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VTEL CORP
Form DEFM14A
December 19, 2001

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

Preliminary Proxy Statement Confidential, for Use of the
Commission Only (as permitted by
Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials
 Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

VTEL CORPORATION

(Name of Registrant as Specified in its Charter)

NOT APPLICABLE

(Name of Person(s) Filing Proxy Statement if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and
0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11:*

(4) Proposed maximum aggregate value of transaction: \$9,395,000

(5) Total fee paid: \$1,879

* Set forth the amount on which the filing fee is calculated and state how
it was determined.

Fee paid previously by written preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act
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previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

* Filing fee calculated by multiplying 1/50 of one percent by the proposed cash payment and value of the securities to be received by the registrant. The proposed cash payment and value of the securities to be received by the registrant is approximately \$9,395,000, taking into consideration the following:

- cash in the amount of \$500,000; plus
- a note in the original principal amount of \$2,025,000; plus
- a note in the original principle amount of \$5,000,000; plus
- shares of common stock of VTEL Products Corporation equal to approximately 19.9% of the fully diluted equity on the closing date.

VTEL CORPORATION
108 WILD BASIN ROAD
AUSTIN, TX 78746

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JANUARY 14, 2002

DEAR STOCKHOLDER:

You are cordially invited to attend the annual meeting of stockholders of VTEL Corporation to be held at our offices, located at 108 Wild Basin Road, Austin, Texas, on Monday, January 14, 2002, at 2:00 p.m. central standard time.

At the annual meeting, you will be asked:

1. To elect six directors to the board of directors to hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified;
2. To approve the sale of substantially all of the assets used in the operation of our videoconferencing systems products division, pursuant to an asset purchase agreement between our company and VTEL Products Corporation, a newly formed private company. Details of this transaction and other important information are set forth in the accompanying proxy statement which you are urged to read carefully;
3. To approve an amendment to our certificate of incorporation to

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change our name from VTEL Corporation to Forgent Networks, Inc.;

4. To consider and act upon a proposal to approve an amendment to our 1996 Stock Option Plan to increase the number of shares of our common stock issuable under the 1996 Stock Option Plan upon the exercise of stock options granted pursuant to the 1996 Stock Option Plan from 2,700,000 shares to 3,800,000 shares;

5. To consider and act upon a proposal to approve an amendment to our 1992 Director Stock Option Plan to modify the formula pursuant to which additional options may be granted to provide that nonemployee directors will continue to receive an automatic grant of an option to purchase 25,000 shares of common stock upon initial election or appointment to the board of directors. Thereafter, in lieu of the existing formula grant, each nonemployee director will receive options to purchase 10,000 shares of common stock on each anniversary date of the nonemployee director's election or appointment to the board of directors;

6. To consider and act upon a proposal to approve an amendment to our Employee Stock Purchase Plan to increase the number of shares of our common stock that each employee may purchase under the Employee Stock Purchase Plan from 1,200 shares to 2,500 shares per quarter;

7. To ratify the board of directors' appointment of Ernst & Young LLP, independent accountants, as our independent auditors for the year ending July 31, 2002; and

8. To transact such other business as may properly come before the meeting or any adjournment thereof.

YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED AND RECOMMENDS THAT AN AFFIRMATIVE VOTE BE CAST IN FAVOR OF EACH OF THE PROPOSALS LISTED IN THE PROXY CARD.

Only holders of record of common stock at the close of business on December 3, 2001, will be entitled to notice of and to vote at the annual meeting or any adjournment thereof.

Stockholders are urged to review carefully the information contained in the proxy statement attached hereto prior to deciding how to vote their shares at the annual meeting. Because of the significance of the

sale of our videoconferencing systems products division and the amendment to our certificate of incorporation to change our name, your participation in the annual meeting, in person or by proxy, is especially important. We hope you will be able to attend the annual meeting. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY. If you attend the annual meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting. If you do not attend the annual meeting, you may still revoke your proxy at any time prior to the annual meeting by providing a later dated proxy or by providing written notice of your revocation to the Secretary of our company. Your prompt cooperation will be greatly appreciated.

Sincerely,

/s/ RICHARD N. SNYDER

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RICHARD N. SNYDER
Chief Executive Officer

This proxy statement is dated December 19, 2001 and is first being mailed to stockholders on or about December 21, 2001.

VTEL CORPORATION

108 WILD BASIN ROAD
AUSTIN, TEXAS 78746

PROXY STATEMENT
FOR
2001 ANNUAL MEETING OF STOCKHOLDERS

JANUARY 14, 2002

The enclosed form of proxy is solicited by the Board of Directors to be used at the 2001 annual meeting of stockholders to be held at our offices, located at 108 Wild Basin Road, Austin, Texas at 2:00 p.m., central standard time, on Monday, January 14, 2002.

We will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy and any additional information furnished to you. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others to forward to such beneficial owners. We may reimburse persons representing beneficial owners of common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by our directors, officers or other regular employees. In addition to the proxy solicitation material mailed to stockholders, we have also retained the services of Mellon Investor Services LLC to assist in the solicitation of proxies for a base fee estimated at \$5,000. If all of the items on which you are voting pass, we will pay Mellon Investor Services LLC a success fee estimated at \$3,000.

VOTING SECURITIES OUTSTANDING; QUORUM

The record date for the determination of stockholders entitled to notice of and vote at the annual meeting was the close of business December 3, 2001. At the close of business on December 3, 2001, there were 24,792,947 shares of our common stock, \$.01 par value, issued and outstanding, each entitled to one vote on all matters properly brought before the annual meeting. There are no cumulative voting rights.

The presence in person or by proxy of the holders of a majority of the issued and outstanding shares of common stock entitled to vote as of the record date is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes are treated as present at the meeting and are therefore counted to determine a quorum. If a quorum is not present, the stockholders entitled to

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vote who are present in person or represented by proxy at the annual meeting have the power to adjourn the meeting from time to time, without notice other than an adjournment at the meeting, until a quorum is present or represented. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the annual meeting as originally notified.

Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. The sale of our videoconferencing systems products division and the amendment to our certificate of incorporation must be approved by the holders of a majority of all the outstanding shares of common stock on the record date, whether or not represented at the annual meeting. The amendment to the 1996 Stock Option Plan, the amendment to the 1992 Director Stock Option Plan, the amendment to the Employee Stock Purchase Plan and the ratification of the appointment of independent auditors must be approved by holders of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon.

Abstentions may be specified on all proposals except the election of directors. Abstentions, with respect to any proposal other than the election of directors, will have the same effect as a vote against such proposal. Broker non-votes will have no effect on the outcome of the election of directors, the amendment to the 1996 Stock Option Plan, the amendment to the 1992 Director Stock Option Plan, the amendment to the Employee Stock Purchase Plan or the ratification of independent auditors. With regard to the election of directors, votes may be cast in favor of or withheld from each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect. Since the Delaware General Corporation Law requires the affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote on the proposal to approve the sale of our videoconferencing systems products division and the amendment to our certificate of incorporation, a "broker non-vote" on such proposals will have the same effect as a vote against the approval of the sale of our videoconferencing systems products division and the amendment to our certificate of incorporation.

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SUMMARY TERM SHEET OF SALE OF ASSETS OF VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION

The following summary briefly describes the material terms of the proposed sale of substantially all of the assets used in our videoconferencing systems products division to VTEL Products Corporation. This summary does not contain all the information that may be important for you to consider when evaluating the proposed transaction. We encourage you to read this proxy statement before voting.

Pursuant to an asset purchase agreement, we will sell and transfer to VTEL Products Corporation substantially all of the assets used in the operation of our videoconferencing systems products division, which produces videoconferencing systems and related peripherals. VTEL Products Corporation is a newly formed private company organized by Robert R. Swem, the Vice President -- Manufacturing of our videoconferencing systems products division and Daniel F. Nix and Richard P. Ford, both current executives in our videoconferencing systems products division, to acquire this division from us.

REASONS FOR THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION (SEE PAGE 25)

We are proposing to sell our videoconferencing systems products division to VTEL Products Corporation because we believe the terms of the asset purchase agreement are in the best interests of our company and our stockholders. The board of directors has identified various benefits that are likely to result from the sale of our videoconferencing systems products division. The board of directors believes the sale of that division will:

- allow us to devote substantially all of our energies and resources to development of our Forgent Solutions business;

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- allow us to compete more effectively through Forgent Solutions as a reseller and servicer of multiple vendors' products by disassociating our company from our VTEL product line. It is difficult to expand our business of selling and servicing other manufacturers' products as long as we are associated or identified with a manufacturer of videoconferencing systems products like those of the VTEL product line; and
- allow us to direct our focus to potentially better overall returns from our Forgent Solutions business, as opposed to the returns that have been produced by the combined Forgent Solutions and VTEL products business.

These and other reasons for approving and recommending the sale of our videoconferencing systems products division are discussed further in this document.

TERMS OF THE ASSET PURCHASE AGREEMENT (SEE PAGE 38)

WHAT IS BEING SOLD (SEE PAGE 38)

We are selling to VTEL Products Corporation substantially all of the assets used in the operation of our videoconferencing systems products division which produces videoconferencing systems and related peripherals.

WHAT IS BEING RETAINED (SEE PAGE 39)

We are retaining certain assets associated with our videoconferencing products division, including:

- all patents, software, know-how and copyrights used in connection with the videoconferencing systems products division, including all rights to receive or recover property, debt or damages on a cause of action relating to our intellectual property associated with the videoconferencing systems products division, other than certain rights licensed to VTEL Products Corporation;
- certain accounts receivable of the videoconferencing systems products division; and
- any cash, cash equivalents or marketable securities.

ASSUMED LIABILITIES (SEE PAGE 39)

VTEL Products Corporation will assume only certain specified liabilities, including:

- all obligations, debts and liabilities arising after the closing date of the asset purchase agreement pursuant to the contracts assumed by VTEL Products Corporation;
- all obligations, debts and liabilities incurred in VTEL Products Corporation's operation or control of the assets it acquires that relate to events occurring after the closing date; and
- accrued vacation for certain of our employees hired by VTEL Products Corporation.

WHAT WE WILL RECEIVE (SEE PAGE 39)

In connection with the sale of our videoconferencing systems products division, we will receive the following consideration:

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- \$500,000 in cash, payable at the closing;
- a secured subordinated promissory note in the original principal amount of \$2,025,000, due 90 days after the closing, subject to adjustment as described below under the heading "The Asset Purchase Agreement -- Consideration;"
- a secured subordinated promissory note in the original principal amount of \$5,000,000, due five and one-half years after the closing, subject to adjustment as described below under the heading "The Asset Purchase Agreement -- Consideration;" and
- shares of common stock of VTEL Products Corporation equal to approximately 19.9% of VTEL Products Corporation's fully diluted equity on the closing date.

ADDITIONAL AGREEMENTS RELATED TO THE ASSET PURCHASE AGREEMENT (SEE PAGE 46)

In conjunction with the closing of the sale of our videoconferencing systems products division, we will enter into a general license agreement whereby VTEL Products Corporation will have certain non-exclusive rights in and to certain patents, software, proprietary know-how and information of our company currently used in the operation of the videoconferencing systems products division. We will also enter into a right of first refusal agreement whereby we will agree to offer to sell the shares of common stock of VTEL Products Corporation that we receive as partial consideration for the videoconferencing systems products division to VTEL Products Corporation before selling the shares to a third party.

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QUESTIONS AND ANSWERS ABOUT THE 2001 ANNUAL MEETING

Q: WHAT IS THE PROPOSAL RELATING TO THE ELECTION OF DIRECTORS THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and vote upon a proposal to elect the following individuals to the board of directors: Richard N. Snyder, F. H. (Dick) Moeller, Gordon H. Matthews, T. Gary Trimm, Kathleen A. Cote, and James H. Wells.

Q: WHAT IS THE PROPOSAL RELATING TO THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and vote upon a proposal to approve the sale by us of substantially all of the assets used in our videoconferencing systems products division pursuant to the asset purchase agreement, dated September 28, 2001, between our company and VTEL Products Corporation. The asset purchase agreement is attached to this proxy statement as Annex A.

Q: WHY IS OUR COMPANY PROPOSING TO SELL ITS VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION?

A: We are proposing to sell our videoconferencing systems products division to continue our overall effort to shift our company from being a hardware company to being a services and software company. The sale of the videoconferencing systems products division will allow us to focus on the services portion of our business. While we foresee the market for videoconferencing equipment continuing to grow, our management believes that greater overall growth and profit opportunities going forward exist in

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improving industry wide multi-vendor platform interoperability and in the integration and management of videoconferencing networks, all of which are core competencies of what will be Forgent Networks, Inc.

Q: WHAT IS THE PROPOSAL RELATING TO THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and vote upon a proposal to approve an amendment to our certificate of incorporation to change the name of our company from VTEL Corporation to Forgent Networks, Inc. The form of the amendment is attached to this proxy statement as Annex B.

Q: WHY IS OUR COMPANY PROPOSING TO CHANGE ITS NAME TO FORGENT NETWORKS, INC.?

A: We are proposing to change our name to Forgent Networks, Inc. to reflect our new focus as a provider of end-to-end visual communications solutions. Further, VTEL Products Corporation intends to conduct the business acquired from us under the name "VTEL" so as to continue to enjoy the goodwill built up in that tradename. We have agreed with VTEL Products Corporation to change our name from VTEL Corporation, subject to the approval by our stockholders. If the amendment to our certificate of incorporation changing our name is not approved, we would be obligated under the asset purchase agreement to grant an exclusive, perpetual and irrevocable license to VTEL Products Corporation to use the name "VTEL Products" and any derivations of that name for any purpose throughout the world.

Q: WHAT IS THE PROPOSAL RELATING TO THE AMENDMENT TO OUR COMPANY'S 1996 STOCK OPTION PLAN THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and act upon a proposal to approve an amendment to the 1996 Stock Option Plan to increase the number of shares of our common stock issuable under the plan upon the exercise of stock options granted pursuant to the plan from 2,700,000 shares to 3,800,000 shares.

Q: WHY IS OUR COMPANY PROPOSING TO INCREASE THE NUMBER OF SHARES OF OUR COMMON STOCK ISSUABLE UNDER THE 1996 STOCK OPTION PLAN?

A: We are proposing to increase the number of available shares under the 1996 Stock Option Plan because as of October 31, 2001, only 200,593 shares of common stock remained available for issuance under the plan. By increasing the number of shares available under the 1996 Stock Option Plan, the board of directors believes that the 1996 Stock Option Plan will continue to be a useful stock-related

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benefit program for attracting and retaining employees and providing additional incentive for all employees to promote the success of our company.

Q: WHAT IS THE PROPOSAL RELATING TO THE AMENDMENT TO OUR COMPANY'S 1992 DIRECTOR STOCK OPTION PLAN THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and act upon a proposal to approve an amendment to the 1992 Director Stock Option Plan to modify the formula pursuant to which additional options may be granted to provide that nonemployee directors will continue to receive an automatic grant of an option to purchase 25,000 shares of common stock upon initial election or appointment to the board of directors. Thereafter, in lieu of the existing formula grant, each nonemployee director will receive options to purchase 10,000 shares of common

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stock on each anniversary date of the nonemployee director's election or appointment to the board of directors.

Q: WHY IS OUR COMPANY PROPOSING TO INCREASE THE FORMULA OPTION GRANTS TO NONEMPLOYEE DIRECTORS?

A: We are proposing to increase the formula option grants to nonemployee directors under the 1992 Director Stock Option Plan because, as a result of a review of market data by the board of directors, the board of directors believes that the amendment is necessary in order to enhance the usefulness of the 1992 Director Stock Option Plan in attracting and retaining nonemployee directors and providing additional incentive for nonemployee directors to promote the success of our company.

Q: WHAT IS THE PROPOSAL RELATING TO THE AMENDMENT TO OUR COMPANY'S EMPLOYEE STOCK PURCHASE PLAN THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be asked to consider and act upon a proposal to approve an amendment to the Employee Stock Purchase Plan to increase the number of shares of our common stock that each employee may purchase under the Employee Stock Purchase Plan from 1,200 shares to 2,500 shares per quarter.

Q: WHY IS OUR COMPANY PROPOSING TO INCREASE THE NUMBER OF SHARES OF OUR COMMON STOCK THAT EACH EMPLOYEE MAY PURCHASE UNDER THE EMPLOYEE STOCK PURCHASE PLAN?

A: The board of directors believes that by increasing the number of shares that the employees may purchase under the Employee Stock Purchase Plan, the plan will continue to be a useful stock-related benefit program for attracting and retaining employees and providing additional incentive for all employees to promote the success of our company.

Q: WHAT IS THE PROPOSAL RELATING TO THE RATIFICATION OF THE BOARD OF DIRECTORS' APPOINTMENT OF INDEPENDENT ACCOUNTANTS THAT I WILL BE VOTING ON AT THE ANNUAL MEETING?

A: You will be voting to ratify the board of directors' appointment of Ernst & Young LLP, independent accountants, as our independent auditors for the year ending July 31, 2002.

Q: WHO IS SOLICITING MY PROXY?

A: Your board of directors.

Q: HOW DOES THE BOARD RECOMMEND THAT I VOTE ON THE MATTERS PROPOSED?

A: Your board unanimously recommends that stockholders vote "FOR" each of the proposals submitted at the annual meeting.

Q: HAS THE BOARD RECEIVED AN OPINION AS TO THE FAIRNESS OF THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION FROM A THIRD PARTY?

A: Yes. In arriving at its determination that the sale of our videoconferencing systems products division is fair to, and in the best interests of, our company, the board has considered a number of factors, including a written opinion of our financial advisor, SWS Securities, Inc., as to the fairness, from a financial point of view, to our company of the consideration to be received in the sale of our videoconferencing systems products division. The opinion is addressed to the board and does not constitute a recommendation to any stockholder as to how to vote with respect to matters relating to the

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sale of our videoconferencing systems products division. For a full description of the opinion of

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SWS Securities, Inc., see the section titled "Opinion of Our Financial Advisor" on page 27. To review the text of the opinion, see Annex C to this proxy statement.

Q: WILL ANY OF THE PROCEEDS FROM THE SALE OF THE VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION BE DISTRIBUTED TO ME AS A STOCKHOLDER?

A: No. We intend to retain the proceeds and use them in connection with our future business plan.

Q: CAN I STILL SELL MY SHARES?

A: Yes. Neither the asset purchase agreement, the sale of our videoconferencing systems products division assets nor the amendment to our certificate of incorporation will affect your right to sell or otherwise transfer your shares of our common stock.

Q: WHAT WILL HAPPEN IF THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION IS NOT APPROVED?

A: If the sale is not approved, we will not complete the proposed sale, we will retain and continue to operate this division and we will continue to assess the feasibility of available alternatives, including the possible retention and continued operation of the division and possibly continued assessment of other disposition or liquidation alternatives that may arise, if any.

Q: WHAT WILL HAPPEN IF THE AMENDMENT TO OUR CERTIFICATE OF INCORPORATION IS NOT APPROVED?

A: Our company name will remain "VTEL Corporation." If the proposed sale is not approved, but the amendment is approved, we will nonetheless file the amendment and change our name to "Forgent Networks, Inc." If the proposed sale is approved but the amendment changing our name is not approved, we would be obligated under the asset purchase agreement to grant an exclusive, perpetual and irrevocable license to VTEL Products Corporation to use the name "VTEL Products" and any derivations of that name for any purpose throughout the world.

Q: WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

A: Only holders of record of our common stock as of the close of business on December 3, 2001 will be entitled to notice of and to vote at the annual meeting.

Q: WHEN AND WHERE IS THE ANNUAL MEETING?

A: The annual meeting of our stockholders will be held at our offices, located at 108 Wild Basin Road, Austin, Texas, on Monday, January 14, 2002, at 2:00 p.m., central standard time.

Q: IF MY SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY

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SHARES FOR ME?

A: Your broker may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters, and will not be counted in determining the number of shares necessary for approval. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. Just send in a written revocation or a later dated, signed proxy card before the annual meeting or simply attend the annual meeting and vote in person. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting.

Q: WHAT DO I NEED TO DO NOW?

A: PLEASE VOTE YOUR SHARES AS SOON AS POSSIBLE, SO THAT YOUR SHARES MAY BE REPRESENTED AT THE ANNUAL MEETING. You may vote by signing and dating your proxy card and mailing it in the enclosed return envelope, or you may vote in person at the annual meeting. Because a vote of a majority of our outstanding shares is required to approve the sale of our videoconferencing systems products division and the amendment to our certificate of incorporation, your failure to vote is the same as your voting against the sale and the amendment.

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Q: WHAT ARE THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION TO THE STOCKHOLDERS?

A: We do not expect that the sale of our videoconferencing systems products division will result in any federal income tax consequences to our stockholders.

Q: WILL STOCKHOLDERS HAVE APPRAISAL RIGHTS?

A: No. Under Delaware law you will have no appraisal rights as a result of the sale of our videoconferencing systems products division.

Q: WHOM SHOULD I CALL IF I HAVE QUESTIONS?

A: If you have questions about any of the proposals on which you are voting, you may call Jay Peterson, our chief financial officer, at 512-437-2700.

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THE ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is provided in connection with the annual meeting of stockholders of VTEL Corporation, and any adjournment or postponement of the meeting. The accompanying proxy is solicited by the board of directors. This proxy statement and the accompanying form of proxy are first being sent or given to stockholders beginning on or about December 21, 2001.

TIME AND PLACE

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The annual meeting of stockholders of VTEL will be held at our offices, located at 108 Wild Basin Road, Austin, Texas, on Monday, January 14, 2002, at 2:00 p.m., central standard time.

PURPOSES

At the annual meeting, you will be asked:

- to elect six directors to the board of directors to hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified;
- to approve the sale of substantially all of the assets used in the operation of our videoconferencing systems products division, pursuant to an asset purchase agreement between our company and VTEL Products Corporation, a newly formed private company;
- to approve an amendment to our certificate of incorporation to change our name from VTEL Corporation to Forgent Networks, Inc.;
- to consider and act upon a proposal to approve an amendment to our 1996 Stock Option Plan to increase the number of shares of our common stock issuable under the 1996 Stock Option Plan upon the exercise of stock options granted pursuant to the 1996 Stock Option Plan from 2,700,000 shares to 3,800,000 shares;
- to consider and act upon a proposal to approve an amendment to our 1992 Director Stock Option Plan to modify the formula pursuant to which additional options may be granted to provide that nonemployee directors will continue to receive an automatic grant of an option to purchase 25,000 shares of common stock upon initial election or appointment to the board of directors. Thereafter, in lieu of the existing formula grant described under the heading "Proposal to Amend VTEL Corporation 1992 Director Stock Option Plan (Item 5)" below, each nonemployee director will receive options to purchase 10,000 shares of common stock on each anniversary date of the nonemployee director's election or appointment to the board of directors;
- to consider and act upon a proposal to approve an amendment to our Employee Stock Purchase Plan to increase the number of shares of our common stock that each employee may purchase under the Employee Stock Purchase Plan from 1,200 shares to 2,500 shares per quarter;
- to ratify the board of directors' appointment of Ernst & Young LLP, independent accountants, as our independent auditors for the year ending July 31, 2002; and
- to transact such other business as may properly come before the meeting or any adjournment thereof.

The board of directors knows of no other matters to be presented for action at the annual meeting. If any other matters properly come before the annual meeting, however, the persons named in the proxy will vote on such other matters in accordance with their best judgment. This includes a motion to adjourn or postpone the annual meeting to solicit additional proxies. However, no proxy voted against any of the proposals will be voted in favor of an adjournment or postponement to solicit additional votes in favor of approval of those proposals.

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RECORD DATE; STOCKHOLDERS ENTITLED TO VOTE

Holders of record of our shares of common stock at the close of business on December 3, 2001 will be entitled to vote on all matters at the annual meeting. Each share of common stock will be entitled to one vote. On December 3, 2001, a total of 24,792,947 shares of common stock were outstanding.

QUORUM

A majority of the voting power of the outstanding shares of common stock entitled to vote, represented in person or by proxy, will be required to constitute a quorum for the annual meeting.

VOTE REQUIRED

Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors. The sale of our videoconferencing systems products division and the amendment to our certificate of incorporation must be approved by the holders of a majority of all the outstanding shares of common stock on the record date, whether or not present or represented at the annual meeting. The amendment to the 1996 Stock Option Plan, the amendment to the 1992 Director Stock Option Plan, the amendment to the Employee Stock Purchase Plan and the ratification of the appointment of independent auditors must be approved by holders of a majority of the shares of common stock present in person or represented by proxy at the annual meeting and entitled to vote thereon.

BOARD RECOMMENDATION

The board of directors recommends that an affirmative vote be cast in favor of each of the proposals listed in the proxy card.

VOTING YOUR SHARES

The board of directors is soliciting proxies from our stockholders. By completing and returning the accompanying proxy, you will be authorizing Jay C. Peterson and Richard N. Snyder to vote your shares. If your proxy is properly signed and dated it will be voted as you direct. If you attend the annual meeting in person, you may vote your shares by completing a ballot at the meeting.

CHANGING YOUR VOTE BY REVOKING YOUR PROXY

Your proxy may be revoked at any time before it is voted at the annual meeting by giving notice of revocation to us, in writing, by execution of a later dated proxy or by attending and voting at the annual meeting. Simply attending the annual meeting, however, will not revoke your proxy; you must vote at the annual meeting.

HOW PROXIES ARE COUNTED

If you return a signed and dated proxy card but do not indicate how your shares are to be voted, those shares will be voted FOR each of the listed proposals. Votes cast by proxy or in person at the annual meeting will be tabulated by the election inspectors appointed for the annual meeting.

Shares voted as abstentions on any matter will be counted for purposes of determining the presence of a quorum at the annual meeting and treated as

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unvoted, although present and entitled to vote, for purposes of determining the approval of each matter as to which a stockholder has abstained. As a result, abstentions, with respect to any proposal other than the election of directors, will have the same effect as a vote against such proposal. If a broker submits a proxy that indicates the broker does not have discretionary authority as to certain shares to vote on one or more matters, those shares will be counted for purposes of determining the presence of a quorum at the annual meeting, but will not be considered as present and entitled to vote with respect to such matters. Since the Delaware General Corporation Law requires the affirmative vote of the holders of a majority of the outstanding shares of common stock

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entitled to vote on the proposals to approve the sale of our videoconferencing systems products division and the amendment to our certificate of incorporation, a "broker non-vote" on such proposals will have the same effect as a vote against these proposals.

COST OF SOLICITATION

In addition to the proxy solicitation material mailed to stockholders, we have also retained the services of Mellon Investor Services LLC to assist in the solicitation of proxies for a base fee estimated at \$5,000. If all of the items on which you are voting pass, we will pay Mellon Investor Services LLC a success fee estimated at \$3,000. We will pay all other expenses in connection with this solicitation. Our officers, directors and other regular employees, who will receive no extra compensation for their services, may solicit proxies by telephone, telegram or personal solicitation.

ELECTION OF DIRECTORS
(ITEM 1)

Directors are elected annually and serve a one-year term. There are six nominees for election this year. Each nominee is currently serving as a director and has consented to serve until the next annual meeting if elected, and until his successor is elected and qualified. You will find detailed information on each nominee below. If any director is unable to stand for re-election after distribution of this proxy statement, the board may reduce its size or designate a substitute. If the board designates a substitute, proxies voting on the original director candidate will be cast for the substituted candidate. Proxies cannot be voted for a greater number of persons than the number of nominees named on the enclosed form of proxy. A plurality of the votes cast in person or by proxy by the holders of common stock represented at the annual meeting is required to elect a director.

NOMINEE	AGE	PRESENT OFFICE(S) HELD IN OUR COMPANY	DIRECTOR SINCE
-----	---	-----	-----
Richard N. Snyder.....	57	Chairman of the Board, President and Chief Executive Officer	1997
F. H. (Dick) Moeller.....	56	None	1989
Gordon H. Matthews.....	65	Chief Intellectual Property Officer	1994
T. Gary Trimm.....	54	None	1997
Kathleen A. Cote.....	52	None	1999
James H. Wells.....	54	None	1999

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

RICHARD N. SNYDER, age 57, has served as a director of our 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 our company. From September 1997 until assuming the positions of President and Chief Executive Officer of our 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 our 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

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resigned as chairman of the board, 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 our company since October 1994. In October 2001, Mr. Matthews entered into an agreement with our company to provide services as our 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 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 our company since May 1997. Since May 1997, he has been a principal of Strategic Management, Inc. and an officer and director of 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.

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KATHLEEN A. COTE, age 52, has served as a director of our 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 our 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 nominees is related to any other nominee or to any executive officer or director of our company by blood, marriage or adoption (except relationships, if any, more remote than first cousin).

THE BOARD OF DIRECTORS RECOMMENDS VOTING "FOR" EACH OF THE SIX NOMINEES.

BOARD OF DIRECTORS AND COMMITTEES

The board of directors held six regularly scheduled meetings and eleven special meetings during the fiscal year ended July 31, 2001. In addition, the board of directors acted seven times by unanimous consent during the fiscal year ended July 31, 2001.

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The board of directors uses working committees with functional responsibility in the more complex recurring areas where disinterested oversight is required. Working committees of the board of directors include the Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee.

AUDIT COMMITTEE

The Audit Committee is the communication link between the board of directors and our independent auditors. In addition to recommending the appointment of the independent auditors to the board of directors, the Audit Committee reviews the scope of the audit, the accounting policies and reporting practices, internal auditing and internal control, compliance with our policies regarding business conduct and other matters as deemed appropriate. The Audit Committee held four meetings in fiscal 2001 with the independent auditors and our management. The Audit Committee currently is composed of Ms. Cote (Chairman), and Messrs. Wells and Moeller.

COMPENSATION COMMITTEE

The Compensation Committee is responsible for approving the compensation arrangements of senior management and recommending approval by the board of

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directors of amendments to our benefit plans. At six regularly scheduled meetings during the fiscal year ended July 31, 2001, the Compensation Committee approved stock option awards pursuant to our stock option plans. In addition, the Compensation Committee acted five times by unanimous consent during the fiscal year ended July 31, 2001. The Compensation Committee currently is composed of Messrs. Trimm (Chairman), Matthews and Wells.

NOMINATING COMMITTEE

The Nominating Committee is responsible for continuing studies of the size and composition of the board of directors and for proposing nominees to the board. The Nominating Committee did not meet during the fiscal year ended July 31, 2001. The Nominating Committee will consider nominees properly recommended by security holders. In order to make a nomination, our bylaws generally require that advance notice of such nomination be provided to our company at least 60 days and not more than 90 days prior to the first anniversary of the preceding year's annual stockholders' meeting, together with additional information regarding the nominee and the stockholder making such nominations as called for by our bylaws. The Nominating Committee currently is composed of Mr. Moeller (Chairman) and Ms. Cote.

EXECUTIVE COMMITTEE

The Executive Committee is responsible for recommending key strategic and operational plans for our company. At 20 regularly scheduled meetings during the fiscal year ended July 31, 2001, the Executive Committee discussed the quarterly focus for our company. The board of directors approved the formation of the Executive Committee on April 10, 2001. The Executive Committee currently is composed of Messrs. Snyder (Chairman) and Wells, and Ms. Cote.

During the fiscal year ended July 31, 2001, with the exception of four directors who missed one regular meeting each, all directors attended 100% of the total number of meetings of the board and the committees on which that director served.

DIRECTOR COMPENSATION

During fiscal 2001, each nonemployee director was paid a retainer of \$3,000 for each quarter. Additionally, each nonemployee director was paid \$1,000 for the regularly scheduled and special meetings of the board of directors he or she attended and \$250 for participation in each telephonic meeting not considered an official board of directors' meeting. Accordingly, total director fees earned in fiscal 2001 were \$120,750.

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All nonemployee directors participate in our 1992 Director Stock Option Plan. Nonemployee directors receive, upon their initial election or appointment to the board of directors, stock options to purchase 25,000 shares of our common stock, having an exercise price equal to the market price of our common stock on the date of grant. In addition, nonemployee directors will receive additional options to purchase 12,500 shares of our common stock with the same terms, at the time that the eligible director's prior options granted under the 1992 Director Stock Option Plan become fully exercisable and vested. If the amendment to the 1992 Director Stock Option Plan on which our stockholders are voting is approved, each nonemployee director will continue to receive an automatic grant of an option to purchase 25,000 shares of our common stock upon election or appointment to the board of directors. Thereafter, in lieu of the existing formula grant described above, each nonemployee director will receive options to purchase 10,000 shares of our common stock on the anniversary date of his or her election or appointment to the board of directors. See "Proposal to Amend VTEL

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Corporation 1992 Director Stock Option Plan (Item 5)" below. All of these options vest in equal amounts monthly over a three-year period but cease vesting at the time the director ceases to be a director.

The compensation of our employee directors is discussed at "Executive Compensation" below.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is composed of three outside directors and operates under a charter adopted by the Board of Directors according to the rules and regulations of the Securities and Exchange Commission and the Nasdaq Stock Market. The Audit Committee charter is attached to this proxy statement as Annex D. The Audit Committee members are Ms. Cote (Chairman), and Messrs. Wells and Moeller. The Board of Directors believes that all of these directors, with the exception of Mr. Moeller, are independent as defined by the Nasdaq Stock Market. Under the Nasdaq Stock Market listing requirements, a director will not be considered "independent" if he has been employed by our company in the current year or the past three years. All of the directors on the Audit Committee are independent, except for Mr. Moeller, who was chairman of the board until March 2000, and president and chief executive officer until he resigned in September 1998. Notwithstanding that, the board of directors has determined that his prior employment does not affect his ability to exercise independent judgment.

The following is the report of the Audit Committee with respect to our audited financial statements for the fiscal year ended July 31, 2001, which include our consolidated balance sheets as of July 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended July 31, 2001, and the notes thereto. The information contained in this report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate it by reference in such filing.

REVIEW WITH MANAGEMENT

The Audit Committee has reviewed and discussed our audited financial statements with management.

REVIEW AND DISCUSSIONS WITH INDEPENDENT ACCOUNTANTS

The Audit Committee held two meetings in conjunction with the full board of directors during our fiscal year ended July 31, 2001. The Audit Committee has discussed with Ernst & Young LLP, our independent accountants, the matters required to be discussed by SAS 61, Codification of Statements on Accounting Standards, that includes, among other items, matters related to the conduct of the audit of our financial statements.

The Audit Committee has also received written disclosures and the letter from Ernst & Young LLP required by Independent Standards Board Standard No. 1, that relates to the accountant's independence from our company and its related entities, and has discussed with Ernst & Young LLP their independence from our company.

Based on the review and discussions referred to above, the Audit Committee recommended to the board of directors that our audited financial statements be

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included in our annual report on Form 10-K for the fiscal year ended July 31, 2001.

SUBMITTED BY THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Kathleen A. Cote
James H. Wells
F.H. (Dick) Moeller

FEES

AUDIT FEES

We paid aggregate fees in the amount of \$263,000 for professional services rendered for the audit of our annual financial statements for the fiscal year ended July 31, 2001 and the reviews of the financial statements included in the our Forms 10-Q for the fiscal year ended July 31, 2001.

FINANCIAL INFORMATION SERVICE DESIGN AND IMPLEMENTATION FEES

We did not pay any fees for financial information service design and implementation services rendered by Ernst & Young LLP for the fiscal year ended July 31, 2001.

ALL OTHER FEES

We did not pay any fees for services rendered by Ernst & Young LLP, other than the services covered under the heading "Audit Fees" for the fiscal year ended July 31, 2001.

REPORT FROM THE COMPENSATION COMMITTEE REGARDING EXECUTIVE COMPENSATION

As members of the Compensation Committee, it is our duty to administer the executive compensation program for our company. The Compensation Committee is responsible for establishing appropriate compensation goals for the executive officers of our company and evaluating the performance of our executive officers in meeting these goals. The elements of the executive compensation program described below are implemented and periodically reviewed and adjusted by the Compensation Committee.

The goals of the Compensation Committee in establishing our executive compensation program are as follows:

- To fairly compensate our executive officers for their contributions to our company's short-term and long-term performance. The elements of our executive compensation program are:
 - annual base salaries;
 - quarterly performance bonuses;
 - retention bonuses; and
 - equity incentives.
- To allow our company to attract, motivate and retain the management personnel necessary to our company's success by providing an executive compensation program comparable to that offered by companies with which we compete for such management personnel.
- To provide an executive compensation program with incentives linked to the financial performance of our company, and thereby enhance stockholder

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value. Under this program, incentive compensation for executive officers is linked to the financial performance of our company as measured by earnings per share and revenue.

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Base Salaries. The annual base salaries of our chief executive officer and our other executive officers are determined based on individual performance, experience and a comparison with salary ranges and midpoints reflecting similar positions, duties and levels of responsibility at our peer group and other companies in similar industries and with comparable revenues. Our peer group is identified under the heading "Comparative Total Returns" below and the comparisons to companies in similar industries with comparable revenues are based on reports published by Radford Associates, a provider of national compensation surveys.

Quarterly Bonus. The quarterly bonuses available to our executive officers are based upon the achievement of certain earnings per share, revenue and operating expense goals, development milestones, and other personal objectives for our company set by the Compensation Committee prior to the beginning of such measurement period. No quarterly bonus was paid to executive officers for the first quarter of fiscal year 2001. Two executive officers received bonuses for the second quarter of fiscal year 2001, in the aggregate amount of \$47,500. One executive officer received a bonus for the third quarter of fiscal year 2001 in the amount of \$26,250. Four executives received bonuses for the fourth quarter of fiscal year 2001, in the aggregate amount of \$76,051.

Retention Bonus. During fiscal year 2001, the Compensation Committee approved a plan to retain executive officers and key employees during the initial transition of our company to a software and services business. The plan was limited to the first, second and third quarters of fiscal year 2001. Payments of the retention bonuses were based on achievement of certain personal and corporate objectives. Four executives received retention bonuses under this plan totaling \$269,100.

Equity Incentives. Equity incentives including grants of stock options and restricted stock, are determined based on the Compensation Committee's assessment of the ability of such officers to positively impact our company's future performance and enhance stockholder value as determined by their individual performances. Stock option grants and other equity incentives are not awarded annually, but rather as warranted by individual performance and experience. Option awards generally vest over a 48-month period. The amount and vesting of stock options generally are not contingent on achievement of any performance targets.

In fiscal 2001, options covering a total of 657,500 shares of common stock at a weighted average exercise price of \$1.27 were granted to executives. Of these options, 550,000 were initial grants to executives upon their hire, 12,500 were granted to Mr. Snyder during his service as a non-employee director and 95,000 were granted for the purpose of retaining key executives. See "Executive Compensation -- Stock Option Grants During Fiscal 2001."

Equity and cash incentives are not limited to executive officers. Grants of stock options are made to all employees upon joining our company in amounts determined by the Compensation Committee and are also made to selected employees as performance related awards and as awards for certain job promotions. The amounts of such grants are determined based on the individual employee's position with our company and his or her potential ability to beneficially impact the performance of our company. By giving all employees a stake in the financial performance of our company, the Compensation Committee's goal is to provide incentives to all employees of our company to enhance the financial

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performance of our company and, thus, stockholder value.

Omnibus Budget Reconciliation Act of 1993. The Omnibus Budget Reconciliation Act of 1993 added Section 162(m) to the Internal Revenue Code. With certain exceptions, beginning with the taxable year commencing January 1, 1994, Section 162(m) will prevent publicly held corporations, including our company, from taking a tax deduction for compensation in excess of one million dollars paid to our chief executive officer and the other persons named in the Summary Compensation Table in this proxy

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statement. Section 162(m) will not apply to limit the deductibility of performance-based compensation exceeding one million dollars if:

- it is paid solely upon attainment of one or more performance goals;
- it is paid pursuant to a performance-based compensation plan adopted by the Compensation Committee; and
- the terms of the plan are approved by the stockholders before payment of the compensation.

The Compensation Committee has reviewed our compensation plans with regard to the deduction limitation contained in Section 162(m). The Compensation Committee believes that option grants under our equity plans meet the requirements for deductible compensation. The Compensation Committee has decided for the present not to alter our other compensation plans to meet the deductibility requirements of the regulations promulgated under the Internal Revenue Code. The Compensation Committee will continue to review the issue and its determination under the regulations under Section 162(m) and monitor whether our compensation plans should be amended in the future to meet the deductibility requirements. The Compensation Committee does not anticipate that Section 162(m) will limit the deductibility of any compensation paid in fiscal year 2001. None of our executive officers were affected by Section 162(m) in fiscal year 2001.

COMPENSATION COMMITTEE

T. Gary Trimm
Gordon H. Matthews
James H. Wells

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EXECUTIVE COMPENSATION

The following table summarizes certain information regarding compensation paid or accrued during each of our company's last three fiscal years to our chief executive officer and each of our other most highly compensated executive officers, also referred to as our named executive officers:

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION	LONG-TE A ----- RESTRICTE

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NAME AND PRINCIPAL POSITION	PERIOD	SALARY (\$)	BONUS AND	OTHER ANNUAL	STOCK
	ENDED		COMMISSIONS	COMPENSATION	AWARDS
-----	JULY 31	-----	(\$)	(\$)(1)	\$
-----	-----	-----	-----	-----	-----
Richard N. Snyder.....	2001	98,333	32,100	-0-	-0-
Chief Executive Officer and	2000	N/A	N/A	-0-	N/A
President(3)	1999	N/A	N/A	-0-	N/A
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)	287(
David Turnbull.....	2001	165,577	77,500(11)	-0-	-0-
Former Chief Marketing	2000	N/A	N/A	N/A	N/A
Officer and Sr. Vice President,	1999	N/A	N/A	N/A	N/A
Sales and Marketing(4)					
Robert R. Swem.....	2001	191,067	78,665(13)	-0-	-0-
Vice President, Manufacturing	2000	172,473	-0-	-0-	-0-
	1999	157,833	22,925	-0-	287(
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-	287(
Jay Peterson.....	2001	165,259	56,205(17)	-0-	-0-
Chief Financial Officer,	2000	126,667	9,751	-0-	-0-
and Vice President, Finance	1999	102,500	19,063	-0-	287(
Rodney S. Bond.....	2001	33,333	-0-	-0-	-0-
Former Chief Financial	2000	191,250	-0-	-0-	-0-
Officer, Secretary and Vice	1999	180,833	25,656	-0-	287(
President, Finance(4)(19)					
Kenneth Kalinoski.....	2001	85,185	34,881(20)	-0-	-0-
Chief Technology Officer	2000	N/A	N/A	N/A	N/A
and Vice President, Engineering	1999	N/A	N/A	N/A	N/A

(1) Includes perquisites and other personal benefits if value is greater than the lesser of \$50,000 or 10% of reported salary and bonus.

(2) Represents the dollar value of any insurance premiums paid by our company during the covered fiscal year with respect to term life insurance and long term disability insurance for the benefit of the chief executive officer or named executive officer.

(3) During fiscal year 2001, consulting fees in the amount of \$81,333 were paid to Mr. Snyder prior to his employment as chief executive officer and president. These consulting fees are not reflected in this Summary Compensation Table. For a discussion of the consulting fees, see the section titled "-- Certain Transactions" on page 20.

(4) Mr. Von Rump, Mr. Turnbull, and Mr. Bond resigned from our company effective April 13, 2001, July 21, 2001, and September 1, 2000, respectively.

(5) Includes \$17,019 of vacation payout.

(6) Includes \$100,000 retention bonus.

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- (7) Includes salary continuation in the amounts of \$86,042 for Mr. Von Rump and \$166,667 for Mr. Bond in exchange for consulting services provided during the fiscal year. Mr. Von Rump also received a \$2,835 tax preparation allowance.
- (8) Includes \$50,000 paid to Mr. Von Rump upon his initial acceptance of employment with our company and \$32,563 fourth quarter executive bonus.
- (9) Includes temporary living expenses allowance paid to Mr. Von Rump.
- (10) 100 shares of restricted stock. The restriction on the shares has lapsed.
- (11) Includes \$25,000 signing bonus, \$26,250 second quarter executive bonus and \$26,250 third quarter executive bonus.
- (12) Includes \$52,500 severance payment, \$3,108 tax preparation allowance and \$5,439 referral bonus.
- (13) Includes \$63,300 executive retention bonus and \$15,365 fourth quarter executive bonus.
- (14) Includes \$2,835 tax preparation allowance.
- (15) Includes \$21,250 second quarter executive bonus and \$58,330 executive retention bonus.
- (16) Includes \$2,928 tax preparation allowance.
- (17) Includes \$8,705 fourth quarter executive bonus and \$47,500 executive retention bonus.
- (18) Includes \$2,835 tax preparation allowance.
- (19) During fiscal year 2001, consulting fees in the amount of \$103,200 were paid to Sherman Partners, Inc., a company owned by Mr. Bond. These consulting fees are not reflected in the Summary Compensation Table. For a discussion of the consulting fees, see the section titled "-- Certain Transactions" on page 20.
- (20) Includes \$15,000 signing bonus and \$19,881 fourth quarter executive bonus.
- (21) Includes \$6,993 referral bonus.

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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 our equity plans to our chief executive officer and the 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

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NAME	INDIVIDUAL GRANTS				POTENTIAL
	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	% OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	ASSUMED PRICE AP 0% (\$)
Richard N. Snyder.....	250,000	16.29	1.025	7/30/2011	-0-
	12,500	.81	1.11	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

(1) The dollar amounts under these columns represent the potential realizable value of each grant of options assuming that the market price of our common stock appreciates in value from the date of grant at the five percent and ten percent annual rates compounded over the ten year term of the option as prescribed by the Securities and Exchange Commission and therefore are not intended to forecast possible future appreciation, if any, of the price of our common stock.

(2) Weighted average grant price of all stock options granted to employees in fiscal 2001.

(3) Appreciation for all stockholders is calculated using the average exercise price for all employee optionees (\$1.29) granted during fiscal 2001 and using the number of shares of our common stock outstanding on July 31, 2001 of 24,889,000.

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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 our chief executive officer and the named executive officers concerning the exercise of options during fiscal 2001 and unexercised options held as of July 31, 2001:

AGGREGATE OPTION/SAR EXERCISES IN LAST FISCAL YEAR
AND FY-END OPTION/SAR VALUES(1)

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NAME	SHARES		NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END (#)		VALUE O
	ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	EXERCISABLE	UNEXERCISABLE	IN- OPT AT FISCA EXERCISABL
Richard N. Snyder.....	-0-	-0-	14,430	260,070	-0-
Steven L. Von Rump.....	-0-	-0-	93,333	-0-	-0-
David Turnbull.....	-0-	-0-	16,666	-0-	-0-
Robert R. Swem.....	-0-	-0-	104,019	53,481	-0-
Dennis Egan.....	-0-	-0-	91,143	26,357	-0-
Jay Peterson.....	-0-	-0-	25,241	42,584	-0-
Rodney S. Bond.....	-0-	-0-	116,007	18,576	-0-
Kenneth Kalinoski.....	-0-	-0-	10,416	189,584	-0-

(1) All options held by our chief executive officer and the named executive officers were granted under our 1989 Stock Option Plan or our 1996 Stock Option Plan. All options granted under our 1989 Stock Option Plan and our 1996 Stock Option Plan are immediately exercisable. However, our company can repurchase shares issued upon exercise of those options, at the exercise price, to the extent of the number of shares that have not vested if the optionee's employment terminates before all of the optionee's option shares become vested. The amounts under the headings entitled "Exercisable" reflect vested options as of July 31, 2001 and the amounts under the headings entitled "Unexercisable" reflect option shares that have not vested as of July 31, 2001.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee is or has been an officer or employee of our company or any of our 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 our directors who is a principal of Strategic Management, Inc. and Mr. Matthews, one of our directors, who owns Matthews Consulting. Our company has agreed to pay fees to Strategic Management, Inc., as described below under the heading "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 judgement as a member of the Compensation Committee. Our company has agreed to pay consulting fees to Matthews Consulting as described under the heading "Agreement with Matthews Consulting." The board of directors has determined that Mr. Matthews' relationship with Matthews Consulting does not affect his ability to exercise independent judgement 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.

CERTAIN TRANSACTIONS

OFFICER AND DIRECTOR STOCK LOAN PROGRAM

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As of July 31, 2001, under our 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

We 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 our company and all of our 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 our company and his promises listed in the agreement, we paid him an amount equal to \$17,019, representing his accrued but unpaid vacation. We 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.

We 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 our company and all of our subsidiaries, with the exception of Onscreen 24 Corp. and CampusStream, Inc. As consideration for Mr. Bond's past services to our company and his ongoing transition services, we 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.

We 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 our company and all of our subsidiaries. Mr. Turnbull also agreed to certain confidentiality restrictions as a part of his severance. As consideration for Mr. Turnbull's past services to our company and his promises listed in the agreement, we 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, we engaged Sherman Partners, Inc. for a period of six months to assist our company with strategic and financial planning, corporate alliances and agreements, and general advisory and consulting services. Rodney S. Bond, our former chief financial officer, owns Sherman Partners, Inc.

AGREEMENT WITH STRATEGIC MANAGEMENT, INC.

On October 5, 2000, we agreed to pay a fee to Strategic Management, Inc., a company in which T. Gary Trimm, one of our directors, is a principal, to assist our company in developing a plan to establish our videoconferencing systems products division as a independent, self-sustaining unit, and to assist our company in assessing strategic alternatives for this division as part of our efforts to restructure our business around our video network consulting services business. The agreement with Strategic Management is described under "Proposal to Sell Our Videoconferencing Systems Product Division -- The Sale of Our Videoconferencing Systems Products Division -- Interests of Management, Directors and Significant Stockholders in the Sale of Our Videoconferencing Systems Products Division." If the sale of our videoconferencing systems products division is completed, Strategic Management, Inc. will receive a fee of

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\$750,000 from our company.

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AGREEMENT WITH MATTHEWS CONSULTING

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

PAYMENT FOR CONSULTING SERVICES PROVIDED BY OFFICERS AND DIRECTORS

The following payments were made to our officers and directors during the fiscal year:

- Sherman Partners, Inc., owned by Rodney S. Bond, former chief financial officer of our company, was paid consulting fees of \$103,200.
- Strategic Management Inc., in which T. Gary Trimm, current director of our company, is a principal, was paid consulting fees of \$69,810 and will be paid an additional \$750,000 if the sale of our video conferencing systems product division is completed.
- Matthews Consulting, owned by Gordon H. Matthews, current director of our company, was paid consulting fees of \$101,208.
- James H. Wells was paid consulting fees of \$12,125.
- Richard N. Snyder was paid consulting fees of \$81,333 prior to his employment as the chief executive officer and president of our company.

EMPLOYMENT CONTRACTS; TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL AGREEMENTS

We have not entered into any employment agreements with members of our senior management. However, we have entered into change-in-control agreements, also called parachute agreements, with members of our senior management, which provide that if the officer is terminated within a specified amount of time after a "change in control" of our company (as those terms are defined in the parachute agreements), in any of the following ways:

- by our company other than for cause, the officer's death, retirement or disability, or
- by the officer for "good reason,"

we will pay to the officer an amount, depending on the position of the officer, ranging from 1.5 to 2.99 times his or her current year's salary and will accelerate the vesting schedule of a portion of his or her unvested stock options, based on how long the officer has been employed with our company. The parachute agreements also provide that we will pay the officer all legal fees and expenses incurred as a result of the termination and make available certain insurance benefits at the officer's expense for the one year period following the officer's termination.

COMPARATIVE TOTAL RETURNS

PERFORMANCE GRAPH

The following Performance Graph shows the changes over the past five year period in the value of \$100 invested in:

- our common stock;
- the CRSP Total Return Index for NASDAQ Stock Market (U.S. Companies), also called the NASDAQ Composite Index; and
- the common stock of the peer group (as defined below) of companies whose returns are weighted according to their respective market capitalization.

The values with each investment as of the beginning of each year are based on share price appreciation and the reinvestment with dividends on the respective ex-dividend dates. The peer group for periods preceding our fiscal year ended July 31, 1997 consists of PictureTel Corporation and Compression Labs, Incorporated, whose businesses, taken as a whole, resemble our activities. Effective May 23, 1997, Compression Labs, Incorporated merged with one of our wholly-owned subsidiaries. The peer group for the periods ended July 31, 1998, 1999, 2000 and 2001 consists solely of PictureTel Corporation, whose business, taken as a whole, resembles our activities.

(PERFORMANCE GRAPH)

This graph above assumes \$100 invested on July 31, 1996 in our common stock, the NASDAQ Composite Index and the peer group, and was plotted using the following data:

	JULY 31, 1996	JULY 31, 1997	JULY 31, 1998	JULY 31, 1999	JU ---
NASDAQ.....	\$100.00	\$148.00	\$174.00	\$249.00	\$3
VTEL.....	\$100.00	\$ 83.00	\$ 82.00	\$ 63.00	\$
Peer Group.....	\$100.00	\$ 27.00	\$ 24.00	\$ 17.00	\$

PROPOSAL TO SELL OUR VIDEOCONFERENCING SYSTEMS
PRODUCTS DIVISION ASSETS
(ITEM 2)

This section of the proxy statement describes certain aspects of the sale of substantially all of our videoconferencing systems products division assets. However, we recommend that you read carefully the complete asset purchase agreement for the precise legal terms of the agreement and other information that may be important to you. The asset purchase agreement is included in this proxy statement as Annex A.

THE COMPANIES

VTEL CORPORATION

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Our company has designed, manufactured, sold and serviced videoconferencing systems since its inception in 1985. We also provide visual communications services and products for enterprise networks, offering global installation and technical support services, products from multiple vendors and network management software. We are researching and developing technologies to provide a video network platform designed to provide interoperability and compatibility standards for both traditional and internet protocol networks, as well as drive the migration to video over intellectual property networks. We refer to these activities as our solutions business, which is conducted under the name "Forgent Solutions." The primary focus of our solutions division is on delivering the high-end visual communication systems that provide functionality to customers in markets such as education, government and health care.

Upon completion of the sale of our videoconferencing systems products division, we will concentrate on developing and expanding the activities and business of Forgent Solutions. Forgent Solutions primarily delivers its capabilities directly to end-user customers. We will focus our solution-oriented sales effort in the commercial marketplace, while maintaining our reseller and channel partner relationships in our existing markets for videoconferencing endpoints. As we transform our company into a visual communications solutions provider, our integrated systems group will continue to provide solutions for customers who have required multiple voice activated cameras, custom user-interface and other customized requirements. As part of our new strategy, we intend to actively pursue additional support and maintenance contracts for our competitor's products as well as other products that emerge in the broadband visual communications industry. In addition to our existing service and maintenance offerings, we currently intend to enhance our network management service capabilities.

Our principal executive office is located at 108 Wild Basin Road Austin, Texas 78746, and our telephone number is (512) 437-2700.

VTEL PRODUCTS CORPORATION

VTEL Products Corporation is a newly formed private company organized by Robert R. Swem, Vice President -- Manufacturing of our videoconferencing systems products division, Daniel F. Nix and Richard P. Ford, both current executives in our videoconferencing systems product division, to acquire this business from us.

Based in Austin, Texas, VTEL Products Corporation will be a leading manufacturer of PC-integrated videoconferencing systems primarily serving education and government customers worldwide.

The principal executive offices of VTEL Products Corporation are located at 9208 Waterford Centre Boulevard, Suite 150, Austin, Texas 78758 and its telephone number is (512) 821-7000.

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THE SALE OF OUR VIDEO CONFERENCING SYSTEMS PRODUCTS DIVISION

BACKGROUND OF THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION

On January 27, 2000, the board retained Bear Stearns & Co. Inc. as its exclusive financial advisor to assist our company in maximizing stockholder value through an evaluation of our company and an assessment of our available alternatives, and if appropriate, assisting our company in pursuing a transaction, approved by the board. From January 27, 2000 to April 12, 2000, Bear Stearns conducted its study of our company and our available alternatives.

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On April 12, 2000, Bear Stearns met with the board of directors and outlined what it believed were the available alternatives, namely, remaining independent and restructuring operations, selling our company, selling our core videoconferencing systems products division and other possible alternatives not considered viable. The board authorized management and Bear Stearns to contact potential parties who might be interested in acquiring our company or our core videoconferencing systems business. At this time the board had not made any decision as to what course of conduct to pursue.

From April 12, 2000 to July 11, 2000, Bear Stearns and our management contacted participants in the videoconferencing industry to gauge interest in a possible transaction involving our company. Some preliminary discussions were held, but there was insufficient interest in pursuing a transaction at that time.

On July 11, 2000, the board met with Bear Stearns who reported on the lack of progress in obtaining interest in a possible transaction involving our company. The board then focused on the need to restructure the business operations of our company in light that the prospects of a sale of our company seemed unlikely. The board approved management developing a plan to downsize the core videoconferencing systems products division to achieve profitability and develop a new company business plan that contemplated shifting company resources to establish our company's solutions business. Our company was to be restructured into two separate divisions, the videoconferencing systems products division and the solutions business, with our company's internet start-ups to be kept as a separate activity.

On August 11, 2000, the board approved the implementation of the new company business plan separating our company into two divisions, our videoconferencing systems products division and our solutions business. On August 21, 2000, we made a public announcement of this new business model and of our intent to develop our solutions business, which is operated under the name "Forgent Solutions," with emphasis on providing services and management software for video networks.

On October 5, 2000, we entered into an agreement with Strategic Management, Inc., a consulting company in which T. Gary Trimm, a director of our company, is a principal, to assist us in examining our videoconferencing systems products division and establishing a plan that would make that division attractive to a potential partner or acquiror. This would entail reducing costs of our videoconferencing systems products division and establishing that business as a separate entity with the goal of making our videoconferencing systems products division self-sufficient from a cash flow standpoint. Strategic Management also agreed to prepare a marketing plan designed to present our videoconferencing systems products division to various potential purchasers or investors.

In early calendar 2001, Strategic Management solicited purchasers of our videoconferencing systems products division, but no meaningful interest was generated. Strategic Management then offered to purchase our videoconferencing systems products division, but the board declined to entertain the offer due to the magnitude of the offer being insufficient and due to the involvement of Mr. Trimm on the board and with Strategic Management. Strategic Management then agreed to not participate as a buyer of our videoconferencing systems products division.

From April 2001 through May 2001, our company received two offers for our videoconferencing systems products division, the offer from the management of the division described in this proxy statement, and an offer from RSI Systems, Inc. The board of directors reviewed each of the offers received and met with representatives of both groups. Each offer contained cash, debt and equity components, requiring the board to assess the creditworthiness of the notes to

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be received, the initial and expected value of the equity

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in the purchasing entity to be received and the overall structure of each proposal, including what representations and warranties our company was likely to be required to make, the liabilities our company would be required to retain and the extent of any indemnification obligations. During this time, due diligence materials were exchanged and various modifications to the proposals were discussed.

On April 24, 2001, our company retained SWS Securities, Inc. to act as financial advisor on the sale, engaging them for the purpose of evaluating the fairness of the sale of our videoconferencing systems products division, from a financial point of view, to our stockholders.

During its process of evaluating the management and the RSI proposals, the board determined that it would be appropriate to see if any other indications of interest could be obtained. In May 2001, the board authorized Strategic Management to seek other indications of interest. No further indications were forthcoming.

On May 25, 2001, the board met to review the RSI and management proposals. SWS Securities, Inc. gave a presentation to the board regarding the fairness, from a financial point of view, of each of the proposals. After carefully evaluating each proposal the board determined to accept the management proposal.

From May 2001 through the execution of the definitive asset purchase agreement, VTEL Products Corporation and its legal counsel continued their due diligence efforts. During this time, we and our legal counsel and VTEL Products Corporation and its legal counsel met together and participated by telephone and in person in a series of negotiations finalizing the terms of the asset purchase agreement, the license agreement and the other related agreements. These negotiations covered all aspects of the transaction, which included, among other items, the representations and warranties made by the parties, the restrictions on the conduct of our videoconferencing systems products division prior to closing, the conditions to closing, the termination provisions and the consequences of termination.

In May 2001, the board of directors held another meeting by telephone. Following a continued discussion of the terms of the asset purchase agreement, the license agreement and the other related agreements, the board of directors unanimously approved the final terms of the asset purchase agreement, the license agreement and the other related agreements. The board of directors specifically noted that the asset purchase agreement provides that consummation of the asset purchase agreement, as well as the mailing of this proxy statement was subject to delivery by SWS Securities, Inc. of an opinion regarding the financial analyses with respect to the sale of our videoconferencing systems products division to VTEL Products Corporation, to the effect that the consideration to be paid by VTEL Products Corporation to us pursuant to the asset purchase agreement is fair to our stockholders from a financial point of view. The board of directors also unanimously resolved to recommend that our stockholders approve and adopt the asset purchase agreement and the sale of our videoconferencing systems products division to VTEL Products Corporation.

The asset purchase agreement was executed as of September 28, 2001. We announced the execution of the asset purchase agreement on October 2, 2001. Although subsequent communications have been received by us on a non-solicited basis about the sale of our video conferencing systems products division, no proposals have been received by us that the board of directors considered to be

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more favorable than the current agreement.

REASONS FOR THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION

We are proposing to sell our videoconferencing systems products division to VTEL Products Corporation because we believe that the sale and the terms of the related asset purchase agreement are in the best interests of our company and our stockholders. The board of directors has identified various benefits that are likely to result from the sale of our videoconferencing systems products division. The board of directors believes the sale of that division will:

- allow us to devote substantially all of our energies and resources to development of our Forgent Solutions business and network management software;

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- allow us to compete more effectively through Forgent Solutions as a reseller and servicer of multiple vendors' products by disassociating our company from our VTEL product line. It is difficult to expand our business of selling and servicing other manufacturers' products as long as we are associated or identified with a manufacturer of videoconferencing systems products like those of the VTEL product line; and
- allow us to direct our primary focus to potentially better overall returns from our Forgent Solutions business and network management software, as opposed to the returns that have been produced by the combined Forgent Solutions and VTEL products businesses.

In arriving at its determination that the asset sale is in the best interest of our company and its stockholders, the board of directors carefully considered the terms of the asset purchase agreement as well as the potential impacts of the asset sale on our company. As part of this process, the board of directors considered the advice and assistance of its outside financial advisors and legal counsel. In determining to authorize the asset sale, the board of directors considered the factors set at above as well as the following factors:

- the opinion that we received from SWS Securities, Inc., our company's financial advisor, that the consideration to be received by our company pursuant to the asset sale is fair to our company from a financial point of view;
- the absence of other offers that are superior to VTEL Products Corporation's offer in light of all the terms and conditions presented by VTEL Products Corporation;
- the terms and conditions of the asset purchase agreement, including the fiduciary out provision negotiated by the board, which allows the board to consider unsolicited offers to purchase the videoconferencing systems products division assets;
- the fact that there is a modest termination fee payable to VTEL Products Corporation if the asset purchase agreement is terminated by us, which provides us with additional flexibility if it becomes necessary to terminate the agreement;
- the fact that the asset purchase agreement requires that the sale be approved by a majority of the company's stockholders which ensures that

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the board will not be taking action of which the stockholders disapprove;

- the risk that after the asset sale our company will have a less diversified business which would leave our company dependent on the performance of our Forgent Solutions business;
- the risk that our company could be exposed to future indemnification payments for a breach of the representations and warranties contained in the asset purchase agreement; and
- the risk that the purchase price for the videoconferencing system products division assets will be adjusted down if there is a change in the net asset value of the assets sold.

In view of the variety of factors considered in connection with its evaluation of the asset sale, the board of directors did not find it practical to, and did not quantify or otherwise attempt to assign, relative weights to the specific factors considered in reaching its conclusions.

RECOMMENDATION OF THE BOARD OF DIRECTORS

The board of directors has determined that the sale of our videoconferencing systems products division is in the best interests of our company and our stockholders. The board of directors has unanimously approved the asset purchase agreement and unanimously recommends that stockholders vote in favor of the proposal to approve the sale of substantially all of the assets of our videoconferencing systems products division to VTEL Products Corporation pursuant to the asset purchase agreement and the transactions contemplated by the asset purchase agreement.

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OPINION OF OUR FINANCIAL ADVISOR

The closing of the asset purchase agreement is conditioned on, among other things, the delivery by VTEL Products Corporation of a commitment or other written document for financing of VTEL Products Corporation in an amount and on terms and conditions sufficient to permit VTEL Products Corporation to consummate the asset purchase and to operate the videoconferencing systems products division from and after the closing date. This condition provides that the terms of the financing may not prohibit or be reasonably likely to materially impair VTEL Products Corporation's ability to pay the \$2,025,000 promissory note on its maturity date. VTEL Products Corporation has received a commitment letter satisfying these conditions dated December 14, 2001. This condition is required by SWS Securities, Inc., so that it is able to deliver a favorable opinion for inclusion in this proxy statement as to the fairness, from a financial point of view, to our stockholders of the purchase price for the videoconferencing systems products division. SWS Securities, Inc. rendered a fairness opinion to our company, dated December 17, 2001, a copy of which is attached to this proxy statement as Annex C. A description of the fairness opinion rendered by SWS Securities, Inc. is set forth below.

DESCRIPTION OF OPINION OF OUR FINANCIAL ADVISOR

Our company retained SWS Securities, Inc. to act as financial advisor to the board of directors and requested that SWS Securities, Inc. evaluate the fairness, from a financial point of view, of the purchase price to be received

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in the sale of our videoconferencing systems products division. On May 25, 2001, at a meeting of the board of directors, SWS Securities, Inc. delivered a report analyzing the videoconferencing systems products division and certain preliminary acquisition proposals in the context of the evaluation by the board of directors of the possible sale of the videoconferencing systems products division.

Subsequently, a purchase price was negotiated with VTEL Products Corporation that provided an aggregate equivalent purchase price of approximately \$9,395,000 that takes into consideration the principal amount of the notes and common stock to be received by our company as part to the total purchase price. The following is a summary of the purchase price to be received by our company that was considered by SWS Securities, Inc.:

- cash in the amount of \$500,000; plus
- a secured subordinated promissory note in the original principal amount of \$2,025,000, payable 90 days after the closing date, subject to adjustment as described below under the heading "The Asset Purchase Agreement -- Consideration;" plus
- a secured subordinated promissory note in the original principle amount of \$5,000,000, subject to adjustment as described below under the heading "The Asset Purchase Agreement -- Consideration;" plus
- shares of common stock of VTEL Products Corporation equal to approximately 19.9% of the fully diluted equity on the closing date.

On December 17, 2001, SWS Securities, Inc. delivered a report and written opinion to the effect that, as of the date of the opinion and based upon and subject to the matters stated in the opinion, the purchase price was fair, from a financial point of view.

A copy of the opinion we have received from SWS Securities, Inc., which sets forth the assumptions made, matters considered, and limits on the review taken, is attached as Annex C to this proxy statement. You are urged to read the SWS Securities, Inc. opinion in its entirety. The description set forth below of SWS Securities, Inc.'s opinion is qualified in its entirety by reference to the full text of the opinion. SWS Securities, Inc.'s opinion is rendered for the benefit and use of the board of directors in connection with the board of directors' consideration of the asset sale and does not constitute a recommendation to any holder of our common stock as to how such stockholder should vote with respect to the asset sale.

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In arriving at its opinion, SWS Securities, Inc.:

- reviewed the asset purchase agreement;
- reviewed certain financial statements and other information of the videoconferencing systems products division;
- discussed with certain members of senior management of our company and the videoconferencing systems products division the past and current business operations, financial condition and future prospects of the videoconferencing systems products division;

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- reviewed certain internal financial analyses and forecasts prepared by management;
- visited the headquarters of our company and the videoconferencing systems products division;
- compared certain financial information for the videoconferencing systems products division with similar information for certain other companies, the securities of which are publicly traded; and
- reviewed the financial terms of certain business combinations that it deemed relevant.

In rendering its opinion, SWS Securities, Inc. considered such other information and conducted such other analyses as it deemed appropriate under the circumstances. In connection with the review, SWS Securities, Inc. relied upon and assumed the accuracy and completeness of the financial and other information publicly available or furnished to it by our company or otherwise reviewed by it. SWS Securities, Inc. did not independently verify the accuracy or completeness of such information. SWS Securities, Inc. did not make or obtain any independent evaluations or appraisals of any of the properties, assets or liabilities, contingent or otherwise, of our company or the videoconferencing systems products division. In addition, neither our company nor the board of directors authorized SWS Securities, Inc. to solicit any indications of interest from any third party with respect to the purchase of all or a part of our company's business. With respect to financial projections, SWS Securities, Inc. assumed that they were reasonably prepared on a basis reflecting the best currently available estimates and judgments of our company's management as to future financial performance of the videoconferencing systems products division, and SWS Securities, Inc. expressed no formal opinion with respect to such forecasts or the assumptions on which they were based. The opinion was necessarily based upon financial, economic, market and other conditions as they existed and can be evaluated on the date of the opinion.

SWS Securities, Inc. expressed no view as to, and its opinion does not address, the relative merits of the sale of our videoconferencing systems products division as compared to any alternative business strategies that might exist for that division or the effect of any transaction in which our company might engage. Although SWS Securities, Inc. evaluated the purchase price to be received by our company for the sale from a financial point of view, it was not asked to and did not recommend the specific purchase price payable in the sale of our videoconferencing systems products division. The purchase price was determined through negotiation between VTEL Products Corporation and the board of directors. No other instructions or limitations were imposed by our company on SWS Securities, Inc. with respect to the investigations made or procedures followed by it in rendering its opinion.

THE FULL TEXT OF SWS SECURITIES, INC.'S WRITTEN OPINION THAT WE HAVE RECEIVED, WHICH DESCRIBES THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED TO THIS DOCUMENT AS ANNEX C AND SHOULD BE READ CAREFULLY IN ITS ENTIRETY. SWS SECURITIES, INC.'S OPINION IS DIRECTED TO THE BOARD OF DIRECTORS AND RELATES ONLY TO THE FAIRNESS OF THE PURCHASE PRICE FROM A FINANCIAL POINT OF VIEW, DOES NOT ADDRESS ANY OTHER ASPECT OF THE SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION OR ANY RELATED TRANSACTION AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER WITH RESPECT TO ANY MATTER RELATING TO THE PROPOSED SALE OF OUR VIDEOCONFERENCING SYSTEMS PRODUCTS DIVISION. THE SUMMARY OF SWS SECU-

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RITIES, INC.'S OPINION INCLUDED IN THIS DOCUMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

In preparing its opinion, SWS Securities, Inc. performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of the analyses. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is difficult to summarize. Accordingly, SWS Securities, Inc. believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, SWS Securities, Inc. considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion. Many of these factors are beyond the control of our company and the videoconferencing systems products division. No company, transaction or business used in those analyses as a comparison is identical to the videoconferencing systems products division or the proposed sale of that division, nor is an evaluation of those analyses entirely mathematical; rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed.

The estimates contained in SWS Securities, Inc.'s analyses and the valuation ranges resulting from any particular analysis do not necessarily reflect actual values or future results or values. Actual values or future results or values may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

SWS Securities, Inc.'s opinion and analyses were only one of many factors considered by the board of directors in its evaluation of the proposed sale of our videoconferencing systems products division and should not be viewed as determinative of the views of the board of directors or management with respect to the consideration or the proposed sale of our that division.

The following is a summary of the material financial analyses that SWS Securities, Inc. performed in connection with its opinion. THE FINANCIAL ANALYSES SUMMARIZED BELOW INCLUDE INFORMATION PRESENTED IN TABULAR FORMAT. IN ORDER TO FULLY UNDERSTAND THESE FINANCIAL ANALYSES, THE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION OF THE FINANCIAL ANALYSES. CONSIDERING THE DATA SET FORTH BELOW WITHOUT CONSIDERING THE FULL NARRATIVE DESCRIPTION OF THE FINANCIAL ANALYSES, INCLUDING THE METHODOLOGIES AND ASSUMPTIONS UNDERLYING THE ANALYSES, COULD CREATE A MISLEADING OR INCOMPLETE VIEW OF SWS SECURITIES, INC.'S FINANCIAL ANALYSES.

Selected Companies Analysis. Using publicly available information, SWS Securities, Inc. analyzed the market values and trading multiples of the following seven selected publicly traded companies generally in the

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videoconferencing industry:

- Ezenia! Inc.
- First Virtual Communications, Inc.
- Gentner Communications Corporation
- Latitude Communications, Inc.
- Polycom, Inc.

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- Viseon Inc.
- Video Network Communications, Inc.

SWS Securities, Inc. reviewed the appropriate market values as a multiple of, among other things, latest 12 months revenues, earnings before interest, taxes, depreciation and amortization, also referred to as "EBITDA," earnings before interest and taxes, also referred to as "EBIT," pretax income, earnings per share, estimated calendar year 2001 earnings per share and tangible book value of the publicly traded companies listed above. All multiples were based on closing stock prices on December 11, 2001. Earnings per share estimates for the selected companies were based on publicly available research analysts' es