

**Mail Stop 4561**  
**Via Fax +972-9-9526111**

December 18, 2007

Varda Sagiv  
Chief Financial Officer  
Blue Phoenix Solutions LTD.  
8 Maskit Street  
Herzlia 46120  
Israel

**Re: Blue Phoenix Solutions LTD.**  
**Form 20-F for the Fiscal Year Ended December 31, 2006**  
**Filed on March 30, 2007**  
**File No. 333-06208**

Dear Ms. Sagiv:

We have reviewed your response letter dated December 4, 2007 in addition to the above referenced filing and have the following comments. Please note that we have limited our review to the matters addressed in the comments below. We may ask you to provide us with supplemental information so we may better understand your disclosure. Please be as detailed as necessary in your explanation. After reviewing this information, we may raise additional comments. Unless otherwise noted where prior comments are referred to they refer to our letter dated November 20, 2007.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or on any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 20-F for Fiscal Year Ended December 31, 2006

Consolidated Statements of Operations, page F-3

1. We note your response to prior comment 1 where you state that revenues accounted for pursuant to SOP 81-1 are classified as service revenue and cost of revenue, as vendor specific objective evidence (VSOE) does not exist for the

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service element or the software element. While we do not object to this treatment, we request that you please revise future filings to disclose your methodology for classifying products and services revenue and cost of revenue for each type of arrangement that you offer. In addition, please ensure that your MD&A disclosures include a discussion of your allocations and the reasons for such allocations.

\* \* \* \* \*

As appropriate, please amend your filing and respond to these comments within 10 business days or tell us when you will provide us with a response. Please submit all correspondence and supplemental materials on EDGAR as required by Rule 101 of Regulation S-T. You may wish to provide us with marked copies of any amendment to expedite our review. Please furnish a cover letter with any amendment that keys your responses to our comments and provides any requested information. Detailed cover letters greatly facilitate our review. Please understand that we may have additional comments after reviewing any amendment and your responses to our comments.

You may contact Melissa Feider at (202) 551-3379 or me at (202) 551-3499 if you have questions regarding comments on the financial statements and related matters.

Sincerely,

Kathleen Collins  
Accounting Branch Chief