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VTEL CORP
Form 10-K/A
November 28, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
--- ACT OF 1934

OR

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

For the fiscal year ended July 31, 2001

Commission File Number 0-20008

VTEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

74-2415696
(I.R.S. Employer
Identification No.)

108 Wild Basin Road
Austin, Texas
(Address of principal executive
offices)

78746
(Zip Code)

Registrant's telephone number, including area code: (512) 437-2700

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock

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

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filing requirements for the past 90 days. Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ().

The aggregate market value of Common Stock held by nonaffiliates of the registrant as of October 31, 2001 was \$65,376,629. For purposes of this computation, all officers, directors and 5% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such officers, directors and beneficial owners are, in fact, affiliates of the registrant.

As of October 31, 2001, there were 24,797,474 shares of the registrant's Common Stock, \$0.01 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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VTEL Corporation, a Delaware corporation (the "Company"), hereby amends, as set forth herein, the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 29, 2001 (the "Company Form 10-K"). The item numbers and responses thereto are in accordance with the requirements of Form 10-K. All capitalized terms used and not otherwise defined herein shall have the meaning specified in the Company Form 10-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The Company's Board of Directors consists currently of six directors. Directors are elected for one-year terms and serve until their successors are elected and qualified. All of the executive officers of the Company are full-time employees of the Company. Executive officers of the Company are appointed for a one-year term and serve until their respective successors have been selected and qualified; provided, however, such officers are subject to removal at any time by the affirmative vote of a majority of the Board of Directors.

Reference is made to Part I hereof for a description of the executive officers of the Company.

The following is a description of the principal occupations and other employment during the past five years and their directorships in certain companies of the directors of the Company.

Name	Age	Present Office(s) Held In the Company
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Richard N. Snyder.....	57	Chairman of the Board, President and Chief Executive Officer
F. H. (Dick) Moeller.....	56	None
Gordon H. Matthews	65	Chief Intellectual Property Officer
T. Gary Trimm.....	54	None
Kathleen A. Cote.....	52	None
James H. Wells.....	54	None

The following information regarding the principal occupations and other employment of the directors during the past five years and their directorships in certain companies is as reported by the respective directors:

RICHARD N. SNYDER, age 57, has served as a director of the Company since December 1997 and was elected chairman of the board in March 2000. In June 2001, Mr. Snyder was elected as president and chief executive officer of the Company. From September 1997 until assuming the positions of president and chief executive officer of the Company, Mr. Snyder served as founder and chief executive officer of Corum Cove Consulting, LLC, a consulting firm specializing in providing strategic guidance to high technology businesses. From 1996 until 1997, Mr. Snyder was the senior vice president of World Wide Sales, Marketing, Service and Support of Compaq Computer Corp., a worldwide computer company. From 1995 until 1996, Mr. Snyder was the senior vice president and general manager of Dell Americas, a computer manufacturer and marketer. Prior to 1993, Mr. Snyder served as group general manager of the Deskjet Products Group of Hewlett Packard. He also serves as a director of Symmetricom, Inc., based in San Jose, California.

F.H. (DICK) MOELLER, age 56, joined the Company as chief executive officer, president and director in October 1989 and became the chairman of the board in March 1992. In March 2000, Mr. Moeller resigned as chairman of the board,

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and in September 1998, Mr. Moeller resigned from the position of president and chief executive officer. In October 1998, Mr. Moeller was named general partner of SSM Venture Partners, a venture capital investment firm. Mr. Moeller is currently a general partner of Verity Ventures, an Austin, Texas based venture capital investment firm.

GORDON H. MATTHEWS, age 65, has served as a director of the Company since October 1994. In October 2001, Mr. Matthews entered into an agreement with the Company to provide services as its chief intellectual property officer. Prior to that, Mr. Matthews served as the chairman of Matthews Communications Management, Inc., a provider of telephone control systems for residences and small businesses, and chairman and president of Matthews Communication Systems, Inc., a consulting firm providing assistance to corporations on intellectual property processes. From May 1996 to June 1998 he also served as chief executive officer of Matthews Communications Management, Inc. He currently serves as a director and the intellectual property officer of a publicly traded company, Tanisys Technology, Inc. Mr. Matthews also serves as a director on two privately held companies. He is president and chief executive officer of Strategic Innovation & Creativity, a company founded by him that installs a strategic patent process in

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other companies. Prior to 1992, Mr. Matthews founded and managed a number of companies in the telecommunications industry. Mr. Matthews is a named inventor in over thirty-three United States patents, including the U.S. Pioneer Patent #4,371,752 for voicemail. Mr. Matthews is the acknowledged inventor of voicemail.

T. GARY TRIMM, age 54, has served as a director of the Company since May 1997. Since May 1997, he has been a principal of Strategic Management, Inc. and an officer and director Millenium Technologies, where he is engaged in consulting and investment activities in telecommunications and other industries. Previously he was president, chief executive officer and a member of the board of directors of Compression Labs, Incorporated from February 1996 to May 1997 and the principal financial officer of Compression Labs, Incorporated from April 1996 to May 1997.

KATHLEEN A. COTE, age 52, has served as a director of the Company since December 1999. She is currently the chief executive officer of WorldPort Communications, Inc., a provider of internet managed services to the European market. In January 1998, Ms. Cote founded Seagrass Partners, a provider of expertise in business planning and strategic development, and served as its president until May 24, 2001, when she began her role as chief executive officer of Worldport. From November 1996 to January 1998, Ms. Cote served as chief executive officer of ComputerVision Corporation, a hardware, software and consulting business. From November 1986 to November 1996, she held various senior management positions with ComputerVision Corporation. In January 1998, ComputerVision Corporation was acquired by Parametric Technology Corporation. Ms. Cote is also a director of WorldPort Communications, Inc., based in Lincolnshire, Illinois, Radview Corporation and Western Digital Corporation.

JAMES H. WELLS, age 54, has served as a director of the Company since December 1999. He currently consults with early stage internet start-up companies. Mr. Wells was the senior vice president of marketing and business development of Dazel, a Hewlett Packard enterprise software company, from January 1999 through February 2000. From April 1995 to March 1998, Mr. Wells served as vice president of sales and was a founding officer in the internet streaming company, RealNetworks, Inc.

None of the directors is related to any other director or to any executive officer of the Company by blood, marriage or adoption (except relationships, if any, more remote than first cousin).

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act requires the Company's officers and directors, and persons who beneficially own more than 10% of the Company's common stock (the "Common Stock"), par value \$.01 per share (the "10% Stockholders"), to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely upon information provided to the Company by individual officers, directors and 10% Stockholders, the Company believes that all of these filing requirements were satisfied by the Company's officers, directors and 10% Stockholders, except with respect to Mr. Snyder, who filed one Form 4 late with respect to one transaction.

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ITEM 11. EXECUTIVE COMPENSATION.

The following table summarizes certain information regarding compensation paid or accrued to (i) the Company's Chief Executive Officer, (ii) each of the Company's four other most highly compensated executive officers, and (iii) two

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additional former executive officers for whom disclosure would have been required by the rules of the Securities and Exchange Commission but for the fact that these two individuals were not serving as executive officers as of July 31, 2001 (the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE					Long
Annual Compensation					
Name and Principal Position -----	Period Ended July 31 -----	Salary(\$) -----	Bonus and Commissions (\$) -----	Other Annual Compensation (\$)(1) -----	Restr St Awa \$
Richard N. Snyder	2001	98,333	32,100	-0-	-0-
Chief Executive Officer and President (3)	2000	N/A	N/A	-0-	N/
	1999	N/A	N/A	-0-	N/
Stephen L. Von Rump	2001	225,977 (5)	100,000 (6)	-0-	-0-
Former Chief Executive Officer	2000	272,500	-0-	-0-	-0-
and President (4)	1999	175,360	82,562 (8)	53,800 (9)	28
David Turnbull	2001	165,577	77,500 (11)	-0-	-0-
Former Chief Marketing Officer and Sr. Vice	2000	N/A	N/A	N/A	N/
President, Sales and Marketing (4)	1999	N/A	N/A	N/A	N/
Robert R. Swem	2001	191,067	78,665 (13)	-0-	-0-
Vice President, Operations	2000	172,473	-0-	-0-	-0-
	1999	157,833	22,925	-0-	28
Dennis Egan	2001	178,549	79,580 (15)	-0-	-0-
Vice President, Service	2000	154,600	23,895	-0-	-0-
	1999	148,877	-0-	-0-	28
Jay Peterson	2001	165,259	56,205 (17)	-0-	-0-
Chief Financial Officer, and Vice	2000	126,667	9,751	-0-	-0-
President, Finance	1999	102,500	19,063	-0-	28
Rodney S. Bond	2001	33,333	-0-	-0-	-0-
Former Chief Financial Officer, Secretary and Vice	2000	191,250	-0-	-0-	-0-
President, Finance (4) (19)	1999	180,833	25,656	-0-	28
Kenneth Kalinoski	2001	85,185	34,881 (20)	-0-	-0-
Chief Technology Officer and Vice President, Engineering	2000	N/A	N/A	N/A	N/
	1999	N/A	N/A	N/A	N/

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Stock Option Grants During Fiscal 2001

The following table sets forth information with respect to grants of stock options to purchase Common Stock pursuant to the Company's equity plans to the Company's Named Executive Officers reflected in the Summary Compensation Table above. No stock appreciation rights (SARs) were granted during fiscal 2001 and none were outstanding as of July 31, 2001.

Option/SAR Grants in Last Fiscal Year

Name	Individual Grants					0% (\$)
	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees In Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date		
Richard N. Snyder	250,000	16.29	1.025	7/30/2011	-0-	
	12,500	.81	1.110	12/19/2010	-0-	
Steven L. Von Rump	-0-	-0-	-0-	-0-	-0-	
David Turnbull	100,000	6.52	1.844	11/20/2001	-0-	
Robert R. Swem	40,000	2.61	1.290	5/1/2011	-0-	
Dennis Egan	15,000	.98	1.290	5/1/2011	-0-	
Jay Peterson	40,000	2.61	1.290	5/1/2011	-0-	
Rodney S. Bond	-0-	-0-	-0-	-0-	-0-	
Kenneth Kalinoski	200,000	13.03	1.290	5/1/2011	-0-	
All employee options	1,527,307	100.00	1.290 (2)	N/A	N/A	
All stockholders (3)	N/A	N/A	N/A	N/A	N/A	
Optionee gains as % of all stockholder gains	N/A	N/A	N/A	N/A	N/A	

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Aggregated Stock Option/SAR Exercises During Fiscal 2001 and Stock Option SAR Values as of July 31, 2001

The following table sets forth information with respect to the Company's Named Executive Officers concerning the exercise of options during fiscal 2001 and unexercised options held as of July 31, 2001:

Name -----	Shares Acquired on Exercise (#) -----	Value Realized (\$) -----	Aggregate Option/SAR Exercises in Last Fiscal Year and FY-End Option/SAR Values (1)		Exercis -----
			Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#) -----	Unexercis -----	
Richard N. Snyder	-0-	-0-	14,430	260,070	
Steven L. Von Rump	-0-	-0-	93,333	-0-	
David Turnbull	-0-	-0-	16,666	-0-	
Robert R. Swem	-0-	-0-	104,019	53,481	
Dennis Egan	-0-	-0-	91,143	26,357	
Jay Peterson	-0-	-0-	25,241	42,584	
Rodney S. Bond	-0-	-0-	116,007	18,576	
Kenneth Kalinoski	-0-	-0-	10,416	189,584	

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or has been an officer or employee of the Company or any of its subsidiaries or had any relationship requiring disclosure pursuant to Item 404 of Securities and Exchange Commission Regulation S-K (Certain Relationships and Related Transactions), with the exception of Mr. Trimm, one of the Company's directors who is a principal of Strategic Management, Inc. and Mr. Matthews, one of the Company's directors, who owns Matthews Consulting. The Company has agreed to pay fees to Strategic Management, Inc. as described in Item 12 below under the heading "Certain Transactions--Agreement with Strategic Management, Inc." The board of directors has determined that Mr. Trimm's relationship with Strategic Management, Inc. does not affect his ability to exercise independent judgment as a member of the Compensation Committee. The Company has agreed to pay consulting fees to Matthews Consulting, as described in Item 12 below under the heading "Certain Transactions--Agreement with Matthews Consulting." The board of directors has determined that Mr. Matthews' relationship with Matthews Consulting does not

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affect his ability to exercise independent judgment as a member of the Compensation Committee. No member of the Compensation Committee served on the compensation committee or as a director of another corporation, one of whose directors or executive officers served on the Compensation Committee of or whose executive officers served on the Company's board of directors.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Stock Ownership of Certain Beneficial Owners and Management

The Company has only one outstanding class of equity securities, its Common Stock, par value \$.01 per share.

The following table sets forth certain information with respect to beneficial ownership of the Common Stock as of October 15, 2001 by: (i) each person who is known by the Company to beneficially own more than five percent of the Common Stock; (ii) each of the Company's directors and Named Executive Officers; and (iii) all directors and officers as a group.

Name and Address of Beneficial Owner -----	Shares B Owned ----- Number -----
Dimensional Fund Advisors 1299 Ocean Avenue Santa Monica, CA 90401.....	1,782,28
Marathon Fund L.P..... 6300 Ridglea Place, Suite 1111 Fort Worth, TX 76116	1,610,60
Richard N. Snyder.....	420,81
Stephen L. Von Rump.....	110,43
F.H. (Dick) Moeller.....	394,48
Gordon H. Matthews	30,77
T. Gary Trimm.....	260,55
Kathleen A. Cote.....	26,97
James H. Wells.....	30,97
Robert R. Swem.....	169,60
Jay Peterson.....	112,72
Kenneth Kalinoski.....	261,20

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Dennis M. Egan.....	117,50
David Turnbull.....	16,66
Rodney S. Bond.....	156,79
All directors and officers as a group (13 persons) 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15.....	2,109,49

Certain Transactions

Officer and Director Stock Loan Program

As of July 31, 2001, under the Company's Officer and Director Stock Loan Program, the aggregate principal amount of stock loans outstanding was \$661,692. Of this balance, the Named Executive Officers had stock loans outstanding in the aggregate principal amount of \$239,604. Mr. Moeller and Mr. Swem had stock loans outstanding under this program in the aggregate principal amount of \$179,783 and \$62,327, respectively.

Confidential Separation Agreements

The Company entered into a confidential separation agreement with Stephen Von Rump effective April 13, 2001, pursuant to which Mr. Von Rump agreed to resign from all offices, directorships and other positions he then held with the Company and all of its subsidiaries. Mr. Von Rump also agreed to certain confidentiality restrictions as a part of his severance. As consideration for Mr. Von Rump's past services to the Company and his promises listed in the agreement, the Company paid him an amount equal to \$17,019, representing his accrued but unpaid vacation. The Company also agreed to pay him his current salary, which was \$295,000 per annum, for a period of five months from the date of the agreement, and to provide him with certain other rights and benefits for a limited period of time.

The Company entered into a confidential separation agreement with Rodney S. Bond effective September 1, 2000, pursuant to which Mr. Bond agreed to resign from all offices, directorships and other positions he then held with the Company and all of its subsidiaries, with the exception of Onscreen 24 Corp. and CampusStream, Inc. As consideration for Mr. Bond's past services to the Company and his ongoing transition services, the Company agreed to pay him his current salary, which was \$200,000 per annum, for a period of one year from September 30, 2000, and to provide him with certain other rights and benefits for a limited period of time.

The Company entered into a confidential separation agreement with David Turnbull effective July 21, 2001, pursuant to which Mr. Turnbull agreed to resign from all offices, directorships and other positions he then held with the Company and all of its subsidiaries. Mr. Turnbull also agreed to certain confidentiality restrictions as a part of his severance. As consideration for Mr. Turnbull's past services to the Company and his promises listed in the

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agreement, the Company agreed to pay him his current salary, which was \$210,000 per annum, for a period of three months from the date of the agreement, and to provide him with certain other rights and benefits for a limited period of time.

Agreement with Sherman Partners, Inc.

On September 8, 2000, the Company engaged Sherman Partners, Inc. for a period of six months to assist the Company with strategic and financial planning, corporate alliances and agreements, and general advisory and consulting services. Rodney S. Bond, the Company's former chief financial officer, owns Sherman Partners, Inc.

Agreement with Strategic Management, Inc.

On October 5, 2000, the Company agreed to pay a fee to Strategic Management, Inc., a company in which T. Gary Trimm, one of the Company's directors, is a principal, to assist the Company in developing a plan to establish the Company's

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videoconferencing systems products division as a independent, self-sustaining unit, and to assist the Company in assessing strategic alternatives for this division as part of the Company's efforts to restructure the Company's business around its video network consulting services business. Pursuant to this engagement, the Company agreed to pay Strategic Management, Inc. an hourly rate for services rendered, up to a maximum of \$60,000. In addition, the engagement provides additional contingent compensation to Strategic Management, Inc. if a transaction is consummated involving the Company's videoconferencing systems products division. If the division is sold, this includes a fee equal to seven percent of the consideration the Company receives, with a minimum fee upon a sale of \$750,000. This fee will be paid pro-rata, as cash or stock related to the sale of the Company's videoconferencing systems products division is received by the Company. If new investors invest in the division, the Company agreed to pay Strategic Management, Inc. a fee equal to seven percent of the cash proceeds the Company receives. The engagement was approved by the disinterested directors of the Company.

Agreement with Matthews Consulting

In October 2000, the Company agreed to pay an hourly consulting fee to Matthews Consulting, a company owned by Gordon Matthews, one of the Company's directors, to assist the Company in maximizing the value of the Company's intellectual property through prosecution of patents and licensing efforts.

Payment For Consulting Services Provided By Officers And Directors

The following payments were made to the Company's officers and directors during the fiscal year:

- o Sherman Partners, owned by Rodney S. Bond, former officer of the Company, was paid consulting fees of \$103,200.
- o Strategic Management Inc., in which T. Gary Trimm, current director of the Company, is a principal, was paid consulting fees of \$69,810 and will be paid an additional \$750,000 if the sale of the Company's videoconferencing systems products division is completed.
- o Matthews Consulting, owned by Gordon H. Matthews, current

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director of the Company, was paid consulting fees of \$101,208.

- o James H. Wells was paid consulting fees of \$12,125.
- o Richard N. Snyder was paid consulting fees of \$81,332.99 prior to his employment as the chief executive officer and president of the Company.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this report:

(1) Financial Statements:

The following consolidated financial statements were previously filed as part of the Company's Form 10-K:
Consolidated Balance Sheets as of July 31, 2000 and 2001.
Consolidated Statements of Operations for the years ended July 31, 1999, 2000 and 2001.
Consolidated Statements of Changes in Stockholders' Equity for the years ended July 31, 1999, 2000 and 2001.
Consolidated Statements of Cash Flows for the years ended July 31, 1999, 2000 and 2001.

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Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule:
Schedule II - Valuation and Qualifying Accounts.

(3) Exhibits:

Not applicable.

(b) Reports on Form 8-K:

The Registrant filed one report on Form 8-K during the quarterly period ended October 31, 2001, on August 20, 2001.

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SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

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VTEL CORPORATION

By: /s/ Richard N. Snyder

Richard N. Snyder
Chairman of the Board, President
and Chief Executive Officer

Date: November 28, 2001