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FORGENT NETWORKS INC
Form 11-K
June 28, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 For the fiscal year ended December 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 For the transition period from _____ to

Commission file number _____

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

VTEL Corporation 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Forgent Networks, Inc. (f/k/a VTEL Corporation)
108 Wild Basin Road
Austin, Texas 78746

Financial Statements and Supplemental Schedule

VTEL Corporation 401(k) Plan

Year ended December 31, 2001 with Report of Independent Auditors

VTEL Corporation 401(k) Plan

Financial Statements
and Supplemental Schedule

Year ended December 31, 2001

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Report of Independent Auditors

The Trustees
VTEL Corporation 401(k) Plan

We have audited the accompanying statements of net assets available for benefits of the VTEL Corporation 401(k) Plan as of December 31, 2001 and 2000 and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000 and the changes in net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

June 10, 2002

VTEL Corporation 401(k) Plan
Statements of Net Assets Available for Benefits

| | December 31 2001 | 2000 |
|-----------------------------------|---------------------|-------|
| | | |
| Assets | | |
| Investments at fair value | \$18,294,591 | \$23, |
| Cash | - | |
| Employee contributions receivable | 24,292 | |
| Employer contribution receivable | 3,691 | |
| | | |
| Net assets available for benefits | \$18,322,574 | \$23, |

See accompanying notes.

VTEL Corporation 401(k) Plan
 Statement of Changes in Net Assets Available for Benefits
 Year ended December 31, 2001

| | |
|--|--------------|
| Additions: | |
| Employee contributions | \$ 1,267,848 |
| Employer contributions | 97,067 |
| Rollover contributions | 167,105 |
| Interest income | 156,527 |
| | ----- |
| Total additions | 1,688,547 |
| Deductions: | |
| Benefit payments | 4,717,903 |
| Net depreciation in fair value of investments | 1,706,669 |
| Administrative expense | 14,238 |
| | ----- |
| Total deductions | 6,438,810 |
| | ----- |
| Net decrease in net assets available for benefits | (4,750,263) |
| Net assets available for benefits at beginning of year | 23,072,837 |
| | ----- |
| Net assets available for benefits at end of year | \$18,322,574 |
| | ===== |

See accompanying notes.

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1. Description of Plan

The VTEL Corporation 401(k) Plan (the Plan) became effective January 1, 1990.

The following brief description of the Plan is provided for general purposes only. Participants should refer to the Plan agreement for more complete information.

General

On January 15, 2002, the name of VTEL Corporation was changed to Forgent Networks, Inc.

The Plan is a defined contribution profit sharing plan covering substantially all employees of Forgent Networks, Inc. (the Company). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Eligible employees may contribute to the Plan an elected portion of their eligible compensation, as defined in the Plan, up to the statutory annual deferral limit.

The Company may make matching contributions up to specified amounts at its discretion.

All contributions are invested at the direction of the participants.

Eligibility

Employees are eligible for participation in the Plan after obtaining 21 years of age as defined in the Plan, up to the statutory annual deferral limit.

Vesting

Participants are immediately vested in their contributions and earnings thereon. Company matching contributions vest based on years of service completed by participants.

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VTEL Corporation 401(k) Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Payment of Benefits

Participants are entitled to receive benefit payments at the normal retirement age of 65, in the event of the participant's death or disability, or in the event of termination under certain circumstances other than normal retirement, disability or death or if the participant reaches age 70 1/2 while still employed. Benefits may be paid in a lump-sum distribution or by an annuity.

Plan Termination

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Although the Company has not expressed any intent to terminate the Plan, it reserves the right to do so at any time. Upon such termination, each participant becomes fully vested and all benefits shall be distributed to the participants or their beneficiaries.

Participant Accounts

Discretionary employer matching contributions, if any, are allocated annually to participant accounts based upon the percentage determined and authorized by the Company's board of directors.

Investment earnings or losses are allocated among the participants' accounts based upon the percentage of the balance of each such account to the total balance of all such accounts within each investment option.

Participant Loans

Upon written application of a participant, the Plan may make a loan to a participant. Participants are allowed to borrow no less than \$1,000 and no greater than the lesser of 50% of the participant's vested account balance or \$50,000. Loans are amortized over a maximum of 60 months unless it is used to purchase participant's principal residence and repayment is made through payroll deductions. The amount of the loan is deducted from the participant's investment accounts and bears interest at a rate commensurate with local rates for similar plans.

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VTEL Corporation 401(k) Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Forfeitures

Forfeitures, if any, under the Plan are first applied to payment of administrative expenses of the Plan and then to the Company's matching contribution to the Plan for the Plan year in which the forfeitures occur.

Administration

The Plan is administered by trustees consisting of officers and employees of the Company. Certain administrative expenses of the Plan are paid by the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Plan's financial statements have been prepared on the accrual basis of accounting.

Valuation of Investments

Effective January 1, 1998, the Plan entered into a group annuity contract with Connecticut General Life Insurance Company (a CIGNA company) ("CGLIC"). The contract includes the CIGNA Guaranteed Income Fund and Guaranteed Governmental Securities Fund which are invested in CGLIC's general portfolio and are fully

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benefit-responsive and, therefore, recorded at contract value. The rate of credited interest for any period of time will be determined by CGLIC and may be changed monthly. The average yield for the Guaranteed Income Fund was approximately 5.05% and 5.15% and for the Guaranteed Governmental Securities Fund was approximately 5.05% and 5.15% for the year ended December 31, 2001 and 2000, respectively. The crediting interest rate (i.e., the rate at which interest was accrued to the contract balance) for the Guaranteed Income Fund was 4.95% and 5.15% and for the Guaranteed Governmental Securities Fund was .70% and 4.25% as of December 31, 2001 and 2000, respectively.

The contract also includes pooled separate accounts. CGLIC determines the fair value of the pooled separate accounts based on the quoted market values of the underlying assets in the separate accounts. Participant loans are stated at cost, which approximates fair value.

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2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and the accompanying notes and schedule. Actual results could differ from those estimates.

3. Investments

The following presents investments that represent five percent or more of the Plan's net assets:

December 31, 2001

| Connecticut General Life Insurance Company Pooled | |
|---|-------------|
| Separate Accounts: | |
| Charter Corporate Bond - CIGNA | \$1,334,500 |
| Fidelity Advisors Growth Opportunities | 1,815,213 |
| Dreyfus Founders Growth | 1,267,102 |
| Neuberger & Berman Partners Trust | 1,589,471 |
| Invesco Total Return Fund | 1,255,191 |
| Janus Worldwide Account | 1,593,686 |
| State Street Russell 3000 Fund | 1,258,491 |
| Charter Small Company Stock Growth-Fiduciary | 2,328,755 |
| Charter Guaranteed Income Fund | 2,921,201 |

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3. Investments (continued)

December 31, 2000

| | |
|---|-------------|
| Connecticut General Life Insurance Company Pooled | |
| Separate Accounts: | |
| Fidelity Advisors Growth Opportunities | \$2,580,420 |
| Dreyfus Founders Growth | 2,489,058 |
| Neuberger & Berman Partners Trust | 1,931,180 |
| Invesco Total Return Fund | 1,576,998 |
| Janus Worldwide Account | 2,820,812 |
| State Street Russell 3000 Fund | 2,023,610 |
| Charter Small Company Stock Growth-Fiduciary | 3,579,410 |
| Charter Guaranteed Income Fund | 2,696,879 |

During 2001, the Plan's investments (including investments purchased, sold as well as held during the year) appreciated (depreciated) in fair value as follows:

| | |
|--------------------------|-------------|
| Pooled separate accounts | \$ (2,318,9 |
| Common stock | 612,2 |
| | ----- |
| | \$ (1,706,6 |
| | ===== |

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated January 26, 2000, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

Supplemental Schedule

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VTEL Corporation 401(k) Plan

Schedule H, line 4i, Schedule of Assets (Held at End of Year)

EIN: 74-2415696 Plan Number 001

December 31, 2001

| Identity of Issue | Description of Asset | Current Value |
|---|--|---------------|
| *Connecticut General Life Insurance Company | Charter Guaranteed Income Fund | \$2,9 |
| *Connecticut General Life Insurance Company | Charter Guaranteed Government Securities | |
| *Connecticut General Life Insurance Company | Charter Corporate Bond - CIGNA | 1,3 |
| *Connecticut General Life Insurance Company | CIGNA Lifetime 20 | |
| *Connecticut General Life Insurance Company | CIGNA Lifetime 30 | 1 |
| *Connecticut General Life Insurance Company | CIGNA Lifetime 40 | |
| *Connecticut General Life Insurance Company | CIGNA Lifetime 50 | |
| *Connecticut General Life Insurance Company | CIGNA Lifetime 60 | |
| *Connecticut General Life Insurance Company | Fidelity Advisors Growth Opportunities | 1,8 |
| *Connecticut General Life Insurance Company | Dreyfus Founders Growth | 1,2 |
| *Connecticut General Life Insurance Company | Neuberger & Berman Partners Trust | 1,5 |
| *Connecticut General Life Insurance Company | Invesco Total Return Fund | 1,2 |
| *Connecticut General Life Insurance Company | Lazard Equity Portfolio Account | |

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| | | |
|---|---------------------------|-----|
| *Connecticut General Life Insurance Company | Janus Worldwide Account | 1,5 |
| *Connecticut General Life Insurance Company | Templeton Foreign Account | 8 |

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VTEL Corporation 401(k) Plan

Schedule H, line 4i, Schedule of Assets (Held at End of Year) (continued)
 EIN: 74-2415696 Plan Number 001

December 31, 2001

| Identity of Issue | Description of Asset | Current Value |
|---|--|---------------|
| *Connecticut General Life Insurance Company | State Street Russell 3000 Fund | 1,2 |
| *Connecticut General Life Insurance Company | Charter Small Company Stock Growth-Fiduciary | 2,3 |
| *Connecticut General Life Insurance Company | Charter Small Company Stock Value I-Berger | 7 |
| *National Financial Services | Forgent Common Stock | 7 |
| *Connecticut General Life Insurance Company | Cash Transaction Account (GST) | |
| *Participant Loans | Loaned funds of various maturities (years) and rates from 7.75% to 8.50% | 1 |
| Total | | \$18,2 |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employees benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

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VTEL Corporation 401(k) Plan

Date: June 28, 2002

/s/ Paul Tesluk

Paul Tesluk
Plan Advisor

Exhibit Index

| Exhibit Number | Document Description |
|-------------------|--------------------------|
| 23.1 | Consent of Ernst & Young |