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FORGENT NETWORKS INC
Form 11-K
June 27, 2003

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, 2002

or

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

Commission file number

000-20008

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.
108 Wild Basin Road
Austin, Texas 78746

Financial Statements and Supplemental Schedules

VTEL Corporation 401(k) Plan

Year ended December 31, 2002 with Report of Independent Auditors

VTEL Corporation 401(k) Plan

Financial Statements
and Supplemental Schedules

Year ended December 31, 2002

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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, 2002 and 2001 and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. 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

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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, 2002 and 2001 and the changes in its net assets available for benefits for the year ended December 31, 2002, 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, 2002, and schedule of non-exempt transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are 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 schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

May 1, 2003

/s/ Ernst & Young, LLP

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VTEL Corporation 401(k) Plan

Statements of Net Assets Available for Benefits

	December 31	
	2002	2001
Assets		
Investments at fair value	\$ 12,593,498	\$ 18,294,591
Employee contributions receivable	15,738	24,292
Employer contribution receivable	2,548	3,691
Net assets available for benefits	\$ 12,611,784	\$ 18,322,574

See accompanying notes.

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VTEL Corporation 401(k) Plan

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2002

Additions:

Employee contributions	\$	714,407
Employer contributions		79,163
Rollover contributions		12,683

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Interest income	119,542

Total additions	925,795
Deductions:	
Benefit payments	3,951,758
Net depreciation in fair value of investments	2,670,616
Administrative expense	14,211

Total deductions	6,636,585

Net decrease in net assets available for benefits	(5,710,790)
Net assets available for benefits at beginning of year	18,322,574

Net assets available for benefits at end of year	\$ 12,611,784
	=====

See accompanying notes.

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Notes to Financial Statements

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. The Company matched 25% of employee deferrals up to a maximum of 6% of employee earnings.

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.

VTEL Corporation 401(k) Plan

Notes to Financial Statements (continued)

1. Description of Plan (continued)

Vesting

Participants are immediately vested in their contributions and earnings thereon. Company matching contributions vest based on years of service completed by participants. Vesting is determined in accordance with the following schedule:

Years of Service	Percentage
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

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 those listed 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

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

VTEL Corporation 401(k) Plan

Notes to Financial Statements

1. Description of Plan (continued)

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.

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.

VTEL Corporation 401(k) Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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 recorded at contract value, which approximates fair value. The Guaranteed Income Fund does not have a maturity date or penalties for early withdrawals. Participant directed transfers among investment options and distributions will normally be made immediately; however, CIGNA may exercise their contractual right to defer a transfer or distribution from the Guaranteed Income Fund. It has seldom been necessary for CIGNA to invoke this deferral provision. The rate of credited interest for any period of time will be determined by CGLIC and is guaranteed for six month periods (January 1 through June 30 and July 1 through December 31). The average yield for the Guaranteed Income Fund was approximately 4.05% and 5.05% and for the Guaranteed Governmental Securities Fund was approximately 1.13% and 5.05% for the year ended December 31, 2002 and 2001, respectively. The crediting interest rate (i.e., the rate at which interest was accrued to the contract balance) for the Guaranteed Income Fund was 3.80% and 4.95% and for the Guaranteed Governmental Securities Fund was 0.00% and .70% as of December 31, 2002 and 2001, 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.

Use of Estimates

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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 schedules. Actual results could differ from those estimates.

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VTEL Corporation 401(k) Plan

Notes to Financial Statements

3. Investments

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

December 31, 2002

Connecticut General Life Insurance Company Pooled Separate Accounts:

Timesquare Corporate Bond Fund	\$ 1,270,469
Fidelity Advisors Growth Opportunities Fund	951,965
Dreyfus Founders Growth Fund	709,063
Neuberger & Berman Partners Trust Fund	862,703
Balanced I/Wellington Management Fund	924,619
Janus Worldwide Account Fund	652,898
State Street Russell 3000 Fund	686,893
Small Cap Growth/Timesquare Fund	1,565,459
Guaranteed Income Fund	3,164,178

December 31, 2001

Connecticut General Life Insurance Company Pooled

Separate Accounts:

Timesquare Corporate Bond Fund	1,334,500
Fidelity Advisors Growth Opportunities Fund	1,815,213
Dreyfus Founders Growth Fund	1,267,102
Neuberger & Berman Partners Trust Fund	1,589,471
Balanced I/Wellington Management Fund	1,255,191
Janus Worldwide Account Fund	1,593,686
State Street Russell 3000 Fund	1,258,491
Small Cap Growth/Timesquare Fund	2,328,755
Guaranteed Income Fund	2,921,201

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VTEL Corporation 401(k) Plan

Notes to Financial Statements

3. Investments (continued)

During 2002, the Plan's investments (including investments purchased, sold as well as held during the year) depreciated in fair value as follows:

Pooled separate accounts	\$ (2,276,528)
Common stock	(394,088)

	\$ (2,670,616)
	=====

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

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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.

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VTEL Corporation 401(k) Plan

Schedule G, Part III - Schedule of Nonexempt Transactions
EIN: 74-2415696 PN: 001

Year ended December 31, 2002

Identity of Party Involved	Relationship to Plan, Employer, or Other Party-In-Interest	Description of Transactions	Cost of Asset	Cu Va
Forgent Networks, Inc.	Employer/Plan Sponsor	Loan to the Employer in the form of late remittance of participant deferrals for the pay periods from July 1, 2002 - November 1, 2002.	\$2,480	

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, 2002

Identity of Issue	Description of Asset
*Connecticut General Life Insurance Company	Guaranteed Income Fund
*Connecticut General Life Insurance Company	Guaranteed Government Securities Fund
*Connecticut General Life Insurance Company	Timesquare Corporate Bond Fund
*Connecticut General Life Insurance Company	CIGNA Lifetime 20 Fund
*Connecticut General Life Insurance Company	CIGNA Lifetime 30 Fund
*Connecticut General Life Insurance Company	CIGNA Lifetime 40 Fund
*Connecticut General Life Insurance Company	CIGNA Lifetime 50 Fund
*Connecticut General Life Insurance Company	CIGNA Lifetime 60 Fund
*Connecticut General Life Insurance Company	Fidelity Advisors Growth Opportunities Fund
*Connecticut General Life Insurance Company	Dreyfus Founders Growth Fund
*Connecticut General Life Insurance Company	Neuberger & Berman Partners Trust Fund
*Connecticut General Life Insurance Company	Balanced I/Wellington Management Fund
*Connecticut General Life Insurance Company	Lazard Equity Portfolio Account Fund
*Connecticut General Life Insurance Company	Janus Worldwide Account Fund
*Connecticut General Life Insurance Company	Templeton Foreign Account Fund

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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, 2002

Identity of Issue	Description of Asset
*Connecticut General Life Insurance Company	State Street Russell 3000 Fund
*Connecticut General Life Insurance Company	Small Cap Growth/Timesquare Fund
*Connecticut General Life Insurance Company	Small Cap Value/Berger Fund
*National Financial Services	Forgent Common Stock
*Participant Loans	Loaned funds of various maturities (years) and rates from 7.75% to 8.50%
Total	

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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.

VTEL Corporation 401(k) Plan

Date: June 27, 2003

/s/ Paul Tesluk

Paul Tesluk
Plan Administrator

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Exhibit Index

Exhibit Number -----	Document Description -----
23.1	Consent of Ernst & Young
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the sarbanes-Oxley Act of 2002.