	4,213
	$ 30,480	$ 10,953	$ 5,237	$ 46,670	$ 45,607
Weighted-average interest rate			0.9 %		

In comparison, the following is a table of the principal amounts of short-term investments and long-term investments by expected maturity at June 30, 2011 (dollars in thousands):

	Expected maturity for the year ending June 30,			Cost Value	Fair Value
				June 30,	June 30,
	2012	2013	Thereafter	2011 Total	2011 Total
U.S. Government Agencies	$ 2,412	$ 3,499	$ –	$5,911	$5,927
Certificates of Deposit	240	240	–	480	480
Commercial Paper	10,691	–	–	10,691	10,691
Corporate Bonds	20,609	7,486	–	28,095	28,097
Auction Rate Securities	–	–	5,237	5,237	4,382
Total	$ 33,952	$ 11,225	$ 5,237	$50,414	$49,577
Weighted-average interest rate		0.7 %			

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of September 30, 2011. Based on their evaluation as of September 30, 2011, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective at the reasonable assurance level to ensure that the information required to be disclosed by us in this Quarterly Report was (i) recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and regulations and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Openwave have been detected.

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Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II Other Information

Item 1. Legal Proceedings

See discussion of Litigation in Note 8 to the condensed consolidated financial statements included in Part I, Item 1 of this Report, which disclosure is incorporated by reference here. These matters were also discussed in Item 3 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Item 1A. Risk Factors

The following risks factors were set forth in Part I, Item 1A, “Risk Factors” in Openwave’ s Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which could materially affect Openwave’ s business, financial condition or future results. These risks are not the only risks facing Openwave; additional risks and uncertainties may not be currently known to or may be deemed immaterial by management but could materially adversely affect Openwave’ s business, financial condition, and/or operating results. These risks have not changed substantively from those set forth in Openwave’ s Annual Report on Form 10-K for the fiscal year ended June 30, 2011, except for those that are marked with an asterisk (“*”).

Risks Related to Our Business

Our efforts to monetize our patents may not be successful and our technology could be misappropriated, which may lead to expensive and time-consuming litigation.

Our ability to compete and continue to provide technological innovation is substantially dependent upon internally-developed technology. We rely on a combination of patent, copyright and trade secret laws to protect our intellectual property or proprietary rights in such technology, although we believe that other factors such as the technological and creative skills of our personnel, new product developments, frequent product and feature enhancements and reliable product support and maintenance are just as essential to maintaining a technology leadership position. We also rely on trademark law to protect the value of our corporate brand and reputation. In addition, we have recently placed increased emphasis on monetizing our patents by pursuing patent licensing agreements. These efforts may not result in additional revenues, and may also result in counter-claims being raised by third parties.

Despite our efforts to license and protect our intellectual property and proprietary rights, unauthorized parties may copy or otherwise obtain and use our products, technology or trademarks. Effectively policing and enforcing our intellectual property is time consuming and costly, and the steps taken by us may not prevent infringement of our intellectual property or proprietary rights in our products, technology and trademarks, particularly in foreign countries where in many instances the local laws or legal systems do not offer the same level of protection as in the United States.

We have brought legal action against Apple Inc. and Research In Motion in our efforts to monetize our patents, which may be expensive and time-consuming and may lead to outcomes and counterclaims against us that may have an adverse effect on our business.

We have filed a complaint with the International Trade Commission (ITC) in Washington, DC, with Apple Inc., Research In Motion Ltd. and Research In Motion Corp. as proposed respondents, requesting that the ITC bar Apple and the Research In Motion entities (RIM) from importing into the United States their products, including smart devices and tablet computers, that infringe Openwave patents cited in the complaint. The complaint alleges that Apple and RIM infringe upon five Openwave patents that cover technology that gives consumers access to the Internet from their mobile devices. We also filed a similar complaint against Apple and RIM in the federal district court of Delaware, asserting the same claims and seeking an injunction and damages. These law suits may be time consuming and costly, and result in the significant diversion of management’ s attention. Further, as is typical in law suits like these, we expect that Apple and RIM will assert counterclaims challenging the validity of our patents as well as claiming that we are violating their patents. Although we believe that our position is well founded, intellectual property litigation is uncertain, and if we are not able to prevail on our claims, our ability to monetize our patents will be substantially undermined. Further, if Apple and RIM are able to prevail on counterclaims that they may assert, then our ability to conduct our business may be negatively affected.

Our products may infringe the intellectual property rights of others, subjecting us to claims for infringement, payment of license royalties or other damages.

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Our products or solutions, including third party elements, may be alleged to infringe the intellectual property rights of others, subjecting us to claims for infringement, payment of license royalties or other remedies. To the extent the number of our products, solutions, and services increases and their features and content continue to expand, we may increasingly become subject to infringement and other intellectual property claims by third parties. From time to time, we and our customers have received and may receive in the future, offers to license or claims alleging infringement of intellectual property rights, or may become aware of some third party patents that may relate to our products. For example, a number of parties have asserted to standards bodies such as OMA that they own intellectual property rights which may be essential for the implementation of specifications developed by those standards bodies. A number of our products are designed to conform to OMA specifications or those of other standards bodies, and have been, and may in the future be, subject to offers to license or claims of infringement on that basis by individuals, intellectual property licensing entities and other companies, including companies in the telecommunications field with greater financial resources and larger intellectual property portfolios than our own.

Additionally, our customer agreements require that we indemnify our customers for infringement of our intellectual property embedded in their products. In the past we have elected, and in the future we may elect, to take a license or otherwise settle claims of infringement at the request of our customers or otherwise. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. The complexity of the technology involved, and the number of parties holding intellectual property within the wireless industry, increase the risks associated with intellectual property litigation. Moreover, patent litigation has increased due to the increased number of cases asserted by intellectual property licensing entities as well as increasing competition and overlap of product functionality in our markets. Royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Any infringement claim successfully asserted against us or against a customer for which we have an obligation to defend could result in costly litigation as well as the payment of substantial damages or an injunction.

We are in a product transition phase and we may not be able to adequately develop, market or sell new products.

Revenues from our legacy products are decreasing, and we are in the process of selling our customers a migration to Openwave’ s next generation software platforms and tools. The successful customer migration onto our new platforms is critical to our business, and there is no assurance that we are or will be able to market and or sell new products and services in a timely manner. We also intend to continue to develop new products and services. New products or services may be delayed, and new products may not be accepted by the market, or may be accepted for a shorter period than anticipated. New product offerings may not properly integrate into existing or anticipated platforms, or meet existing or anticipated demand and the failure of these offerings to be accepted by the market could have a material adverse effect on our business, operations, financial condition, or reputation. Our sales and operating results may be adversely affected if we are unable to bring new products to market, if customers delay purchases or if acceptance of the new products is slower than expected or to a smaller degree than expected, if at all.

We rely upon a small number of customers for a significant portion of our revenues, and the failure to retain and expand our relationships with these customers could adversely affect our business.

Our customer base consists of a limited number of large communications service providers, which makes us significantly dependent on their plans and the success of their products. Our success, in turn, depends in large part on our continued ability to introduce reliable and robust products that meet the demanding needs of these customers and their willingness to launch, maintain and market commercial services utilizing our products. Moreover, consolidation among these service providers further limits the existing and potential pool of customers for us. Revenue recognized from arrangements with Sprint-Nextel accounted for approximately 22% of our total revenues during the fiscal year ended June 30, 2011, and approximately 23% of our total revenues during the three months ended September 30, 2011. By virtue of their size and the significant portion of our revenue that we derive from this customer, this customer is able to exert significant influence in the negotiation of our commercial arrangements and the conduct of our business with them. If we are unable to retain and expand our business with key customers on favorable terms, our business and operating results will be adversely affected.

Consolidation of communication service providers may impair our ability to attract new customers and negotiate favorable business terms.

The telecommunications industry is rapidly evolving and highly competitive. These factors combined with recent poor economic conditions, resulted in some communications services providers having poor operating results. As a result, some of these communications service providers have consolidated or are working to consolidate or otherwise cease operations. If consolidation continues to occur, we will have a smaller number of current customers as well as a smaller number of potential customers in which to sell our products and services. Further,

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our ability to negotiate favorable terms with the communications service providers could be impaired, which could increase our expenses and harm our operating results.

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We have a history of losses and we may not be able to achieve or maintain consistent profitability.*

We have a history of losses and may not be able to maintain consistent profitability. Except for fiscal 2006, we have incurred annual net losses since our inception. As of September 30, 2011, we had an accumulated deficit of approximately $3.1 billion, which includes approximately $2.1 billion of goodwill amortization and impairment. We expect to continue to spend significant amounts to develop, enhance products, services and technologies and to enhance sales and operational capabilities. Our prospects must be considered in light of the risks, expenses, delays and difficulties frequently encountered by companies engaged in rapidly evolving technology markets like ours.

Our industry changes rapidly as a result of technological and product developments, which may quickly render our products and services less desirable or even obsolete. If we are unable or unsuccessful in supplementing our product offerings, our revenue and operating results may be materially adversely affected.

The industry in which we operate is subject to rapid technological change. The introduction of new technologies in the market, including the delay in the adoption of these technologies, as well as new alternatives for the delivery of products and services will continue to have a profound effect on competitive conditions in our market. We may not be able to develop and introduce new products, services and enhancements that respond to technological changes or evolving industry standards on a timely basis.

More generally, while in the past we have primarily provided specific component sales, in the future we intend to provide more integrated and comprehensive software solutions for our customers. We also intend to develop and license new products and to enter into new product markets. We may not be able to develop and license new products in accordance with our expectations, or at all, our new products may not be adopted by communication service providers, or we may be unable to succeed in new product markets which, in any case, would have a material adverse affect on our business and operating results.

Because of the rapid technological changes of our industry, our historic product, service, and enhancement offerings may have a shorter life than anticipated. Revenue from such products may decline faster than anticipated, and if our new products, services and enhancements are not accepted by our customers or the market as anticipated, if at all, our business and operating results may be materially and adversely affected.

Our customers face implementation and support challenges in introducing Internet-based services, which may slow their rate of adoption or implementation of the services our products enable.

Historically, communications service providers have been relatively slow to implement new, complex services. In addition, communications service providers have encountered greater customer demands to support Internet-based services than they have in the past. We have limited or no control over the pace at which communications service providers implement these new Internet-based services. For instance, on December 21, 2010, the Federal Communications Commission, or FCC, enacted new "net neutrality" rules based on three core principles: (i) transparency; (ii) no blocking; and (iii) no unreasonable discrimination. The "transparency" rule requires broadband Internet access providers to disclose applicable terms, performance, and network management practices to consumers and third party users. The "no blocking" rule restricts broadband Internet access providers from blocking lawful content, applications, services, or devices. The "no unreasonable discrimination" rule prohibits broadband Internet access providers from engaging in unreasonable discrimination in transmitting lawful traffic. The new rules permit broadband service providers to exercise "reasonable network management" for legitimate network purposes, such as management of congestion, harmful traffic, and network security. The rules also permit usage-based billing, and permit broadband service providers to offer additional specialized services, such as facilities-based IP voice services, without being subject to restrictions on discrimination. Although the new rules encompass both wireline and wireless providers, the rules are less stringent with regard to wireless providers. The FCC' s new rules (if they withstand challenges), as well as any additional legislation or regulation, could impose new obligations and restraints on broadband Internet access providers and could limit their ability to manage their networks and services efficiently which could cause a decrease in data traffic, or could cause some of our domestic customers to reduce their perception of the value of some of our mediation offerings, either of which could lessen the demand for our products and services. The failure of communications service providers to introduce and support Internet-based services utilizing our products in a timely and effective manner could have a material adverse effect on our business and operating results.

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Our business depends on continued investment and improvement in communication networks by our customers.

Many of our customers and other communication service providers continue to make major investments in next generation networks that are intended to support more complex applications and to provide end users with a more satisfying user experience. If communication service providers delay their deployment of networks or fail to roll out such networks successfully, or determine to continue to increase network capacity and support more complex applications by investment in additional hardware infrastructure rather than software solutions such as ours that optimize the use of existing hardware infrastructure, there could be less demand for our products and services than we expect, which could adversely affect our business and operating results.

In addition, the communications industry has experienced significant fluctuations in capital expenditures and we have recently experienced significant revenue declines from historical peaks. If capital spending and technology purchasing by communication service providers does not continue to include investments in infrastructure software, our revenue would likely decline substantially.

Our market is highly competitive and our inability to compete successfully could adversely affect our operating results.

The market for our products and services is highly competitive. Many of our existing and potential competitors have substantially greater financial, technical, marketing and distribution resources than we have. Their resources have enabled them to aggressively price, finance and bundle their product offerings to attempt to gain market adoption or to increase market share. If our competitors consolidate, then they will be even larger, and may be able to compete more effectively against us than they currently do. If our competitors offer deep discounts on some of their products in an effort to gain market share or to sell other products or services, we may then need to lower prices of our products and services, change our pricing models, or offer other favorable terms in order to compete successfully, which would likely reduce our margins and adversely affect operating results.

Although our efforts, on occasion, have been complicated by the marketing efforts of our competitors, we expect that we will continue to compete primarily on the basis of quality, breadth of product and service offerings, functionality, price, strength of customer relationships and time to market.

Our sales cycles are long, subjecting us to the loss or deferral of anticipated orders and related revenue.

Our sales cycle is generally long, often in excess of six months, and unpredictable due to the lengthy evaluation and customer approval process for our products, including internal reviews and capital expenditure approvals. Moreover, the evolving nature of the market for data services via mobile devices may lead prospective customers to postpone their purchasing decisions pending resolution of standards or adoption of technology by others. Accordingly, we may not close sales as anticipated during a given quarter which may lead to a shortfall in revenue or bookings anticipated by us or securities analysts or investors.

Our business is subject to the risks of international operations because we depend on international sales, and any decrease in international sales would adversely affect our operating results.

International sales accounted for approximately 39%, 58% and 51% of our total revenues for the three months ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively. We currently maintain offices outside of the United States and have sales, engineering and professional services personnel in several countries. Approximately one-half of our employees are located internationally, with 26% of our employees based in our facilities in Belfast, Northern Ireland. Although we have experience operating in foreign jurisdictions like the United Kingdom, Europe, South Africa, Japan and Australia, we are expanding our international operations into areas in which we have little or no operating history. Our ability to manage a global organization is difficult, time consuming and expensive and is subject to a number of risks including, but not limited to:

Localization of our services, including translation into foreign languages and adaptation for local practices and regulatory requirements;

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- Lack of familiarity with and unexpected changes in foreign regulatory requirements;
- Longer accounts receivables payment cycles and difficulties in collecting accounts receivables;
- Difficulties in managing and staffing international operations;
- Currency exchange rate fluctuations and our ability to manage these fluctuations under our foreign exchange hedging policy;
- Potentially adverse tax consequences, including the complexities of foreign value added tax systems and restrictions on the repatriation of earnings;
- Dependence on third parties, including channel partners with whom we have limited experience;
- Import and export requirements that may prevent us from shipping products or providing services to a particular market and may increase our operating costs;
- Political, social and economic instability abroad, terrorist attacks and security concerns in general; and
- Reduced or varied protection for intellectual property rights in some countries.

Operating in international markets requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Changes in foreign currency exchange rates could negatively affect our operating results.

Our primary exposure to movements in foreign currency exchange rates relate to non-U.S. dollar denominated sales in Europe, Japan, Australia, Canada, and some parts of Asia, as well as non-U.S. dollar denominated operating expenses incurred throughout the world. Weakening of foreign currencies relative to the U.S. dollar will adversely affect the U.S. dollar value of our foreign currency-denominated sales and earnings, and generally will lead us to raise international pricing, potentially reducing demand for our products. In some circumstances, due to competition or other reasons, we may decide not to raise local prices to the full extent of the dollar' s strengthening, or at all, which would adversely affect the U.S. dollar value of our foreign currency denominated sales and earnings. Conversely, a strengthening of foreign currencies, while generally beneficial to our foreign currency-denominated sales and earnings, could cause us to reduce international pricing, thereby limiting the benefit; as strengthening of foreign currencies may also increase our cost of product components denominated in those currencies.

We have used derivative instruments, such as foreign exchange forward and option positions, to hedge some exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Margins on sales of our products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially adversely affected by foreign currency exchange rate fluctuations. Accordingly, changes in foreign currency exchange rates relative to the U.S. Dollar could negatively affect our operating results.

Our customer contracts lack uniformity and often are particularly complex, which subjects us to business and other risks.

Our customers are typically large communications service providers. Their substantial purchasing power and negotiating leverage limits our ability to negotiate uniform business terms. As a result, we typically negotiate contracts on a customer-by-customer basis and sometimes determine to accept contract terms not favorable to us in order to close a transaction, including indemnity, limitation of liability, refund, penalty or other terms that expose us to significant risk. We may need to provide indemnification relating to third party components that we provide, and we may or may not have sufficient indemnification provisions from the third parties to fully cover for this risk. The lack of uniformity and the complexity of the terms of these contracts may also create difficulties with respect to ensuring timely and accurate accounting and billing under these contracts. If we are unable to effectively negotiate, enforce and accurately or timely account and bill for contracts with our customers, our business and operating results may be adversely affected.

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We rely on estimates to determine arrangement fee revenue recognition for a particular reporting period. If our estimates change, or our customers do not accept deliverables, future expected revenues could adversely change.

We apply the percentage-of-completion method as a primary accounting method to account for revenue from arrangements subject to contract accounting. Applying the percentage-of-completion method requires that we estimate progress on our professional service revenues for a particular period. If, in a particular period, our estimates to project completion change or we estimate project overruns, revenue recognition for such projects in the period may be less than expected or even negative, which could cause us to fail to realize anticipated operating results in a given period. Additionally, a portion of the payments under some of our professional services arrangements are based on customer acceptance of deliverables. If a customer fails to accept the applicable deliverable, we may not be able to recognize the related revenue or receive payment for work that we have already completed, which could adversely affect our business and operating results.

Demand for our technology depends in part on operators maintaining a central role in the mobile value chain, and not being circumvented by emerging players who offer services directly to subscribers.

Our products and services are currently sold almost exclusively for use by mobile and broadband operators. As the industry moves to more open standards, services and applications have emerged from content providers that bypass the mobile and broadband operator and are sold directly to consumers. The threat of operators being disintermediated could have a negative impact to our business, if Openwave does not diversify its customer base beyond the operator community and if the consumer uptake of these new services dilutes operators' customer relationship. For Openwave, the loss of operator control over the subscriber experience could threaten our ability to intermediate and add value, and ultimately, lessen demand for our products and services.

We may not be successful in forming or maintaining strategic alliances with other companies, which could adversely affect our product offerings and sales.

Our business strategy depends in part on forming or maintaining strategic alliances with other companies. We may not be able to form the alliances that are necessary to ensure that our products are compatible with third-party products, to enable us to license our software into potential new customers and into potential new markets, and to enable us to continue to enter into new license agreements with our existing customers. We may be unable to maintain existing relationships with other companies, to identify the best alliances for our business or enter into new alliances with other companies on acceptable terms, or at all. If we cannot form and maintain significant strategic alliances with other companies as our target markets and technology evolves, our sales opportunities could deteriorate, which could have a material adverse effect on our business and operating results.

If our channel partners are unable to successfully market and sell our services to their customers, then our revenues and business may be adversely affected.*

Historically, we have sold our products and services directly through our sales force. In the future, in addition to our direct sales efforts, we intend to sell our products and services indirectly through our channel partners. Our business will depend on the efforts and the success of these channel partners in marketing and selling our products and services in emerging markets and markets in which we have a limited presence. If our channel partners fail to market and sell our services effectively, our ability to grow our revenue could be reduced and our business may be harmed.

Our software products may contain defects or errors, which could result in rejection of our products, delays in shipment of our products, failure to meet specific milestones, damage to our reputation, product liability and lost revenues.

The software we develop and the associated professional services we offer are complex and must meet stringent technical requirements of our customers. We must develop our products quickly to keep pace with the rapidly changing Internet software and telecommunications markets. Our software products and services may contain undetected errors or defects, especially when first introduced or when new versions are released. We have, in the past, experienced delays in releasing some versions of our products until software problems were corrected. In addition, some of our customer contracts provide for penalties if we fail to meet specific milestones as well as a period during which our products and services are subject to acceptance testing. Failure to achieve acceptance could result in a delay in, or inability to, receive payment. Our

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products may not be free from errors or defects after commercial shipments have begun, which could result in the rejection of our products and damage to our reputation, as well as lost revenues, diverted development resources and increased service and warranty costs, any of which could harm our business.

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We may be unable to effectively manage future growth, if any, that we may achieve.

As a result of our efforts to control costs through restructurings and otherwise, our ability to effectively manage and control any future growth may be limited. To manage any growth, our management must continue to improve our operational, information and financial systems, procedures and controls and expand, train, retain and manage our employees. If our systems, procedures and controls are inadequate to support our operations, any expansion could decrease or stop, and investors may lose confidence in our operations or financial results. If we are unable to manage growth effectively, our business and operating results could be adversely affected, and any failure to develop and maintain adequate internal controls could cause the trading price of our shares to decline substantially.

We may pursue acquisitions or investments in complementary technologies and businesses, which could harm our operating results and may disrupt our business.

In the future, we may pursue acquisitions of, or investments in, complementary technologies and businesses. Acquisitions present a number of potential risks and challenges that could, if not met, disrupt our business operations, increase our operating costs and reduce the value to us of the acquired company. If we make acquisitions, we may not be able to integrate the acquired businesses, products or technologies into our existing business and products. Furthermore, potential acquisitions and investments, whether or not consummated, may divert our management' s attention and require considerable cash outlays at the expense of our existing operations. In addition, to complete future acquisitions, we may issue equity securities, incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could adversely affect our profitability.

Foreign acquisitions involve special risks, including those related to integration of operations across different cultures, languages, and legal systems, currency risks, and the particular economic, political, and regulatory risks associated with specific countries. In addition, we may incur significant transaction fees and expenses, including expenses for transactions that may not be consummated. In any event, as a result of future acquisitions, we might need to issue additional equity securities, spend our cash, or incur debt or assume significant liabilities, any of which could adversely affect our business and results of operations.

The security provided by our products could be breached, in which case our reputation, business, financial condition and operating results could suffer.

A fundamental requirement for online communications is the secure transmission of confidential information over the Internet. Third-parties may attempt to breach the security provided by our products, or the security of our customers' internal systems. If they are successful, they could obtain confidential information about our customers' end users, including their passwords, financial account information, credit card numbers or other personal information. Our customers or their end users may file suits against us for any breach in security, which could result in costly litigation or harm our reputation. The perception of security risks, whether or not valid, could inhibit market acceptance of our products. Despite our implementation of security measures, our software is vulnerable to computer viruses, electronic break-ins, intentional overloading of servers and other sabotage, and similar disruptions, which could lead to interruptions, delays, or loss of data. The occurrence or perception of security breaches could harm our business, financial condition and operating results.

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Natural or manmade disasters, business interruptions and health epidemics could delay our ability to receive or ship our products, or otherwise disrupt our business.

Our worldwide operations could be subject to earthquakes, power shortages, telecommunications failures, water shortages, tsunamis, floods, hurricanes, typhoons, fires, extreme weather conditions, health epidemics and other natural or manmade disasters or business interruptions. The occurrence of any of these business disruptions could seriously harm our revenue and financial condition and increase our costs and expenses. Our corporate headquarters, and a portion of our research and development activities, are located in Redwood City, California near major earthquake faults. The destruction of our facilities could harm our business. Although we have established a comprehensive disaster recovery plan, our back-up operations may be inadequate and our business interruption insurance may not be enough to compensate us for any losses that may occur. A significant business interruption could result in losses or damages and harm our business.

Our business in countries with a history of corruption and transactions with foreign governments, including with government owned or controlled wireless carriers, increases the risks associated with our international activities.

As we operate and sell internationally, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations, deal with carriers and make sales in countries known to experience corruption, particularly some emerging countries in East Asia, Eastern Europe and Latin America, and further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We have attempted to implement safeguards to prevent these practices by our employees, consultants, sales agents and resellers. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we may be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

Compliance with laws, rules and regulations relating to corporate governance and public disclosure may result in additional expenses.

Federal securities laws, rules and regulations, as well as NASDAQ rules and regulations, require companies to maintain extensive corporate governance measures, impose comprehensive reporting and disclosure requirements, set strict independence and financial expertise standards for audit and other committee members and impose civil and criminal penalties for companies and their Chief Executive Officers, Chief Financial Officers and directors for securities law violations. These laws, rules and regulations and the interpretation of these requirements are evolving, and we are making investments to evaluate current practices and to continue to achieve compliance. As a result, our compliance programs have increased and will continue to increase general and administrative expenses and have diverted and will continue to divert management' s time and attention from revenue-generating activities. Further, in July 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act') which includes various provisions requiring the Securities and Exchange Commission to adopt new rules and regulations with respect to enhanced investor protection, corporate governance and executive compensation. We expect the Dodd-Frank Act and the rules and regulations promulgated there under to increase our legal and financial compliance costs and to make some activities more time consuming and costly.

We face litigation risks that could have a material adverse effect on our company.

We may be the subject of private or government actions. For example, in the past we have been the subject of several shareholder derivative lawsuits relating to our past option grants and practices. Litigation may be time-consuming, expensive and disruptive to normal business operations, and the outcome of litigation is difficult to predict. The defense of these lawsuits may result in significant expense and a diversion of management' s time and attention from the operation of our business, which could impede our ability to achieve our business objectives and an unfavorable outcome may have a material adverse effect on our business, financial condition and results of operations. Additionally, any amount that we may be required to pay to satisfy a judgment or settlement of litigation may not be covered by insurance. Under our

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charter and the indemnification agreements that we have entered into with our officers and directors, we are required to indemnify, and advance expenses to them in connection with their participation in proceedings arising out of their service to us. There can be no assurance that any of these payments will not be material.

Our investments in marketable securities are subject to market risks which may cause losses and affect the liquidity of these investments.

At September 30, 2011 and June 30, 2011, we held auction-rate securities with a fair market value of approximately $4.2 million and $4.4 million, respectively, and a par value of $5.7 million. Between September 30, 2008 and September 30, 2011, we determined that the declines in the fair value of our remaining auction-rate securities were other-than-temporary and recorded impairment charges equal to $0.5 million, based on our estimate of fair value in our consolidated statement of operations for the corresponding quarters. If the global credit market continues to deteriorate and broker-dealers do not renew their support of auctions for auction-rate securities, our investment portfolio may continue to be impacted, and we could determine that some of these investments are further impaired. In addition, if we were to liquidate our position in these securities, the amount realized could be materially different than the estimated fair value amounts at which we are carrying these investments which could have a material adverse affect on our financial condition.

Adverse changes in general economic or political conditions could adversely affect our operating results.

Our business can be affected by a number of factors that are beyond our control such as general geopolitical and economic conditions, conditions in the financial services markets, the overall demand for our products and services and general political and economic developments. A weakening of the global economy, or economic conditions in the United States or other key markets, could cause delays in and decreases in demand for our products. For example, there is increasing uncertainty about the direction and relative strength of the United States economy because of the various challenges that are currently affecting it. If the challenging economic conditions in the United States and other key countries persist or worsen, other customers may delay or reduce spending. This could result in reductions in sales of our products and services, longer sales cycles, slower adoption of new technologies and increased price competition. Any of these events would likely harm our business, results of operations and financial condition.

Our revolving credit facility with Silicon Valley Bank contains numerous restrictive covenants that limit our discretion in the operation of our business, which could have a materially adverse effect on our business, financial condition and results of operations.

In January 2009, we entered into a $40.0 million secured revolving credit facility with Silicon Valley Bank, as subsequently amended, which contains numerous restrictive covenants that require us to comply with and maintain specified financial tests and ratios, thereby restricting our ability to:

- Incur debt;
- Incur liens;
- Redeem or prepay subordinated debt;
- Make acquisitions of businesses or entities to sell specified assets;
- Make investments, including loans, guarantees and advances;
- Make capital expenditures beyond a specified threshold;
- Engage in transactions with affiliates;
- Pay dividends or limit the amount of stock repurchases; and
- Enter into specified restrictive agreements.

Our ability to comply with covenants contained in our credit agreement may be affected by events beyond our control, including prevailing economic, financial and industry conditions.

Our current credit agreement is secured by a pledge of all of our assets. If we were to default under our current credit agreement, including a default of our financial covenants, and were unable to obtain a waiver or an amendment for such a default, the lenders would have a right to foreclose on our assets in order to satisfy our obligations, if any, under the current credit agreement and could require us to put up cash

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collateral for any outstanding letter of credit balances. Any such action on the part of the lenders against us could have a materially adverse impact on our business, financial condition and results of operations.

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We depend on recruiting and retaining key management and technical personnel with telecommunications and Internet software experience who are integral in developing, marketing and selling our products.

Because of the technical nature of our products and the dynamic market in which we compete, our performance depends on attracting and retaining key management and other employees. In particular, our future success depends in part on the continued service of many of our current employees, including key executives and key engineers and other technical employees. Competition for qualified personnel in the telecommunications, Internet software and Internet messaging industries is significant, especially in the San Francisco Bay Area in which we are located. We believe that there are only a limited number of persons with the requisite skills to serve in many of our key positions, and it is generally difficult to hire and retain these persons. Furthermore, it may become more difficult to hire and retain key persons as a result of our past restructurings, any future restructurings, and our past stock performance. Competitors and others have in the past, and, may in the future, attempt to recruit our employees. In the event of turnover within key positions, integration of new employees will require additional time and resources, which could adversely affect our business plan. If we are unable to attract or retain qualified personnel, our business could be adversely affected.

Risks Related to Owning Our Common Stock

Our quarterly operating results may fluctuate significantly as a result of factors outside of our control, which could cause the market price of our common stock to decline.

We expect our revenues and operating results to vary from quarter to quarter. As a consequence, our operating results in any single quarter may not meet the expectations of securities analysts and investors, which could cause the price of our common stock to decline. Our revenue, particularly our licensing revenue, is difficult to forecast and is likely to fluctuate from quarter to quarter.

Factors that may lead to significant fluctuation in our operating results include, but are not limited to:

- delays in or cancellation of orders from key customers;
- the introduction of new products or services or changes in pricing policies by us or our competitors;
- delays in development, launch, market acceptance or implementation by our customers of our products and services;
- changes in demand and purchasing patterns of our customers for our products;
- changes in our revenue mix among license, maintenance and support and professional services;
- restructuring or impairment charges we may take;
- revenue recognition and other accounting policies;
- potential slowdowns or quality deficiencies in the introduction of new telecommunication networks, technologies or handsets for which our solutions are designed;
- development of new relationships and penetration of new markets and maintenance and enhancement of existing relationships with customers and strategic partners;
- deferral of customer contracts in anticipation of product or service enhancements;
- timing of new governmental, statutory and industry association requirements;

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- the relative mix of our North America and international engagements which typically carry lower margins;
- fluctuations in currency exchange rates; and
- industry and economic conditions, including competitive pressures.

Our customers often defer execution of our agreements until the last week of the quarter if they elect to purchase our products. Approximately 75%-80% of our quarterly bookings typically occur in the last month of a quarter and the pattern for revenue generation during that month is normally not linear. Accordingly, we may not recognize revenue as anticipated during a given quarter when customers defer orders, delay the timing of our implementation services or ultimately elect not to purchase our products. Therefore, we could be in a position where we do not achieve our financial targets for a quarter and not determine this until very late in the quarter or after the quarter is over. As a result, our visibility into our revenue to be recognized for future periods is limited.

In addition, our operating results could be impacted by the amount and timing of operating costs and capital expenditures relating to our business and our ability to accurately estimate and control costs. Most of our expenses, such as compensation for current employees and lease payments for facilities and equipment, are largely fixed. In addition, our expense levels are based, in part, on our expectations regarding future revenues. As a result, any shortfall in revenues relative to our expectations could cause significant changes in our operating results from period to period. In this regard, our bookings may not be indicative of revenue that will be recognized in current or subsequent periods. Due to the foregoing factors, we believe period-to-period comparisons of our historical operating results may be of limited use. In any event, we may be unable to meet our internal projections or the projections of securities analysts and investors. If we are unable to do so, we expect that, as in the past, the trading price of our stock may fall dramatically.

In addition, we have in the past and may continue to experience periodic variations in sales to our strategic customers and international markets. These periodic variations occur throughout the year and may lead to fluctuations in our quarterly operating results depending on the impact of any given market during that quarter and could lead to volatility in our stock price.

Provisions of our corporate documents and Delaware law may discourage an acquisition of our business, which could affect our stock price.

Our charter and bylaws may inhibit changes of control that are not approved by our Board of Directors. In particular, our certificate of incorporation includes provisions for a classified Board of Directors, authorizes the Board of Directors to issue preferred stock without stockholder approval, prohibit cumulative voting in director elections and prohibit stockholders from taking action by written consent. Further, our bylaws include provisions that prohibit stockholders from calling special meetings and require advance notice for stockholder proposals or nomination of directors. We are also subject to Section 203 of the Delaware General Corporation Law, which generally prevents a person who becomes the owner of 15 percent or more of the corporation’ s outstanding voting stock from engaging in specified business combinations for three years unless specified conditions are satisfied. These provisions could have the effect of delaying or preventing changes in control or management.

Our stock price has been and is likely to continue to be volatile and you may not be able to resell shares of our common stock at or above the price you paid, if at all.

The trading price of our common stock has experienced wide fluctuations due to the factors discussed in this risk factors section and elsewhere in this Annual Report. In addition, the stock market in general has, and the NASDAQ Global Market and technology companies in particular have, experienced extreme price and volume fluctuations. These trading prices and valuations may not be sustainable. These broad market and industry factors may decrease the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a company’ s securities, securities class action litigation has often been instituted against companies that experienced such volatility. This litigation, if instituted against us, regardless of its outcome, could result in substantial costs and a diversion of our management’ s attention and resources.

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Item 6. Exhibits

See the Index to Exhibits which follows the signature page of this Quarterly Report on Form 10-Q, which is incorporated here by reference.

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SIGNATURES

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

Date: November 7, 2011

OPENWAVE SYSTEMS INC.

By: /s/ Anne Brennan

Anne Brennan
Chief Financial Officer
(Principal Financial and Chief Accounting Officer
And Duly Authorized Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Openwave Systems Inc. (the "Company"), (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 7, 2010 (Commission No. 001-16703)).
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 14, 2003 (Commission No. 001-16703)).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2011 (Commission No. 001-16703)).
4.1	Form of the Company's Common Stock Certificate (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed August 28, 2003).
10.1	Separation Letter Agreement between the Company and Kenneth Denman dated September 9, 2011.
10.2	Employment Offer letter between the Company and Michael Mulica dated October 3, 2011.
10.3	Fiscal Year 2012 Amended and Restated Executive Corporate Incentive Plan.
10.4	Amendment No. 5 to Loan and Security Agreement between the Company and Silicon Valley Bank dated September 6 2011.
10.5	IP Incentive Plan Letter from Openwave to Bruce Posey dated September 12, 2011.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Exhibit 10.1

September 9, 2011

Mr. Kenneth Denman

Re: Separation Agreement

Dear Ken:

This letter sets forth the substance of the separation agreement (the "Agreement") that Openwave Systems, Inc. (the "Company") is offering to you to aid in your employment transition.

1. Separation Date; Resignation from Board of Directors. Your last day of work with the Company and your employment termination date will be September 9, 2011 (the "Separation Date"). As a condition of this Agreement, you hereby resign from any and all positions which you hold on the Company' s Board of Directors effective as of the Separation Date.

2. Accrued Salary and Vacation. On the Separation Date, the Company will pay you all accrued salary, and all accrued and unused vacation earned through the Separation Date, subject to standard payroll deductions and withholdings. You are entitled to these payments regardless of whether or not you sign this Agreement.

3. Severance Benefits. If you sign this Agreement and allow the releases contained herein to become effective, then the Company will provide you with the following severance benefits:

(a) Severance Payment. The Company will pay you, as severance, the amount of $450,000.00, subject to standard payroll deductions and withholdings (the "Severance Payment"). The Severance Payment is the equivalent of six (6) months of your base salary in effect as of the Separation Date plus fifty (50) percent of your Corporate Incentive Plan annual target bonus in effect as of the Separation Date, less standard payroll deductions and withholdings. The Severance Payment will be paid in one lump sum within thirty (30) days of the Separation Date, provided that you first sign this Agreement and allow the releases contained herein to become effective.

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(b) Health Care Continuation Coverage.

(i) COBRA. To the extent provided by the federal COBRA law or, if applicable, state insurance laws, and by the Company' s current group health insurance policies, you will be eligible to continue your group health insurance benefits at your own expense. Later, you may be able to convert to an individual policy through the provider of the Company' s health insurance, if you wish.

(ii) COBRA Premiums. If you timely elect continued coverage under COBRA, the Company will pay your COBRA premiums necessary to continue your coverage (including coverage for eligible dependents, if applicable) ("COBRA Premiums") through the period (the "COBRA Premium Period") starting on the Separation Date and ending on the earliest to occur of: (i) March 31, 2012; (ii) the date you and your eligible dependents, if applicable, become eligible for group health insurance coverage through a new employer; or (iii) the date you cease to be eligible for COBRA continuation coverage for any reason, including plan termination. In the event you become covered under another employer' s group health plan or otherwise cease to be eligible for COBRA during the COBRA Premium Period, you must immediately notify the Company of such event.

(iii) Special Cash Payments in Lieu of COBRA Premiums. Notwithstanding the foregoing, if the Company determines, in its sole discretion, that it cannot pay the COBRA Premiums without a substantial risk of violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall pay to you, on the first day of each calendar month, a fully taxable cash payment equal to the applicable COBRA premiums for that month (including premiums for you and your eligible dependents who have elected and remain enrolled in such COBRA coverage), subject to applicable tax withholdings (such amount, the "Special Cash Payment"), for the remainder of the COBRA Premium Period. You may, but are not obligated to, use such Special Cash Payments toward the cost of COBRA premiums. On the thirtieth (30th) day following the Separation Date, the Company will make the first payment to you under this paragraph, in a lump sum, equal to the aggregate Special Cash Payments that the Company would have paid to you through such date had the Special Cash Payments commenced on the first day of the first month following the Separation Date through such thirtieth (30th) day, with the balance of the Special Cash Payments paid thereafter on the schedule described above.

(iv) Effective Time. The Company' s obligation to pay COBRA Premiums/Special Cash Payments shall commence when you execute this Agreement.

(c) Outplacement Services. You will be eligible to receive up to six (6) months of outplacement assistance in the form determined by the Company offered through a third-party vendor selected by the Company (the "Outplacement Services"). The Company will pay the third-party vendor directly and you will not receive the cash equivalent cost of the Outplacement Services should you choose not to use them.

4. Unemployment Benefits. As part of this Agreement, the Company agrees not to oppose your claim for unemployment compensation benefits, which will be determined by the State of California.

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5. Stock Options. You were granted certain options to purchase shares of the Company' s common stock. Under the terms of the Plan governing these stock options, and your stock option grant documents, vesting of all such options will cease as of the Separation Date. However, in further consideration of this Agreement, and notwithstanding any terms to the contrary in the governing stock option plan and grant documents, you will be entitled to exercise any options vested as of the Separation Date for a period of one (1) year following the Separation Date. You acknowledge that the extension of the exercise period for such options may change the tax treatment associated with them and the Company makes no representations or warranties as to the applicable tax treatment.

6. Other Compensation or Benefits. You acknowledge that, except as expressly provided in this Agreement, you are not entitled to receive, and will not receive, any additional compensation, severance or benefits after the Separation Date, including without limitation any severance benefits specified in your November 12, 2008 Change of Control Severance Agreement. You acknowledge and agree that the severance benefits set forth herein are in full satisfaction of any benefits that may be owed to you pursuant to your November 4, 2008 offer letter agreement with the Company and the Company' s Executive Severance Benefit Policy.

7. Expense Reimbursements. You agree that, within ten (10) days of the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

8. Return of Company Property. Within ten (10) days after the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property that you have had in your possession at any time, including, but not limited to, Company files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, tangible property (including, but not limited to, computers), credit cards, entry cards, identification badges and keys; and, any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof).

9. Confidential Information Obligations. Both during and after your employment you acknowledge your continuing obligations under your Confidential Information and Inventions Assignment Agreement, including your obligations not to use or disclose any confidential or proprietary information of the Company. You also agree that within ten (10) days after the Separation Date, you will sign and deliver to the Company the "Termination Certification" attached as Exhibit B to your Confidential Information and Inventions Assignment Agreement.

10. Nondisparagement. You agree not to disparage the Company or the Company' s officers, directors, employees, shareholders, parents, subsidiaries, affiliates, and agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation; *provided that* you may respond accurately and fully to any question, inquiry or request for information when required by legal process.

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11. Release of Claims. In exchange for the Severance Payment, COBRA Premiums/Special Cash Payments, Outplacement Services, extension of your option exercise period, and other consideration provided to you by this Agreement, you hereby generally and completely release Openwave Systems, Inc. and its current and former directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to your signing this Agreement. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to your employment with the Company, or the termination of that employment; (2) all claims related to your compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), and the California Fair Employment and Housing Act (as amended).

12. ADEA Waiver. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the ADEA ("ADEA Waiver"). You also acknowledge that the consideration given for the ADEA Waiver is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this writing, as required by the ADEA, that: (a) your ADEA Waiver does not apply to any rights or claims that arise after the date you sign this Agreement; (b) you should consult with an attorney prior to signing this Agreement; (c) you have twenty-one (21) days to consider this Agreement (although you may choose to voluntarily sign it sooner); (d) you have seven (7) days following the date you sign this Agreement to revoke the ADEA Waiver, with such revocation to be effective only if you deliver written notice of revocation to the Company within the seven (7)-day period; and (e) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after you sign this Agreement. Nevertheless, your general release of claims, except for the ADEA Waiver, is effective immediately, and not revocable.

13. Section 1542 Waiver. YOU UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving the release herein, which includes claims which may be unknown to you at present, you acknowledge that you have read and understand Section 1542 of the California Civil Code, which reads as follows:

> **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."**

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You hereby expressly waive and relinquish all rights and benefits under that section and any law of any other jurisdiction of similar effect with respect to your release of any unknown or unsuspected claims herein.

14. Exceptions. Notwithstanding the foregoing, you are not releasing any claim that cannot be waived under applicable state or federal law. You are not releasing any rights that you have to be indemnified (including any right to reimbursement of expenses) arising under applicable law, the certificate of incorporation or by-laws (or similar constituent documents of the Company), any indemnification agreement between you and the Company, or any directors' and officers' liability insurance policy of the Company. Nothing in this Agreement shall prevent you from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that you acknowledge and agree that you shall not recover any monetary benefits in connection with any such claim, charge or proceeding with regard to any claim released herein. Nothing in this Agreement shall prevent you from challenging the validity of the release in a legal or administrative proceeding.

15. Representations. You hereby represent that you have been paid all compensation owed and for all hours worked, have received all the leave and leave benefits and protections for which you are eligible, pursuant to the Family and Medical Leave Act or otherwise, and have not suffered any on-the-job injury for which you have not already filed a claim.

16. General. This Agreement including Exhibit A, constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to this subject matter. It is entered into without reliance on any promise or representation, written or oral, other than those expressly contained herein, and it supersedes any other such promises, warranties or representations. This Agreement may not be modified or amended except in a writing signed by both you and a duly authorized officer of the Company. This Agreement will bind the heirs, personal representatives, successors and assigns of both you and the Company, and inure to the benefit of both you and the Company, their heirs, successors and assigns. If any provision of this Agreement is determined to be invalid or unenforceable, in whole or in part, this determination will not affect any other provision of this Agreement and the provision in question will be modified by the court so as to be rendered enforceable to the fullest extent permitted by law, consistent with the intent of the parties. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California.

If this Agreement is acceptable to you, please sign below and return the original to me.

I wish you good luck in your future endeavors.

Sincerely,

Openwave Systems, Inc.

By:

Charles Levine

Chairman of the Board

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Agreed:

Kenneth Denman /s/

Kenneth Denman

September 9, 2011

Date

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Exhibit 10.2

2100 Seaport Boulevard
Redwood City, California
94063 USA

Tel: 1 650 480 8000
Fax: 1 650 480 8100

October 3, 2011

Mr. Michael Mulica

Re: Offer of Employment

Dear Mike:

We are extremely pleased to offer you this opportunity to join Openwave Systems Inc. ("Openwave" or "the Company") in the position of President and Chief Executive Officer. You will report to the Openwave Board of Directors (the "Board") and you will be based in Openwave' s Redwood City location. The following terms and conditions of this agreement (the "Agreement") shall apply to your anticipated employment with Openwave. This offer is contingent upon the positive confirmation of the information you have provided in your resume, and a successful background check.

Commencement of Employment with Company

Your employment will commence on or before October 10, 2011. You shall devote your full working time and efforts to the business and affairs of the Company. Notwithstanding the foregoing, you may serve on other boards of directors with the prior approval of the Board, or engage in religious, charitable trade association or other community activities as long as such activities are disclosed to and approved by the Board and do not materially interfere with the performance of your duties to the Company as provided in the Agreement. You will be based at our Redwood City headquarters from where you will be expected to work. Subject to the commencement of your employment as President and Chief Executive Officer of the Company, you will be offered a seat on the Board of Directors of the Company. You agree that, by acceptance of this offer, on the date of termination of your position as Chief Executive Officer, you will resign your position as a member of the Board effective on such date.

1. Base Compensation.

Your annual base salary will be $400,000. You will be paid semi-monthly on the 15th and the last working day of each month.

Incentive Compensation

You will be eligible for a bi-annual incentive cash award from the Company under the Company' s Corporate Incentive Plan ("CIP"), based upon a target for each six month period which shall be 100% of your base salary actually earned for the six month performance period; provided, however, that you shall receive a one time guaranteed, pro-rated bonus of $100,000, with no opportunity for overachievement per the plan terms, for the remainder of this calendar year, in lieu of any bonus under the CIP.

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Under the term of the CIP, your actual annual incentive cash award may be below, at, or above target (up to a maximum of 150% of your target, as pro-rated if applicable) and shall be determined based upon the Company' s achievement level against Company financial and performance objectives. The terms of the CIP, including the financial and performance objectives for the Company, shall be established for each performance period by the Compensation Committee in consultation with the Board of Directors of the Company.

Equity Awards.

Subject to the approval of the Compensation Committee of the Board of Directors of Openwave at its first meeting (the 15th of the month following the month of your employment commencement date), you will be granted an option to purchase Openwave Common Stock.

You may advise the Compensation Committee of your preference to receive either of the following option grants, which grant shall be subject to the approval of the Compensation Committee of the Board of Directors of Openwave at its first meeting:

1,500,000 shares of Common Stock with an exercise price equal to the fair market value of the Company common stock on the date of grant (which shall be determined in accordance with the terms of Openwave' s 2006 Stock Incentive Plan), The vesting commencement date will be your employment commencement date. The options will vest with a one year cliff and monthly thereafter over a period of four years contingent upon continued employment on the applicable vesting date, subject to the terms of the Company' s policies and standard form of agreements.

Insurance Plans.

You are also eligible to participate in our comprehensive employee benefit programs. You understand and agree that, subject to applicable law, the Company reserves the right to unilaterally revise the terms of the employee benefit programs.

At Will Employment.

You should be aware that your employment with Company is for no specified period and constitutes "at will" employment. As a result, you, and/or the Company, each have the right to terminate the employment relationship at any time for any reason, with or without cause. This is the full and complete agreement between you and the Company regarding this term. Although the Company' s personnel policies and procedures may change from time to time, the "at will" nature of your employment may only be changed in a written amendment to this Agreement signed by you and an authorized officer of the Company and authorized member of the Board.

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US Work Authorization.

Your employment will commence on or before October 10, 2011 or on the first available date following your providing to Company proof of your eligibility to work in the United States.

Severance.

If your employment is terminated by the Company other than for Cause as defined in Addendum E, you shall be eligible to receive the severance and benefits described in the Company' s Executive Severance Benefit Policy pursuant to the terms of that policy and as consistent with applicable law, provided that you are in compliance with your obligations under this Agreement and the other agreements you may have with the Company. The severance amount for you shall be twelve (12) months of base salary. This paragraph and your participation in the Company' s Executive Severance Benefit Policy do not change or alter the "at will" nature of your employment relationship with the Company. Additionally, if your employment is terminated without Cause, your unvested new hire options will be accelerated as follows: if the stock price on your termination date is at least a 25% increase above your grant price, 50% of your unvested new hire grant options will accelerate. If the Company stock price on your termination date is at least a 50% increase above your grant price, 100% of your unvested new hire grant options will be accelerated. Additionally, you will have 12 months post termination date to exercise your options.

11. Components of Agreement.

Incorporated into this Agreement by reference are the following addendums ("Addendums") and their attachments, each of which is a component of the Agreement.

Addendum A- Employment Requirements
Addendum B- Confidential Information and Inventions Assignment Agreement
Addendum C- Insider Trading Policy
Addendum D- Code of Conduct and Ethics
Addendum E- Definitions of Involuntary Termination and Cause
Addendum F- Change of Control Severance Agreement

Section 409A.

You and the Company intend that income provided to you pursuant to this Agreement will not be subject to taxation under Section 409A of the Internal Revenue Code ("Section 409A"), and the provisions of this Agreement shall be interpreted and construed in favor of satisfying any applicable requirements of Section 409A. The Company does not, however, guarantee any particular tax effect for income provided to you pursuant to this Agreement, and except for its obligation to withhold applicable income and employment taxes from compensation paid or provided to you, the Company shall not be responsible for the payment of any applicable taxes incurred by you on compensation paid or provided to you pursuant to this Agreement. In the event that any compensation to be paid or provided to you pursuant to

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this Agreement may be subject to the excise tax described in Section 409A, the Company may delay such payment for the minimum period required in order to avoid the imposition of such excise tax.

Entire Agreement/Modification.

This Agreement, the Addendums, and any stock option agreements between you and the Company, constitute the entire agreement between you and the Company concerning our employment relationship, and they supersede all prior negotiations, representations, and agreements regarding that subject. This Agreement cannot be modified or amended except by a subsequent written amendment signed by you and an authorized officer of the Company.

Please review these terms to make sure they are consistent with your understanding. Please sign one copy and return, no later than September 30, 2011. Your acceptance of this Agreement represents a unique opportunity for both you and Company to grow and to succeed. We thank you for the commitment you have made to our common vision and look forward to working with you.

Sincerely,

/s/ Robin Abrams
Robin Abrams
Chair, Nominating and Corporate Governance Committee

I accept the offer of employment and terms stated in this Offer Letter and accompanying Addendums and attachments.

Accepted: /s/ Michael Mulica Date: 10/6/11
Michael Mulica

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Exhibit 10.3

Openwave Systems Inc.
Fiscal Year (FY) 2012
Amended and Restated
Executive Corporate Incentive Plan (CIP)

Table of Contents

1. Plan Objective
2. Plan Funding
3. Performance Periods
4. Incentive Compensation Payout Calculation
5. Calculation Example
6. Plan Administration
   - 6.1 Eligibility
   - 6.2 Eligible Earnings
   - 6.3 Transfers between CIP and other Company incentive compensation plans
   - 6.4 Terminations
   - 6.5 Payout Timing
   - 6.6 Deductions
   - 6.7 Reservation of Right to Amend the CIP
   - 6.8 Employment at Openwave
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7 FAQs

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Plan Objective

The primary objective of Openwave’ s Amended and Restated Executive Corporate Incentive Plan (CIP) is to incent its Executives to lead the Company to greater profitability and success. Openwave is committed to sharing its success directly with the Executives who make it possible, and the CIP will reward Executives when the Company achieves certain financial objectives. Openwave believes its financial targets are most likely to be achieved when all of its Executives work together to lead and manage the organization, and that such teamwork will be a natural result of the CIP.

Plan Funding

The CIP is an incentive plan, which will be funded only if the Company achieves certain financial and profitability objectives. These objectives are set out below in Section 4, and they are based upon the combined performance of all functional units within the Company

3. Performance Periods

The Performance Periods under the FY2012 CIP are:

First half FY2012: July 1, 2011 through December 31, 2011

Second half FY2012: January 1, 2012 through June 30 2012

4. Incentive Compensation Payout Calculation

Actual Eligible Base Pay Earnings (for the Performance Period)	X	Target Incentive %	X	Company Performance Modifier	=	**Payout**

Where:

Actual Eligible Base Pay Earnings refer to the actual gross base pay earnings for each Participant during the Performance Period.

Target Incentive % - Each Participant is assigned a Target Incentive percentage, and his/her target incentive pay equals his/her Actual Eligible Base Pay Earnings x his/her Target Incentive %.

Company Performance Modifier

The Company’ s performance against its financial objectives is reflected in the Company Performance Modifier, which is measured by by performance in the Performance Period against the Company’ s Operating Profit and Bookings targets as approved by the Board of Directors in connection with its approval of the Company’ s Fiscal 2012 Operating Plan. Notwithstanding the foregoing, the Company’ s Operating Profit and Bookings targets shall be properly adjusted by the Compensation Committee upon the completion of a merger or an acquisition to adequately reflect the impact of such merger or acquisition on the Company’ s Operating Profit and Bookings targets, as well as its impact on the application of the Company Performance Modifier. **The maximum Company Performance Modifier is 150%.** The Company Performance Modifier is determined as follows:

Average of YTD Bookings Achievement % and YTD Operating Profit* Achievement %	<80%	80%	90%	100%	110%	125%
Company Performance Modifier	0 %	50%	75%	100%	120%	150%

* Bookings Achievement for each Performance Period is determined based on “net” Bookings period to date, which is the total Bookings amount entered into Cognos during the applicable Performance Period, less the amount of any transactions that are debooked by Finance during the applicable Performance Period (whether such transactions occurred prior to or during that Performance Period)

** Operating Profit for each Performance Period is determined on a non-GAAP basis before CIP payout

Note:

(i) The Company Performance Modifier will not exceed 100% unless Openwave is profitable at non GAAP net income level for the Performance Period (with the accelerated CIP payouts included).

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(ii) **For Company performance falling within the ranges contained in the achievement table above, the Company Performance Modifier will be determined as follows:**

80%-100% achievement−the Company Performance Modifier will increase 2.5 percent for each additional percentage point of achievement (for example, if achievement is 92%, the Company Performance Modifier will be 80%); and

101%-125% achievement = the Company Performance Modifier will increase 2.0 percent for each additional percentage point of achievement (for example, if achievement is 108%, the Company Performance Modifier will be 116%).

5. Calculation Example

Participant	Actual Eligible Base Pay Earnings for the Performance Period (H1)	Job/Level	Target Incentive %	Target Incentive Amount	Company Performance Modifier	Actual Half Year Payout to Participant
Executive	$ 137,500	Senior Vice President	50 %	$68,750	105 %	$72,187.50

6. Plan Administration

6.1 Eligibility

An employee will not be eligible to be a participant in the CIP ("Participant") unless all of the following apply:

He/she is not a Participant under any other Openwave incentive compensation plan;

He/she is employed at a Senior Vice President or higher level, or equivalent level;

He/she was hired by the Company on or before the last BUSINESS day of the second month of the applicable Performance Period;

He/she is actively employed by the Company at the end of the applicable Performance Period (employed on the last BUSINESS day of the Performance Period);

He/she is not on a Performance Improvement Plan at any time during the Performance Period; and

He/she has executed the Company' s updated CONFIDENTIAL INFORMATION AND INVENTION ASSIGNMENT AGREEMENT on or prior to the last BUSINESS day of the Performance Period.

6.2 Eligible Earnings

Each Participant' s CIP payout opportunity is a percentage of the Participant' s Actual Eligible Base Pay Earnings while employed in a CIP-eligible position during the Performance Period.

6.3 Transfers between CIP and other Company incentive compensation plans

Employees whose job change results in a change of plan eligibility (e.g. employee moving to/from the CIP to another Company incentive/ sales compensation plan or vice versa) will be eligible for a CIP payout based on their Actual Eligible Base Pay Earnings during the portion of the Performance Period that they worked in a CIP eligible job.

6.4 Terminations

Participants will not be eligible for a CIP payout if their employment is terminated for any reason (including but not limited to, voluntary resignation, reduction in force, or termination for performance or other reasons) before the last BUSINESS day of the applicable Performance Period (e.g. before December 31, 2010, June 30, 2011; if the last BUSINESS day of a Performance Period is a Company recognized holiday, then the day before.)

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Exception: If a Participant is terminated during a Performance Period and is thereafter rehired during the same Performance Period, the Participant will be credited with prior service and will be eligible for a CIP payout based on his/her Actual Eligible Base Pay Earnings during the Performance Period.

6.5 Payout Timing

CIP payouts typically occur no later than 2 months after the end of the applicable Performance Period.

In the event that a Participant dies during a Performance Period or prior to the CIP payout date, the Participant' s beneficiary or estate will be entitled to the payout, if any, that would have been made to the Participant.

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6.6 Deductions

Local, state and federal tax and other withholding will apply to all CIP payouts at the supplemental tax rate, as well as any other individual employee elections for deductions.

6.7 Reservation of Right to Amend the CIP

Openwave reserves the right to modify, amend, and/or terminate the CIP at any time and for any reason. No amendment, modification, or termination of the CIP shall be effective without written confirmation by the Company' s CEO or his/her designee. Any oral amendment, modification, or termination of the CIP shall not be effective or binding on the Company, and cannot/should not be relied upon by any Participant.

6.8 Employment at Openwave

Nothing in this CIP creates or is intended to create a promise or representation of continued employment or an expectation that any amount of compensation referred to in the CIP will be earned by or due to Participants. All employment with the Company is "at will" and may be terminated by a Participant or the Company at any time, with or without cause or notice.

6.9 Conflict With Local Law

To the extent that any provision of the CIP conflicts with local law in any jurisdiction outside the United States, the CIP will be interpreted and applied in a manner that complies with local law for the Participants in such jurisdiction(s).

6.10 Key Contacts

If you have any questions regarding this plan, please contact your manager or HR Business Partner.

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7 FAQs

Q: My eligible earnings are less then my half yearly salary? Why?

A: There may be several reasons for that. The following events will affect your Actual Eligible Base Pay Earnings:

Unpaid Leave of Absence

Hire date after the beginning of the Performance Period

Transfer into a non-CIP eligible position (from or to a position covered by the Sales Incentive or other variable pay plans)

If you believe that your Actual Eligible Base Pay Earnings are incorrectly calculated, please login and check your payroll via Payroll Workcenter (US employees only - http://workcenter.probusiness.com/) and/or check with your payroll contacts in your respective country. The following earnings codes are included in the Actual Eligible Base Pay Earnings calculation: Salary, Regular, Hourly, Unpaid (usually a negative number that will reduce your earnings), Retro, Vacation, Holiday and Floating Holiday. Please contact your HR Business Partner if any corrections need to be made.

Q: Does an Executive' s personal performance affect the size of the incentive payout?

A: Our financial targets can be achieved when all Executives lead and manage the organization and work together as a team. Individual performance evaluations will not change or affect the CIP payout, which is solely a function of the Company performance factors described above.

Q: When will CIP payouts occur?

A: If earned under the terms of the CIP, payouts will typically occur within two months following the end of the Performance Period.

Q: What happens if an employee changes jobs within the Company during the CIP Performance Period?

A: If the job change is into a non-CIP position, the Participant' s CIP payout will be based on his/her Actual Eligible Base Pay Earnings during the portion of the Performance Period that he/she was in a CIP eligible position. If the job change results in a job framework level change, the applicable Target Incentive % will be based on the job framework level at the end of the Performance Period.

Q: What exactly does non-GAAP mean?

A: Openwave publicly reports its financial information in accordance with US Generally Accepted Accounting Principles (GAAP). To facilitate easier comparison of the company' s operating performance, Openwave also presents financial information that may be considered "non-GAAP financial measures". The items that are classified as "non-GAAP financial measures" are non-operating in nature or non-recurring one-offs.

Q: Why are the "accelerators" for achievement over 100% only applied when Openwave is profitable at non-GAAP net income levels?

A: The reason we need to use the non-GAAP measures is to ensure that the Company is profitable before we pay out on the multipliers (i.e., we take out non-operating in nature or non-recurring one-offs).

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Exhibit 10.4

AMENDMENT NO. 5 TO

LOAN AND SECURITY AGREEMENT

This Amendment No. 5 to Loan and Security Agreement (this "Amendment") is entered into as of this 6th day of September, 2011, by and between Openwave Systems Inc., a Delaware corporation ("Borrower") and Silicon Valley Bank ("Bank"). Capitalized terms used herein without definition shall have the same meanings given them in the Loan Agreement (defined below).

Recitals

Borrower and Bank have entered into that certain Loan and Security Agreement dated as of January 23, 2009 (as amended to date and as may be further amended, restated, supplement or otherwise modified from time to time, the "Loan Agreement"), pursuant to which the Bank has agreed to extend and make available to Borrower certain advances of money.

Borrower desires that Bank amend the Loan Agreement upon the terms and conditions more fully set forth herein.

Subject to the representations and warranties of Borrower, and upon the terms and conditions set forth in this Amendment, Bank is willing to amend the Loan Agreement as specified herein.

Agreement

NOW, THEREFORE, in consideration of the foregoing Recitals and intending to be legally bound, the parties hereto agree as follows:

1. Amendments to Loan Agreement.

1.1 Section 2.1.3 (Foreign Exchange Sublimit). Section 2.1.3 of the Loan Agreement is deleted in its entirety.

1.2 Section 2.1.4 (Cash Management Services Sublimit). Section 2.1.4 of the Loan Agreement is deleted in its entirety.

1.3 Section 2.2 (Overadvances). Section 2.2 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"If, at any time, the sum of (a) the outstanding principal amount of any Advances, plus (b) the face amount of any outstanding Letters of Credit (including drawn but unreimbursed Letters of Credit and any Letter of Credit Reserve), exceeds the lesser of either the Revolving Line or the Borrowing Base, Borrower shall immediately pay to Bank in cash such excess."

1.4 Section 4.1 (Grant of Security Interest). The following is added to the end of Section 4.1 of the Loan Agreement:

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"Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority security interest granted herein."

1.5 Section 6.7 (Financial Covenants). Subsection (a) (Liquidity Coverage Ratio) of Section 6.7 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"Liquidity Coverage Ratio. A minimum ratio, measured as of the end of each calendar month, of (i) unrestricted cash, Cash Equivalents and short and long-term investments (with the exception of auction rate securities), plus 10% of Eligible Accounts to (ii) aggregate Obligations (exclusive of cash management services and foreign exchange contracts), of not less than 2.00:1.00."

1.6 Section 8.7 (Judgments). Section 8.7 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least $750,000 or with respect to (a) the pending litigation *In re Openwave Systems Securities Litigation* (Master File 07-1309 (DLC)) in excess of $5,000,000, or (b) a settlement of the *Openwave Systems vs. Myriad France S.A.S.* litigation in excess of $12,000,000 (in each case, not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier), shall be rendered against Borrower and shall remain unsatisfied, unvacated, or unstayed for a period of thirty (30) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order, or decree);"

1.7 Section 13 (Definitions). The following definitions are deleted in their entirety from Section 13.1 of the Loan Agreement:

"**Cash Management Services**", "**FX Forward Contract**", "**FX Reduction Amount**", and "**FX Reserve**".

1.8 Section 13 (Definitions). The following definitions in Section 13.1 of the Loan Agreement are hereby amended and restated in their entirety as follows:

""Borrowing Base" is $20,000,000 plus 75% of Eligible Accounts, as determined by Bank from Borrower' s most recent Borrowing Base Certificate; provided, however, Bank may decrease the foregoing percentage in its good faith business judgment based on events, conditions, contingencies, or risks which, as determined by Bank, may adversely affect Collateral."

""Loan Documents" are, collectively, this Agreement, the Collateral Information Certificate, any Bank Services Agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement between Borrower and any Guarantor and/or for the benefit of Bank, all as amended, restated, or otherwise modified."

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““Obligations” are Borrower’ s obligation to pay when due any debts, principal, interest, Bank Expenses, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, any interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower’ s duties under the Loan Documents.”

1.9 Section 13 (Definitions). The following definition is added in proper alphabetical order to Section 13.1 of the Loan Agreement:

““**Bank Services**” are any products and/or credit services facilities provided to Borrower by Bank, including, without limitation, guidance facilities, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank’ s various agreements related thereto (each, a “**Bank Services Agreement**”).”

2. BORROWER’ S REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants that:

(a) immediately upon giving effect to this Amendment (i) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (ii) no Event of Default has occurred and is continuing;

(b) Borrower has the corporate power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

(c) the certificate of incorporation and by-laws of Borrower (collectively, “***Organizational Documents***”) delivered to Bank on or prior to the date hereof are true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect as of the date hereof, and Borrower shall promptly deliver to Bank any amendments, supplements, restatements or other modifications to such Organizational Documents;

(d) the execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action on the part of Borrower;

(e) this Amendment has been duly executed and delivered by the Borrower and is the binding obligation of Borrower, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors’ rights; and

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(f) as of the date hereof, Borrower has no defenses against the obligations to pay any amounts under the Obligations. Borrower acknowledges that Bank has acted in good faith and has conducted in a commercially reasonable manner its relationships with Borrower in connection with this Amendment and in connection with the Loan Documents.

Borrower understands and acknowledges that Bank is entering into this Amendment in reliance upon, and in partial consideration for, the above representations and warranties, and agrees that such reliance is reasonable and appropriate.

3. LIMITATION. The amendments set forth in this Amendment shall be limited precisely as written and shall not be deemed (a) to be a forbearance, waiver or modification of any other term or condition of the Loan Agreement or of any other instrument or agreement referred to therein or to prejudice any right or remedy which Bank may now have or may have in the future under or in connection with the Loan Agreement or any instrument or agreement referred to therein; (b) to be a consent to any future amendment or modification, forbearance or waiver to any instrument or agreement the execution and delivery of which is consented to hereby, or to any waiver of any of the provisions thereof; or (c) to limit or impair Bank' s right to demand strict performance of all terms and covenants as of any date. Except as expressly amended hereby, the Loan Agreement shall continue in full force and effect.

4. EFFECTIVENESS. This Amendment shall be deemed effective upon the satisfaction of all the following conditions precedent:

4.1 Amendment. Borrower and Bank shall have duly executed and delivered this Amendment to Bank.

4.2 Waiver Fee. Borrower shall have paid Bank an amendment fee in the amount of $7,500.

4.3 Payment of Bank Expenses. Borrower shall have paid all Bank Expenses (including all reasonable attorneys' fees and reasonable expenses) incurred through the date of this Amendment

5. COUNTERPARTS. This Amendment may be signed in any number of counterparts, and by different parties hereto in separate counterparts, with the same effect as if the signatures to each such counterpart were upon a single instrument. All counterparts shall be deemed an original of this Amendment.

6. INTEGRATION. This Amendment and any documents executed in connection herewith or pursuant hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect thereto and no extrinsic evidence whatsoever may be introduced in any judicial or arbitration proceeding, if any, involving this Amendment; except that any financing statements or other agreements or instruments filed by Bank with respect to Borrower shall remain in full force and effect.

7. GOVERNING LAW; VENUE. THIS AMENDMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

[SIGNATURE PAGE FOLLOWS]

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

Borrower:	Openwave Systems Inc., a Delaware corporation
	By Anne K. Brennan /s/
	Name: Anne K. Brennan Title: Chief Financial Officer
Bank:	Silicon Valley Bank
	By Tom Smith /s/ Name: Tom Smith Title: Managing Director

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Exhibit 10.5

September 12, 2011

Mr. Bruce Posey
Openwave
2100 Seaport Boulevard
Redwood City, CA 94063

Dear Bruce:

I' m delighted to confirm the details of the special IP Incentive Plan which the Compensation Committee has approved. The elements of this plan are as follows:

This plan will be effective from September 1, 2011 through September 30, 2013 (the "Measurement Period"). The measurement period will be divided into four semi-annual periods and you will be eligible to receive a cash bonus based on the net patent revenue pool defined below, recognized as a result of your efforts in negotiating, closing and executing IP-based licensing agreements during the semi-annual period. The actual revenue recognized will be equal to the IP patent license revenue recognized during the semi-annual period, consistent with the Company' s GAAP revenue recognition policy, minus actual IP related outside legal expenses and/or costs and expenses for consulting fees incurred and recorded by the Company during the same period (referred to as net revenue). You will be eligible to earn a cash incentive equal to .5% (one half percent) of the net revenue as described above, in each semi-annual period (ie, the first semi-annual period ends February 29, 2012). Following the close of each semi-annual period, a calculation will be performed to determine the actual award under the plan. Awards, if earned, will be paid once actual results and expenses are known (within two months following the end of the semi-annual period) and will be processed consistent with the company' s payroll policies for semi-annual incentives. Appropriate taxes will be deducted based on the company' s standard practices. The Company will re-evaluate the plan at the end of the first twelve months in order to ensure it is meeting the intended goals for both parties.

Payments under the plan will be directly related to your work efforts to advance and monetize our IP Patent revenue. If, for any reason, the Company determines in its sole discretion, that it is in the best interest of the Company to enter into an agreement to sell the Company, or any or all of the Company' s patent portfolio, these transactions will be excluded from any calculations for your individual incentive under the Plan. The measurement of bonus incentives under the plan will be deemed to be completed, at the time of any sale or change of control of the company, resulting in no additional or future liability for payment under the Plan.

If you are terminated by the Company for any reason other than Cause, payments under the Plan will be issued consistent with the Company' s revenue recognition policy and payroll processing policies within 45 days of termination, using the date of termination as the end date of the shortened semi-annual period. In the fiscal quarter of termination, net patent revenue will be included in the shortened semi-annual period on a pro-rata basis if it is unclear as to the specific date as earned as revenue by the Company (i.e. time based royalties). In the event you are terminated for Cause, (cause as standard Openwave definition) any bonus incentives not paid by the time of termination, will be based on net patent revenue recognized up until the termination date, paid consistent with Company' s termination policies. Once your employment is terminated, for any reason, you have no right to any future payments provided under the Plan. Nothing in this Plan creates or implies a change to our At-Will policy, and is not considered a contract of employment for any specified period of time.

Sincerely,

Eileen Nelson
Sr. Vice President, Human Resources

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Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Michael C. Mulica, certify that:

1. I have reviewed this Form 10-Q of Openwave Systems Inc.;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 the registrant' s board of directors (or persons performing the equivalent functions):

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: November 7, 2011

/s/ Michael C. Mulica

Michael C. Mulica
Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Anne Brennan, certify that:

1. I have reviewed this Form 10-Q of Openwave Systems Inc.;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) 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

d) 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 the registrant' s board of directors (or persons performing the equivalent functions):

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: November 7, 2011

/s/ Anne Brennan

Anne Brennan
Chief Financial Officer

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Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER 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 of Openwave Systems Inc. on Form 10-Q for the quarterly period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael C. Mulica, as Chief Executive Officer of Openwave Systems Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, (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 Openwave Systems Inc.

/s/ Michael C. Mulica

November 7, 2011

Michael C. Mulica
Chief Executive Officer

In connection with the Quarterly Report of Openwave Systems Inc. on Form 10-Q for the quarterly period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anne Brennan, as Chief Financial Officer of Openwave Systems Inc., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, (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 Openwave Systems Inc.

/s/ Anne Brennan

November 7, 2011

Anne Brennan
Chief Financial Officer

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