SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year ended June 30, 2002

Commission File Number 0-13150

Concurrent Computer Corporation

(Exact name of registrant as specified in its charter)

Delaware	**04-2735766**
(State of Incorporation)	*(I.R.S. Employer Identification Number)*

4375 River Green Parkway, Duluth, Georgia, 30096 (678) 258-4000
(Address and telephone number of principal executive offices)

Securities Registered Pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock (par value $0.01 per share)
Preferred Stock Purchase Rights

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No ______

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of September 17, 2002, there were 61,861,543 shares of Common Stock outstanding. The aggregate market value of shares of such Common Stock (based upon the last sale price of $2.94 per share as reported for September 17, 2002 on the Nasdaq National Market) held by non-affiliates was approximately $180,905,000.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of Registrant's Proxy Statement to be used in connection with Registrant's 2002 Annual Meeting of Stockholders scheduled to be held on October 25, 2002 are incorporated by reference in Part III hereof.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

PART I

Item 1. Business

Overview

Concurrent Computer Corporation ("Concurrent") is a leading provider of computer systems for both the emerging video-on-demand, or VOD, market through its Xstreme division and real-time applications through its Real-Time division. Concurrent provides VOD servers and related software, its VOD systems, primarily to residential cable television operators, also known as multiple system operators (MSOs), that have upgraded their networks to support interactive, digital services. Concurrent's real-time business provides high-performance, real-time computer systems used primarily for simulations and data acquisition applications. Concurrent markets its real-time computer systems to U.S. government prime contractors, agencies of the U.S. government and commercial markets where the immediate capture and delivery of information is critical. Although almost all of Concurrent's revenues prior to fiscal 2000 were derived from its Real-Time division, Concurrent expects in the near term that a majority of its future revenue growth will come from its Xstreme division, which began commercial sales in 1999.

Concurrent's VOD systems consist of digital video servers and related software that enable cable systems that have two-way capability to deliver VOD to subscribers served through digital set-top boxes. Concurrent has been selected to supply its VOD system for 39 commercial launches. Of these, 24 have been publicly announced by MSOs, including the first commercial deployment at AOL Time Warner's Oceanic regional division in Oahu, Hawaii and the largest system-wide commercial deployment at AOL Time Warner's Tampa Bay regional division in Florida. All of the eight largest MSOs have begun deploying VOD services in one or more residential markets. Concurrent believes it is well positioned to be a provider of choice to these MSOs.

Initially, Concurrent focused its VOD business on the development of VOD systems designed to be compatible with Scientific-Atlanta, Inc. digital cable equipment. In October 1999, Concurrent acquired Vivid Technology, Inc. and obtained certain server technology compatible with Motorola, Inc. digital cable equipment. Since September of 2000, Concurrent has been selling VOD systems that are compatible with both Scientific-Atlanta and Motorola headend equipment, initially with its MediaHawk Model 2000 and since January 2002 with its MediaHawk Model 3000.

Concurrent's primary VOD focus is on digitally equipped North American MSOs. Concurrent also intends to focus on VOD opportunities in the domestic and international cable, internet protocol (IP) and digital subscriber line, Telco or DSL, and educational markets. Although delivery of VOD to the home over DSL and IP currently is not practical in the United States, Concurrent has several of these deployments in the international market and has made the DSL market a strategic initiative recently with its investment in Thirdspace Living Limited in March 2002.

Concurrent's real-time computer systems and software are specially designed to acquire, process, store, and display large amounts of rapidly changing information in real time – that is, with millisecond or microsecond response as changes occur. Concurrent has over 35 years of experience in real-time systems, including specific expertise in systems, applications software, productivity tools, and networking. Its systems and software support real-time applications in the hardware in-the-loop simulations, man in-the-loop simulations, data acquisition, and industrial control systems markets.

Concurrent was incorporated in Delaware in 1981 under the name Massachusetts Computer Company.

Financial information about Concurrent's industry segments is included in Note 16 to the consolidated financial statements included herein.

The VOD Market

VOD technology addresses the home video entertainment, time-shifted programming, and ad insertion markets. Concurrent believes that emerging VOD technology will enable cable providers to generate incremental revenue from the large home entertainment markets, such as home video rentals and traditional pay-per-view or near video-on-demand (NVOD), network based personal video recorder technology, and ad insertion by combining many of their best features and addressing their primary limitations. The limitations include:

- *Home video rentals have the greatest number of title selections but are the most inconvenient home video entertainment option.* Limitations of home video rental include frequently out-of-stock popular titles, lack of convenience due to rental pickup and return requirements and late fee penalties.

- *Pay-per-view and NVOD are more convenient options than store rentals but have limited titles and viewing times and no interactive capabilities.* Pay-per-view, or PPV, allows the user to order specific programs at fixed times. NVOD is basically PPV available at successive shorter intervals. Limitations of PPV and NVOD include a limited selection of titles available for viewing, restrictions on viewing times and no VCR functionality, such as play, rewind, fast-forward and pause.

- *PPV/NVOD coupled with a personal video recorder has limited content and currently requires a significant up-front investment by the user.* A personal video recorder (PVR) is an additional set-top device or an enhanced set-top device that enables a user to "pause" and save live programming, and then resume while using VCR functionality on the saved content. Even when coupled with an NVOD or PPV service, a personal video recorder does not overcome certain limitations of PPV or NVOD, such as limited content availability. In addition, users currently are required to make a significant up-front expenditure to purchase the personal video recorder box and then spend time learning how to operate the device.

- *Advertising is not targeted to specific households and does not include interactive opportunities for the viewers.* MSOs have the capability to insert advertisements, but those advertisements are not tailored to specific demographics because all viewers within a system would view the same ad. Further, the advertisements do not include options to allow viewers to request additional information on the fly or at a later date after the program on an interactive basis.

Ongoing technological developments have laid the groundwork for digitally upgraded, two-way capable networks that enable MSOs to deliver VOD services to their digitally enabled subscribers. These upgrades include:

- *Cable system digital upgrades.* MSOs have been upgrading their networks to enable the delivery of digital content on an interactive basis. MSOs are upgrading traditional, one-way, low bandwidth, coaxial systems into two-way, high bandwidth, hybrid-fiber coaxial transmission systems. These new systems include additional fiber optic bandwidth capability and digital equipment at the systems' headend and other locations in the network. These digitally upgraded systems are capable of carrying a larger quantity of signals at a faster rate. The two-way upgrade allows for the introduction of new interactive services, including VOD.

- *Digital set-top boxes.* A variety of companies, including Motorola, Scientific-Atlanta, Pioneer, Pace Micro and Sony, have introduced new digital television set-top boxes with processing power similar to a personal computer. These digital set-top boxes allow the cable provider to offer a greater selection of digital services, such as VOD, advanced program guides, personal video recorders, and interactive electronic commerce to homes with access to two-way capable cable services.

- *Content digitization.* Digitization is the process by which entertainment content is converted from an analog to a digital format. Digital content is a sequence of tiny digital pieces, or "bits", which can be stored on disks and transmitted in the form of electronic signals. With the benefit of the latest digital compression technologies, digital content now requires even less storage space and more content can be simultaneously transmitted over the cable system, thus reducing the storage and transmission costs of delivering content to consumers. Many major movie studios, major television networks, premium channel providers, and other program and content creators are converting their most popular titles into a digital format.

In the near term, Concurrent expects North American MSOs will continue to comprise the majority of its VOD system customer base. Concurrent believes that VOD is one of the key strategic competitive initiatives for MSOs as it provides an opportunity to leverage recent investments in their digitally upgraded infrastructure. Concurrent believes the VOD application provides MSOs with the ability to differentiate their service offering in an effort to reduce subscriber turnover and gain access to new revenue generating opportunities from subscribers, advertisers and electronic commerce initiatives.

The Real-Time Market

Concurrent's Real-Time division focuses on real-time computer systems that concurrently acquire, analyze, store, display, and control data to provide critical information within a predictable time as real world events occur. Compared to general purpose computer systems, these unique real-time capabilities are applicable to a wide range of application requirements, including higher performance processing, higher data throughput, predictable and repeatable response times, reliably meeting required deadlines, consistently handling peak loads, and better balancing of system resources.

Concurrent has over 35 years of real-time systems experience, including specific design, development, and manufacturing expertise in system architectures, system software, application software, productivity tools, and networking. Concurrent's real-time systems and software are currently used in host, client server, and distributed computing solutions, including software-controlled configurations to provide fault tolerance. Concurrent sells its systems worldwide through its direct sales force in North America, Europe, Japan, China, and Australia and through distributors in certain Asian territories. End uses of Concurrent's products include simulation and training systems, data acquisition systems, and industrial process control systems.

- *Simulation*. Concurrent is a recognized leader in developing real-time systems for simulation applications. Primary applications include trainers/simulators for operators in commercial and military aviation, vehicle operation and power plants, mission planning and rehearsal and engineering design simulation for avionics and automotive labs. An additional segment of this market for Concurrent is Hardware-In-The-Loop applications in which accurate simulations are constructed to verify hardware designs, thereby minimizing or eliminating entirely the need for expensive prototypes. Concurrent offers software applications that provide a real-time advantage to its customers and integrates these applications to provide complete solutions.

- *Data Acquisition*. Concurrent is a leading supplier of systems for radar control, data fusion and weather analysis applications, all of which require the ability to gather, analyze, and display continuous flows of information from simultaneous sources. Primary applications include environmental analysis and display, engine testing, range and telemetry systems, weather satellite data acquisitions and forecasting, intelligence data acquisition and analyses and command and control products.

- *Industrial Process Control Systems*. Concurrent manufactures systems to collect, control, analyze, and distribute test data from multiple high-speed sources for industrial automation systems, product test systems (particularly engine tests), supervisory control and data acquisition systems and instrumentation systems. Concurrent's strategy to serve this market involves the employment of third-party software applications to provide a unique solution for its customers.

Business Strategy

Xstreme Division

Concurrent's business objective is to become the leading provider of high quality VOD systems to cable and DSL providers worldwide. Concurrent's VOD strategy is comprised of the following primary initiatives:

Maintain Existing, and Establish New, Relationships with Top Domestic MSOs. The market for providing VOD solutions to MSOs is rapidly evolving. Concurrent has been selected to supply VOD systems for 39 markets, of which 24 have been publicly announced. Concurrent has sold its VOD systems to AOL Time Warner, Blue Ridge Communications, Cablevision, Cox Communications, Comcast, Charter Communications, Cogeco Cable, and Mediacom. These launches include the industry's first system-wide commercial deployment at AOL Time Warner's Oceanic regional division in Oahu, Hawaii and the largest system-wide commercial deployment at AOL Time Warner's Tampa Bay regional division in Florida. Concurrent's VOD sales team will continue to directly target these large MSOs. Concurrent believes that maintaining and expanding existing MSO relationships and establishing new MSO relationships will be important in developing and maintaining its share of the VOD market.

Develop Partnerships Enabling Incremental Revenue Opportunities for MSOs. With the evolution of the television viewing experience, Concurrent believes there will be opportunities for its customers to increase incremental revenues with other product offerings complementary to VOD services. To that end, Concurrent has invested in and formed a strategic partnership with Everstream Holdings, Inc., a company specializing in the delivery of digitized and targeted advertising. Concurrent believes that this relationship will open opportunities for increased revenues to MSOs while simultaneously driving demand for VOD services to support the advertising.

Expand Operations Internationally. The rollout of residential VOD service internationally is expected to occur over both cable television systems and DSL-based telephone networks. Concurrent is currently focusing on building its relationships with companies seeking to provide VOD services over cable or DSL networks in Europe, Asia and Australia. To that end, in March, 2002, Concurrent invested in and formed a strategic partnership with Thirdspace Living Limited, a private company headquartered in the United Kingdom that is focused on delivering interactive television services, including VOD, via DSL enabled telephone networks. Concurrent's international sales strategy is to focus on three key customer segments: cable companies; telephone companies; and alternative IP-based streaming media applications like hospitality, distance learning, education, and corporate training.

Maintain a Technological Leadership Position in VOD Server Systems. Concurrent has developed its VOD technology through internal research and development, acquisitions and relationships with third-party technology providers. Concurrent intends to continue to focus on the development of future VOD technologies in order to remain a technology leader by creating higher stream density, intelligent asset management, new encryption techniques, SVOD, network based personal video recorder applications, time shifted programming, and product enhancements for international markets.

Identify and Pursue New Market Opportunities. Concurrent believes that its VOD technology can provide benefits to industries other than cable system providers. For instance, Concurrent believes the growth in intranet and distance learning provides a significant opportunity for deployment of VOD systems. Generally, Concurrent expects to address these additional markets through relationships with market-specific value added resellers, or VARs.

Real-Time Division

As the real-time computer market shifted in end-user demand to open systems, Concurrent developed a strategy to adjust its real-time service offerings to those more appropriate for open systems, while maintaining support for its proprietary systems. Concurrent's strategy also strikes a balance between appropriate upgrades for proprietary system offerings while predominantly investing in its real-time operating system and integrated computer system solutions. In the first half of calendar 2001, Concurrent introduced its PowerWorks Linux development environment (PLDE) based on the popular Linux open operating system. Following that development path, Concurrent announced its RedHawk™ Linux® operating system software on its iHawk™ platform in April 2002. PLDE allows users on a Linux PC or workstation to develop applications for any Concurrent PowerPC-based real-time computer system, offering a convenient and economical way to utilize the extensive features of Concurrent compilers and real-time graphical user interface (GUI) tools. RedHawk™ Linux® is a real-time operating system based on the popular Red Hat™ Linux distribution, but incorporating a number of changes to the Linux kernel that make it a more powerful real-time, symmetric multi processing operating system while retaining the third-party software compatibility of the open-source Red Hat distribution. The iHawk family is a line of Intel servers available in single, dual, quad, and 8-way processor models featuring a wide-range of configurations combined with Concurrent's proprietary real-time clock and interrupt module as well as the optional NightStar tool suite. Concurrent expects that the introduction of a wide-range of Intel-based servers running RedHawk Linux will allow it to compete for a broader range of opportunities.

Customers

Concurrent has been publicly selected by AOL Time Warner, Cox Communications, Comcast Cable, Charter Communications, Mediacom, and one other unnamed MSO, six of the eight largest MSOs in the country, for commercial VOD system deployments. Each of these operators has deployed Concurrent's VOD systems for use with digital set-top boxes manufactured by various manufacturers including Scientific-Atlanta, Motorola, Sony, Pioneer and Pace Micro. Concurrent also has been selected by Blue Ridge Communications for its deployment in Northeast Pennsylvania and Cogeco Cable Inc., a Canadian cable operator, for two VOD deployments.

Concurrent believes it is a leading provider of video-on-demand systems based on the number of its commercial deployments. To date, Concurrent has been awarded 39 markets for deployment of VOD systems, of which 24 have been publicly announced. These markets are composed of over 10.3 million basic subscribers and over 3 million digital subscribers that will have access to nearly 200,000 Concurrent video streams.

AOL Time Warner

Concurrent has sold its VOD systems to 16 markets within AOL Time Warner, of which eight are publicly announced. These 16 markets serve over 5.2 million basic subscribers via more than 110,000 video streams. Of the 16 markets, 15 are using Scientific-Atlanta digital platforms and one is using Motorola. The announced markets are Oahu, Hawaii; Tampa, Florida; Columbia, South Carolina; Summerville, South Carolina; Myrtle Beach, South Carolina; Cincinnati, Ohio; Central Florida; and Houston, Texas.

Blue Ridge Communications

Concurrent has sold its VOD systems to Blue Ridge Communications, serving approximately 170,000 basic subscribers via more than 1,000 video streams in Northeast Pennsylvania using the Scientific-Atlanta digital platform.

Charter Communications

Concurrent has sold its VOD systems to six markets within Charter Communications, all of which are publicly announced, serving over 880,000 basic subscribers via more than 13,000 video streams. The digital platform for these systems is Motorola equipment. The markets are St. Louis, Missouri; Slidell, Louisiana; Asheville, North Carolina; Hickory, North Carolina; Greenville/Spartanburg, South Carolina; and Duluth, Georgia.

Cogeco Cable

In May 2001, Concurrent entered into an arrangement with Cogeco to provide VOD systems to two markets in Canada: Ontario and Quebec. The digital platform for these systems is Motorola. These two markets serve approximately 1,000,000 basic subscribers and 105,000 digital subscribers. Cogeco plans to begin deploying service to its customers during the first half of fiscal 2003.

Comcast

Concurrent has sold its VOD systems to nine markets within Comcast Cable Corporation, of which four are publicly announced, serving over 835,000 basic subscribers via more than 30,000 video streams. Of the nine markets, two are using Scientific-Atlanta digital platforms and seven are using Motorola. The announced markets are Lower Merion, Pennsylvania; Savannah, Georgia; Mobile, Alabama; and Willow Grove, Pennsylvania.

Cox Communications

Concurrent has sold its VOD systems to five markets within Cox Communications, of which three are publicly announced, serving over 2.1 million basic subscribers via more than 38,000 video streams. Of the five markets, four are using Scientific-Atlanta digital platforms and one is using Motorola. The announced markets are San Diego, California; Phoenix, Arizona; and Hampton Roads, Virginia.

In June 2002, Cox and Concurrent executed a non-exclusive contract with a five (5) year term that provides for Concurrent to be Cox' primary source for VOD products.

Mediacom

In March 2002, Mediacom selected Concurrent's VOD system for a commercial launch in Mobile, Alabama. The system serves approximately 40,000 basic subscribers via approximately 1,000 video streams.

This is the industry's first commercial deployment of VOD over Motorola's National Authorization Service. This technology allows interactive content to be propagated and managed over satellite and transmitted to Mediacom's complex Headend in the Sky (HITS) based headends and then distributed to their broadband customers. This technology allows for any HITS supported cable system to cost effectively deploy VOD.

Products and Technology

Xstreme Division

Concurrent's VOD system allows MSOs to deliver VOD services over their high bandwidth two-way hybrid fiber coax cable infrastructure. Concurrent's VOD system is capable of being distributed over certain portions of this infrastructure, including the headend, hub or hubs, and digital set-top boxes in subscribers' homes, centralized at the main headend, or a combination of both.

- *Headend.* The headend is a cable system's main network operations center where the cable company receives incoming programming for distribution over its network. The components of Concurrent's VOD system typically located at the digitally-upgraded system operator's headend include a network manager, one or more video servers, back-office software suite and system management and maintenance software. In centralized applications, Concurrent's video servers are all located at the system headend.

- *Hub.* The hub typically is a smaller facility serving a limited number of homes, containing the system operator's network transmission equipment for video delivery and control. The components of Concurrent's VOD system typically located at the system operator's hubs include one or more additional video servers.

- *Digital set-top box.* The digital set-top box is located in the subscriber's home and is designed to receive transmissions from, and transmit data to, the system operator's network. Concurrent's client software is run by the digital set-top box.

When a subscriber selects a movie, a video session is established between Concurrent's video server and the digital set-top box in the subscriber's home via the network manager over the cable operator's network. The selected movie is accessed from the video server where it is stored at either a headend or a hub. The purchase is captured by Concurrent's back-office software creating a billing and royalty record for the cable provider's billing system.

Product. Concurrent's VOD systems integrate its core VOD technology, asset management and back-office software and readily available commercial hardware platforms to provide interactive, VOD capabilities. Concurrent generally markets its VOD products to MSOs as an end-to-end VOD solution. Concurrent also markets the individual components of its VOD systems to VARs and systems integrators for inclusion in their VOD solutions and, on occasion, to MSOs who prefer to purchase only individual components. Concurrent's VOD systems include the MediaHawk® video server, network manager, MediaHawk Back Office Business Management System, Personal Video Channel™ (pVC™) software, system management and maintenance software and client software. The components of Concurrent's system are described below:

- *MediaHawk® Model 3000 Video Server.* Concurrent's MediaHawk video servers are high-performance computer systems designed for the demanding requirements of interactive video-on-demand applications. The MediaHawk video server includes multiple content storage devices, stream processors and input/output interfaces.

- *Network Manager.* Concurrent's network manager or resource manager establishes the network connection that allows the video to be streamed to the home over the cable operator's network. The network manager is designed to route video streams in the most efficient manner available at any given time.

- *MediaHawk Back Office Business Management System.* Concurrent's business management system is an industry standard relational database supporting subscriber and provider data management. Concurrent's back-office applications include customer access management, content distribution management, order management, royalty management, billing interfaces and marketing analysis.

- *Personal Video Channel™(pVC™) Software.* Concurrent's pVC is recently released software that empowers consumers to watch television programs contained in a package whenever they desire, thus, time-shifting the viewing experience. Thus, this product enables an MSO to record programming on the Concurrent servers, for example local news, that may then be accessed by consumers at any time with full VCR functionality. The recorded programs may be available for any amount of time as determined by the MSO.

- *Client.* Concurrent's client allows the subscriber to select the content on demand and maintain complete interactive control; the subscriber can pause, fast forward, rewind or stop the movie having the same control as if they were using a VCR. This is also referred to as the user interface.

- *System Management and Maintenance Software.* Concurrent's system management and maintenance software is designed to detect failed components and re-route video streams bypassing the failed component. The monitoring software is also capable of providing system level status that notifies the cable operator that a maintenance activity is required.

Product Discriminators. Concurrent believes its key VOD system discriminators include:

- *Multiple Integration Options.* Concurrent's VOD systems have been designed to be compatible with a wide range of equipment and software employed by cable operators to deliver digital television service, including:

  - *Various digital set-top boxes.* Concurrent's VOD systems are compatible with digital set-top boxes manufactured by each of the major domestic digital set-top box producers, including Scientific-Atlanta, Motorola, Pioneer, Sony and Pace Micro. This compatibility allows Concurrent's customers to purchase Concurrent's systems without concern about their current or future selection of a set-top box producer. Furthermore, Concurrent's system is capable of accommodating multiple headends, source content, navigators and workstation platforms.

  - *Existing and next-generation equipment.* Although newer generations of digital set-top boxes have expanded memory capability allowing subscribers to interact with and access VOD services, older digital set-top boxes may have limited memory capability. Concurrent's VOD technology allows Concurrent to perform some of the functionality in the server rather than in the actual digital set-top box which overcomes the major obstacle in providing VOD services through older generation digital set-top boxes. Thus, deployment of Concurrent's VOD system is not contingent on the upgrading of currently deployed digital set-top boxes.

  - *Transport topologies.* Concurrent's VOD systems are compatible with numerous transport topologies supporting delivery of VOD services over Gigabit Ethernet, DVB-ASI, asynchronous transfer mode, 64 and 256 QAM, and RF up-conversion.

  - *Billing systems.* Both the existing and the emerging billing systems currently employed by MSOs can be used with Concurrent's VOD systems.

  - *Ad Insertion Software*. Concurrent has established strategic relationships with both Everstream Holdings, Inc. and Navic Networks that provide ad-insertion software that will enable MSOs to insert advertisements into streamed video.

- *Support for Both Distributed and Centralized Architectures.* Concurrent's systems are designed to function equally well with distributed networks that minimize fiber optic bandwidth usage or centralized networks that support high-density populations that minimize facility requirements.

- *Highly Scalable Systems.* Concurrent's systems are modular and therefore easily scalable. Utilizing Concurrent's dual chassis, multiple cabinet designs, Concurrent's customers can scale both video storage and stream capacity in various increments to allow for significant flexibility.

- *MediaHawk Back Office Business Management System.* In addition to content management, order management, provider account management, customer access management, marketing analysis and billing functions, Concurrent's back-office business management system also supports e-commerce applications and subscriber data collection which enhances the revenue-generation capabilities of the VOD service provider.

- *Subscription VOD Technology.* Concurrent's VOD systems are designed with SVOD services. SVOD is a complementary service to VOD, enabling impulse viewing of premium network programming with VCR-like functionality including fast forward, pause, and rewind, and with simple flat fees. In addition to these advantages, SVOD also provides an opportunity for subscription programming providers, such as Starz-Encore, HBO, and Showtime, to build additional market share with this new value-added service. SVOD is not a service that can be offered by direct broadcast satellite and we believe it will provide the cable operators a strategic competitive advantage and build greater subscriber satisfaction and retention. Concurrent video servers are streaming SVOD content, including HBO and Starz-Encore in multiple markets in North America with multiple MSO's.

- *Specialized Video Engine.* Concurrent's video engine was designed specifically for the requirements of providing VOD services. As such, Concurrent's video engine is capable of creating high stream density accommodating increasing levels of demand, simultaneous usage and expanding library content.

- *Fault Tolerant System Designs.* Concurrent's VOD systems are designed with multiple layers of redundancy including fully redundant storage, power and cooling systems to provide seamless end-user viewing. Thus, system repairs can be made during delivery without any interruption to the end-user.

- *Variable Bit-rate Technology.* Concurrent's variable bit-rate technology minimizes storage and bandwidth while maximizing video fidelity. Concurrent believes that this technology will become a key technology discriminator as higher-fidelity requirements such as high-definition television emerge.

MediaHawk Model 3000 Product. Concurrent began shipments of its MediaHawk Model 3000 video server in January 2002. Through Concurrent's internal research and development efforts and its technological strategic relationships, Concurrent has integrated new technologies that Concurrent believes will further enhance the attractiveness of its VOD solution into Concurrent's new MediaHawk video server. Concurrent's MediaHawk Model 3000 VOD servers and software are designed to allow a single product to work in conjunction with cable equipment and digital set-top boxes produced by multiple vendors.

Customer Service Plans and Support. The basic customer service plans and support options offered to Concurrent's VOD customers include software patches to correct problems in existing software, 24-hour parts replacement, product service training classes, limited onsite services and preventative maintenance services. These services are provided at no additional charge during the warranty period and are available for additional fees under maintenance agreements after the warranty period. In addition to these basic service and support options, Concurrent also offers, for additional fees, software upgrades and onsite hardware maintenance services. To date, customer service and support revenues from Concurrent's VOD business have not been material.

Real-Time Division

Concurrent's real-time systems are applicable to a wide range of application requirements, including high performance processing, high data throughput, predictable and repeatable response times, reliably meeting required deadlines, consistently handling peak loads, and better balancing of system resources. End uses of Concurrent's real-time systems include product design and testing, simulation and training systems, test stands, range and telemetry systems, weather satellite data acquisition and forecasting, and intelligence data acquisition and analysis.

Concurrent designs, manufactures, sells and supports real-time standards-based open computer systems and proprietary computer systems. It also offers worldwide hardware and software maintenance and support services for its products and for the products of other computer and peripheral suppliers. The services are provided at no additional charge during the warranty period. Concurrent has routinely offered and delivered long-term service and support of its products for as long as 15 to 20 years under maintenance contracts for additional fees, although we anticipate this source of revenue to decline over time given the change in Real-Times' product strategies. In addition, Concurrent customizes systems with both specialized hardware and software to meet unique customer requirements. Frequently in demand, these special support services have included system integration, performance and capacity analysis, and application migration.

Products. Concurrent's Real-Time division designs, develops and manufactures real-time computer systems and services for mission-critical applications. The real-time computer systems are specially designed to acquire, process, store, and display large amounts of rapidly changing information in real-time with microsecond or millisecond response time. Concurrent's real-time products facilitate symmetric multiprocessing for a wide range of real-time applications including simulation, data acquisition and industrial process control systems.

The principal products sold by Concurrent's Real-Time division are:

- *Power Hawk 700.* Power Hawk 700 is Concurrent's family of highly-scalable, advanced technology VME systems capable of supporting data acquisition, simulation and industrial process control applications in environments ranging from entry level to highly complex. The Power Hawk 700 line is designed around the MPC74xx PowerPC processor, and is available in single, dual and quad central processing unit (CPU) versions.

- *PowerMAXION.* The PowerMAXION is Concurrent's mid-level VME system specifically targeted to the real-time data acquisition market, such as radar and weapons control in the military market. The PowerMAXION series is designed around the PowerPC 604e processor, and is available in one-to-eight CPU configurations.

- *Model 3200-2000*. The Model 3200-2000 is the most recent addition to Concurrent's Series 3200 family of high-performance proprietary platforms. Model 3200-2000 provides an upgrade to processing power and system throughput required by the most demanding Series 3200 real-time applications. Model 3200-2000 runs Concurrent's optimized OS/32 real-time operating system,

- *PowerMAX Operating System.* The PowerMAX Operating System (OS) is Concurrent's highly-deterministic real-time UNIX-based POSIX-compatible operating system. PowerMAX OS runs on the PowerHAWK 700, PowerMAXION and various legacy product lines.

- *NightStar Analysis and Debugging Tools*. The NightStar development tools are designed to optimize, debug and trace application software running under the PowerMAX and RedHawk Linux operating systems.

- *iHawk*. Concurrent plans to begin shipment of its iHawk line of Intel-based servers featuring its RedHawk Linux real-time operating system and real-time clock and interrupt module in September 2002. It is anticipated that this product line will be deployed in simulation, data acquisition and industrial process control applications, and satisfy scientific and other complex computing requirements.

Customer Service and Support Plans. Concurrent offers a variety of service and support programs to meet the customer's maintenance needs for both its hardware and software products. Concurrent also offers contract service for selected third party equipment. The service and support programs offered by Concurrent include rental exchanges, diagnostic and repair service, on-call and time and materials service, and preventive maintenance. Concurrent offers long-term service and support of its products for, in some cases, as long as 15 to 20 years.

Custom Engineering and Integration Services. Concurrent provides custom engineering and integration services in the design of special hardware and software to help its customers with their specific applications. This may include custom modifications to Concurrent's products or integration of third party interfaces or devices into Concurrent's systems. Many customers use these services to migrate existing applications from earlier generations of Concurrent's or competitors' systems to Concurrent's state-of-the-art systems. These services also include classroom and on-site training, system and site performance analysis, and multiple vendor support planning. Although the total revenues associated with any single service may be small in comparison to total revenues, increased customer satisfaction is an integral part of Concurrent's business plan.

Strategic Relationships

Scientific-Atlanta. In August 1998, Concurrent entered into a five year agreement with Scientific-Atlanta to jointly develop and market a VOD system. Under this agreement, Concurrent was able to receive early development releases from Scientific-Atlanta. In addition, the companies have jointly developed a system architecture that is compliant with the AOL Time Warner VOD architecture requirements, known as Pegasus. In exchange for Scientific-Atlanta's technical and marketing contributions, Concurrent issued Scientific-Atlanta a warrant to purchase 2,000,000 shares of Concurrent's Common Stock, exercisable at $5 per share over a four-year term. This warrant expired unexercised on August 17, 2002. In addition, Scientific-Atlanta may in certain circumstances have the right to receive additional warrants to purchase up to a maximum of 8,000,000 additional shares of Concurrent's Common Stock. The granting of these additional warrants will be based upon performance goals measured by the revenue Concurrent receives from sales of equipment to systems employing Scientific-Atlanta's equipment. On April 1, 2002, based upon these performance goals, Concurrent issued one warrant to purchase 261,164 shares of Concurrent's Common Stock, exercisable at $7.11 per share over a four year term.

The agreement with Scientific-Atlanta provides that each party will own the intellectual property that is created solely by its own employees as a part of the development process. Intellectual property that is developed by employees of both Scientific-Atlanta and Concurrent will be owned by Concurrent if the intellectual property represents an improvement upon Concurrent's products or will be owned by Scientific-Atlanta if the intellectual property represents an improvement upon Scientific-Atlanta's products.

Motorola. Concurrent and Motorola jointly developed a specific return path protocol that allowed VOD services to be provided via Motorola older-generation digital set-top boxes currently deployed by several MSOs. As a result of this relationship, Concurrent can offer a complete end-to-end VOD system compatible with the currently-deployed Motorola digital set-top boxes.

Prasara Technologies. Under a joint development agreement with Prasara Technologies, a software company owned by PowerTV, a majority owned subsidiary of Scientific-Atlanta specializing in delivery of on-demand information, Concurrent and Prasara jointly developed interactive and back-office VOD software specifically designed to meet the needs of MSOs. This software is integrated with Concurrent’s MediaHawk video servers. The joint development agreement with Prasara provides for Concurrent to have exclusive ownership of most of the software modules that make up the back-office software suite that accompanies the MediaHawk VOD server. Prasara has joint ownership with Concurrent of certain of the modules that make up the back-office software suite. Each of Concurrent and Prasara must pay royalties to the other for their respective sales of products containing any of these jointly-owned software modules.

Intertainer. Concurrent has worked with Intertainer, a VOD content provider seeking to market an end-to-end VOD solution, in integrating Concurrent’s VOD server into Intertainer's turnkey solution.

Cisco Systems, Inc. Concurrent is a partner in the Cisco Service Provider Solutions Ecosystem Program which is designed to provide a vehicle for systematically bringing new technologies to the Service Provider Marketplace. The Cisco Service Provider Solutions Ecosystem brings together qualified developers of hardware and software applications that interoperate with Cisco’s products, vendors of complementary network enabling technologies, and deployment partners in order to best serve the mutual service providers. Some of the key benefits the Cisco Service Provider Solutions Ecosystem Program is intended to provide to partners include: long-term business level relationship with Cisco; increased Cisco commitment; enhanced market credibility based on Cisco relationship; marketing and sales development opportunities; improved operations efficiency; and new service/technology creation.

Liberate. On April 11, 2001, Concurrent announced a strategic alliance with Liberate Technologies, a leading provider of software for the delivery of interactive television, under which Concurrent combined its technologies into an integrated interactive TV and VOD offering for the growing digital video market. The strategic agreement was reached under the Liberate(R) PopTV(TM) Program, in which Concurrent is a “preferred infrastructure partner.”

Microsoft TV (MSTV). On June 28, 2002, Concurrent entered into a strategic alliance with Microsoft TV, a provider of a complete family of software products for the television industry. Concurrent and MSTV have entered into an agreement to jointly develop the combined platform for delivery of interactive services. We believe the MSTV platform will be closely integrated and will work with our video servers to deliver VOD and an enhanced interactive television experience to the end-customer.

Thirdspace. On March 19, 2002, Concurrent entered into a strategic alliance with Thirdspace Living Limited, an international supplier of video server system software designed primarily for DSL environments. In the strategic alliance, Concurrent and Thirdspace will jointly develop and market an integrated end-to-end solution to enable broadband telecommunications carriers to provide broadcast television, interactive television (iTV), and VOD services to subscribers on DSL transport networks. In addition to entering into the strategic alliance, Concurrent joined Alcatel and Oracle as a strategic investor in Thirdspace. Concurrent invested cash of $4 million and issued 291,461 shares of its common stock in exchange for 1,220,601 series C shares of Thirdspace, giving Concurrent a 14.4% ownership interest in all shares outstanding as of the investment date. As part of the investment, Thirdspace licensed its patent and patent application portfolio – currently, 13 patented technologies and 25 patents pending – to Concurrent. In exchange for its investment, Concurrent also received a warrant for 400,000 series C shares of Thirdspace. The warrant is exercisable beginning December 19, 2002. Concurrent also loaned Thirdspace $6 million in two installments on March 19 and September 3, 2002, in exchange for a long-term convertible note receivable, bearing interest at 8% annually, with interest payments first due December 31, 2002, and semi-annually, thereafter. Concurrent has a security interest in all of the assets of Thirdspace, which is subject to a prior lien on Thirdspace's intellectual property securing an obligation of $5 million. Other than the prior lien on Thirdspace's intellectual property, Concurrent's security interest ranks ratably with those of other secured creditors.

Everstream. On April 17, 2002, Concurrent entered into a strategic alliance and made a $500,000 cash investment in Everstream Holdings, Inc. The partnership allows Concurrent to offer to its customers Everstream's patented ad insertion solutions for digital cable advertising. Concurrent and Everstream created a joint interface that will enable Everstream's latest ad insertion software to easily install and communicate with the Concurrent's MediaHawk Video Servers. Everstream's patented software for advertising campaign management and delivery will enable Concurrent's Personal TV (pTV™) system and MediaHawk video server platform to provide advertising opportunities in real time to the multiple video streams it currently delivers on demand.

Sales

Concurrent sells its systems in key markets worldwide through its direct field sales and support offices, as well as through VARs and systems integrators. As of June 30, 2002, Concurrent had 90 employees in its sales and marketing force which also includes sales support, corporate communications, application engineering, field sales, and sales administration.

Xstreme Division

Concurrent's VOD sales strategy primarily focuses on maintaining and expanding existing relationships, and developing new relationships, with domestic MSOs and international cable and DSL providers. Concurrent's domestic sales force has significant experience as either employees of, or service providers to, the largest domestic MSOs.

In Concurrent's non-broadband markets on both the domestic and international fronts, Concurrent also intends to continue working with VARs and systems integrators who are seeking to integrate Concurrent's VOD products into end-to-end or turnkey solutions sold into their target markets.

As of June 30, 2002, Concurrent employed 37 people worldwide as part of its Xstreme sales and marketing team.

Real-Time Division

Concurrent sells its real-time systems in key markets worldwide through direct field sales and support offices, as well as through VARs and systems integrators. As of June 30, 2002, Concurrent employed 38 people worldwide as part of its real-time sales and marketing team.

Customers

Xstreme Division

A significant portion of Concurrent's VOD revenue has come from, and is expected to continue to come from, sales to the large MSOs. For the year ended June 30, 2002, two customers, AOL Time Warner and Cox Communications, accounted for 57% and 24% of total VOD revenue, respectively. All of the top eight MSO's in North America have initiatives underway to offer VOD in various cable markets operated by the MSOs. Concurrent has sold VOD systems to six of the top eight MSO's in North America.

Real-Time Division

Concurrent currently derives a significant portion of its real-time revenue from a limited number of customers. As a result, the loss of, or reduced demand for products or related services from any of Concurrent's major customers could adversely affect its business, financial condition and results of operations. In the fiscal year ended June 30, 2002, one customer, Lockheed-Martin, accounted for approximately 25% of the total real-time revenue. No other customer accounted for more than 10% of real-time revenue for the period.

Concurrent derives a significant portion of its revenues from the supply of integrated computer systems to U.S. Government prime contractors and agencies of the U.S. Government. The supplied systems include configurations from the PowerMAXION, PowerHAWK, and TurboHAWK product lines, with certain systems incorporating custom enhancements requested by the customer. Examples of prime contractors to whom we sell these integrated computer systems include Boeing, Lockheed-Martin, and Raytheon. For example, Lockheed-Martin purchased integrated computer systems from Concurrent to be used by the U.S. Navy in data acquisition applications. Concurrent also supplies spare parts, upgrades, and engineering consulting services and both hardware and software maintenance. For the fiscal year ended June 30, 2002, Concurrent recorded $19.7 million in revenues to U.S. Government prime contractors and agencies of the U.S. Government, representing 22% of total sales for the period. Government business is subject to many risks, such as delays in funding, audits, reduction or modification of contracts or subcontracts, failure to exercise options, changes in government policies and the imposition of budgetary constraints. A loss of government contract revenues could have a material adverse effect on Concurrent's business, results of operations and financial condition.

Concurrent does not have written continuing purchase agreements with any of its customers and does not have written agreements that require customers to purchase fixed minimum quantities of Concurrent's products. Sales to specific customers tend to, and are expected to continue to, vary from year-to-year, depending on such customers' budgets for capital expenditures and new product introductions.

New Product Development

Xstreme Division

Concurrent's research and development strategies with respect to its VOD solutions will focus on network personal video recorder technology, software features that will drive stream usage while expanding revenue opportunities for our customers, higher stream density, encryption techniques, interactive client applications and product enhancements for international markets.

Network Personal Video Recorder Technology. Concurrent continues to enhance its personal video channel (pVC™) capability of its current residential cable VOD system. The personal video channel will allow the subscriber to pause and rewind time-shifted programming, effectively providing "TV on demand." Concurrent expects this server capability will have advantages over traditional personal home video recorders by providing more storage capacity and the ability to record multiple channels simultaneously. This will also allow Concurrent servers to replicate the functionality of PVR devices equipped with hard disk drives and eventually evolve to pausing and rewinding live broadcast TV.

Interactive and Targeted Advertising. Concurrent is in the process of developing the infrastructure and key relationships for this new advertising medium. Interactive Long Format Advertising is already being deployed by Cox Communications in its San Diego, California system. Earlier this year Concurrent entered into a strategic partnership and invested in Everstream Holdings, Inc., a private company with core intellectual property and technology in targeted advertising. Targeted advertising technology allows Concurrent's VOD system to insert different television commercials into the video streams for different consumers. This technology will allow the advertiser to closely "target" product advertisements to consumers most likely to buy, rather than broadcasting the same advertisements to everyone.

Asset Management. Concurrent continues to enhance its asset management technology. As VOD matures as an industry, it is anticipated that demand for stored content will increase from a few hundred hours to many thousands of hours. Concurrent continues to enhance its system to intelligently and automatically manage the distribution and lifecycle of the stored content, thus, increasing quantity of video hours. This tool supports multiple services such as SVOD, VOD, and PVR, and multiple providers such as In-demand, HBO, Starz-Encore, and Showtime and is capable of distributing and optimizing content based on actual consumer usage patterns.

Resource Management. Concurrent has developed an advanced distributed resource management system that will allow on-demand systems to grow into the "everything on demand" environment that the cable industry is now envisioning. Concurrent has leveraged its heritage in real-time distributed systems to architect a highly scalable resource management system. The Concurrent resource manager is a highly optimized database driven system which quickly and accurately determines the resources a subscriber launching an on-demand service can utilize. The Concurrent resource manager supports multiple services and enables true interactive television

Increased Stream Density. Concurrent believes it is the only provider of VOD systems currently employing fibre channel technology. Fibre channel provides the highest bandwidth/connectivity technology that is commercially available. Concurrent intends to continue leveraging techniques that allow this technology to create higher stream density and superior connectivity. Concurrent expects this will result in even more efficient distributed and centralized VOD system implementations.

Encryption Techniques. Encryption techniques will need to become integral to Concurrent's VOD system to maintain a high level of security designed to discourage content piracy and encourage content providers, such as movie studios, to provide market windows that will gradually become more consistent with the movie rental distribution channel. Concurrent is developing and trialing an open encryption system to support various encryption methodologies.

Integrated QAMs and Upconverters. Concurrent has developed Quadrature Amplitude Modulation (QAM) and signal upconversion technology. QAM is a highly efficient means of modulating or representing digital information using an analog signal. Our QAMs output a signal that accurately changes the amplitude and phase of the signal to correspond with the appropriate digital pattern. Our integrated upconverters take the modulated signal and map it into a channel line up. By integrating QAM and upconversion technology into the MediaHawk server, Concurrent is able to provide customers significant cost savings when compared to standalone alternatives.

Gigabit Ethernet. Consistent with MSOs' interest and expected rapid development of gigabit ethernet transport networks, Concurrent has developed the requisite interfaces to such network elements. This work will continue to be refined to meet specific performance requirements as cable network architectures continue to evolve to support additional interactive television applications.

International Markets. Concurrent's strategy is to leverage its domestic success and add capability to the existing VOD system that will enable it to market its VOD system to international cable and DSL providers. Enhancements will include network equipment integration, billing system integration, conditional access integration and set-top box integration. Specific integration tasks and partnerships will be opportunity driven as the international market develops.

Real-Time

Concurrent's real-time product development strategies with respect to its computer systems solutions will focus on higher-performance and cost-effective scalable architectures to allow for a greater degree of flexibility to the customer. New product development in real-time includes new hardware, software and integration services that will add new features and enhancements to the Power Hawk line of computers and the NightStar software development tools as well as the introduction of the Intel-based iHawk line running the RedHawk Linux real-time operating system built on the popular Red Hat distribution. Red Hawk and iHawk development will be focused on improving the real-time performance of the operating system.

Higher performance computer systems. Concurrent has upgraded the Power Hawk computer line with the new Series 700 computer system. The Series 700's PowerPC utilizes Motorola's MPC7410 (G4) processor, the first microprocessor that can deliver sustained performance of over one billion floating point operations per second. The G4 can process data in 128-bit segments rather than the 32-bit or 64-bit segments of traditional processors. The G4's AltiVec vector instruction set performs 16 calculations in a single cycle providing IEEE floating point performance four times faster than non-vector processors.

Cost effective scalable cluster architectures. The dual and quad-CPU Series 700 processor boards are true symmetric multiprocessors that run a single copy of Concurrent's PowerMAX OS™ real-time operating system. All CPUs on a board are linked by a high-speed PowerPC processor bus and have direct, cache-coherent access to all of the available on-board main memory. Two or more Power Hawk Series 700 processor boards can be combined through the high speed P0-PCI bus to create closely-coupled multiprocessor configurations of up to 32 CPUs.

PowerWorks Linux Development Environment (PLDE). The PLDE allows users to develop applications for any Concurrent PowerPC-based real-time computer system on an Intel PC running the open source Linux operating system. Application programs are compiled and debugged directly on a Linux PC while targeted to a system running Concurrent's PowerMAX operating system, freeing production systems from the need to be involved in the development process. As Concurrent's real-time customers recognize the growing importance of Linux as a real-time solution resource, Concurrent plans to continue to enhance its operating system and tool set offerings to take full advantage of this development.

Power Hawk Series 700 software development tools supporting Linux open system solutions. Concurrent plans to provide its customers the opportunity to develop and debug complex multiprocessing applications utilizing Concurrent's integrated software environment while taking advantage of the Intel based Linux open source operating system. Users will have the option of developing their real-time applications under PowerMAX OS or Linux using the same comprehensive suite of NightStar GUI development tools. As our real-time customers recognize the growing importance of Linux as a key real-time operating system, Concurrent expects that there may be a large demand for Linux-ready applications that can meet the workload demands of today's real-time environment. As the Linux open source solution market demand develops, Concurrent plans to continue enhancing its software operating system and development environment to take full advantage of the broad range of software, hardware and integration opportunities available in the Linux marketplace.

The iHawk family of products. Concurrent will continue its Linux strategy with the introduction in September, 2002 of the iHawk product family. Based on Intel/Pentium Xeon servers available in single, dual, quad and 8-way processor configurations, each model will include the open-source RedHawk real-time operating system based on the Red Hat distribution. The product will include the company's real-time clock and interrupt module and the leading NightStar tool suite as an option. It is anticipated that the wide range of third party software available for Red Hat Linux will significantly increase the appeal of this product offering. As with Concurrent's PowerMAX/Power PC real-time solutions, iHawk product may be customized to precisely fit any customer's application needs.

Competition

Both Concurrent's Xstreme and Real-Time divisions operate in highly-competitive environments, driven by rapid technological innovation. Due in part to the range of performance and applications capabilities of Concurrent's products, Concurrent competes in various markets against a number of companies.

In the VOD market, Concurrent's major competitors currently include the following:

- in the worldwide cable and DSL markets: SeaChange International Inc., nCUBE, Kasenna, Inc., and Silicon Graphics, Inc.; and

- in the education market: Silicon Graphics, Inc., Cisco Systems, Inc. and International Business Machines Corp., as well as local systems integrators.

Concurrent also competes with a number of companies in its real-time business. Concurrent's major competitors can be categorized as follows:

- major computer companies that participate in the real-time business by layering specialized hardware and software on top of, or as an extension of, their general purpose product platforms, including Sun Microsystems and Hewlett Packard Corporation;

- other computer companies that provide solutions for applications that address specific characteristics of real time, such as fault tolerance or high performance graphics, including Silicon Graphics Inc. and Hewlett Packard Corporation;

- general purpose computing companies that provide a platform on which third-party vendors add real-time capabilities, including International Business Machines Corp. and Sun Microsystems, Inc.; and

- single board computer companies that provide board-level processors that are typically integrated into a customer's computer system, including Force Computers, Inc. and Motorola, Inc.

Additional competitors with significant market presence and financial resources, including computer hardware and software companies, content providers and television equipment manufacturers, including digital set-top box manufacturers, may enter Concurrent’s markets, thereby further intensifying competition. Concurrent’s future competitors also may include one or more of the parties with which it currently has a strategic relationship. Although Concurrent has proprietary rights with respect to much of the technology incorporated in Concurrent’s VOD and real-time systems, Concurrent’s strategic partners have not agreed to refrain from competing against Concurrent. Many of Concurrent’s current and potential future competitors have longer operating histories, significantly greater financial, technical, marketing and other resources than Concurrent, and greater brand name recognition. In addition, many of Concurrent’s competitors have well-established relationships with Concurrent’s current and potential customers and have extensive knowledge of Concurrent’s markets.

Intellectual Property

Concurrent relies on a combination of contracts and copyright, trademark and trade secret laws to establish and protect its proprietary rights in its technology. Concurrent distributes its products under software license agreements which grant customers perpetual licenses to Concurrent’s products and which contain various provisions protecting its ownership and confidentiality of the licensed technology. The source code of Concurrent’s products is protected as a trade secret and as an unpublished copyright work. In addition, in limited instances, Concurrent licenses its products under licenses that give licensees limited access to the source code of certain of Concurrent’s products, particularly in connection with its strategic alliances.

Despite precautions taken by Concurrent, however, there can be no assurance that Concurrent’s products or technology will not be copied or otherwise obtained and used without authorization. In addition, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries. Concurrent believes that, due to the rapid pace of innovation within its industry, factors such as the technological and creative skills of Concurrent’s personnel are more important to establishing and maintaining a technology leadership position within the industry than are the various legal protections for Concurrent’s technology. Concurrent does not own any material patents. However, Concurrent has one patent application pending in the United States and abroad and has obtained patent licenses to the portfolios owned by Thirdspace Living Limited (13 patents and 25 patent applications) and Everstream Holdings, Inc. (4 patents and 6 patent applications). The patents so licensed cover multiple interactive television, targeted advertising, and VOD technologies and include U.S. Patent No. 5,805,804 which nCube alleged was infringed by SeaChange International’s products.

Concurrent has entered into licensing agreements with several third-party software developers and suppliers. Generally, such agreements grant Concurrent non-exclusive, worldwide licenses with respect to certain software provided as part of computers and systems marketed by Concurrent and terminate on varying dates.

Governmental Regulation

Concurrent is subject to various international, U.S. federal, state and local laws affecting its business. Any finding that Concurrent has been or is in noncompliance with such laws could result in, among other things, governmental penalties. Further, changes in existing laws or new laws may adversely affect Concurrent’s business.

The television industry is subject to extensive regulation in the United States and other countries. Concurrent’s VOD business is dependent upon the continued growth of the digital television industry in the United States and internationally. Cable television operators are subject to extensive government regulation by the Federal Communications Commission and other federal and state regulatory agencies. These regulations could have the effect of limiting capital expenditures by cable television operators and thus could have a material adverse effect on Concurrent’s business, financial condition and results of operations. The enactment by federal, state or international governments of new laws or regulations could adversely affect Concurrent’s cable operator customers, and thereby materially adversely affect Concurrent’s business, financial condition and results of operations.

Environmental Matters

Concurrent purchases, uses, and arranges for certified disposal of chemicals used in the manufacturing process at its Pompano Beach facility. As a result, Concurrent is subject to federal and state environmental protection and community right-to-know laws. Violations of such laws, in certain circumstances, can result in the imposition of substantial remediation costs and penalties. Concurrent believes it is in compliance with all material environmental laws and regulations.

Employees

As of June 30, 2002, Concurrent had 436 employees worldwide. Approximately 345 of these employees were in the United States. Concurrent had 129 employees in its Xstreme division and 193 employees in its Real-Time division. The remaining employees include administrative, marketing and communications, and manufacturing personnel that are shared between the two divisions. Concurrent’s employees are not unionized.

Financial Information About Foreign And Domestic Operations And Export Sales

A summary of net sales (consolidated net sales reflects sales to unaffiliated customers) attributable to Concurrent's foreign and domestic operations for the fiscal years ended June 30, 2002, 2001 and 2000, respectively, is presented at Note 20 to the consolidated financial statements included herein. Financial information about Concurrent’s foreign operations is included in Note 20 to the consolidated financial statements included herein.

Risk Factors

The following are risk factors of Concurrent.

Risks Related to Concurrent’s Business

It is difficult to evaluate Concurrent’s business and prospects because of declines in its real-time business and the emerging nature of the VOD market. Concurrent’s net sales of real-time systems and services have decreased significantly over the past five years.

Prior to the fiscal year ended June 30, 1997, Concurrent focused solely on providing real-time computer systems and related services. Over the last five full fiscal years, Concurrent has experienced a decline in real-time net sales from $82.2 million for the fiscal year ended June 30, 1998 to $41.4 million for the fiscal year ended June 30, 2002. Although almost all of Concurrent’s revenues prior to fiscal 2000 were derived from its Real-Time division, Concurrent expects in the near term that a majority of its future revenue growth will come from its Xstreme division, which began commercial sales in 1999. Revenues for video-on-demand systems have increased from $1.2 million for the fiscal year ended June 30, 1999 to $48.0 million for the fiscal year ended June 30, 2002. Concurrent is working to stabilize its real-time revenue.

Concurrent’s real-time systems are specially designed to acquire, process, store and display large amounts of rapidly changing information in real time, that is with microsecond response as changes occur. Concurrent’s real-time systems are used for a number of applications, including trainers/simulators for operators in commercial and military aviation, vehicle operation and power plants, mission planning and rehearsal and engineering design simulation for avionics and automotive labs. Over the past several years, the real-time computer industry has seen a significant shift in demand from high-priced, proprietary real-time systems to lower-priced, open server systems. High performance processing in the past required a large, expensive computer with significant proprietary and customized software. Today, these requirements are often met by much smaller and less expensive computers with off-the-shelf computer hardware and software. This shift in demand has resulted in the significant decreases in Concurrent’s revenues from real-time products and services over the last several years.

This decline in Concurrent's real-time revenue together with the emerging nature of the video-on-demand market make it difficult to evaluate its current business and prospects or to accurately predict it's future revenue or results of operations. Concurrent will encounter risks and difficulties in its video-on-demand business frequently encountered by companies in emerging markets. Concurrent may not successfully address any of these risks. If Concurrent does not successfully address these risks, Concurrent's business, financial condition and results of operations would be adversely affected.

The video-on-demand market may not gain broad market acceptance; Concurrent's customers may not continue to purchase Concurrent's video-on-demand systems; and Concurrent's cable operator customers may enter into arrangements with Concurrent's competitors any of which could materially and adversely affect its business.

Concurrent is focusing much of its initial video-on-demand sales efforts on North American cable television providers that have upgraded some or all of their cable systems to support digital, two-way service. Therefore, in order for its video-on-demand business to succeed, cable system operators, particularly the ten largest North American cable operators, must successfully market video-on-demand to their cable television subscribers. To date, Concurrent has been publicly selected by six of the eight largest North American cable operators for commercial video-on-demand deployments. However, none of Concurrent's cable system customers are contractually obligated to introduce, market or promote video-on-demand, nor are any of its customers bound to achieve any specific product introduction schedule. Accordingly, even if a system operator initiates a customer trial using Concurrent's system, that operator is under no obligation to continue its relationship with Concurrent or to launch a full-scale commercial introduction using its technology. Further, Concurrent does not have exclusive arrangements with system operators. Therefore, system operators may enter into arrangements with one or more of Concurrent's current or future competitors.

The growth and future success of Concurrent's video-on-demand business depends largely upon its ability to penetrate new markets and sell its systems to digitally-upgraded domestic and international cable system operators, international digital subscriber line operators, educational institutions and others. If these potential customers determine that video-on-demand is not viable as a business proposition or if they decide to delay their purchase decisions, as a result of capital expenditure restraints or otherwise, or to purchase systems from Concurrent's competitors, Concurrent's business, financial condition and results of operations will be significantly adversely affected.

A significant portion of Concurrent's video-on-demand revenue has come from, and is expected to continue to come from, sales to the large, North American cable operators. If Concurrent is unsuccessful in maintaining and expanding relationships with these customers or loses any of these customers, its business will be adversely affected.

For the fiscal year ended June 30, 2002, AOL Time Warner and Cox Communications accounted for approximately 57% and 24% of Concurrent's video-on-demand revenues, respectively. Many cable operators are currently evaluating the extent and pace of their video-on-demand deployment plans. If Concurrent is unsuccessful in maintaining and expanding these key relationships with cable operators, its video-on-demand business will be adversely affected. Further, if Concurrent is unsuccessful in establishing relationships with other operators or experiences problems in any of its video-on-demand system commercial launches, its ability to attract new cable operator customers and sell additional products to existing customers will be materially adversely affected.

Concurrent incurred net losses in the past and may incur further losses in the future.

While Concurrent had net income of $4.4 million in the fiscal year ended June 30, 2002, it incurred net losses of $6.2 million in the fiscal year ended June 30, 2001. On a pro forma basis after giving effect to the acquisition of Vivid Technology, it incurred net losses of $24.7 million in the fiscal year ended June 30, 2000. Concurrent's actual net loss of $23.7 million and its pro forma net loss of $24.7 million for the fiscal year ended June 30, 2000 includes a $14.0 million non-cash charge related to the write-off of research and development acquired in the Vivid Technology acquisition. As of June 30, 2002, Concurrent had an accumulated deficit of approximately $98.4 million, after eliminating accumulated deficit of approximately $81.8 million at December 31, 1991, the date of its quasi-reorganization. Concurrent may incur additional net losses in the future.

Concurrent's operating results may continue to be volatile and difficult to predict, and in some future quarters, its operating results may fall below its expectations and the expectations of securities analysts and investors, which could result in material declines of its stock price.

Concurrent's quarterly operating results may vary depending on a number of factors, including:

- demand for its video-on-demand and real-time systems and services;
- delay in customer orders based on, among other reasons, capital expenditure restraints or the availability of content for video-on-demand and pending completion of negotiations for content between the cable operators and content providers, particularly major movie studios and providers of subscription based content such as HBO, Showtime, and Starz-Encore;
- the timing, pricing and number of sales of its products;
- actions taken by its competitors, including new product introductions and enhancements;
- changes in its price or the prices of its competitors;
- its ability to develop and introduce new products and to deliver new services and enhancements that meet customer requirements in a timely manner;
- the length of the sale cycle for its products;
- its ability to control costs;
- technological changes in its markets;
- deferrals of customer orders in anticipation of product enhancements or new products;
- customer budget cycles and changes in these budget cycles; and
- general political and economic conditions in the United States and abroad, including, but not limited to, terrorist activity.

Seasonal trends in Concurrent's video-on-demand business may cause its quarterly operating results to fluctuate; therefore, period-to-period comparisons of its operating results may not necessarily be meaningful.

Concurrent has experienced significant variations in the revenue, expenses and operating results from quarter to quarter in its video-on-demand business, and it is possible that these variations will continue. Concurrent believes that fluctuations in the number of orders for its video-on-demand systems being placed from quarter to quarter are principally attributable to the buying patterns and budgeting cycles of cable operators. In addition, contracts for orders are often not finalized until the end of a quarter. As a result, its results of operations have in the past and will possibly continue, at least in the near future, to fluctuate in accordance with this purchasing activity. Therefore, period-to-period comparisons of its operating results may not necessarily be meaningful. In addition, because these factors are difficult for Concurrent to forecast, its business, financial condition and results of operations for one quarter or a series of quarters may be adversely affected and below the expectations of securities analysts and investors, which could result in material declines of its stock price.

The video-on-demand and real-time markets in which Concurrent operate are highly competitive, and Concurrent may be unable to compete successfully against its current and future competitors, which would adversely affect its business.

The market for video-on-demand systems is an emerging market. Given that there have been limited commercial deployments of video-on-demand systems to date, the respective market shares of companies competing in the video-on-demand market are uncertain. Concurrent believes that the long-term primary factors influencing competition in the video-on-demand market include the flexibility of the video-on-demand system, product quality and reliability and established relationships with providers of interactive television services, including cable operators. In the video-on-demand market, Concurrent's competitors currently include the following:

- in the worldwide cable and digital subscriber line market principally, SeaChange International Inc., nCUBE Corporation, Kasenna, Inc. and Silicon Graphics, Inc.; and
- in the education market principally, Silicon Graphics, Inc., Cisco Systems, Inc. and International Business Machines Corp., as well as other third parties.

Concurrent also competes with a number of companies in its real-time market. These competitors can be categorized as follows:

- major computer companies that add specialized hardware and software to their general purpose product platforms, including principally Hewlett-Packard Corporation;
- other computer companies that provide applications that address specific characteristics of real-time, such as redundancy or high performance graphics, including Silicon Graphics, Inc. and Hewlett-Packard Corporation;
- general purpose computing companies that provide a platform on which third-party vendors add real-time capabilities, including International Business Machines Corp. and Sun Microsystems, Inc.; and
- single board computer companies that provide board-level processors that are typically integrated into a customer's computer system, including Force Computers, Inc. and Motorola, Inc.

Additional competitors with significant market presence and financial resources, including computer hardware and software companies, content providers and television equipment manufacturers, including digital set-top box manufacturers, may enter Concurrent's markets, thereby further intensifying competition. Concurrent's future competitors also may include one or more of the parties with which Concurrent currently has a strategic relationship. Although Concurrent has proprietary rights with respect to much of the technology incorporated in its video-on-demand and real-time systems, its strategic partners have not agreed to refrain from competing against Concurrent. Increased competition could result in price reductions that would adversely affect its business, financial condition and results of operations. Many of its current and potential future competitors have longer operating histories, significantly greater financial, technical, marketing and other resources than Concurrent, and greater brand name recognition. In addition, many of Concurrent's competitors have well-established relationships with its current and potential customers and have extensive knowledge of its industries.

If Concurrent does not manage its anticipated growth in its video-on-demand operations, it may not be able to operate its business effectively. Concurrent's failure to manage growth could disrupt its operations and adversely affect its business.

Concurrent anticipates growth in its video-on-demand operations and that a majority of its future revenue growth will come from its video-on-demand operations. Its anticipated growth could place a strain on its management systems and other resources. Concurrent's ability to successfully implement its business plan in a rapidly evolving market will require an effective planning and management process. Concurrent cannot assure you that it will be able to successfully manage its anticipated expansion. If Concurrent fails to manage its anticipated growth, its operations may be disrupted and its business may be adversely affected. Concurrent must continue to improve and effectively utilize its existing operational, management, marketing and financial systems and successfully recruit, hire, train and manage personnel, which Concurrent may be unable to do. Further, Concurrent must maintain close coordination among its technical, finance, marketing, sales and production staffs.

Concurrent's future success will require that it develop and market additional products that achieve market acceptance and enhance its current products. If Concurrent fails to develop and market new products and product enhancements in a timely manner, its business could be adversely affected.

Concurrent's inability to develop on a timely basis new products or enhancements to existing products, or the failure of such new products or enhancements to achieve market acceptance could have a material adverse affect on its business, financial condition and results of operations. Concurrent recently completed the development of its MediaHawk Model 3000 video on demand server. Although Concurrent has shipped and installed the new system, it may experience unexpected problems. Although delivery of video-on-demand over digital subscriber lines currently is not practical in the United States, Concurrent will look for opportunities in the domestic market as digital subscriber line technology continues to advance. There can be no assurance that Concurrent will be successful in pursuing any domestic digital subscriber line opportunities.

System errors, failures, or interruptions could cause delays in shipments or require design modifications, which may have a negative impact on Concurrent's business and damage its reputation and customer relationships.

System errors or failures may adversely affect Concurrent's business, financial condition and results of operations. Despite Concurrent's testing and testing by current and potential customers, all errors or failures may not be found in its products or, if discovered, successfully corrected in a timely manner. These errors or failures could cause delays in product introductions and shipments or require design modifications that could adversely affect its competitive position. Concurrent's reputation may also suffer if its customers view its products as unreliable, whether based on actual or perceived errors or failures in its products.

Further, a defect, error or performance problem with Concurrent's video-on-demand systems could cause its customers' cable television systems to fail for a period of time. Any such failure would cause customer service and public relations problems for Concurrent's customers. As a result, any failure of its customers' systems caused by Concurrent's technology could result in delayed or lost revenue due to adverse customer reaction, negative publicity regarding Concurrent and its products and services and claims for substantial damages against Concurrent, regardless of its responsibility for such failure. Any claim could be expensive and require Concurrent to spend a significant amount of resources, regardless of whether Concurrent prevails.

A significant portion of Concurrent's real-time revenue has been, and is expected to continue to be, concentrated in a small number of customers, including the U.S. Government. For example, in the fiscal year ended June 30, 2002, Lockheed-Martin accounted for approximately 25% of Concurrent's total Real-Time revenue. If Concurrent loses one or more significant Real-Time customers, its business may be adversely affected.

Concurrent currently derives, and expects to continue to derive, a significant portion of its real-time revenue from a limited number of customers. As a result, the loss of, or reduced demand for products or related services from one or more of its major customers could adversely affect its business, financial condition and results of operations.

Concurrent also derives a significant portion of its revenues from the supply of systems under government contracts. For the fiscal year ended June 30, 2002, Concurrent recorded $19.7 million in sales to U.S. government prime contractors and agencies of the U.S. Government. These amounts represent approximately 48% of Concurrent's total Real-Time sales in the period. Government business is subject to many risks, such as delays in funding, reduction or modification of contracts or subcontracts, changes in governmental policies and the imposition of budgetary constraints. A loss of government contract revenues could have a material adverse effect on Concurrent's business, results of operations and financial condition.

Concurrent does not have written purchase agreements with any of its customers and does not have written agreements that require customers to purchase fixed minimum quantities of its products. Concurrent's sales to specific customers tend to, and are expected to continue to, vary from year-to-year, depending on such customers' budgets for capital expenditures and new product introductions.

Concurrent relies on a combination of contracts and copyright, trademark, and trade secret laws to establish and protect its proprietary rights in its technology. Concurrent does not own any significant patents directly; however, Concurrent has obtained patent licenses to the portfolios owned by Thirdspace Living Limited (13 patents and 25 patent applications) and Everstream Holdings, Inc. (4 patents and 6 patent applications). If Concurrent is unable to protect its intellectual property rights, its competitive position could be harmed or it could be required to incur expenses to enforce its rights. Concurrent's business also could be adversely affected if Concurrent is found to infringe on the intellectual property rights of others.

Concurrent typically enters into confidentiality or license agreements with its employees, consultants, customers and vendors, in an effort to control access to and distribution of its proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its proprietary technology without authorization. The steps Concurrent takes may not prevent misappropriation of its intellectual property, and the agreements it enters into may not be enforceable. In addition, effective copyright and trade secret protection may be unavailable or limited in some foreign countries. Other companies, including its competitors, may currently own or obtain patents or other proprietary rights that might prevent, limit or interfere with its ability to make, use or sell its products. As a result, Concurrent may be found to infringe on the intellectual property rights of others. In the event of a successful claim of infringement against Concurrent and its failure or inability to license the infringed technology, its business and operating results could be adversely affected.

Any litigation or claims, whether or not valid, could result in substantial costs and diversion of Concurrent's resources. Intellectual property litigation or claims could force Concurrent to do one or more of the following:

- cease selling, incorporating or using products or services that incorporate the challenged intellectual property;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms, if at all; and
- redesign products or services that incorporate the disputed technology.

If Concurrent is forced to take any of the foregoing actions, it could face substantial costs and its business could be seriously harmed. Although Concurrent carries general liability insurance, its insurance may not cover potential claims of this type or be adequate to indemnify it for all liability that may be imposed.

Concurrent may initiate claims or litigation against third parties in the future for infringement of its proprietary rights or to determine the scope and validity of its proprietary rights or the proprietary rights of competitors. These claims could result in costly litigation and the diversion of its technical and management personnel. As a result, Concurrent's operating results could suffer and its financial condition could be harmed.

In some cases, Concurrent relies on a limited number of suppliers, which entails several risks, including the possibility of defective parts, a shortage of components, an increase in component costs, and reduced control over delivery schedules.

Concurrent sometimes purchases product components from a single supplier in order to obtain the required technology and the most favorable price and delivery terms. These components include, for example, processors, power supplies, integrated circuits and storage devices. Concurrent purchases product components from the following single suppliers: Seagate, Intel, Qlogic, VME Micro System, Corporation, Interphase, Precision Analog, Macrolink, Symbios, National Instruments, Synergy, Peritek, Unipower Corporation, Vicor Corporation, Wall Industries, Crystal Semiconductor and Vitesse. In most cases, comparable products are available from other sources, but would require significant reengineering to conform to Concurrent's system specifications. Historically, Concurrent has not experienced any major disruption in manufacturing its products due to problems with, or defective products from, a single supplier, but its reliance on single suppliers entails a number of risks, including the possibility of defective parts, a shortage of components, increase in components costs, and reduced control over delivery schedules. Any of these events could adversely affect its business, results of operations and financial condition. Concurrent estimates that a lead time of 16-24 weeks may be necessary to switch to an alternative supplier of certain custom application specific integrated circuits and printed circuit assemblies. A change in the supplier of these components without the appropriate lead time could result in a material delay in shipments by Concurrent of certain products. Where alternative sources are available, qualification of the alternative suppliers and establishment of reliable supplies of components from such sources may also result in delays. Shipping delays may also result in a delay in revenue recognition, possibly outside the fiscal period originally planned, and, as a result, may adversely affect Concurrent's financial results for that particular period.

Concurrent's business may be adversely affected if it fails to retain its current key personnel, many of whom would be difficult to replace, or fail to attract additional qualified personnel.

Concurrent's future performance depends on the continued service of its senior management and its engineering, sales and marketing and manufacturing personnel. Competition for qualified personnel is intense, and Concurrent may fail to retain its key employees or to attract or retain other highly qualified personnel. Concurrent does not carry key person life insurance on any of its employees. The loss of the services of one or more of its key personnel could seriously impact its business. Concurrent's future success also depends on its continuing ability to attract, hire, train and retain highly skilled managerial, technical, sales, marketing and customer support personnel. In addition, new employees frequently require extensive training before they achieve desired levels of productivity.

Concurrent currently has strategic relationships with Scientific-Atlanta, Motorola, Prasara Technologies, Inc., Liberate Technologies, Intertainer, Inc., Cisco Systems, Inc., Microsoft Corporation, Thirdspace Living Limited and Everstream Holdings, Inc., among others. Concurrent may be unsuccessful in maintaining these strategic relationships, or establishing new strategic relationships, that will be an important part of its future success. In either event, its business could be adversely affected.

The success of Concurrent's business is and will continue to be dependent in part on its ability to maintain existing and enter into new strategic relationships. There can be no assurance that:

- such existing or contemplated relationships will be commercially successful;
- Concurrent will be able to find additional strategic partners; or
- Concurrent will be able to negotiate terms acceptable to it with potential strategic partners.

Concurrent cannot provide assurance that existing or future strategic partners will not pursue alternative technologies or develop alternative products in addition to or in lieu of Concurrent's technology, either on their own or in collaboration with others, including Concurrent's competitors. These alternative technologies or products may be in direct competition with Concurrent's technologies or products and may significantly erode the benefits of Concurrent's strategic relationships and adversely affect its business, financial condition and results of operations.

International sales accounted for approximately 15% and 24% of Concurrent's revenue in fiscal years 2002 and 2001, respectively. Accordingly, Concurrent's business is susceptible to numerous risks associated with international operations.

Although the anticipated revenue growth in the near term is expected to occur primarily in North America, Concurrent expects its international operations to grow in the long-term as DSL and digital cable technology is more widely deployed in Europe and Asia. As a result, Concurrent is subject to a number of risks associated with international business activities that could increase its costs, lengthen its sales cycle and require significant management attention. These risks include:

- compliance with, and unexpected changes in, regulatory requirements resulting in unanticipated costs and delays;
- lack of availability of trained personnel in international locations;
- tariffs, export controls and other trade barriers;
- longer accounts receivable payment cycles than in the United States;
- potential difficulty of enforcing agreements and collecting receivables in some foreign legal systems;
- potential difficulty in enforcing intellectual property rights in certain foreign countries;
- potentially adverse tax consequences, including restrictions on the repatriation of earnings;
- the burdens of complying with a wide variety of foreign laws;
- general economic conditions in international markets; and
- currency exchange rate fluctuations.

Concurrent may engage in future acquisitions that dilute the ownership interest of its stockholders, cause it to incur debt or assume contingent liabilities or present other challenges, such as integration issues, for its business, which if not successfully resolved would adversely affect its business.

As part of Concurrent's business strategy, it reviews acquisition prospects that would complement its current product offerings, enhance its technical capabilities or otherwise offer growth opportunities. While Concurrent currently has no agreements with respect to any acquisition, it periodically reviews investments in new businesses, and it may acquire businesses, products or technologies in the future. In the event of any future acquisitions, Concurrent could issue equity securities which would dilute current stockholders' percentage ownership, incur substantial debt, or assume contingent liabilities. These actions could materially adversely affect Concurrent's operating results. Acquisitions also entail numerous risks, including:

- difficulties in the assimilation of acquired operations, technologies or services;
- unanticipated costs associated with the acquisition;
- diversion of management's attention from other business concerns;

- adverse effects on existing business relationships;
- risks associated with entering markets in which Concurrent has no or limited prior experience; and
- potential loss of key employees of acquired companies.

Concurrent cannot assure that it will be able to successfully integrate any business, products, technologies or personnel that it might acquire in the future. Concurrent's failure to do so could materially adversely affect its business, operating results and financial condition.

Concurrent may experience decreasing prices for its products and services, which may impair its ability to achieve profitability.

Concurrent may experience decreasing prices for its products and services due to competition, the purchasing leverage of its customers and other factors. If Concurrent is required to decrease prices, its results of operations will be adversely affected. Concurrent may reduce prices in the future to respond to competition and to generate increased sales volume.

Implementation of Concurrent's products is complex, time consuming and expensive, and it frequently experiences long sales and implementation cycles. Consequently, its quarterly revenues, expenses and operating results may vary significantly in the future, period-to-period comparisons of its results of operations may not necessarily be meaningful, and these comparisons should not be relied upon as indications of future performance.

Real-time and video-on-demand products are relatively complex, and their purchase generally involves a significant commitment of capital, with the delays frequently associated with large capital expenditures and implementation procedures within an organization. Moreover, the purchase of such products typically requires coordination and agreement among a potential customer's corporate headquarters and its regional and local operations. As a result, the sales cycles associated with the purchase of many of Concurrent's products are typically lengthy and subject to a number of significant risks, including customers' budgetary constraints and internal acceptance reviews, over which Concurrent has little or no control.

Risks Related to Concurrent's Industries

The current uncertainty and financial instability of the cable industry may adversely impact the success of Concurrent's video-on-demand business.

Concurrent sells its video-on-demand products to the MSOs that have upgraded their networks to support interactive, digital services. However, recently, the cable industry has received negative publicity regarding the MSOs lack of sufficient free cash flow to fund capital expenditures and debt service requirements after years of significant capital spending to upgrade their cable plants to digital, two-way interactive capability. As a result, certain MSOs have communicated their intent to reduce capital spending over the next 12 to 18 months to accelerate the point at which they will generate free cash flow and improve their financial stability. This may adversely impact the speed at which these MSOs deploy video-on-demand in their cable markets. Another factor contributing to the uncertainty in the cable industry was the bankruptcy filing by Adelphia Communications Corp. and the delisting of their stock by the Nasdaq National Market. Although Adelphia was not a customer of Concurrent, its bankruptcy has reverberated throughout the industry. Further, AT&T Cable and Comcast have announced a definitive agreement for Comcast to acquire AT&T Cable. This acquisition may impact the speed of any roll-out of video-on-demand by AT&T Cable and Comcast as the two companies contend with the integration of their respective corporations.

The success of Concurrent's video-on-demand business is dependent upon the emerging digital video market, which may not gain broad market acceptance. Any failure by the market to accept digital video technology will have a material adverse effect on Concurrent's business.

Video-on-demand is an emerging technology, and Concurrent cannot assure you that it will attract widespread demand or market acceptance. Further, the potential size of the video-on-demand market and the timing of its development are uncertain. Concurrent's success in the video-on-demand market will depend upon the commercialization and broad acceptance of video-on-demand by residential cable subscribers and other industry participants, including cable system operators, content providers, set-top box manufacturers, and educational institutions.

Cable television operators historically have relied on traditional analog technology for video management, storage and distribution. Interactive technology installation, which is necessary to provide video-on-demand, requires a significant initial investment of capital. The future growth of Concurrent's video-on-demand business will depend on the pace of the installation of interactive digital cable and digital set-top boxes, the rate at which television operators deploy digital infrastructure and the rate at which digital video technology expands to additional market segments.

The success of Concurrent's video-on-demand business is dependent on the availability of, and the distribution windows for, movies, programs and other content. If sufficient video-on-demand content is not available on a timely basis, its video-on-demand business will be adversely affected.

The success of video-on-demand will largely be dependent on the availability of a wide variety and substantial number of movies, subscription based content from providers such as HBO, Showtime, and Starz-Encore, specialty programs and other material, which Concurrent refers to as content, in digital format. Concurrent does not provide digital video-on-demand content. Therefore, the future success of Concurrent's video-on-demand business is dependent in part on content providers, such as traditional media and entertainment companies, providing significant content for video-on-demand. Further, Concurrent is dependent in part on other third parties to convert existing analog content into digital content so that it may be delivered via video-on-demand.

In addition, Concurrent believes that the ultimate success of video-on-demand will depend in part on the timing of the video-on-demand distribution window. The distribution window is the time period during which different mediums, such as home movie rental businesses, receive and have exclusive rights to motion picture releases. Currently, video rental businesses have an advantage of receiving motion picture releases on an exclusive basis before most other forms of non-theatrical movie distribution, such as pay-per-view, premium television, video-on-demand, basic cable and network syndicated television. The length of the exclusive distribution window for movie rental businesses varies, typically ranging from 30 to 90 days for domestic video stores. Thereafter, movies are made sequentially available to various television distribution channels. Concurrent believes the success of video-on-demand will depend in part on movies being available for video-on-demand distribution either simultaneously with, or shortly after, they are available for video rental distribution. The order, length and exclusivity of each window for each distribution channel is determined solely by the studio releasing the movie. Given the size of the home video rental industry, the studios have a significant interest in maintaining that market. Concurrent cannot assure you that favorable changes, if any, will be made relating to the length and exclusivity of the video rental and television distribution windows.

A number of the major studios have entered into agreements with certain cable operators and content aggregators to provide digital movies for distribution through video-on-demand. However, not all of the major studios have reached agreements regarding the content for video-on-demand. If studios fail to reach agreements regarding content or cancel existing agreements, Concurrent's customers could delay or cancel video-on-demand system orders, which would adversely affect its video-on-demand business.

Concurrent cannot assure you that its products and services will keep pace with technological developments and emerging industry standards, address the changing needs of its customers or achieve market acceptance, any of which could materially adversely affect its business.

The markets for Concurrent's products are characterized by rapidly changing technology, evolving industry standards and new product introductions and enhancements. There can be no assurance that Concurrent will be successful in enhancing its real-time or video-on-demand products or developing, manufacturing and marketing new products that satisfy customer needs or achieve market acceptance. In addition, services, products or technologies developed by others may render one or more of Concurrent's products or technologies uncompetitive, unmarketable or obsolete. Future technological advances in the real-time, television and video industries may result in the availability of new products and services that could compete with its solutions or reduce the cost of existing products or services. Concurrent's future success will depend on its ability to continue to enhance its existing products, including development of new applications for its technology, and to develop and introduce new products to meet and adapt to changing customer requirements and emerging technologies. Further, announcements of currently planned or other new product offerings by Concurrent's competitors may cause customers to defer purchase decisions or to fail to purchase its existing solutions. Concurrent's failure to respond to rapidly changing technologies could adversely affect its business, financial condition and results of operations.

Concurrent is subject to governmental regulation, as is the television industry. Any finding that it has been or is in noncompliance with such laws could result in, among other things, governmental penalties. Further, changes in existing laws or new laws may adversely affect its business.

Concurrent is subject to various international, U.S. federal, state and local laws affecting its video-on-demand and real-time businesses. The television industry is subject to extensive regulation in the United States and other countries. Concurrent's video-on-demand business is dependent upon the continued growth of the digital television industry in the United States and internationally. Television operators are subject to extensive government regulation by the Federal Communications Commission and other federal and state regulatory agencies. These regulations could have the effect of limiting capital expenditures by television operators and thus could have a material adverse effect on its business, financial condition and results of operations. The enactment by federal, state or international governments of new laws or regulations could adversely affect its cable operator customers, and thereby materially adversely affect its business, financial condition and results of operations.

Concurrent may be subject to liability if private information supplied to its customers, including cable operators, is misused.

Concurrent's video-on-demand systems allow cable operators to collect and store video preferences and other data that many viewers may consider confidential. Unauthorized access or use of this information could result in liability to Concurrent's customers, and potentially Concurrent, and might deter potential video-on-demand viewers. Concurrent has no control over the policy of its customers with respect to the access to this data and the release of this data to third parties.

Other Risks

Concurrent has implemented certain anti-takeover provisions that could make it more difficult for a third party to acquire it.

Provisions of Delaware law and Concurrent's restated certificate of incorporation, amended and restated bylaws, and rights plan could make it more difficult for a third party to acquire it, even if doing so would be beneficial to its stockholders.

Concurrent is subject to certain Delaware anti-takeover laws regulating corporate takeovers. These anti-takeover laws prevent a Delaware corporation from engaging in a business combination involving a merger or sale of more than 10% of its assets with any stockholder, including affiliates and associates of the stockholder, who owns 15% or more of the outstanding voting stock, for three years following the date that the stockholder acquired 15% or more of the corporation's stock except under limited circumstances.

There are provisions in Concurrent's restated certificate of incorporation and Concurrent's amended and restated bylaws that also may delay, deter or impede hostile takeovers or changes of control.

In addition, Concurrent has a rights plan, also known as a poison pill. The rights plan has the potential effect of significantly diluting the ownership interest in Concurrent of any person that acquires beneficial ownership of 15% or more of Concurrent's common stock or commences a tender offer that would result in a person or group owning 15% or more of Concurrent's common stock.

In the future, Concurrent may need to raise additional capital. This capital may not be available on acceptable terms, if at all. If Concurrent cannot raise funds on acceptable terms, if and when needed, it may not be able to develop or enhance its products and services, take advantage of future opportunities, grow its business or respond to competitive pressures or unanticipated requirements.

Concurrent believes that its existing cash balances, available credit facility and funds generated by operations will be sufficient to meet its anticipated working capital and capital expenditure requirements for the next twelve months. After that, Concurrent may need to raise additional funds. Concurrent cannot be certain that it will be able to obtain additional financing on favorable terms, if at all.

Terrorist attacks and the possibility of wider armed conflict may have an adverse effect on Concurrent's business and operating results.

Terrorist attacks and other acts of violence or war, such as those that took place on September 11, 2001, could have a material adverse effect on Concurrent's business and operating results. There can be no assurance that there will not be further terrorist attacks against the United States or its interests. Future terrorist attacks could result in political and social turmoil that could put further pressure on economic conditions in the United States and worldwide. These political, social and economic conditions could make it difficult for Concurrent, its vendors and its customers to accurately forecast and plan future business activities and could have a material adverse effect on its business and results of operations. Finally, further terrorist acts could cause the United States to enter into a wider armed conflict which could further impact Concurrent's business and results of operations.

Concurrent's stock price has been volatile in the past and may be volatile in the future.

Concurrent's common stock is traded on the Nasdaq National Market. For the fiscal year ended June 30, 2002, the high and low prices reported on the Nasdaq National Market were $17.68 and $4.25, respectively. Further, as of September 17, 2002, the price as reported on the Nasdaq National Market was $2.94. The market price of Concurrent's common stock may fluctuate significantly in the future in response to various factors, some of which are beyond Concurrent's control, including the following and the other risks discussed under the heading "Risk Factors:"

- variations in its quarterly operating results;
- changes in securities analysts' estimates of its financial performance;
- the development of the video-on-demand market in general;
- changes in market valuations of similar companies;
- announcement by Concurrent or its competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- loss of a major customer or failure to complete significant transactions; and
- additions or departures of key personnel.

In addition, in recent years the stock market in general, and the Nasdaq National Market and the market for technology companies in particular, have experienced extreme price and volume fluctuations. In some cases, these fluctuations have been unrelated or disproportionate to the operating performance of these companies. These market and industry factors may materially and adversely affect Concurrent's stock price, regardless of its operating performance.

In the past, class action litigation often has been brought against companies following periods of volatility in the market price of those companies' common stock. Concurrent may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and resources, which could materially and adversely affect Concurrent's business, financial condition and results of operations.

Item 2. Properties

Concurrent's principal facilities as of June 30, 2002, are listed below. All of the principal facilities are leased. Management considers all facilities listed below to be suitable for the purpose(s) for which they are used, including manufacturing, research and development, sales, marketing, service, and administration.

Location	Principal Use	Expiration Date Of Lease	Approx. Floor Area (Sq. Feet)
4375 River Green Parkway Suite 100 Duluth, Georgia	Corporate Headquarters, Administration, Research & Development, Sales and Marketing	August 2006	33,000
2800 Gateway Drive Pompano Beach, Florida	Manufacturing and Service	December 2004	30,000
2881 Gateway Drive Pompano Beach, Florida	Administrative and Sales and Marketing	December 2004	30,000
3535 Route 66 Bldg. 3 Neptune, NJ	Repair and Service Depot	May 2009	17,000
Concurrent House Railway Terrace Slough, Berkshire, England	Sales, Service and Research & Development	February 2003	13,000
100 Highpoint Drive Chalfont, PA	Research & Development	December 2006	16,500

Except for the Chalfont, Pennsylvania facility, which is used exclusively for the Xstreme division, and the Administrative and Sales and Marketing offices at 2881 Gateway Drive, which is used exclusively for the Real-Time division, Concurrent's facilities are used for both divisions. In addition to the facilities listed above, Concurrent also leases space in various domestic and international industrial centers for use as sales and service offices and warehousing.

Item 3. Legal Proceedings

From time to time, Concurrent may be involved in litigation relating to claims arising out of its ordinary course of business. Concurrent is not presently involved in any material litigation, but has the following matters pending:

- SeaChange International, Inc. v. Putterman, et al, Arkansas Court of Appeals, Case No. CA 01-1126. The suit was filed on June 14, 1999 alleging that Concurrent defamed SeaChange International, Inc. ("SeaChange"). On June 14, 2000, Concurrent counterclaimed against SeaChange alleging that SeaChange defamed Concurrent. On January 4, 2001, the court granted Concurrent's motion to dismiss all claims against it. SeaChange subsequently appealed and said appeal is currently pending.

- Eason v. Concurrent Computer Corp, et al., Superior Court of New Jersey, Case Mon-L-3284-94. This suit arose out of personal injury claim filed in 1994 alleging that plaintiff was injured when a lamp post in Concurrent's parking lot fell. The case against Concurrent was dismissed in 1995, but in 2000 the plaintiff amended the cause of action and refiled against Concurrent alleging spoliation of evidence. The plaintiff obtained a default judgment for $119,800 in December 2001 which was vacated in August 2002. Plaintiff subsequently refiled and Concurrent is seeking to have the case dismissed.

Concurrent is involved in various other legal proceedings. Management of Concurrent believes that any liability to Concurrent which may arise as a result of these proceedings, including the proceedings specifically discussed above, will not have a material adverse effect on Concurrent's financial condition.

Item 4. Submission Of Matters To A Vote Of Security Holders

Not applicable.

Item X. Officers Of The Registrant

Officers of Concurrent are elected by the Board of Directors to hold office until their successors have been chosen and qualified or until earlier resignation or removal. Set forth below are the names, positions, and ages of Concurrent's executive officers as of September 17, 2002:

Name	Position	Age
Jack A. Bryant	President, Chief Executive Officer, and Director	44
Stephen K. Necessary	President, Xstreme Division	46
Paul C. Meyer	President, Real-Time Division	55
Steven R. Norton	Executive Vice President, Chief Financial Officer and Secretary	41
Robert E. Chism	Vice President, Development and Chief Technical Officer, Xstreme Division	49
Robert T. Menzel	Vice President, Sales & Marketing, Real-Time Division	49
David Nicholas	Vice President, Worldwide Sales, Xstreme Division	48
Kirk L. Somers	General Counsel	37

Jack A. Bryant, President, Chief Executive Officer, and Director. Mr. Bryant has served as the President and Chief Executive Officer since October 2000. Mr. Bryant served as President of the Xstreme division from July 2000 to October 2000. Mr. Bryant was named a Director in January 2001. Since May 2002, Mr. Bryant has also served as a director for Thirdspace Living Ltd. Prior to joining Concurrent, he held a number of positions at Arris Corporation (f.k.a. Antec Corporation), a communications technology company that specializes in hybrid-fiber-coax-based networks, from 1991 to June 2000. The positions included, from March 1998 to June 2000, President of the Network Technologies Group, from January 1996 to March 1998, President of the Digital Systems Division, and from January 1995 to January 1996, Vice President of Marketing. Before joining Antec, Mr. Bryant held various product marketing and sales positions at General Instrument and Scientific-Atlanta.

Steve Necessary, President, Xstreme Division. Mr. Necessary has served as President of the Xstreme division since June 2002. From January 2000 to June 2002, Mr. Necessary was the President, CEO, and a Director of PowerTV, Inc, a software subsidiary of Scientific-Atlanta. From April 1998 to January 2000, Mr. Necessary served as the corporate Vice President and Vice President of marketing at Scientific-Atlanta. From June 1982 to February 1991 and then from October 1995 to April 1998, he also held a number of other positions with Scientific-Atlanta, including Vice President and General Manager of analog video systems. Mr. Necessary also spent several years at Arris Corporation (f.k.a. Antec Corporation), where his final position was president of the products group. Earlier in his career, he was a team manager for Procter & Gamble.

Paul C. Meyer, President, Real-Time Division. Mr. Meyer has served as President of the Real-Time division since December 2000. Immediately prior to joining Concurrent, he was the President of ASM Associates, Inc., a consulting firm that provides interim senior management services. From 1994 to 1996, he served as the Executive Vice President and General Manager of Viacom New Media. From 1988 to 1994, he served as President of his own consulting firm, Paul C. Meyer & Associates, Ltd., leading a small team of professionals in consulting assignments involving turnaround, restructuring, and crisis management. Before forming his own firm, he served in various positions with Coleco Industries, Inc.

Steven R. Norton, Executive Vice President, Chief Financial Officer and Secretary. Mr. Norton has served as the Executive Vice President and Chief Financial Officer since October 1999. From March 1996 to April 1999, Mr. Norton was Vice President of Finance and Administration for LHS Group, Inc., a formerly publicly held provider of services to communications services providers and Chief Financial Officer for one of its subsidiaries, LHS Communications Systems, Inc. Prior to his employment with LHS, he was an Audit Senior Manager for Ernst &Young and KPMG LLP.

Robert E. Chism, Vice President, Development and Chief Technology Officer, Xstreme Division. Mr. Chism has served as Vice President, Development of the Xstreme division since April 1999 and was named Chief Technology Officer in February 2002. From June 1996 to April 1999, he served as the Vice President, Development. From October 1994 through June 1996, he served as Vice President, Technical and Production Operations of Harris Computer Systems Corporation. In June 1993, he joined the Harris Computer Systems Division of Harris Corporation as Director, Simulation Business Area. Before joining the Harris Computer Systems Division, he held diverse engineering, program management and marketing assignments in computer and related industries with General Electric Company, a diversified industrial corporation, and from May 1978 to June 1993 he was Subsection Manager of Satellite Command and Data Handling.

Robert T. Menzel, Vice President, Sales & Marketing, Real-Time Division. Mr. Menzel has served as Vice President, Sales & Marketing of the Real-Time division since April 1999. He served as the Vice President, real-time systems from June 1997 to March 1999, and the Vice President, North American Sales, from June 1996 to February 1997. From June 1996 to June 1997, he was the Vice President, Interactive Video-on-Demand. Mr. Menzel was Vice President, General Manager of the Trusted Systems Division of Harris Computer Systems Corporation from April 1995 to June 1996, and he served as Vice President, National Sales of Harris Computer Systems Corporation from October 1994 to April 1995.

David M. Nicholas, Vice President, Worldwide Sales, Xstreme Division. Mr. Nicholas has served as Vice President, Sales, of the Xstreme division since March 1999 and was named Vice President, Worldwide Sales in July 2001. From September 1995 to February 1999, he served as Executive Vice President of Pioneer New Media Technologies, Inc., a provider of audio video products. From August 1993 to August 1995, he served as Vice President and General Manager of Texscan Network Systems, a privately held provider of advertising insertion solutions. Prior to that time, he served in various positions at Pioneer Communications of America, Panasonic Industrial, and Magnavox.

Kirk L. Somers, General Counsel. Mr. Somers has served as General Counsel since November 2001. Immediately prior to joining Concurrent, from December 1998 to November 2001, Mr. Somers was the Assistant General Counsel for divine, inc. (f.k.a. eshare communication, Inc.) where he was responsible for corporate-wide development and enforcement of the company's intellectual property portfolio as well as commercial contracts and other corporate matters. From December 1995 to December 1998, Mr. Somers was a partner in the law firm of Marshall & Melhorn in Toledo, Ohio practicing in the area of litigation. Prior to that, Mr. Somers spent four years as an attorney for the U.S.A.F., specializing in litigation.

PART II

Item 5. Market For Registrant′s Common Equity And Related Stockholder Matters

The Common Stock is currently traded under the symbol "CCUR" on The Nasdaq National Market. The following table sets forth the high and low sale information for the Common Stock for the periods indicated, as reported by The Nasdaq National Market.

Fiscal Year 2002 Quarter Ended:	High	Low
September 30, 2001	$12.70	$ 5.76
December 31, 2001	$16.99	$ 7.25
March 31, 2002	$17.68	$ 7.11
June 30, 2002	$ 9.23	$ 4.25

Fiscal Year 2001 Quarter Ended:	High	Low
September 30, 2000	$21.75	$10.19
December 31, 2000	$20.38	$ 3.88
March 31, 2001	$ 8.38	$ 3.88
June 30, 2001	$ 9.13	$ 4.77

As of September 17, 2002, there were 61,861,543 shares of Common Stock outstanding, held of record by approximately 1,379 stockholders with a closing price on the Nasdaq National Market of $2.94.

Concurrent has never declared or paid any cash dividends on its capital stock. Concurrent's present policy is to retain all available funds and any future earnings to finance the operation and expansion of its business, and no change in the policy is currently anticipated. In addition, the terms of Concurrent's credit facility prohibits the payment of cash dividends.

On July 19, 2001, Concurrent closed the sale of 5,400,000 shares of Common Stock to private investors at a price of $4.80 per share. Net proceeds to Concurrent, after fees and expenses, were approximately $24 million. Raymond James & Associates, Inc. acted as placement agent in the sale. The sale was a privately negotiated sale to selected institutional investors and other accredited investors. The shares were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder. Concurrent intends to use the proceeds for working capital, sales and marketing activities, product development and support, potential acquisitions and investments, capital expenditures and general corporate purposes. On May 17, 2001, Concurrent filed a Form S-3 registration statement registering the resale of the shares (No. 333-61172), which was declared effective on July 19, 2001.

Concurrent sold 291,461 shares of common stock to Thirdspace pursuant to a Share Purchase and Warrant Issuance Agreement, whereby Concurrent invested $7 million in C ordinary shares of Thirdspace through a $4 million cash payment and the issuance of the 291,461 shares of common stock which were valued at approximately $3 million. The shares were exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder. On June 7, 2002, Concurrent filed a Form S-3 registration statement registering the resale of the shares (File No. 333-90056) that was declared effective on June 20, 2002 by the Securities and Exchange Commission. Concurrent also entered into a Strategic Alliance Agreement under which it agreed to jointly develop and market an integrated end-to-end solution to enable broadband telecommunications carriers to provide broadcast television, interactive television, and video-on-demand services to subscribers on digital subscriber line transportation networks. In exchange for its investment, Concurrent also received a warrant for 400,000 series C shares of Thirdspace. The warrant is exercisable beginning December 19, 2002. Concurrent also loaned Thirdspace $6 million in two installments on March 19 and September 3, 2002, in exchange for a long-term convertible note receivable, bearing interest at 8% annually, with interest payments first due December 31, 2002, and semi-annually, thereafter. Concurrent has a security interest in all of the assets of

Thirdspace, which is subject to a prior lien on Thirdspace's intellectual property securing an obligation of $5 million. Other than the prior lien on Thirdspace's intellectual property, Concurrent's security interest ranks ratably with those of other secured creditors.

Item 6. Selected Financial Data

The following table sets forth selected historical consolidated financial data which has been derived from Concurrent's audited consolidated financial statements. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with, and is qualified by reference to, Concurrent's financial statements and related notes thereto included elsewhere herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Selected Consolidated Financial Data
(Dollars In Thousands, Except Per Share Amounts)

	Year ended June 30,				
Income Statement Data	**2002**	**2001**	**2000**	**1999**	**1998**
Net sales	$ 89,369	$ 72,821	$ 68,090	$ 69,963	$ 82,215
Gross margin	44,566	33,020	31,743	35,337	40,390
Operating income (loss)	3,679	(5,591)	(23,987) (1)	(1,289)	3,311
Net income (loss)	4,383	(6,189)	(23,715) (1)	(1,665)	3,414
Net income (loss) per share					
Basic	$ 0.07	$ (0.11)	$ (0.46) (1)	$ (0.03)	$ 0.07
Diluted	$ 0.07	$ (0.11)	$ (0.46) (1)	$ (0.03)	$ 0.07

	At June 30,				
Balance Sheet Data	**2002**	**2001**	**2000**	**1999**	**1998**
Cash and cash equivalents	$ 30,519	$ 9,460	$ 10,082	$ 6,872	$ 5,733
Working capital	43,545	14,824	15,383	14,694	13,652
Total assets	98,688	57,052	57,078	40,569	46,235
Stockholders' equity	69,224	33,283	38,271	26,011	25,510
Book value per share	$ 1.12	$ 0.60	$ 0.71	$ 0.54	$ 0.54

(1) In October 1999, Concurrent acquired Vivid Technology. In connection with the acquisition, management placed a value of $14.0 million on in-process research and development based on valuation methods it deemed appropriate. This entire amount was written off as required by the purchase accounting rules.

Item 7. Management′s Discussion and Analysis of Financial Conditions and Results of Operations

The following discussion should be read in conjunction with the financial statements and the notes thereto which appear elsewhere herein. The following discussion contains forward-looking statements that reflect Concurrent's plans, estimates and beliefs. Concurrent's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below, elsewhere herein and in other filings made with the Securities and Exchange Commission.

Overview

Concurrent operates its business as two distinct divisions, the Xstreme division and the Real-Time division. Concurrent created the Xstreme division to capitalize on the increasing opportunities in the emerging digital television services market and focus on the development and sale of digital VOD systems to cable providers that are upgrading their networks to support digital services. Although almost all of Concurrent's revenues prior to fiscal 2000 were derived from its Real-Time division, Concurrent expects in the near term that a majority of its growth will come from its Xstreme division. VOD revenues result from the sale of VOD systems and related services primarily to cable television providers in North America, and to a lesser extent, to DSL service providers and cable service providers, internationally.

In October 1999, Concurrent acquired one of its competitors, Vivid Technology, for 2,233,699 shares of Common Stock and options to purchase 378,983 shares of Common Stock. The acquisition resulted in a $14.0 million non-cash one-time charge for the write-off of in-process research and development related to acquired computer software technology. The acquisition was treated as a purchase for accounting purposes, and accordingly, the assets and liabilities acquired were recorded based on their fair values at the date of acquisition.

In 1996, Concurrent acquired the real-time computer division of Harris Computer Systems Corporation, creating one of the largest real-time computer systems companies in the country. Over the past several years, the real-time computer processing industry has seen a significant shift in demand from high-priced, proprietary real-time systems to lower-priced, open server systems. High performance processing in the past required a large, expensive computer system with significant proprietary and customized software. Today, these requirements are often met by much smaller and less expensive computers with off-the-shelf computer hardware and software. As a result, Concurrent's revenues from both real-time products and services have been declining. Real-Time revenues consist of real-time computer system sales to prime contractors, domestic and foreign government agencies, commercial corporations, and fees for maintenance and other services provided to Concurrent's real-time customers.

Concurrent recognizes revenue from customer service plans ratably over the term of each plan, typically one year.

Custom engineering and integration services performed by the Real-Time division are typically completed within 90 days from receipt of an order. Revenues from these services are recognized upon completion and delivery of the software solution to the customer.

Cost of sales consists of the cost of the computer systems sold, including labor, material, overhead and third party product costs. Cost of sales also includes the salaries, benefits and other costs of the maintenance, service and help desk personnel associated with product installation and support activities.

Sales and marketing expenses consist primarily of the salaries, benefits and travel expenses of Concurrent employees responsible for acquiring new business and maintaining existing customer relationships, as well as marketing expenses related to trade publications, advertisements and trade shows. Management expects these expenses to increase as Concurrent continues to expand its VOD business and attract new customers.

Research and development expenses are comprised of salaries and benefits of Concurrent employees involved in hardware and software product and enhancement development. All development costs are expensed as incurred. Management expects to increase the development staff to investigate and develop follow-on VOD offerings, including next generation products, as well as new software applications.

General and administrative expenses consist primarily of salaries and benefits of management and administrative personnel, general office administration expenses such as rent and occupancy costs, telephone expenses and fees for legal, accounting and other professional services. Management anticipates that administrative costs will increase as Concurrent expands its VOD business.

Application of Critical Accounting Policies

Revenue Recognition

Video-on-demand and real-time system revenues are recognized based on the guidance in American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition". Concurrent recognizes revenue from video-on-demand and real-time systems when: (1) persuasive evidence of an arrangement exists; (2) the system has been shipped; (3) the fee is fixed or determinable; and (4) collectibility of the fee is probable. Under multiple element arrangements, Concurrent allocates revenue to the various elements based on vendor-specific objective evidence ("VSOE") of fair value. Concurrent's VSOE of fair value is determined based on the price charged when the same element is sold separately. Determination of criteria (3) and (4) are based on management's judgements regarding the fixed nature of the fee charged for products and services delivered and the collectibility of those fees. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

In certain instances, Concurrent's customers require significant customization of both software and hardware products and, therefore, revenues are recognized as long term contracts using the percentage-of-completion method, which relies on estimates of total expected contract revenue and costs. Concurrent follows this method since reasonably dependable estimates of the revenue and costs applicable to various stages of a contract can be made. Recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts that give rise to the revision become known.

Valuation and Accrual of Non-Cash Warrants

Concurrent entered into a three-year definitive purchase agreement with Comcast Cable in March of 2001, providing for the sale of VOD equipment. As part of that agreement, Concurrent agreed to issue three types of warrants (See Note 18 to the consolidated financial statements).

Concurrent recognized the value of the Initial Warrant as a reduction of revenue in the quarter ended March 31, 2001. Concurrent recognizes the value of Performance Warrants and Cliff Warrants as an adjustment to revenue over the term of the agreement as Comcast purchases additional VOD servers from Concurrent and makes the service available to its customers.

The value of the warrants is determined using the Black-Scholes valuation model. The weighted assumptions used for the quarter ended June 30, 2002 were: expected dividend yield - 0%; risk free interest rate - 3.7%; expected life - 4 years; expected volatility - 117%. Concurrent adjusts the value of the earned but unissued warrants on a quarterly basis using the valuation option-pricing model until the warrants are actually issued. The value of the new warrants earned and any adjustments in value for warrants previously earned is determined using the Black-Scholes valuation model and recognized as part of revenue on a quarterly basis. To the extent the above assumptions change on a periodic basis, or the number of subscribers capable of receiving VOD increases or decreases, revenue and gross margins may be positively or negatively impacted.

In accordance with a five-year definitive agreement with Scientific Atlanta, Inc. ("SAI") executed in August of 1998, Concurrent agreed to issue warrants to SAI upon achievement of pre-determined revenue targets. The value of these warrants cannot exceed 5% of applicable revenue and the number of shares related to the warrant are determined using the Black-Scholes valuation model and cannot exceed 888,888 shares for every $30 million of revenue from the sale of VOD servers using the SAI platform. The value of these warrants cannot impact gross margin by more than $1.5 million per $30 million of applicable revenue. Concurrent accrues for this cost as a part of cost of sales at the time of recognition of applicable revenue.

Warranty Accrual/Maintenance Revenue Deferral

Concurrent either accrues the estimated costs to be incurred in performing warranty services at the time of revenue recognition and shipment of the servers, or defers revenue associated with the maintenance services to be provided during the warranty period based upon the value for which Concurrent would sell such services separately, depending upon the specific terms of the customer agreement. Concurrent's estimate of costs to service its warranty obligations is based on historical experience and expectation of future conditions. To the extent Concurrent experiences increased warranty claim activity or increased costs associated with servicing those claims, its warranty accrual will increase resulting in decreased gross margin.

Inventory Valuation Reserves

Concurrent provides for inventory obsolescence based upon assumptions about future demand, market conditions and anticipated timing of the release of next generation products. If actual market conditions or future demand are less favorable than those projected by management, or if next generation products are released earlier than anticipated, additional inventory write-downs may be required.

Impairment of Goodwill

At June 30, 2002, Concurrent had $10.7 million of goodwill. In assessing the recoverability of Concurrent's goodwill, Concurrent must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If the estimates or their related assumptions change in the future, Concurrent may be required to record impairment charges for these assets not previously recorded. In connection with the adoption of SFAS 142, Concurrent was required to perform an impairment assessment within six months of its July 1, 2001 adoption. Concurrent completed this transitional impairment test during its quarter ended September 30, 2001 and deemed that no impairment loss was necessary. Any subsequent impairment losses, if any, will be reflected in operating income in the income statement.

Valuation of Deferred Tax Assets

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At June 30, 2002 and June 30, 2001, substantially all of the deferred tax assets have been fully reserved due to the tax operating losses for the past several years and the inability to assess as more likely than not the likelihood of generating sufficient future taxable income to realize such benefits.

Investment In and Receivable from Minority Owned Company

At June 30, 2002, Concurrent had a $7 million minority interest in Thirdspace, as well as a $3 million long-term note receivable due from Thirdspace. The fair value of the long-term investment in and note receivable from Thirdspace is dependent on the performance of Thirdspace, as well as the volatility inherent in the external markets for Thirdspace. In assessing potential impairment for this investment and note receivable, Concurrent will consider these factors as well as forecasted financial performance of Thirdspace. If actual results do not meet previous forecasts, if substantial changes in forecasts occur, or if the market in which Thirdspace competes deteriorates significantly, Concurrent may have to record impairment charges.

Selected Operating Data As A Percentage Of Net Sales

The following table sets forth selected operating data as a percentage of total revenue for certain items in Concurrent's consolidated statements of operations for the periods indicated.

	Year ended June 30,		
	2002	2001	2000
Revenues:			
Product sales			
Real-time systems	24.2 %	35.3 %	39.8 %
Video-on-demand systems	53.7	32.7	17.6
Total product sales	77.9	68.0	57.4
Service and other	22.1	32.0	42.6
Total	100.0	100.0	100.0
Cost of sales (% of respective sales category)			
Product sales			
Real-time systems	39.7	54.8	45.5
Video-on-demand systems	51.4	55.0	65.0
Total product sales	47.7	54.9	51.5
Service and other	58.5	54.2	56.0
Total	50.1	54.7	53.4
Gross margin	49.9	45.3	46.6
Operating expenses:			
Sales and marketing	19.0	22.1	29.8
Research and development	17.1	15.9	14.4
General and administrative	9.7	15.0	13.6
Cost of purchased in-process research and development	-	-	20.6
Relocation and restructuring	-	-	3.5
Total operating expenses	45.8	53.0	81.8
Operating income (loss)	4.1	(7.7)	(35.2)
Interest expense	(0.1)	(0.3)	(0.2)
Interest income	1.0	0.4	0.5
Other non-recurring items	-	-	1.1
Other income (expense) - net	(0.1)	(0.1)	(0.1)
Income (loss) before provision for income taxes	4.9	(7.7)	(33.9)
Provision for income taxes	-	0.8	0.9
Net income (loss)	4.9 %	(8.5) %	(34.8) %

Results Of Operations

Fiscal Year 2002 In Comparison To Fiscal Year 2001

Product Sales. Total product sales for fiscal year 2002 were $69.6 million, an increase of $20.0 million or 40.4% from fiscal year 2001. The increase is the result of the $24.2 million increase in sales of VOD systems to $48.0 million in fiscal year 2002 from $23.8 million in fiscal year 2001. The increase in VOD product sales is primarily due to the increase in VOD server purchases from AOL Time Warner and Cox Communications, which accounted for approximately 57.1% and 24.0%, respectively, of VOD system revenue during the fiscal year ended June 30, 2002. These increased server purchases are directly related to the increase in the number of cable markets where VOD is being deployed, combined with increased digital penetration in markets where VOD was previously deployed. Partially offsetting the increase in VOD product sales is the continued decline in sales of real-time computer systems. Sales of real-time products decreased 16.1% to $21.6 million in fiscal year 2002 from $25.7 million in fiscal year 2001, primarily due to the non-recurring revenue recognized in fiscal 2001 from a contract with Hamilton-Sunstrand, a United Technology Company, for testing of aircraft power subsystems, which included production and development systems and engineering and training services.

Service and Other Sales. Service and other sales decreased 14.9% to $19.8 million in fiscal year 2002 from $23.3 million in fiscal year 2001. The decline results primarily from customers switching from proprietary real-time systems to Concurrent's open systems which are less expensive to maintain, and from the cancellation of other proprietary computer maintenance contracts as the machines are removed from service.

Gross Margin. The gross margin increased by $11.6 million to $44.6 million in fiscal year 2002 from $33.0 million in fiscal year 2001. The gross margin as a percentage of sales increased to 49.9% in fiscal year 2002 from 45.3% in fiscal year 2001. VOD product gross margins increased to 48.6% for fiscal year 2002 from 45.0% for fiscal year 2001 due to (1) a cost reduction in the MediaHawk 3000 video server, (2) an increase in sales volume and certain fixed customer service and support costs being spread over higher sales, and (3) a more favorable product mix resulting from sales of more fully configured video servers with higher video stream capacity. The gross margin on sales of real-time products increased to 60.3% of sales in fiscal year 2002 from 45.2% in fiscal year 2001 primarily as a result of the reduction in large-scale integration projects with lower gross margins and an increase in demand for the higher margin PowerMAXION hardware and software products. The gross margin on service and other sales declined to 41.5% for fiscal year 2002 from 45.8% for fiscal year 2001 because, as service revenues continue to decline, service expenses have been reduced on a less than pro-rata basis to ensure quality service and to fulfill contractual agreements.

Sales and Marketing. Sales and marketing expenses decreased as a percentage of sales to 19.0% for fiscal year 2002 from 22.1% for fiscal year 2001. These expenses increased 5.4% to $17.0 million in fiscal year 2002 from $16.1 million in fiscal year 2001, primarily due to a $0.9 million increase in domestic VOD sales and marketing personnel costs, as well as a $0.2 million increase in VOD sales and marketing department travel expenses. This increase was partially offset by a $0.4 million decrease in domestic real-time sales commissions that were generated by sales to a single real-time customer in fiscal year 2001.

Research and Development. Research and development expenses increased as a percentage of sales to 17.1% in fiscal year 2002 from 15.9% in fiscal year 2001. These expenses increased 32.1% to $15.3 million in fiscal year 2002 from $11.6 million in fiscal year 2001 due to personnel additions in both the real-time and VOD research and development departments. The Real-Time division's research and development expense increased $1.9 million, primarily due to additional resources required for development of the new Linux based real-time operating system. The Xstreme division also added new development staff in fiscal year 2002 to focus on TV Guide integrations, targeted and interactive advertising integration, development of Concurrent's personal video channel (pVC™) technology, and next generation server and server architectures. The additional VOD research and development personnel resulted in a $1.6 million increase in VOD research and development expenses in fiscal 2002 compared to the prior year.

General and Administrative. General and administrative expenses decreased as a percentage of sales to 9.6% in fiscal 2002 from 15.0% in fiscal 2001. These expenses decreased to $8.6 million in fiscal year 2002 from

$10.9 million in fiscal year 2001, primarily due to a non-recurring $1.2 million severance charge recorded in fiscal year 2001. In addition, after the July 1, 2001 implementation of SFAS 142, goodwill relating to the acquisition of Vivid Technology, Inc. is no longer amortized. Discontinuation of this goodwill amortization expense decreased VOD general and administrative expense by $1.3 million for fiscal year 2002 compared to the prior year. Furthermore, accounting related costs decreased $0.2 million due to consolidation of accounting departments that existed in both Duluth, GA and Ft. Lauderdale, FL during part of fiscal year 2001. These decreases were partially offset by a $0.4 million increase in insurance expense and $0.2 million increase in bad debt expense for fiscal year 2002 compared to fiscal year 2001.

Interest income. Interest income increased $0.5 million to $0.8 million in fiscal 2002 from $0.3 million in fiscal 2001 primarily due to the earnings from investing the net proceeds from the private placement of 5.4 million shares of common stock that was completed in July 2001.

Income Taxes. No income tax provision was recorded in fiscal year 2002 on pretax income of $4.4 million due to the utilization of previously unrecognized tax net operating loss carryovers.

Net Income (Loss). The net income for fiscal year 2002 was $4.4 million or $0.07 per basic and diluted share compared to a net loss of $6.2 million or $0.11 per basic and diluted share in fiscal year 2001.

Fiscal Year 2001 In Comparison To Fiscal Year 2000

Product Sales. Total product sales for fiscal year 2001 were $49.6 million, an increase of $10.5 million or 26.8% from fiscal year 2000. The increase is the result of the $11.8 million increase in sales of VOD systems to $23.8 million in fiscal year 2001 from $12.0 million in fiscal year 2000. The increase in VOD product sales is primarily due to the increase in VOD server purchases from two domestic cable operators, which respectively accounted for approximately 42.6% and 27.2% of VOD system revenue during the fiscal year ended June 30, 2001. Partially offsetting this increase is the continued decline in sales of real-time computer systems. Sales of real-time products decreased 5.1% to $25.7 million in fiscal year 2001 from $27.1 million in fiscal year 2000 due to the continued decline in sales volume.

Service and Other Sales. Service revenues decreased 19.8% to $23.3 million in fiscal year 2001 from $29.0 million in fiscal year 2000. The decline resulted from customers switching from proprietary real-time systems to Concurrent’s open systems which are less expensive to maintain, and due to the cancellation of other proprietary computer maintenance contracts as the machines are removed from service.

Gross Margin. Gross margin increased 4.0% to $33.0 million in fiscal year 2001 from $31.7 million in fiscal year 2000. The gross margin as a percentage of sales decreased to 45.3% in fiscal year 2001 from 46.6% in fiscal year 2000 due primarily to the lower real-time product margins in fiscal year 2001. Real-time product margins decreased to 45.2% in fiscal year 2001 from 54.5% in fiscal year 2000 because of lower margins from a large real-time customer contract which required integration of third-party equipment and service and support resources at lower gross margins, and due to the competitive bid to secure the contract from the customer. Partially offsetting lower real-time margins, VOD product margins increased to 45.0% in fiscal year 2001 from 35.0% in fiscal year 2000 due to certain fixed customer service and support costs being spread over higher revenues.

Sales and Marketing. Sales and marketing expenses decreased as a percentage of sales to 22.1% in fiscal year 2001 from 29.8% in fiscal year 2000. These expenses decreased 20.7% to $16.1 million in fiscal year 2001 from $20.3 million in fiscal year 2000. The decrease is primarily the result of deliberate, worldwide cost reduction efforts in the Real-Time division of $3.9 million.

Research and Development. Research and development expenses increased as a percentage of sales to 15.9% in fiscal year 2001 from 14.4% in fiscal year 2000. These expenses increased 18.5% to $11.6 million in fiscal year 2001 from $9.8 million in fiscal year 2000. This increase is primarily due to a $2.2 million increase in VOD research and development personnel costs related to VOD server hardware and software development. This increase is offset by $0.7 million of deliberate, worldwide cost reduction efforts in the Real-Time division.

General and Administrative. General and administrative expenses increased as a percentage of sales to

15.0% in fiscal year 2001 from 13.6% in fiscal year 2000. These expenses increased 17.7% to $10.9 million in fiscal year 2001 from $9.3 million in fiscal year 2000 primarily due to a $1.2 million severance charge, $0.7 million of additional costs from the growth of Xstreme division management and other corporate executive and administrative personnel, $0.4 million increase in goodwill amortization and $0.3 million of additional bad debt expense. This increase is offset by $1.1 million of deliberate, worldwide cost reduction efforts in the Real-Time division.

Other. Included in operating expenses in fiscal year 2000 is a $14.0 million non-cash charge for the write-off of in-process research and development in connection with the acquisition of Vivid Technology and a $2.4 million restructuring and relocation provision for personnel reduction costs in the Real-Time division and the relocation of the corporate headquarters and Xstreme division offices to Atlanta, Georgia.

Included in other non-recurring items in fiscal year 2000 is a $0.8 million gain related to the sale of the stock of Concurrent Vibrations, one of Concurrent's French subsidiaries, to Data Physics, Inc.

Income Taxes. Income tax expense of $0.6 million was recorded in fiscal year 2001 on a pre-tax loss of $5.6 million due to the inability to recognize the tax benefit of the current period net operating loss and the non-deductible amortization of goodwill and other assets received in the acquisition of Vivid Technology.

Net Loss. The net loss for fiscal year 2001 was $6.2 million or $0.11 per share compared to a net loss of $23.7 million or $0.46 per share in fiscal year 2000.

Acquisition Of Vivid Technology, Inc.

On October 28, 1999, Concurrent acquired Vivid Technology, a former competitor in the VOD industry. Vivid Technology's interactive stand-alone video-on-demand system ("Vivid VOD system") was specifically being designed to integrate with the most popular digital set-top boxes manufactured by Motorola. The Vivid VOD system was also expected to be compatible with the digital set-top boxes manufactured by other leading cable operators such as Philips, Panasonic and Sony. The Vivid VOD system was based on a cluster of Microsoft Windows NT computers with proprietary hardware and software added to provide high video streaming capacity and fault tolerance. The Vivid VOD system was also being designed to eventually provide VOD service including pause, rewind, and fast forward VCR-like functions. The Vivid VOD system would also provide necessary back-office support software for video content management, video selection graphical user interface, subscriber management, purchase management, billing interfaces, content provider account settlement and consumer marketing feedback. In addition, the Vivid VOD system was being designed to support other interactive applications such as on-line banking, home shopping, merchandising and on-demand/addressable advertising.

The in-process research and development acquired was estimated to be 80% complete at the date of acquisition and was estimated to cost an additional $650,000 to complete the VOD system technology project in December of 2000. A variety of tasks were yet to be completed which would be required in order for the Vivid Technology VOD system to be deployed on a commercial basis:

- The Content Manager, which is used to load movies from content providers, did not have the functionality necessary to create a royalty payment affidavit which is required for the cable operators to pay the required royalties to the content providers. Also, the Content Manager, which has been implemented, using a SQL database, needed to be ported to other relational databases such as Oracle to support high end database applications.

- The Resource Manager had been alpha tested; however, an advanced beta test had not been completed which would validate its ability to scale up to the required number of subscribers or connections in an actual commercial deployment.

- The Subscriber Manager, which had been implemented using a SQL database, needed to be ported to other relational databases such as Oracle to support high end data base applications.

- The Set Top VOD Application needed to be tested under advanced beta test conditions to ensure that the back channel key stroke system performance can fulfill operational requirements.

- The Hub Server, or video pump, needed to be tested under full load in an operational environment to ensure stability over an extended period of time. The random conditions resulting from the in home use of tens of thousands of subscribers can only be simulated in an advanced beta test which had yet to be performed.

The method used to allocate the purchase consideration to in-process research and development (“IPR&D”) was the modified income approach. Under the income approach, fair value reflects the present value of the projected free cash flows that will be generated by the IPR&D project and that is attributable to the acquired technology, if successfully completed. The modified income approach takes the income approach, modified to include the following factors:

- Analysis of the stage of completion of each project;

- Exclusion of value related to research and development yet-to-be completed as part of the on-going IPR&D projects; and

- The contribution of existing products/technologies.

The projected revenues used in the income approach were based upon the incremental revenues likely to be generated upon completion of the project and the beginning of commercial sales of the Vivid VOD system, as estimated by management to begin in the quarter ended December 31, 2000. The projections assumed that the Vivid VOD system would be successful and the products' development and commercialization were as set forth by management. The discount rate used in this analysis was an after-tax rate of 28%.

Subsequent to the acquisition date, Concurrent decided to merge the Vivid VOD system and the Concurrent VOD system into one standard VOD platform. Concurrent began shipping the new hardware platform at the end of the quarter ended September 30, 2000. Initially, the new hardware platform had two software alternatives, one which is compatible with digital set-top boxes manufactured by Motorola, using core software technology developed by and purchased from Vivid, and one which is compatible with digital set-top boxes manufactured by Scientific-Atlanta, Inc.

Liquidity And Capital Resources

Concurrent’s liquidity is dependent on many factors, including sales volume, operating profit and the efficiency of asset use and turnover. Concurrent’s future liquidity will be affected by, among other things:

- The actual versus anticipated decline in sales of real-time proprietary systems and service maintenance revenue;
- Revenues from open real-time systems;
- Revenue growth from VOD systems and the pace at which MSOs implement VOD technology;
- Ongoing cost control actions and expenses, including for example, research and development and capital expenditures;
- The margins on the VOD and real-time businesses;
- The ability to raise additional capital, if necessary;
- Timing of product shipments which occur primarily during the last month of the quarter;
- The percentage of sales derived from outside the United States where there are generally longer accounts receivable collection cycles and which receivables are not included in the borrowing base of the revolving credit facility; and
- The number of countries in which Concurrent operates, which may require maintenance of minimum cash levels in each country and, in certain cases, may restrict the repatriation of cash, such as cash held on deposit to secure office leases.

Concurrent provided cash of $5.8 million from operating activities in fiscal year 2002 compared to using cash of $0.2 million in fiscal year 2001, primarily due to the smaller operating loss generated by the VOD business during fiscal year 2002. Concurrent has available a $5 million revolving credit facility with Wachovia Bank which expires December 31, 2002. Borrowings under the facility are limited to 85% of eligible accounts receivable and bear interest at between prime plus .75% or between LIBOR plus 2.25% and LIBOR plus 3.00% depending on Concurrent's ratio of Consolidated Funded Debt (as defined in the credit facility) to EBITDA. Concurrent has pledged substantially all of its assets as collateral for the facility. No borrowings were outstanding under the credit facility at June 30, 2002. The credit facility contains financial covenants which limit the ratio of total liabilities to tangible net worth, the ratio of funded debt to EBITDA, and which require Concurrent to achieve on a quarterly basis minimum EBITDA in each of Concurrent's operating divisions. Concurrent was in compliance with these covenants as of June 30, 2002. Concurrent intends to investigate the extension of its line of credit prior to its expiration.

Concurrent invested $4.5 million in property, plant and equipment during fiscal year 2002 compared to $3.8 million during fiscal year 2001. Current year capital expenditures relate primarily to product development, testing and demonstration equipment for Concurrent's Xstreme division, and for real-time and VOD manufacturing equipment in Fort Lauderdale, FL. In March 2002, Concurrent made a $4.0 million cash investment for a minority interest in Thirdspace Living Limited and loaned Thirdspace $3.0 million in exchange for a long-term note receivable. Thirdspace is based in London, England and is a closely-held, software and services business offering interactive and on-demand television solutions for DSL and other broadband networks. Concurrent completed its obligation of providing an additional $3 million loan to Thirdspace in September of 2002. Both notes have a four year term and bear interest at 8% per annum, with interest payments commencing on December 31, 2002, and semi-annually, thereafter. Concurrent also made a cash investment of $0.5 million for a minority interest in Everstream, Inc., which specializes in broadband advertising systems, software, infrastructure, and related integration services.

Concurrent received $24.0 million in net proceeds from a private placement of 5.4 million shares of common stock on July 19, 2001, such shares having subsequently been registered with the Securities and Exchange Commission in a filing on Form S-3.

Concurrent also received $3.5 million and $3.9 million from the issuance of common stock to employees and directors who exercised stock options during fiscal years 2002 and 2001, respectively.

At June 30, 2002, Concurrent had working capital of $43.5 million and had no material commitments for capital expenditures. Management of Concurrent believes that the existing cash balances including the proceeds from the private placement, available credit facility and funds generated by operations will be sufficient to meet the anticipated working capital and capital expenditure requirements for the next 12 months.

New Accounting Standards Not Yet Adopted

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 establishes financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The liability is accreted to its present value each period while the cost is depreciated over its useful life. Concurrent will adopt SFAS 143 for our fiscal year beginning July 1, 2002. Management believes the adoption of the provisions of this statement will not have a material impact on Concurrent's consolidated financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which superseded the accounting and reporting provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), and APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"). Concurrent will adopt SFAS 144 for our fiscal year beginning July 1, 2002. Management believes the adoption of the provisions of this statement will not have a material impact on Concurrent's consolidated financial statements. Through the end of fiscal 2002, Concurrent evaluated long-lived assets for impairment in accordance with SFAS 121.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. This statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Management believes the adoption of the provisions of this statement will not have a material effect on Concurrent's consolidated financial statements.

Contractual Obligations and Commercial Commitments

Concurrent's only significant contractual obligations and commitments relate to certain operating leases for sales, service and manufacturing facilities in the United States, Europe and Asia.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements made or incorporated by reference in this Report on Form 10-K may constitute "forward-looking statements" within the meaning of the federal securities laws. When used or incorporated by reference in this prospectus, the words "believes," "expects," "estimates" and similar expressions are intended to identify forward-looking statements. Statements regarding future events and developments and our future performance, as well as our expectations, beliefs, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. All forward-looking statements are subject to certain risks and uncertainties that could cause actual events to differ materially from those projected. The risks and uncertainties which could affect Concurrent's financial condition or results of operations include, without limitation:

- availability of video-on-demand content;
- delays or cancellations of customer orders;
- changes in product demand;
- economic conditions;
- various inventory risks due to changes in market conditions;
- uncertainties relating to the development and ownership of intellectual property;
- uncertainties relating to our ability and the ability of other companies to enforce their intellectual property rights;
- the pricing and availability of equipment, materials and inventories;
- the limited operating history of our video-on-demand segment;
- the concentration of our customers;
- failure to effectively manage growth;
- delays in testing and introductions of new products;
- rapid technology changes;
- demand shifts from high-priced, proprietary real-time systems to low-priced, open server systems;
- system errors or failures;
- reliance on a limited number of suppliers;
- uncertainties associated with international business activities, including foreign regulations, trade controls, taxes, and currency fluctuations;
- the highly competitive environment in which we operate; and
- the entry of new well-capitalized competitors into our markets.

Other important risk factors are discussed under the heading "Risk Factors".

Our forward-looking statements are based on current expectations and speak only as of the date of such statements. Concurrent undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

Item 7A. Quantitative And Qualitative Disclosure About Market Risk

Concurrent is exposed to market risk from changes in interest rates and foreign currency exchange rates. Concurrent is exposed to the impact of interest rate changes on its short-term cash investments, which are backed by U.S. government obligations, and other investments in respect of institutions with the highest credit ratings, all of which have maturities of three months or less. These short-term investments carry a degree of interest rate risk. Concurrent believes that the impact of a 10% increase or decline in interest rates would not be material to its investment income.

Concurrent conducts business in the United States and around the world. The most significant foreign currency transaction exposures relate to the United Kingdom, those Western European countries that use the Euro as a common currency, Australia, and Japan. Concurrent does not hedge against fluctuations in exchange rates and believes that a hypothetical 10% upward or downward fluctuation in foreign currency exchange rates relative to the United States dollar would not have a material impact on future earnings, fair values, or cash flows.

Item 8. Financial Statements And Supplementary Data

The following consolidated financial statements and supplementary data for Concurrent are included herein.

	Page
Independent Auditors' Report	47
Consolidated Balance Sheets as of June 30, 2002 and 2001	48
Consolidated Statements of Operations for each of the three years in the period ended June 30, 2002	49
Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for each of the three years in the period ended June 30, 2002	50
Consolidated Statements of Cash Flows for each of the three years in the period ended June 30, 2002	51
Notes to Consolidated Financial Statements	52

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

Not applicable.

PART III

Item 10. Directors And Executive Officers Of The Registrant

Registrant hereby incorporates by reference in this Form 10-K certain information contained under the caption “Election of Directors” in Registrant's Proxy Statement to be used in connection with its Annual Meeting of Stockholders to be held on October 25, 2002 (“Registrant's 2002 Proxy Statement”).

The Registrant hereby incorporates by reference in this Form 10-K certain information contained under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in Registrant's 2002 Proxy Statement.

Item 11. Executive Compensation

The Registrant hereby incorporates by reference in this Form 10-K certain information contained under the caption "Executive Compensation" in the Registrant's 2002 Proxy Statement.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

The Registrant hereby incorporates by reference in this Form 10-K certain information contained under the caption "Common Stock Ownership of Management and Certain Beneficial Owners" in Registrant's 2002 Proxy Statement.

The Registrant knows of no contractual arrangements, including any pledge by any person of securities of the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

The following table gives information about Concurrent's common stock that may be issued upon the exercise of options under all of Concurrent's existing equity compensation plans as of June 30, 2002, including Concurrent's 1991 Restated Stock Option Plan, 2001 Stock Option Plan, 1999 Vivid Stock Option Plan and 2001 Rifenburgh Stock Option Plan.

Equity Compensation Plan Information

Plan Category	**Number of Securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans**
Equity compensation plans approved by security holders			
1991 Restated Stock Option Plan	4,479,978	$ 7.60	-0-
2001 Stock Option Plan	1,081,000	$ 6.49	1,919,000
	5,560,978	$ 7.38	1,919,000
Equity compensation plans not approved by security holders			
1999 Vivid Stock Option Plan (1)	232,166	$ 0.37	-0-
2001 Rifenburgh Stock Option Plan (2)	10,000	$11.05	-0-
	242,166	$ 0.81	-0-
Total	5,803,144	$ 7.11	1,919,000

(1) Relates to options issued in 1999 associated with the acquisition of Vivid Technology. See Note 3 of our Notes to Consolidated Financial Statements which discusses Concurrent's acquisition of Vivid Technology.

(2) Relates to 10,000 options issued to Richard Rifenburgh, a former director, in connection with his retirement from the Board of Directors. The option vested immediately and has a ten year term.

Item 13. Certain Relationships And Related Transactions

The Registrant hereby incorporates by reference in this Form 10-K certain information contained under the caption “Certain Relationships and Related Transactions” in Registrant's 2002 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, And Reports On Form 8-K

(a) (1) Financial Statements Filed As Part Of This Report:

Independent Auditors' Report

Consolidated Balance Sheets as of June 30, 2002 and 2001

Consolidated Statements of Operations for each of the three years in the period ended June 30, 2002

Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss) for each of the three years in the period ended June 30, 2002

Consolidated Statements of Cash Flows for each of the three years in the period ended June 30, 2002

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts

All other financial statements and schedules not listed have been omitted since the required information is included in the Consolidated Financial Statements or the Notes thereto, or is not applicable, material or required.

(b) Reports On Form 8-K.
The following reports on Form 8-K were filed during the last quarter of the period covered by this report:

(1) Current Report on Form 8-K filed on April 25, 2002 relating to (i) the condensed consolidated balance sheets as of March 31, 2002 (unaudited) and June 30, 2001, (ii) the unaudited condensed consolidated statements of operations for the three and nine months ended March 31, 2002 and the three and nine months ended March 31, 2001 and (iii) the unaudited segment data for the three and nine months ended March 31, 2002 and the three and nine months ended March 31, 2001.

(2) Current Report on Form 8-K filed on June 7, 2002 relating to adoption of the Financial Accounting Standards Board Statement No. 142 (“FAS 142) at the beginning of Concurrent’s fiscal 2002.

(3) Current Report on Form 8-K filed on June 21, 2002 relating to Steve Necessary joining the Company as the president of the Xstreme division.

CONCURRENT COMPUTER CORPORATION
ANNUAL REPORT ON FORM 10-K

Item 8
Financial Statements and Supplementary Data
Year Ended June 30, 2002

INDEPENDENT AUDITORS′ REPORT

The Board of Directors and Stockholders of
Concurrent Computer Corporation:

We have audited the accompanying consolidated balance sheets of Concurrent Computer Corporation and subsidiaries as of June 30, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss) and cash flows for each of the three years in the period ended June 30, 2002. Our audits also included the consolidated financial statement schedule for each of the three years in the period ended June 30, 2002 listed in the Index at Item 14(a)(2). These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Concurrent Computer Corporation and subsidiaries as of June 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2002, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule for each of the three years in the period ended June 30, 2002, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
August 2, 2002

CONCURRENT COMPUTER CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	June 30, 2002	June 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,519	$ 9,460
Accounts receivable, less allowance for doubtful accounts of $965 at June 30, 2002 and $860 at June 30, 2001	23,894	14,348
Inventories	6,822	7,187
Deferred tax asset	870	-
Prepaid expenses and other current assets	1,009	1,058
Total current assets	63,114	32,053
Property, plant and equipment – net	10,696	10,484
Purchased developed computer software – net	1,393	1,583
Goodwill	10,744	10,744
Investment in minority owned companies	7,814	-
Note receivable from minority owned company	3,000	-
Deferred tax asset	1,087	1,324
Other long-term assets - net	840	864
Total assets	$ 98,688	$ 57,052
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 15,514	$13,929
Deferred revenue	4,055	3,300
Total current liabilities	19,569	17,229
Long-term liabilities:		
Deferred revenue	1,677	1,193
Deferred tax liability	1,634	663
Other	6,584	4,684
Total liabilities	29,464	23,769
Stockholders' equity:		
Shares of series preferred stock, par value $.01; 25,000,000 authorized; none issued	-	-
Shares of class A preferred stock, par value $100; 20,000 authorized; none issued	-	-
Shares of Series A participating cumulative preferred stock, par value $.01; 300,000 authorized; none issued	-	-
Shares of common stock, par value $.01; 100,000,000 authorized; 61,856,993 and 55,061,838 issued at June 30, 2002 and 2001, respectively	618	551
Capital in excess of par value	172,929	140,352
Accumulated deficit	(98,377)	(102,760)
Treasury stock, at cost; 840 shares	(58)	(58)
Accumulated other comprehensive loss	(5,888)	(4,802)
Total stockholders' equity	69,224	33,283
Total liabilities and stockholders' equity	$ 98,688	$ 57,052

The accompanying notes are an integral part of the consolidated financial statements.

CONCURRENT COMPUTER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year ended June 30,		
	2002	**2001**	**2000**
Revenues:			
Product sales			
Real-time systems	$ 21,601	$ 25,740	$ 27,122
Video-on-demand systems	47,961	23,814	11,952
Total product sales	69,562	49,554	39,074
Service and other	19,807	23,267	29,016
Total	89,369	72,821	68,090
Cost of sales:			
Product sales			
Real-time systems	8,586	14,102	12,345
Video-on-demand systems	24,629	13,091	7,766
Total product sales	33,215	27,193	20,111
Service and other	11,588	12,608	16,236
Total	44,803	39,801	36,347
Gross margin	44,566	33,020	31,743
Operating expenses:			
Sales and marketing	16,984	16,112	20,311
Research and development	15,291	11,579	9,775
General and administrative	8,612	10,920	9,277
Cost of purchased in-process research and development	-	-	14,000
Relocation and restructuring	-	-	2,367
Total operating expenses	40,887	38,611	55,730
Operating income (loss)	3,679	(5,591)	(23,987)
Interest expense	(76)	(214)	(127)
Interest income	828	302	316
Other non-recurring items	-	-	761
Other expense - net	(48)	(86)	(78)
Income (loss) before provision for income taxes	4,383	(5,589)	(23,115)
Provision for income taxes	-	600	600
Net income (loss)	$ 4,383	$ (6,189)	$ (23,715)
Basic net income (loss) per share	$ 0.07	$ (0.11)	$ (0.46)
Diluted net income (loss) per share	$ 0.07	$ (0.11)	$ (0.46)

The accompanying notes are an integral part of the consolidated financial statements.

CONCURRENT COMPUTER CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share amounts)
For each of the three years in the period ended June 30, 2002

	Common Stock		Capital in		Accumulated Other	Treasury Stock		
	Shares	Par Value	Excess of Par Value	Accumulated Deficit	Comprehensive Income (Loss)	Shares	Cost	Total
Balance at June 30, 1999	48,516,527	$485	$98,916	$(72,856)	$(476)	(840)	$(58)	$26,011
Sale of common stock under stock plans	3,160,692	31	7,277					7,308
Issuance of common stock related to acquisition of Vivid Technology	2,233,699	22	28,879					28,901
Performance warrants			322					322
Comprehensive loss:								
Net loss				(23,715)				(23,715)
Foreign currency translation adjustment					(556)			(556)
Total comprehensive loss								(24,271)
Balance at June 30, 2000	53,910,918	538	135,394	(96,571)	(1,032)	(840)	(58)	38,271
Sale of common stock under stock plans	1,150,920	13	3,903					3,916
Performance warrants			1,055					1,055
Comprehensive loss:								
Net loss				(6,189)				(6,189)
Foreign currency translation adjustment					(967)			(967)
Minimum pension liability adjustment					(2,803)			(2,803)
Total comprehensive loss								(9,959)
Balance at June 30, 2001	55,061,838	551	140,352	(102,760)	(4,802)	(840)	(58)	33,283
Sale of common stock under stock plans	1,103,694	10	3,537					3,547
Issuance of common stock in private placement	5,400,000	54	23,891					23,945
Issuance of common stock for purchase of investment in minority owned company	291,461	3	2,984					2,987
Performance warrants			2,165					2,165
Comprehensive income (loss):								
Net income				4,383				4,383
Foreign currency translation adjustment					513			513
Minimum pension liability adjustment					(1,599)			(1,599)
Total comprehensive income								3,297
Balance at June 30, 2002	61,856,993	$ 618	$172,929	$(98,377)	$(5,888)	(840)	$(58)	$ 69,224

The accompanying notes are an integral part of the consolidated financial statements.

CONCURRENT COMPUTER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended June 30, 2002	2001	2000
Cash flows provided by (used in) operating activities:			
Net income (loss)	$ 4,383	$ (6,189)	$ (23,715)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Write-off of in-process research and development	-	-	14,000
Gain on sale of subsidiary	-	-	(761)
Accrual of non-cash warrants	2,165	1,055	322
Depreciation and amortization	5,008	5,995	6,145
Provision for inventory reserves	343	1,712	550
Stock compensation	-	-	368
Other non-cash expenses	519	597	289
Decrease (increase) in assets, net of effect of acquisitions and dispositions:			
Accounts receivable	(10,030)	(2,031)	1,574
Inventories	(118)	(3,278)	(1,530)
Prepaid expenses and other current assets	(821)	1,047	(1,959)
Other long-term assets	133	(1,146)	216
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	1,585	632	4,028
Short-term deferred revenue	755	989	(1,170)
Long-term liabilities	1,836	404	1,128
Net cash provided by (used in) operating activities	5,758	(213)	(515)
Cash flows used in investing activities:			
Net additions to property, plant and equipment	(4,522)	(3,761)	(4,361)
Investment in minority owned companies	(4,827)	-	-
Note receivable from minority owned company	(3,000)	-	-
Net proceeds from sale of subsidiary	-	276	496
Proceeds from sale of facility	-	-	1,223
Other	-	-	76
Net cash used in investing activities	(12,349)	(3,485)	(2,566)
Cash flows provided by financing activities:			
Net repayment of debt	(85)	(71)	(33)
Proceeds from sale and issuance of common stock	27,492	3,916	6,940
Net cash provided by financing activities	27,407	3,845	6,907
Effect of exchange rates on cash and cash equivalents	243	(769)	(616)
Increase (decrease) in cash and cash equivalents	21,059	(622)	3,210
Cash and cash equivalents - beginning of year	9,460	10,082	6,872
Cash and cash equivalents - end of year	$ 30,519	$ 9,460	$ 10,082
Cash paid during the period for:			
Interest	$ 49	$ 277	$ 242
Income taxes (net of refunds)	$ 413	$ 621	$ 257
Non-cash investing/financing activities:			
Common stock issued for investment in minority owned company	$ 3,000	$ -	$ -
Non-cash consideration for acquisition	$ -	$ -	$ 28,900

The accompanying notes are an integral part of the consolidated financial statements.

CONCURRENT COMPUTER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Overview of the Business

Concurrent Computer Corporation ("Concurrent") is a leading supplier of high-performance computer systems, software, and services. In August 1999, Concurrent's emerging Video-On-Demand ("VOD") division, Xstreme, opened its own facilities in Duluth, Georgia, separate from its Real-Time division located in Fort Lauderdale, Florida, in order to maximize the focus in each of these businesses.

Concurrent's Xstreme division is a leading supplier of digital video server systems to a variety of markets including the broadband cable and DSL, education, intranet/distance learning, and other related markets. Based on a scalable, real-time software architecture, Concurrent's VOD hardware and software are integrated to deliver fault-tolerant, deterministic streaming video to a broad spectrum of VOD applications.

Concurrent's Real-Time division is a leading provider of high-performance, real-time computer systems, solutions, and software for commercial and government markets with a focus on strategic market areas that include hardware-in-the-loop and man-in-the-loop simulation, data acquisition, industrial systems, and software and embedded applications.

A "real-time" system or software is one specially designed to acquire, process, store, and display large amounts of rapidly changing information in real-time – that is, with millisecond or microsecond response as changes occur. Concurrent has over 35 years of experience in real-time systems, including specific expertise in systems, applications software, productivity tools, and networking. Its systems and software support real-time applications in the hardware in-the-loop simulations, man in-the-loop simulations, data acquisition, and industrial control systems markets.

Concurrent provides sales and support from offices and subsidiaries throughout North America, Europe, Asia, and Australia.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Concurrent and all wholly-owned domestic and foreign subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Foreign Currency

The functional currency of all of Concurrent's foreign subsidiaries is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using average rates of exchange prevailing during the fiscal year. Adjustments resulting from the translation of foreign currency financial statements are accumulated in a separate component of stockholders' equity until the entity is sold or substantially liquidated. Gains or losses resulting from foreign currency transactions are included in the results of operations, except for those relating to intercompany transactions of a long-term investment nature which are accumulated in a separate component of stockholders' equity.

Gains (losses) on foreign currency transactions of ($104,000), $1,000 and ($3,000) for the years ended June 30, 2002, 2001 and 2000, respectively, are included in other income (expense) - net.

Cash Equivalents

Short-term investments with maturities of ninety days or less at the date of purchase are considered cash equivalents. Cash equivalents are stated at cost plus accrued interest, which approximates market, and represent cash invested in U.S. Government securities, bank certificates of deposit, or commercial paper.

Inventories

Inventories are stated at the lower of cost or market, with cost determined on the first-in, first-out basis. Concurrent establishes excess and obsolete inventory reserves based upon historical and anticipated usage.

Property, Plant and Equipment

Property, plant and equipment are stated at acquired cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of assets ranging from one to ten years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the terms of the related lease. Gains and losses resulting from the disposition of property, plant and equipment are included in other income (expense) - net. Expenditures for repairs and maintenance are charged to operations as incurred and expenditures for major renewals and betterments are capitalized.

Goodwill

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets"("SFAS 142"). Under SFAS 142, goodwill and intangible assets with indefinite lives is no longer amortized but is subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives. SFAS 142 was effective for fiscal years beginning after December 15, 2001. All goodwill and other intangible assets are in the Xstreme division. As permitted, Concurrent early-adopted SFAS 142 as of July 1, 2001, the beginning of its fiscal year.

In connection with the adoption of SFAS 142, Concurrent performed an impairment assessment and deemed that no impairment loss was necessary. Any subsequent impairment losses, if any, will be reflected in operating income in the income statement.

Also in accordance with SFAS 142, Concurrent discontinued the amortization of goodwill effective July 1, 2001 (see Note 11 to the consolidated financial statements).

Revenue Recognition and Related Matters

Video-on-demand and real-time system revenues are recognized based on the guidance in American Institute of Certified Public Accountants Statement of Position ("SOP") 97-2, "Software Revenue Recognition". Concurrent recognizes revenue from video-on-demand and real-time systems when persuasive evidence of an arrangement exists, the system has been shipped, the fee is fixed or determinable and collectibility of the fee is probable. Under multiple element arrangements, Concurrent allocates revenue to the various elements based on vendor-specific objective evidence ("VSOE") of fair value. Concurrent's VSOE of fair value is determined based on the price charged when the same element is sold separately.

In certain instances, Concurrent's customers require significant customization of both the software and hardware products and, therefore, the revenues are recognized as long term contracts in conformity with Accounting Research Bulletin ("ARB") No. 45, "Long Term Construction Type Contracts", SOP 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" and SOP 97-2, "Software Revenue Recognition". For long-term contracts, revenue is recognized using the percentage-of-completion method of accounting based on costs incurred on the project compared to the total costs expected to be incurred through completion.

Concurrent recognizes revenue from customer service plans ratably over the term of each plan, typically one year.

Custom engineering and integration services performed by the Real-Time division are typically completed within 90 days from receipt of an order. Revenues from these services are recognized upon completion and delivery of such services to the customer.

Capitalized Software

Concurrent accounts for software development costs in accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed" ("SFAS 86"). Under SFAS 86, the costs associated with software development are required to be capitalized after technological feasibility has been established. Concurrent ceases capitalization upon the achievement of customer availability. Costs incurred by Concurrent between technological feasibility and the point at which the products are ready for market are insignificant and as a result Concurrent has no internal software development costs capitalized at June 30, 2002 and 2001.

Concurrent has not incurred costs related to the development of internal use software.

Research and Development

Research and development expenditures are expensed as incurred.

Basic and Diluted Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during each year. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares including dilutive common share equivalents. Under the treasury stock method, incremental shares representing the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued are included in the computation. Common share equivalents of 3,930,000 and 4,548,000 for the years ended June 30, 2001 and 2000, respectively, were excluded from the calculation as their effect was antidilutive. The following table presents a reconciliation of the numerators and denominators of basic and diluted loss per share for the periods indicated:

	Year ended June 30,		
	2002	2001	2000
	(Dollars and share data in thousands, except per share amounts)		
Basic EPS calculation:			
Net income (loss)	$ 4,383	$ (6,189)	$ (23,715)
Weighted average number of shares outstanding	60,997	54,683	51,959
Basic EPS	$ 0.07	$ (0.11)	$ (0.46)
Diluted EPS calculation:			
Net income (loss)	$ 4,383	$ (6,189)	$ (23,715)
Weighted average number of shares outstanding	60,997	54,683	51,959
Incremental shares from assumed conversion of stock options	3,091	-	-
	64,088	54,683	51,959
Diluted EPS	$ 0.07	$ (0.11)	$ (0.46)

Impairment of Long-Lived Assets

Concurrent follows the provisions of SFAS No. 121 "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of." This statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used, and for long-lived assets and certain identifiable intangibles to be disposed of. Concurrent reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, inventories, prepaid expenses, accounts payable and short term debt approximate fair value because of the short maturity of these instruments.

Fair value estimates are made at a specific point in time, based on the relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumption could significantly affect the estimates.

Income Taxes

Concurrent and its domestic subsidiaries file a consolidated federal income tax return. All foreign subsidiaries file individual tax returns pursuant to local tax laws. Concurrent follows the asset and liability method of accounting for income taxes. Under the asset and liability method, a deferred tax asset or liability is recognized for temporary differences between financial reporting and income tax bases of assets and liabilities, tax credit carryforwards and operating loss carryforwards. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that such deferred tax assets will not be realized. Utilization of net operating loss carryforwards and tax credits, which originated prior to Concurrent's quasi-reorganization effected on December 31, 1991, are recorded as adjustments to capital in excess of par value.

Stock-Based Compensation

Concurrent accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB Opinion 25"), and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123 also allows entities to continue to apply the provisions of APB Opinion 25 and provide pro forma net income (loss) and pro forma income (loss) per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS 123 had been applied. Concurrent has elected to continue to apply the provisions of APB Opinion 25 and provide the pro forma disclosure provisions of SFAS 123.

Segment Information

Concurrent reports its operating results separately for both its Xstreme division and its Real-Time division.

Comprehensive Income (Loss)

Concurrent reports comprehensive income (loss) in addition to net income (loss) from operations as required by SFAS No. 130, "Reporting Comprehensive Income". Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income (loss). Comprehensive income (loss) is defined as a change in equity during the financial reporting period of a business enterprise resulting from non-owner sources.

Accumulated other comprehensive income (loss) consists of the following components:

	Foreign Currency Translation Adjustments	Minimum Pension Liability	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 1999	$ (476)	$ -	$ (476)
Other comprehensive loss	(556)	-	(556)
Balance at June 30, 2000	(1,032)	-	(1,032)
Other comprehensive loss	(967)	(2,803)	(3,770)
Balance at June 30, 2001	(1,999)	(2,803)	(4,802)
Other comprehensive income (loss)	513	(1,599)	(1,086)
Balance at June 30, 2002	$(1,486)	$(4,402)	$(5,888)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior years' amounts have been reclassified to conform with the current year's presentation.

3. Acquisition

On October 28, 1999, Concurrent acquired Vivid Technology, Inc. ("Vivid") for total consideration of $29.4 million, consisting of 2,233,699 shares of Common Stock valued at $24.7 million, $0.5 million of acquisition costs, and 378,983 shares reserved for future issuance upon exercise of stock options with a value of $4.2 million. The acquisition was treated as a purchase for accounting purposes, and, accordingly, the assets and liabilities were recorded based on their fair values at the date of the acquisition. The purchase price allocation and the respective useful lives of the intangible assets are as follows:

	Allocation (Dollars in Thousands)	Life
Working capital	$ 72	N/A
Fixed assets	257	N/A
Other long-term assets	13	N/A
Developed completed computer software technology	1,900	10 yrs
Other	400	3 yrs
Goodwill	12,808	N/A
In-process research and development	14,000	N/A

Amortization of intangible assets is on a straight-line basis over the assets' estimated useful life. In accordance with SFAS 142, Concurrent discontinued the amortization of goodwill effective July 1, 2001. Vivid's operations are included in the condensed consolidated statements of operations from the date of acquisition.

At the acquisition date, Vivid had one product under development that had not demonstrated technological or commercial feasibility. This product was the Vivid interactive video-on-demand integrated system. The in-process technology has no alternative use in the event that the proposed product does not prove to be feasible. This development effort falls within the definition of In-Process Research and Development ("IPR&D") contained in SFAS No. 2 and was expensed in the quarter ended December 31, 1999 as a one-time charge.

Consistent with Concurrent's policy for internally developed software, Concurrent determined the amounts to be allocated to IPR&D based on whether technological feasibility had been achieved and whether there was any alternative future use for the technology. As of the date of the acquisition, Concurrent concluded that the IPR&D had no alternative future use after taking into consideration the potential for usage of the software in different products, resale of the software and internal usage.

4. Investments in and Receivable from Minority Owned Companies

In March 2002, Concurrent invested cash of $4 million and issued 291,461 shares of its common stock (valued at $10.29 per share) in exchange for 1,220,601 series C shares of Thirdspace Living Limited ("Thirdspace"), giving Concurrent a 14.4% ownership interest in all shares outstanding as of the investment date. The resale of the 291,461 shares was registered under a resale registration statement filed with the Securities and Exchange Commission and declared effective on June 20, 2002. Thirdspace is a closely held United Kingdom global software services corporation that offers interactive and on-demand television solutions for DSL (digital subscriber line) and other broadband networks. In exchange for its investment, Concurrent also received a warrant for 400,000 series C shares of Thirdspace. The warrant is exercisable beginning December 19, 2002. If the fair market value of the warrant on the date of exercise is less than $5.73 per share, then the exercise price will be the then current fair market value. If the fair market value of the warrant on the date of exercise is equal to or greater than $5.73 per share, then the exercise price will be the greater of $5.73 or 85% of the then current fair market value. Although the fair market value of the Thirdspace series C common stock and the Thirdspace warrant are not readily determinable, management believes that its book value approximates the fair value.

Concurrent also loaned Thirdspace $3 million in exchange for a long-term convertible note receivable, bearing interest at 8% annually, with interest payments first due December 31, 2002, and semi-annually, thereafter. The note is convertible into series C shares of Thirdspace, at the option of Concurrent, beginning six months after the issuance of the note and ending 48 months after the issuance of the note, and is based on the then fair market value of the common stock. Concurrent is also obligated, as part of the agreement, to lend an additional $3 million on September 3, 2002, under the same terms as the initial $3 million loan. Concurrent has a security interest in all of the assets of Thirdspace, which is subject to a prior lien on Thirdspace's intellectual property securing an obligation of $5,000,000. Other than the prior lien on Thirdspace's intellectual property, Concurrent's security interest ranks ratably with those of other secured creditors.

Concurrent is accounting for its investment in the common stock and warrant of Thirdspace using the cost method, as Concurrent does not believe it exercises significant influence on Thirdspace. The investment is reviewed for impairment on a quarterly basis. The convertible note is recorded at fair value, in accordance with SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities", with changes in fair value recorded as a component of other comprehensive income.

In the ordinary course of business, Concurrent purchases equipment from Thirdspace. During fiscal year 2002, Concurrent purchased $90,000 of equipment from Thirdspace.

In April 2002, Concurrent invested cash of $500,000 in Everstream Holdings, Inc. (“Everstream”) in exchange for 480,770 shares of Series C Preferred stock giving Concurrent a 4.9% ownership interest. Everstream is a privately held company specializing in broadband advertising systems, software, infrastructure and related integration services. Concurrent is accounting for its investment in the Series C Preferred stock of Everstream using the cost method, as Concurrent does not believe it exercises significant influence on Everstream. The investment will be reviewed for impairment on a quarterly basis.

In the ordinary course of business, Concurrent sells equipment to Everstream and purchases consulting services from Everstream. During fiscal year 2002, Concurrent sold $49,000 of equipment to Everstream and purchased $75,000 of consulting services from Everstream.

5. Private Placement

In July 2001, Concurrent issued 5,400,000 shares of Common Stock in a private placement. The net proceeds from the private placement were approximately $24.0 million. The resale of the shares was registered under a resale registration statement filed with the Securities and Exchange Commission and declared effective on July 19, 2001.

6. Restructuring and Relocation

In August 1999, Concurrent relocated its Corporate Headquarters and its Xstreme division to Duluth, Georgia. In connection with this move, Concurrent incurred employee relocation costs of $769,000, which is recorded as an operating expense in the consolidated statement of operations for the year ended June 30, 2000. All costs were paid during fiscal 2000.

In addition to the Xstreme division relocation discussed above, management decided in the first quarter of fiscal year 2000 to "right-size" the Real-Time division to bring its expenses in line with its anticipated revenues. In connection with these events, Concurrent recorded a $1.6 million operating expense in the consolidated statement of operations for the year ended June 30, 2000. This expense represents workforce reductions of approximately 38 employees in all areas of Concurrent. All costs were paid during fiscal 2000.

In connection with the acquisition of the Harris Computer Systems Corporation (“HCSC”) Real-Time division, Concurrent recorded a $23.2 million restructuring provision as of June 30, 1996. Such charge, based on formal approved plans, included the estimated costs related to the rationalization of facilities, workforce reductions, asset writedowns and other costs which represented approximately 44%, 28%, 26%, and 2%, respectively. The rationalization of facilities included the planned disposition of Concurrent’s Oceanport, New Jersey facility, as well as the closing or downsizing of certain offices located throughout the world. The workforce reductions included the termination of approximately 200 employees worldwide, encompassing substantially all of Concurrent’s employee groups. The asset writedowns were primarily related to the disposition of duplicative machinery and equipment. Cash expenditures related to this restructuring were $117,000 for the year ended June 30, 2000. As of June 30, 2000, all costs had been paid and there were no remaining accrued costs.

On May 5, 1992, Concurrent had entered into an agreement with the Industrial Development Authority (the “IDA”) to maintain a presence in Ireland through April 30, 1998. In connection with the acquisition of the HCSC Real-Time division, Concurrent closed its Ireland operations in December 1996 and was required to repay grants to the IDA of approximately $484,000 (360,000 Irish pounds). During fiscal year 2000, the remaining amount of $90,000 was paid to the IDA.

7. Dissolution of Subsidiaries

During the year ended June 30, 2002, Concurrent made the decision to dissolve its Belgium subsidiary, Concurrent Computer Belgium B.V./S.A. ("CCUR Belgium") and its Singapore subsidiary, Concurrent Computer Far East Pte. Ltd. ("CCUR Singapore"). In connection with the decision to dissolve these subsidiaries, Concurrent recorded a charge of $217,000 for the write off of the cumulative translation adjustment, the termination of an employee and other miscellaneous costs. The charge was recorded as an operating expense in the consolidated statement of operations for the year ended June 30, 2002. The final dissolution of CCUR Belgium and CCUR Singapore is expected in fiscal year 2003. During fiscal year 2002, Concurrent made cash payments of $7,000 and had a remaining accrual of $205,000 at June 30, 2002.

8. Sale of Subsidiary

On September 8, 1999, Concurrent entered into an agreement to sell the stock of Concurrent Vibrations, a wholly owned subsidiary of Concurrent Computer Corporation S.A., to Data Physics, Inc. The transaction, which had an effective date of August 31, 1999, resulted in a gain of $761,000. This gain is recorded as other non-recurring items in the consolidated statement of operations for the year ended June 30, 2000.

9. Inventories

Inventories consist of the following:

	June 30,	
	2002	2001
	(Dollars in thousands)	
Raw Materials	$5,030	$5,709
Work-in-process	1,633	1,178
Finished Goods	159	300
	$6,822	$7,187

At June 30, 2002 and 2001, some portion of Concurrent's inventory was in excess of the current requirements based upon the planned level of sales for future years. Accordingly, Concurrent had inventory valuation allowances of $3.3 million and $3.5 million to reduce the value of the inventory to its estimated net realizable value at June 30, 2002 and 2001, respectively.

10. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	June 30,	
	2002	2001
	(Dollars in thousands)	
Leasehold improvements	$ 2,527	$ 2,217
Machinery, equipment and customer support spares	33,228	31,170
	35,755	33,387
Less: Accumulated depreciation	(25,059)	(22,903)
	$10,696	$10,484

For the years ended June 30, 2002, 2001 and 2000, depreciation and amortization expense for property, plant and equipment amounted to $4,685,000, $4,386,000 and $4,148,000, respectively.

11. Goodwill

In accordance with SFAS 142, Concurrent discontinued the amortization of goodwill effective July 1, 2001. A reconciliation of previously reported net income and earnings per share to the amounts adjusted for the exclusion of goodwill amortization follows:

	Year ended June 30,		
	2002	2001	2000
	(Dollars in thousands, except per share amounts)		
Reported net income (loss)	$ 4,383	$ (6,189)	$(23,715)
Goodwill amortization	-	1,281	854
Adjusted net income (loss)	$ 4,383	$ (4,908)	$(22,861)
Basic income (loss) per share:			
Reported net income (loss)	$ 0.07	$ (0.11)	$ (0.46)
Goodwill amortization	-	0.02	0.02
Adjusted net income (loss)	$ 0.07	$ (0.09)	$ (0.44)
Diluted income (loss) per share:			
Reported net income (loss)	$ 0.07	$ (0.11)	$ (0.46)
Goodwill amortization	-	0.02	0.02
Adjusted net income (loss)	$ 0.07	$ (0.09)	$ (0.44)
Weighted average shares outstanding - basic	60,997	54,683	51,959
Weighted average shares outstanding - diluted	64,088	54,683	51,959

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	June 30,	
	2002	2001
	(Dollars in thousands)	
Accounts payable, trade	$ 5,351	$ 4,277
Accrued payroll, vacation and other employee expenses	5,872	6,090
Warranty accrual	2,272	977
Other accrued expenses	2,019	2,585
	$ 15,514	$ 13,929

13. Revolving Credit Facility

Concurrent has a revolving credit facility with a bank that expires on December 31, 2002 and which provides for borrowings of up to $5 million at an interest rate at between prime (4.75% at June 30, 2002) plus 0.75% or LIBOR (1.84% at June 30, 2002) plus 2.25% and LIBOR plus 3.00% depending on Concurrent's ratio of Consolidated Funded Debt (as defined in the credit facility) to EBITDA. Concurrent has pledged substantially all of its assets as collateral for the facility. No borrowings were outstanding at June 30, 2002 under the credit facility. The credit facility contains financial covenants which limit the ratio of total liabilities to tangible net worth and which require Concurrent to achieve on a quarterly basis minimum EBITDA in each of Concurrent's operating divisions. Concurrent was in compliance with these covenants at June 30, 2002. As of June 30, 2002, Concurrent had available borrowings of $5 million under this facility.

14. Income Taxes

The domestic and foreign components of income (loss) before provision for income taxes are as follows:

	Year ended June 30,		
	2002	2001	2000
	(Dollars in thousands)		
United States	$ 6,297	$ (5,222)	$(22,952)
Foreign	(1,914)	(367)	(163)
	$ 4,383	$ (5,589)	$(23,115)

The components of the provision for income taxes are as follows:

	Year ended June 30,		
	2002	**2001**	**2000**
	(Dollars in thousands)		
Current:			
Federal	$ -	$ -	$ -
Foreign (credit)	(338)	600	201
Total	(338)	600	201
Deferred:			
Federal	-	-	-
Foreign	338	-	399
Total	338	-	399
Total	$ -	$ 600	$ 600

A reconciliation of the income tax (benefit) expense computed using the Federal statutory income tax rate to Concurrent's provision for income taxes is as follows:

	Year ended June 30,		
	2002	**2001**	**2000**
	(Dollars in thousands)		
Income (loss) before provision for income taxes	$ 4,383	$ (5,589)	$(23,115)
Tax (benefit) at Federal statutory rate	1,490	(1,899)	(7,859)
Change in valuation allowance	(3,733)	(2,264)	2,749
Non-deductible in-process research and development charge	-	-	4,760
Other permenant differences, net	2,243	4,763	950
Provision for income taxes	$ -	$ 600	$ 600

As of June 30, 2002 and 2001, Concurrent's deferred tax assets and liabilities were comprised of the following:

	June 30, 2002	June 30, 2001
	(Dollars in thousands)	
Gross deferred tax assets related to:		
U.S. and foreign net operating loss carryforwards	$ 70,621	$ 68,872
Book and tax basis differences for reporting purposes	158	169
Other reserves	4,580	5,794
Accrued compensation	531	458
Other	2,171	810
Total gross deferred tax assets	78,061	76,103
Valuation allowance	(76,104)	(74,779)
Total deferred tax asset	1,957	1,324
Gross deferred tax liabilities related to property and equipment/other	1,634	663
Total gross deferred tax liability	1,634	663
Deferred income taxes	$ 323	$ 661

Any future benefits attributable to the U.S. Federal net operating loss carryforwards which originated prior to Concurrent's quasi-reorganization are accounted for through adjustments to capital in excess of par value. Under Section 382 of the Internal Revenue Code, future benefits attributable to the net operating loss carryforwards and tax credits which originated prior to Concurrent's quasi-reorganization and those which originated subsequent to Concurrent's quasi-reorganization through the date of Concurrent's 1993 comprehensive refinancing ("1993 Refinancing") are limited to approximately $0.3 million per year. Concurrent's U.S. Federal tax net operating loss carryforwards begin to expire in 2004. As of June 30, 2002, Concurrent has remaining utilizable U.S. Federal tax net operating loss carryforwards of approximately $173 million for income tax purposes. Approximately $62 million of these net operating loss carryforwards originated prior to Concurrent's 1993 Refinancing and are limited to $300,000 per year.

The tax benefits associated with nonqualified stock options and disqualifying dispositions of incentive stock options increased the federal net operating loss carryforward by approximately $3.3 million for the year ended June 30, 2002. Such benefits will be recorded as an increase to additional paid-in capital when realized.

Deferred income taxes have not been provided for undistributed earnings of foreign subsidiaries, which originated subsequent to Concurrent's quasi-reorganization, primarily due to Concurrent's required investment in certain subsidiaries.

Additionally, deferred income taxes have not been provided on undistributed earnings of foreign subsidiaries which originated prior to Concurrent's quasi-reorganization. The impact of both the subsequent repatriation of such earnings and the resulting offset, in full, from the utilization of net operating loss carryforwards will be accounted for through adjustments to capital in excess of par value.

The valuation allowance for deferred tax assets as of June 30, 2002 and 2001 was approximately $76 million and $75 million, respectively. The net change in the total valuation allowance for the year ended June 30, 2002 was an increase of approximately $1.3 million. The net increase in the total valuation allowance for the year ended June 30, 2001 was approximately $2.8 million and the net increase in the total valuation allowance for the year ended June 30, 2000 was approximately $14.6 million. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As such, the deferred tax assets have been reduced by the valuation allowance since management considers more likely than not that these deferred tax assets will not be realized.

15. Pensions and Other Postretirement Benefits

Concurrent maintains a retirement savings plan (the "Plan") available to U.S. employees which qualifies as a defined contribution plan under Section 401(k) of the Internal Revenue Code. Concurrent may make a discretionary matching contribution equal to 100% of the first 6% of employees' contributions. For the years ended June 30, 2002, 2001 and 2000, Concurrent matched 100% of the employees' Plan contributions up to 6%.

Concurrent's matching contributions under the Plan are as follows:

	2002	2001	2000
	(Dollars in thousands)		
Matching contribution	$1,243	$1,120	$1,378

Certain foreign subsidiaries of Concurrent maintain pension plans for their employees which conform to the common practice in their respective countries. The related changes in benefit obligation and plan assets and the amounts recognized in the consolidated balance sheets are presented in the following tables:

Reconciliation of Funded Status

	June 30, 2002	June 30, 2001
	(Dollars in thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 15,361	$ 15,431
Service cost	276	281
Interest cost	909	837
Plan participants' contributions	49	52
Actuarial loss	(486)	1,268
Foreign currency exchange rate change	1,493	(1,920)
Benefits paid	(615)	(588)
Benefit obligation at end of year	$ 16,987	$ 15,361
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 12,426	$ 15,322
Actual return on plan assets	(1,268)	(793)
Employer contributions	323	114
Plan participants' contributions	49	52
Benefits paid	(586)	(559)
Foreign currency exchange rate change	1,057	(1,710)
Fair value of plan assets at end of year	$ 12,001	$ 12,426
Funded status	$ (4,986)	$ (2,935)
Unrecognized actuarial loss (income)	4,441	2,720
Unrecognized prior service cost	199	205
Unrecognized net transition asset	(13)	(85)
Net amount recognized	$ (359)	$ (95)

Amounts Recognized in the Consolidated Balance Sheet

	June 30, 2002	June 30, 2001
	(Dollars in thousands)	
Accrued pension cost, net	$ (4,960)	$ (3,106)
Intangible asset	199	208
Accumulated other comprehensive loss	4,402	2,803
Net amount recognized	$ (359)	$ (95)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were $17.0 million, $16.3 million and $12.0 million, respectively, as of June 30, 2002, and $15.4 million, $14.9 million and $12.4 million, respectively, as of June 30, 2001.

Plan assets are comprised primarily of investments in managed funds consisting of common stock, money market and real estate investments.

The assumptions used to measure the present value of benefit obligations and net periodic benefit cost are shown in the following table:

Significant Assumptions

	June 30,		
	2002	**2001**	**2000**
Discount rate	5.75% to 6.25%	6.00% to 6.25%	6.00% to 6.25%
Expected return on plan assets	5.75% to 6.00%	5.75% to 6.00%	6.00%
Compensation increase rate	3.50% to 4.25%	3.50% to 4.50%	3.50% to 4.50%

Components of Net Periodic Benefit Cost

	Year ended June 30,		
	2002	**2001**	**2000**
	(Dollars in thousands)		
Service cost	$ 276	$ 281	$ 313
Interest cost	909	837	923
Expected return on plan assets	(750)	(839)	(918)
Amortization of unrecognized net transition asset	(63)	(63)	(69)
Amortization of unrecognized prior service cost	22	22	24
Recognized actuarial loss	71	(30)	(27)
Net periodic benefit cost	$ 465	$ 208	$ 246

16. Segment Information

For the years ended June 30, 2002, 2001 and 2000, Concurrent operated its business in two divisions: Real-Time and Xstreme. Its Real-Time division is a leading provider of high-performance, real-time computer systems, solutions and software for commercial and government markets focusing on strategic market areas that include hardware-in-the-loop and man-in-the-loop simulation, data acquisition, industrial systems, and software and embedded applications. Its Xstreme division is a leading supplier of digital video server systems to a wide range of industries serving a variety of markets, including the broadband cable and DSL, education, intranet/distance learning, and other related markets. Customer service and support revenues derived from VOD sales arrangements are included in Product Sales and are not material. Shared expenses are primarily allocated based on either revenues or headcount. There were no material intersegment sales or transfers. For the year ended June 30, 2002, one customer accounted for approximately 25% of the total Real-Time revenue and two customers accounted for approximately 57% and 24% of the total VOD revenue, respectively. For the year ended June 30, 2001, one customer accounted for approximately 12% of the Real-Time revenue and three customers accounted for approximately 38%, 34% and 12% of VOD revenue, respectively. For the year ended June 30, 2000, one customer accounted for approximately 14% of the Real-Time revenue and one customer accounted for approximately 47% of VOD revenue. There were no other customers in fiscal years 2002, 2001 and 2000 that accounted for more than 10% of revenue for either division. The following summarizes the operating income (loss) by segment for the years ended June 30, 2002, 2001 and 2000, respectively. Corporate costs include costs related to the offices of the Chief Executive Officer, Chief Financial Officer, General Counsel, Investor Relations and other administrative costs including annual audit and tax fees, board of director fees and similar costs.

CONCURRENT COMPUTER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (continued)

	Year ended June 30, 2002			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Revenues:				
Product sales	$ 21,601	$ 47,961	$ -	$ 69,562
Service and other	19,807	-	-	19,807
Total	41,408	47,961	-	89,369
Cost of sales:				
Product sales	8,586	24,629	-	33,215
Service and other	11,588	-	-	11,588
Total	20,174	24,629	-	44,803
Gross margin	21,234	23,332	-	44,566
Operating expenses				
Sales and marketing	6,877	9,521	586	16,984
Research and development	5,409	9,882	-	15,291
General and administrative	1,500	1,795	5,317	8,612
Total operating expenses	13,786	21,198	5,903	40,887
Operating income (loss)	$ 7,448	$ 2,134	$ (5,903)	$ 3,679

	Year ended June 30, 2001			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Revenues:				
Product sales	$ 25,740	$ 23,814	$ -	$ 49,554
Service and other	23,267	-	-	23,267
Total	49,007	23,814	-	72,821
Cost of sales:				
Product sales	14,102	13,091	-	27,193
Service and other	12,608	-	-	12,608
Total	26,710	13,091	-	39,801
Gross margin	22,297	10,723	-	33,020
Operating expenses				
Sales and marketing	7,548	8,007	557	16,112
Research and development	3,493	8,086	-	11,579
General and administrative	1,748	2,635	6,537	10,920
Total operating expenses	12,789	18,728	7,094	38,611
Operating income (loss)	$ 9,508	$ (8,005)	$ (7,094)	$ (5,591)

	Year ended June 30, 2000			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Revenues:				
Product sales	$ 27,122	$ 11,952	$ -	$ 39,074
Service and other	29,016	-	-	29,016
Total	56,138	11,952	-	68,090
Cost of sales:				
Product sales	12,345	7,766	-	20,111
Service and other	16,236	-	-	16,236
Total	28,581	7,766	-	36,347
Gross margin	27,557	4,186	-	31,743
Operating expenses				
Sales and marketing	11,942	8,040	329	20,311
Research and development	4,173	5,602	-	9,775
General and administrative	1,879	1,861	5,537	9,277
Cost of purchased in-process research and development	-	14,000	-	14,000
Relocation and restructuring	1,208	1,159	-	2,367
Total operating expenses	19,202	30,662	5,866	55,730
Operating income (loss)	$ 8,355	$ (26,476)	$ (5,866)	$ (23,987)

Summarized financial information for fiscal year 2002, 2001 and 2000, respectively, is as follows:

	As of and for the year ended June 30, 2002			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Net sales	$ 41,408	$ 47,961	$ -	$ 89,369
Operating income (loss)	$ 7,448	$ 2,134	$ (5,903)	$ 3,679
Identifiable assets	$ 18,415	$ 54,198	$ 26,075	$ 98,688
Depreciation and amortization	$ 2,289	$ 2,409	$ 310	$ 5,008
Capital expenditures	$ 1,332	$ 3,122	$ 68	$ 4,522

	As of and for the year ended June 30, 2001			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Net sales	$ 49,007	$ 23,814	$ -	$ 72,821
Operating income (loss)	$ 9,508	$ (8,005)	$ (7,094)	$ (5,591)
Identifiable assets	$ 19,179	$ 31,880	$ 5,993	$ 57,052
Depreciation and amortization	$ 2,631	$ 2,746	$ 618	$ 5,995
Capital expenditures	$ 978	$ 2,536	$ 247	$ 3,761

	As of and for the year ended June 30, 2000			
	Real-Time	VOD	Corporate	Total
	(Dollars in thousands)			
Net sales	$ 56,138	$ 11,952	$ -	$ 68,090
Operating income (loss)	$ 8,355	$ (26,476)	$ (5,866)	$ (23,987)
Identifiable assets	$ 22,610	$ 28,909	$ 5,559	$ 57,078
Depreciation and amortization	$ 3,071	$ 2,259	$ 815	$ 6,145
Capital expenditures	$ 1,252	$ 2,286	$ 823	$ 4,361

17. Employee Stock Plans

Concurrent has Stock Option Plans providing for the grant of incentive stock options to employees and non-qualified stock options to employees, non-employee directors and consultants. The Stock Option Plans are administered by the Stock Award Committee which is comprised of members of the Compensation Committee of the Board of Directors or the Board of Directors, as the case may be. Under the plans, the Stock Award Committee may award, in addition to stock options, shares of Common Stock on a restricted basis. The plan also specifically provides for stock appreciation rights and authorizes the Stock Award Committee to provide, either at the time of the grant of an option or otherwise, that the option may be cashed out upon terms and conditions to be determined by the Committee or the Board. No stock appreciation rights have been granted during the years ended June 30, 2002, 2001, and 2000. Options issued under the Stock Option Plans generally vest over four years and are exercisable for ten years from the grant date. The Company's 1991 Restated Stock Option Plan was terminated on October 31, 2001 and was replaced with the 2001 Stock Option Plan that became effective November 1, 2001. As of November 1, 2001 there were no options for shares of Common Stock available for future grant under the 1991 Restated Stock Option Plan. The 2001 Stock Option Plan terminates on October 31, 2011. Stockholders have authorized the issuance of up to 15,825,000 shares under these plans.

Changes in options outstanding under the plan during the years ended June 30, 2002, 2001, and 2000 are as follows:

	2002		2001		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	5,388,161	$ 6.00	5,681,521	$ 4.28	7,190,969	$ 2.56
Granted	1,750,000	$ 8.23	1,049,600	$12.03	1,763,419	$ 7.60
Exercised	(1,105,089)	$ 3.21	(1,140,333)	$ 3.17	(3,127,306)	$ 2.23
Forfeited	(229,928)	$ 8.35	(202,627)	$ 4.96	(145,561)	$ 3.91
Outstanding at year end	5,803,144	$ 7.11	5,388,161	$ 6.00	5,681,521	$ 4.28
Options exercisable at year end	3,149,444		2,638,708		2,600,401	
Weighted average fair value of options granted during the year	$ 8.05		$11.91		$ 5.62	

The weighted-average assumptions used for the years ended June 30, 2002, 2001 and 2000 were: expected dividend yield of 0% for all periods; risk-free interest rate of 4.3%, 5% and 5%; expected life of 6 years, 6 years and 4 years; and an expected volatility of 184%, 206%, and 106%.

The following table summarizes information about stock options outstanding and exercisable at June 30, 2002:

	Outstanding Options			Options Exercisable	
Range of Exercise Prices	Weighted Average Remaining Contractual Life	At June 30, 2002	Weighted Average Exercise Price	At June 30, 2002	Weighted Average Exercise Price
\$ 0.37 - \$ 0.99	5.17	232,166	\$ 0.37	232,166	\$ 0.37
\$ 1.00 - \$ 1.99	4.26	114,738	1.54	114,738	1.54
\$ 2.00 - \$ 2.99	4.98	1,315,567	2.47	1,315,567	2.47
\$ 3.00 - \$ 3.99	5.82	1,000	3.44	1,000	3.44
\$ 4.00 - \$ 4.99	6.66	298,000	4.41	298,000	4.41
\$ 5.00 - \$ 5.99	8.64	685,249	5.04	267,124	5.04
\$ 6.00 - \$ 6.99	9.68	672,334	6.83	31,252	6.55
\$ 7.00 - \$ 7.99	8.63	167,934	7.11	50,734	7.03
\$ 8.00 - \$ 8.99	7.15	170,489	8.00	94,414	8.00
\$ 9.00 - \$ 9.99	9.07	2,000	9.26	-	-
\$10.00 - \$10.99	7.37	508,500	10.13	319,007	10.12
\$11.00 - \$11.99	9.10	567,000	11.06	27,000	11.06
\$12.00 - \$12.99	8.28	838,667	12.38	260,934	12.37
\$13.00 - \$13.99	7.65	20,000	13.75	13,334	13.75
\$14.00 - \$14.99	9.41	32,000	14.10	-	-
\$15.00 - \$15.99	9.45	10,000	15.92	-	-
\$17.00 - \$17.99	8.19	25,000	17.83	8,334	17.83
\$18.00 - \$18.99	7.91	127,500	18.53	107,506	18.53
\$19.00 - \$19.99	7.88	15,000	19.48	8,334	19.54
	7.42	5,803,144	\$ 7.11	3,149,444	\$ 5.31

Concurrent applies APB Opinion 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. Had Concurrent determined compensation cost based on the fair value at the grant date for its stock options under SFAS 123, Concurrent's net income (loss) and net income (loss) per share would have been increased to the pro forma amounts indicated below:

	Year ended June 30,		
	2002	2001	2000
	(Dollars in thousands, except per share amounts)		
Net income (loss)			
As reported	$ 4,383	$ (6,189)	$(23,715)
Pro forma	$ (6,214)	$(14,546)	$(28,431)
Net income (loss) per share - basic			
As reported	$ 0.07	$ (0.11)	$ (0.46)
Pro forma	$ (0.10)	$ (0.27)	$ (0.55)
Net income (loss) per share - diluted			
As reported	$ 0.07	$ (0.11)	$ (0.46)
Pro forma	$ (0.10)	$ (0.27)	$ (0.55)

18. Issuance and Accrual of Non-Cash Warrants

On March 29, 2001, Concurrent entered into a definitive purchase agreement with Comcast Cable, providing for the purchase of VOD equipment. As part of that agreement Concurrent agreed to issue three different types of warrants.

Concurrent issued warrants to purchase 50,000 shares of its Common Stock on March 29, 2001, exercisable at $5.196 per share over a four year term. These warrants are referred to as the "Initial Warrants". Concurrent has recognized $224,000 in the consolidated statements of operations for the year ended June 30, 2001 as a reduction to revenue for the value of these warrants.

Concurrent is also generally obligated to issue new warrants to purchase shares of its Common Stock to Comcast at the end of each quarter through March 31, 2004, based upon specified performance goals which are measured by the number of Comcast basic cable subscribers that have the ability to utilize the VOD service. The incremental number of subscribers that have access to VOD at each quarter end as compared to the prior quarter end multiplied by a specified percentage is the number of additional warrants that were earned during the quarter. These warrants are referred to as the "Performance Warrants". Concurrent issued to Comcast a performance warrant for 4,431 shares on October 9, 2001, exercisable at $6.251 per share over a four-year term and a performance warrant for 52,511 shares on January 15, 2002, exercisable at $15.019 per share over a four-year term. Concurrent will also issue to Comcast a performance warrant for 1,502 shares during the first quarter of fiscal 2003 for warrants that were earned during the quarter ended June 30, 2002.

The resale of the shares issuable upon exercise of the warrants to purchase 50,000 shares and 4,431 shares were registered under a registration statement filed with the Securities and Exchange Commission and declared effective on November 20, 2001.

Concurrent will also issue additional warrants to purchase shares of its Common Stock, if at the end of any quarter the then total number of Comcast basic cable subscribers with the ability to utilize the VOD system exceeds specified threshold levels. These warrants are referred to as the "Cliff Warrants".

Concurrent is recognizing the value of the Performance Warrants and the Cliff Warrants over the term of the agreement as Comcast purchases additional VOD servers from Concurrent and makes the service available to its customers. Concurrent has recognized $398,000 and $433,000 in the consolidated statements of operations for the years ended June 30, 2002 and 2001, respectively, as a reduction to revenue for the value of the Performance Warrants and Cliff Warrants that have been earned.

The value of the warrants is determined using the Black-Scholes valuation model. The weighted-average assumptions used for the years ended June 30, 2002 and 2001were: expected dividend yield of 0% for both periods; risk-free interest rate of 3.7% and 5.0%, respectively; expected life of 4 years in both periods; and an expected volatility of 117% and 138%, respectively. Concurrent will adjust the value of the earned but unissued warrants on a quarterly basis using the Black-Scholes valuation model until the warrants are actually issued. The value of the new warrants earned and any adjustments in value for warrants previously earned will be determined using the Black-Scholes valuation model and recognized as part of revenue on a quarterly basis.

The exercise price of the warrants is subject to adjustment for stock splits, combinations, stock dividends, mergers, and other similar recapitalization events. The exercise price is also subject to adjustment for issuance of additional equity securities at a purchase price less than the then current fair market value of Concurrent's Common Stock. Based on the information that is currently available, Concurrent does not expect the warrants to be issued to Comcast to exceed 1% of its outstanding shares of Common Stock over the term of the agreement. The exercise price of the warrants to be issued to Comcast will equal the average closing price of Concurrent's Common Stock for the 30 trading days prior to the applicable warrant issuance date and will be exercisable over a four-year term.

On May 20, 1998, Concurrent entered into a Letter of Intent ("LOI") with Scientific-Atlanta, Inc. ("SAI") providing for the joint development and marketing of a video-on-demand system to cable network operators. A five-year definitive agreement was signed on August 17, 1998. In exchange for SAI's technical and marketing contributions, Concurrent issued warrants for 2 million shares of its Common Stock, exercisable at $5 per share for four years from the date of issuance at which time the warrants expire, if not already exercised.

The LOI between Concurrent and SAI is broken into three phases:

Phase I	Technical/Commercial Evaluation and Definitive Agreement
Phase II	Initial Development and Video-on-Demand Field Demonstration System
Phase III	Commercial Deployment

During Phase I, either party could terminate the negotiations at any time. In June 1998, the parties moved to Phase II and pursuant to the provisions of SFAS 123, Concurrent recorded a charge of $1.6 million representing the fair value of the underlying stock using the Black-Scholes valuation model for the warrants to purchase 2 million shares of Concurrent's stock. The weighted assumptions used were: expected dividend yield 0%, risk-free interest rate of 5.0%, expected life of 4.01years and an expected volatility of 35%.

The LOI further stipulates that Concurrent is required to issue additional warrants to SAI upon achievement of pre-determined revenue targets. These warrants are to be issued with a strike price of a 15% discount to the then current market price. The maximum number of additional warrants that could be issued under this agreement is 8 million upon achieving the revenue targets. Concurrent issued warrants to purchase 261,164 shares of its Common Stock on April 1, 2002, exercisable at $7.106 per share over a four-year term. Concurrent has recognized charges of $1,825,000, $398,000 and $322,000 in the consolidated statements of operations for the years ended June 30, 2002, 2001 and 2000, respectively, representing the fair market value of the warrants earned during each year.

19. Rights Plan

On July 31, 1992, the Board of Directors of Concurrent declared a dividend distribution of one Series A Participating Cumulative Preferred Right for each share of Concurrent's Common Stock. The dividend was made to stockholders of record on August 14, 1992. On August 7, 2002, the Rights Agreement creating these Rights was extended for another 10 years to August 14, 2012 and American Stock Transfer & Trust Company was appointed as the successor rights agent pursuant to an Amended and Restated Rights Agreement. Under the Rights Agreement, each Right becomes exercisable when any person or group acquires 15% of Concurrent's common stock. Such an event triggers the rights plan and entitles each right holder to purchase from Concurrent one one-hundredth of a share of Series A Participating Cumulative Preferred Stock at a cash price of $30 per right.

Under certain circumstances each holder of a Right upon exercise of such Right will receive, in lieu of Series A Participating Cumulative Preferred Stock common stock of Concurrent or its equivalent, or common stock of the acquiring entity, in each case having a value of two times the exercise price of the Right. The Rights will expire on August 14, 2012 unless earlier exercised or redeemed, or earlier termination of the plan.

20. Concentration of Risk

A summary of Concurrent's financial data by geographic area follows:

	Year ended June 30, 2002	2001	2000
	(Dollars in thousands)		
Net sales:			
United States	$ 76,352	$ 55,400	$ 44,049
Intercompany	3,528	3,310	4,828
	79,880	58,710	48,877
Europe	6,650	7,572	12,545
Intercompany	-	-	34
	6,650	7,572	12,579
Asia/Pacific	5,899	9,128	10,399
Intercompany	-	-	21
	5,899	9,128	10,420
Other	468	721	1,097
	92,897	76,131	72,973
Eliminations	(3,528)	(3,310)	(4,883)
Total	$ 89,369	$ 72,821	$ 68,090
Operating income (loss):			
United States	$ 5,734	$ (5,608)	$(23,278)
Europe	(1,711)	(448)	(1,084)
Asia/Pacific	(453)	155	47
Other	59	174	308
Eliminations	50	136	20
Total	$ 3,679	$ (5,591)	$(23,987)

	June 30,	
	2002	2001
	(Dollars in thousands)	
Identifiable assets:		
United States	$ 124,849	$ 82,702
Europe	11,571	10,138
Asia/Pacific	11,263	12,919
Other	774	474
Eliminations	(49,769)	(49,181)
Total	$ 98,688	$ 57,052

Intercompany transfers between geographic areas are accounted for at prices similar to those available to comparable unaffiliated customers. Sales to unaffiliated customers outside the U.S., including U.S. export sales, were $13,433,000, $18,354,000 and $24,585,000 for the years ended June 30, 2002, 2001 and 2000, respectively, which amounts represented 15%, 25% and 36% of total sales for the respective fiscal years.

Sales to the U.S. Government and its agencies amounted to approximately $19,723,000, $16,063,000 and $18,455,000 for the years ended June 30, 2002, 2001 and 2000, respectively, which amounts represented 22%, 22% and 27% of total sales for the respective fiscal years. Sales to three commercial customers amounted to $27,364,000 or 31% of total sales, $11,507,000 or 13% of total sales, and $10,524,000 or 12% of total sales, respectively, for the year ended June 30, 2002. Sales to two commercial customers amounted to approximately $8,962,000 or 12% of total sales and $8,072,000 or 11% of total sales, respectively, for the year ended June 30, 2001. Sales to one commercial customer amounted to $7,934,000 or 12% of total sales for the year ended June 30, 2000. There were no other customers during fiscal years 2002, 2001 or 2000 representing more than 10% of total revenues.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising Concurrent's customer base. Ongoing credit evaluations of customers' financial condition are performed and collateral is generally not required. There were two customers that accounted for $12,654,000 or 51% of total trade receivables and $3,468,000 or 14% of total trade receivables at June 30, 2002. There were two customers that accounted for $3,754,000 or 25% of total trade receivables and $1,586,000 or 10% of total trade receivables at June 30, 2001.

21. Quarterly Consolidated Financial Information (Unaudited)

The following is a summary of quarterly financial results for the years ended June 30, 2002 and 2001:

	Three Months Ended			
	September 30, 2001	**December 31, 2001**	**March 31, 2002**	**June 30, 2002**
2002	**(Dollars in thousands, except per share amounts)**			
Net sales	$ 14,102	$ 22,481	$ 25,028	$ 27,758
Gross margin	$ 6,460	$ 10,080	$ 12,761	$ 15,265
Operating income (loss)	$ (3,064)	$ 62	$ 2,361	$ 4,320
Net income (loss)	$ (3,010)	$ 56	$ 2,304	$ 5,033
Net income (loss) per share - basic	$ (0.05)	$ 0.00	$ 0.04	$ 0.08
Net income (loss) per share - diluted	$ (0.05)	$ 0.00	$ 0.04	$ 0.08

	Three Months Ended			
	September 30, 2000	**December 31, 2000**	**March 31, 2001**	**June 30, 2001**
2001	**(Dollars in thousands, except per share amounts)**			
Net sales	$ 16,312	$ 14,533	$ 22,081	$ 19,895
Gross margin	$ 7,591	$ 6,662	$ 10,210	$ 8,557
Operating income (loss)	$ (1,580)	$ (3,997)	$ 675	$ (689)
Net income (loss)	$ (1,794)	$ (4,158)	$ 571	$ (808)
Net income (loss) per share - basic	$ (0.03)	$ (0.08)	$ 0.01	$ (0.01)
Net income (loss) per share - diluted	$ (0.03)	$ (0.08)	$ 0.01	$ (0.01)

22. Commitments and Contingencies

Concurrent leases certain sales and service offices, warehousing, and equipment under various operating leases. The leases expire at various dates through 2007 and generally provide for the payment of taxes, insurance and maintenance costs. Additionally, certain leases contain escalation clauses which provide for increased rents resulting from the pass through of increases in operating costs, property taxes and consumer price indexes.

At June 30, 2002, future minimum lease payments for the years ending June 30 are as follows:

	Capital Leases	Operating Leases	Total
		(Dollars in thousands)	
2003	$ 101	$2,742	$2,843
2004	101	2,198	2,299
2005	51	1,835	1,886
2006	-	1,267	1,267
2007	-	1,119	1,119
Thereafter	-	287	287
	253	$9,448	$9,701
Amount representing interest	(26)		
Present value of minimum capital lease payments	$ 227		

Rent expense under all operating leases amounted to $3,612,000, $3,406,000 and $3,906,000 for the years ended June 30, 2002, 2001 and 2000, respectively.

Concurrent, from time to time, is involved in litigation incidental to the conduct of its business. Concurrent believes that such pending litigation will not have a material adverse effect on Concurrent's results of operations or financial condition.

Pursuant to the terms of the employment agreements with the executive officers of Concurrent, employment may be terminated by either Concurrent or the respective executive officer at any time. In the event the executive officer voluntarily resigns (except as described below) or is terminated for cause, compensation under the employment agreement will end. In the event an agreement is terminated directly by Concurrent without cause or in certain circumstances constructively by Concurrent, the terminated employee will receive severance compensation for a one-year period, in an annualized amount equal to the respective employee's base salary then in effect. At June 30, 2002, the maximum contingent liability under these agreements is approximately $2.0 million. Concurrent's employment agreements with certain of its officers contain certain offset provisions, as defined in their respective agreements.

23. New Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 establishes financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The liability is accreted to its present value each period while the cost is depreciated over its useful life. Concurrent will adopt SFAS 143 for our fiscal year beginning July 1, 2002. Management believes the adoption of the provisions of this statement will not have a material impact on Concurrent's consolidated financial statements.

In October 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived

Assets" ("SFAS 144"), which superseded the accounting and reporting provisions of SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), and APB Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB 30"). Concurrent will adopt SFAS 144 for our fiscal year beginning July 1, 2002. Management believes the adoption of the provisions of this statement will not have a material impact on Concurrent's consolidated financial statements. Through the end of fiscal 2002, Concurrent evaluated long-lived assets for impairment in accordance with SFAS 121.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operation, plant closing, or other exit or disposal activity. This statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. Management believes the adoption of the provisions of this statement will not have a material effect on Concurrent's consolidated financial statements.

SCHEDULE II

CONCURRENT COMPUTER CORPORATION

VALUATION AND QUALIFYING ACCOUNTS
For The Years Ended June 30, 2002, 2001 and 2000
(Dollars in thousands)

Description	Balance At Beginning Of Year	Charged To Costs And Expenses	Deductions (a)	Other	Balance At End Of Year
Reserves and allowances deducted from asset accounts:					
2002					
Reserve for inventory obsolescence and shrinkage	$3,481	$343	$(548)	$ -	$3,276
Allowance for doubtful accounts	860	484	(379)	-	965
Warranty accrual	977	1,918	(623)	-	2,272
2001					
Reserve for inventory obsolescence and shrinkage	$4,034	$1,712	$(2,265)	$ -	$3,481
Allowance for doubtful accounts	484	590	(214)	-	860
Warranty accrual	668	780	(471)	-	977
2000					
Reserve for inventory obsolescence and shrinkage	$4,568	$ 550	$(1,084)	$ -	$4,034
Allowance for doubtful accounts	418	289	(223)	-	484
Warranty accrual	-	668	-	-	668

(a) Charges and adjustments to the reserve accounts for write-offs and credits issued during the year.

CERTIFICATIONS

I, Jack A. Bryant, certify that:

1. I have reviewed this annual report on Form 10-K of Concurrent Computer Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date:_______________________

____
Jack A. Bryant
President and Chief Executive Officer

I, Steven R. Norton, certify that:

1. I have reviewed this annual report on Form 10-K of Concurrent Computer Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report; and

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.

Date:_______________________

____
Steven R. Norton
Executive Vice President, Chief Financial Officer and Secretary

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK