CONCURRENT COMPUTER CORP/DE
Form 10-Q/A
July 16, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

X --- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarter Ended December 31, 1999

or

--- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period from ____ to ____

Commission File No. 0-13150

CONCURRENT COMPUTER CORPORATION

Delaware	04-2735766
(State of Incorporation)	(I.R.S. Employer Identification No.)

4375 River Green Parkway, Duluth, GA 30096
Telephone: (678) 258-4000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X --- No ---

Number of shares of the Registrant's Common Stock, par value $0.01 per share, outstanding as of February 10, 2000 was 53,450,954.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONCURRENT COMPUTER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1999	1998	1999	1998
	(UNAUDITED)		(UNAUDITED)	
	Restated (see Note 11)		Restated (see Note 11)	
Net sales:				
Computer systems	$ 9,458	$ 9,068	$ 17,062	$15,796
Service and other	7,464	10,113	15,544	20,259
Total	16,922	19,181	32,606	36,055
Cost of sales:				
Computer systems	5,043	4,244	8,833	7,258
Service and other	4,126	5,103	8,380	10,214
Total	9,169	9,347	17,213	17,472
Gross margin	7,753	9,834	15,393	18,583
Operating expenses:				
Selling, general and administrative	8,004	6,750	14,160	12,583
Research and development	2,409	2,545	4,631	5,249
In-process computer software technology	14,000	-	14,000	-
Relocation and restructuring	-	-	2,367	-
Total operating expenses	24,413	9,295	35,158	17,832
Operating income (loss)	(16,660)	539	(19,765)	751
Interest income (expense) - net	73	(30)	83	(56)
Other non-recurring income (expense)	-	341	761	(88)
Other income (expense) - net	(38)	151	(105)	(32)
Income (loss) before provision for income taxes	(16,625)	1,001	(19,026)	575
Provision for income taxes	150	86	300	86
Net income (loss) available to common shareholders	$(16,775)	$ 915	$(19,326)	$ 489
Basic and diluted net income (loss) per share	$ (0.33)	$ 0.02	$ (0.38)	$ 0.01

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

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CONCURRENT COMPUTER CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	DEC. 31, 1999	JUNE 30, 1999
ASSETS	(UNAUDITED)	
	Restated (see Note 11)	
Current assets:		
Cash and cash equivalents	$ 7,952	$ 6,872
Accounts receivable - net	14,769	14,879
Inventories	4,383	4,641
Prepaid expenses and other current assets	706	1,053
Total current assets	27,810	27,445
Property, plant and equipment - net	11,474	10,936
Facilities held for sale	-	1,223
Purchased developed computer software	1,868	-
Goodwill	12,601	-
Other long-term assets	1,898	965
Total assets	$ 55,651	$ 40,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 9,327	$ 8,973
Deferred revenue	2,536	3,778
Total current liabilities	11,863	12,751
Other long-term liabilities	1,827	1,807
Total liabilities	13,690	14,558
Stockholders' equity:		
Common stock	532	485
Capital in excess of par value	134,038	98,916
Accumulated deficit after eliminating accumulated deficit of $81,826 at December 31, 1991, date of quasi-reorganization	(92,182)	(72,856)
Treasury stock	(58)	(58)
Cumulative translation adjustment	(369)	(476)
Total stockholders' equity	41,961	26,011
Total liabilities and stockholders' equity	$ 55,651	$ 40,569

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS.

CONCURRENT COMPUTER CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	SIX MONTHS ENDED DECEMBER 31, 1999	1998
	Restated (see Note 11)	(UNAUDITED)
OPERATING ACTIVITIES:		
Net income (loss)	$(19,326)	$ 489
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Write-off of in-process software technology	14,000	-
Loss on dissolution of subsidiary	-	429
Depreciation, amortization and other	2,901	2,551
Other non-cash expenses	647	12
Changes in operating assets and liabilities:		
Accounts receivable	186	1,592
Inventories	8	75
Prepaid expenses and other current assets	(179)	(433)
Other long-term assets	(569)	98
Accounts payable and accrued expenses	220	(769)
Deferred revenue	(1,242)	(2,455)
Other long-term liabilities	20	197
Total adjustments to net income (loss)	15,992	1,297
Net cash provided by (used in) operating activities	(3,334)	1,786
INVESTING ACTIVITIES:		
Net additions to property, plant and equipment	(2,168)	(2,238)
Proceeds from sale of facility	1,223	-
Other	76	-
Net cash used in investing activities	(869)	(2,238)
FINANCING ACTIVITIES:		
Payments of notes payable	-	(5)
Proceeds from borrowings under revolving credit facility	-	28,054
Repayments of borrowings under revolving credit facility	-	(28,255)
Proceeds from sale and issuance of common stock	5,352	390
Net cash provided by financing activities	5,352	184
Effect of exchange rates on cash and cash equivalents	(69)	312
Increase in cash and cash equivalents	1,080	44
Cash and cash equivalents at beginning of period	6,872	5,733

Cash and cash equivalents at end of period.	$ 7,952	$ 5,777
Cash paid during the period for:		
Interest.	$ 113	$ 148
Income taxes (net of refunds)	$ 70	$ 318

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

CONCURRENT COMPUTER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Concurrent Computer Corporation ("Concurrent" or the "Company") have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. The foregoing financial information is unaudited but reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the periods presented. All such adjustments are of a normal recurring nature.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes included in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

The results of interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

2. BASIC AND DILUTED LOSS PER SHARE

Basic income (loss) per share is computed by dividing income (loss) by the weighted average number of common shares outstanding during each year. Diluted income (loss) per share is computed by dividing income (loss) by the weighted average number of shares including potential common shares issuable. 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.

The number of shares used in computing basic and diluted loss per share for the three months ended December 31, 1999 and the six months ended December 31, 1999 was 51,560,000 and 50,262,000, respectively. Because of the losses for these periods, the potential common shares issuable are anti-dilutive and are not considered in the diluted EPS calculations. The number of shares used in computing basic and diluted EPS for the three months ended December 31, 1998 was 47,852,000 and 49,214,000, respectively. The number of shares used in computing basic and diluted EPS for the six months ended December 31,1998 was 47,763,000 and 49,220,000, respectively.

3. INVENTORIES

Inventories are valued at the lower of cost or market, with cost being determined by using the first-in, first-out ("FIFO") method. The components of inventories are as follows:

(DOLLARS IN THOUSANDS)

	DEC. 31, 1999	JUNE 30, 1999
Raw materials .	$ 3,185	$ 3,103
Work-in-process	891	1,175
Finished goods.	307	363
	$ 4,383	$ 4,641

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The components of accounts payable and accrued expenses are as follows:

(DOLLARS IN THOUSANDS)

	DEC. 31, 1999	JUNE 30, 1999
Accounts payable, trade . . .	$ 3,020	$ 2,941
Accrued payroll, vacation and other employee expenses . .	3,599	4,314
Restructuring reserve	667	90
Other accrued expenses. . . .	2,041	1,628
	$ 9,327	$ 8,973

5. COMPREHENSIVE INCOME

Effective July 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS No. 130"). FAS No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income 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. The Company's total comprehensive income is as follows:

(DOLLARS IN THOUSANDS)	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1999	1998	1999	1998
Net income (loss)	$(16,775)	$ 915	$(19,326)	$ 489
Other comprehensive income (loss):				
Foreign currency translation gains (losses)	(305)	247	107	1,067
Total comprehensive income (loss)	$(17,080)	$1,162	$(19,219)	$1,556

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6. SEGMENT INFORMATION

The Company operates its business in two reportable segments: real-time and video-on-demand ("VOD"). Its real-time segment 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 VOD segment is a leading supplier of digital video server systems to a wide range of industries serving a variety of markets, including the broadband/cable, hospitality, intranet/distance learning, and other related markets.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the consolidated financial statements and related footnotes for the fiscal year ended June 30, 1999 included in the Company's Annual Report on Form 10-K. Shared expenses are primarily allocated based 50 percent on revenues and 50 percent on headcount. There were no material intersegment sales or transfers. The following summarizes the operating income (expense) by segment for the quarter ended December 31, 1999:

	THREE MONTHS ENDED DECEMBER 31, 1999			SIX MONTHS ENDED DECEMBER 31, 1999		
	REAL-TIME	VOD	TOTAL	REAL-TIME	VOD	
Revenue.	$ 14,802	$ 2,120	$ 16,922	$ 29,397	$ 3,209	$
Cost of sales.	7,476	1,693	9,169	14,775	2,438	
Gross margin	7,326	427	7,753	14,622	771	
Selling, general and administrative.	4,670	3,334	8,004	8,640	5,520	
Research and development	962	1,447	2,409	2,175	2,456	
In-process computer software technology	-	14,000	14,000	-	14,000	
Relocation and restructuring	-	-	-	1,208	1,159	

Total operating expenses	5,632	18,781	24,413	12,023	23,135	--
Operating income (expense)	$ 1,694	$(18,354)	$(16,660)	$ 2,599	$(22,364)	$(

It is impracticable to attain comparable information for the quarter and six months ended December 31, 1998.

7. RESTRUCTURING AND RELOCATION

In August 1999, the Company relocated its Corporate Headquarters and its VOD Division to Duluth, Georgia. In connection with this move, the Company incurred employee relocation costs of $769,000, which is recorded as an operating expense in the condensed consolidated statement of operations for the quarter ended September 30, 1999.

In addition to the relocation discussed above, management decided in the first quarter to "right-size" the Real-Time Division to bring its expenses in line with its anticipated revenues. In connection with these events, the Company recorded a $1.6 million restructuring provision as on operating expense in quarter ended September 30, 1999. This expense represents workforce reductions of approximately 38 employees in all areas of the Company. Cash expenditures of $0.4 million and $0.5 million were made against this provision in the first and second quarters, respectively, leaving a $0.7 million restructuring accrual at December 31, 1999.

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8. DISSOLUTION OF SUBSIDIARY

During the quarter ended September 30, 1998, the Company dissolved its subsidiary Concurrent Computer Corporation France (the "French Branch"). In connection with the dissolution, all assets and liabilities of the French Branch were assumed by the Company. A loss of $429,000, representing the write off of the French Branch's cumulative translation adjustment, was recorded as other non-recurring charges in the condensed consolidated statement of operations. The Company continues to operate a French Subsidiary, Concurrent Computer Corporation S.A.

9. SALE OF SUBSIDIARY

On September 8, 1999, the Company 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 in other non-recurring items in the condensed consolidated statement of operations in the quarter ended September 30, 1999.

10. ACQUISITION OF VIVID TECHNOLOGY

On October 28, 1999, the Company acquired Vivid Technology ("Vivid") for total consideration of $29.4 million, consisting of 2,233,689 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	Life
Working Capital.	$ 72	
Fixed Assets	257	
Other Long-Term Assets	13	
Developed Completed Computer Software Technology	1,900	10 yrs
Employee Workforce	400	3 yrs
Goodwill	12,808	10 yrs
In-Process Computer Software Technology.	14,000	

Amortization of intangible assets is on a straight line basis over the assets' estimated useful life. 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 Statement of Financial Accounting Standards ("SFAS") No. 2 and was expensed in the second quarter as a one-time charge.

Vivid's interactive video-on-demand system is specifically being designed to integrate with the most popular digital set-top boxes used by General Instruments Corporation. The system is also expected to be compatible with the digital set-top boxes used by other leading cable operators such as Philips, Panasonic, Sony, etc. Vivid's VOD server is 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 is being designed to eventually provide VOD service including pause, rewind, and fast forward VCR-like functions. The system will 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 is being designed to support other interactive applications such as on-line banking, home shopping, merchandising and on-demand/addressable advertising.

The in-process computer software technology 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 are yet to be completed which are required in order for the technology to become commercially acceptable in the VOD marketplace including the following:

- The Content Manager, which is used to load movies from studios, does 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 movie studios. Also, the Content Manager, which has been implemented using a SQL data base, will need to be ported to other relational data bases such as Oracle to support high end data base applications.
- The Resource Manager has been alpha tested; however, an advanced beta test

has 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 has been implemented using a SQL data base, will need to be ported to other relational data bases such as Oracle to support high end data base applications.
- The Set top VOD application will need 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, will need 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 has 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 are based upon the incremental revenues likely to be generated upon completion of the project and the beginning of commercial sales, as estimated by Company management. The projections assume that the product will be successful and the products' development and commercialization are as set forth by management. The discount rate used in this analysis is an after-tax rate of 28%.

Consistent with the Company's policy for internally developed software, the Company 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, the Company 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.

The following unaudited proforma information presents the results of operations of the Company as if the acquisition had taken place on July 1, 1998 and includes the one-time charge related to the write-off of the purchased IPR&D of $14 million:

	Six Months Ended Dec. 31, 1999	Six Months Ended Dec. 31, 1998
Revenues	$ 32,960	$ 36,455
Net income (loss).	(20,330)	(14,682)
Basic and Diluted Net Income (loss) Per Share.	$ (0.39)	$ (0.29)

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11. Restatement

Subsequent to the issuance of the Company's financial statements for the quarter ended December 31, 1999, management changed the measurement date used to value the shares issued in conjunction with the Company's acquisition of Vivid Technology in accordance with APB 16: Business Combinations. As a result, the financial statements as of December 31, 1999 and for the three and six month periods ended December 31, 1999 have been restated from the amounts previously reported.

	AS OF DECEMBER 31, 1999	
	AS PREVIOUSLY REPORTED	AS RESTATED
Goodwill, net	$ 3,101	$ 12,601
Capital in excess of par	124,384	134,038
Accumulated deficit	(92,028)	(92,182)

	THREE MONTHS ENDED DECEMBER 31, 1999	
	AS PREVIOUSLY REPORTED	AS RESTATED
Selling, general and administrative expenses	$ 7,850	$ 8,004
Operating loss	(16,506)	(16,660)
Loss before income taxes	(16,471)	(16,625)
Net loss	(16,621)	(16,775)
Net loss per share basic and diluted	$ (0.32)	$ (0.33)

	SIX MONTHS ENDED DECEMBER 31,1999	
	AS PREVIOUSLY REPORTED	AS RESTATED
Selling, general and administrative expenses	$ 14,006	$ 14,160
Operating loss	(19,611)	(19,765)
Loss before income taxes	(18,872)	(19,026)
Net loss	(19,172)	(19,326)
Net loss per share basic and diluted	$ (0.38)	$ (0.38)

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Subsequent to the issuance of the Company's financial statements for the quarter ended December 31, 1999, management changed the measurement date used to value the shares issued in conjunction with the Company's acquisition of Vivid Technology in accordance with APB 16: Business Combinations. As a result, the financial statements as of December 31, 1999 and for the three and six month periods ended December 31, 1999 have been restated from the amounts previously reported. The accompanying discussion and analysis gives effect to that restatement.

SELECTED OPERATING DATA AS A PERCENTAGE OF NET SALES

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1999	1998	1999	1998
Net sales:				
Computer systems	55.9%	47.3%	52.3%	43.8%
Service and other.	44.1	52.7	47.7	56.2
Total.	100.0	100.0	100.0	100.0
Cost of sales (% of respective sales category):				
Computer systems	53.3	46.8	51.8	45.9
Service and other.	55.3	50.5	53.9	50.4
Total.	54.2	48.7	52.8	48.5
Gross margin	45.8	51.3	47.2	51.5
Operating expenses:				
Selling, general and administrative.	47.3	35.2	43.4	34.9
Research and development	14.2	13.3	14.2	14.6
In process computer software technology. . . .	82.7	-	42.9	-
Relocation and restructuring	-	-	7.3	-
Total operating expenses	144.3	48.5	107.8	49.5
Operating income (loss)	(98.5)	2.8	(60.6)	2.1
Interest income (expense) - net.	0.4	(0.2)	0.3	(0.2)
Other non-recurring income (expense)	-	1.8	2.3	(0.2)
Other income (expense) - net	(0.2)	0.8	(0.3)	(0.1)
Income (loss) before provision for income taxes.	(97.3)	5.2	(57.9)	1.6
Provision for income taxes	0.9	0.4	0.9	0.2
Net income (loss).	(99.1)%	4.8%	(59.3)%	1.4%

RESULTS OF OPERATIONS

THE QUARTER ENDED DECEMBER 31, 1999 COMPARED WITH THE QUARTER ENDED DECEMBER 31, 1998.

Net product sales were $9.5 million for the quarter ended December 31, 1999 as compared with $9.1 million for the quarter ended December 31, 1998. This increase relates to sales of VOD product, which increased from $0.2 million in the quarter ended December 31, 1998 to $2.1 million in the current quarter. The increase in product sales reverses a trend of declining Real-Time product sales the Company has experienced for a number of years. The expansion of the VOD business, coupled with a renewed focus on real-time products in existing and new markets account for the improved results, despite declining sales of proprietary systems and the lower selling price of open systems as compared with proprietary products.

Service revenues decreased from $10.1 million in the quarter ended December 31, 1998 to $7.5 million in the quarter ended December 31, 1999, continuing the decline experienced over the past years as customers move from proprietary systems to open systems which require less maintenance.

Gross Margin decreased by $2.1 million to $7.8 million for the three months ended December 31, 1999 as compared to $9.8 million for the quarter ended December 31, 1998. The gross margin as a percentage of sales decreased from 51.3% in the quarter ended December 31, 1998 to 45.8% in the current quarter which is primarily due to the first large scale commercial deployment of a VOD system in the cable television industry during the current quarter.

Operating Income (Loss) decreased $17.2 million to a loss of $16.7 million in the current quarter as compared with a profit of $0.5 million in the quarter ended December 31, 1998. This decrease is primarily due a $14.0 million write-off of in-process computer software technology in connection with the acquisition of Vivid Technology (see Note 10 to the financial statements) and the inclusion of Vivid Technology's operating expenses in the current quarter with only a nominal increase in revenue.

Net Income (Loss) decreased $17.7 million from an income of $0.9 million in the quarter ended December 31, 1998 to a loss of $16.8 million in the current quarter. The decrease is primarily due to the decrease in operating income discussed above.

THE SIX MONTHS ENDED DECEMBER 31, 1999 COMPARED WITH THE SIX MONTHS ENDED DECEMBER 31, 1998.

Net product sales were $17.1 million for the six months ended December 31, 1999 as compared with $15.8 million for the six months ended December 31, 1998. This increase relates to sales of VOD product, which increased from $0.2 million in the six months ended December 31, 1998 to $3.2 million in the current six-month period. The increase in VOD product sales was partially offset by a decline in sales of real-time products of $1.7 million resulting from declining sales of proprietary systems and the lower selling price of open systems as compared with proprietary products.

Service revenues decreased from $20.3 million in the six months ended December 31, 1998 to $15.5 million in the six months ended December 31, 1999,

continuing the decline experienced over the past years as customers move from proprietary systems to open systems which require less maintenance.

Gross Margin decreased by $3.2 million to $15.4 million for the six months ended December 31, 1999 as compared to $18.6 million for the six months ended December 31, 1998. The gross margin as a percentage of sales decreased from 51.5% in the six months ended December 31, 1998 to 47.2% in the current six-month period which is primarily due to the lower margin realized in the very early stages of the VOD business.

Operating Income (Loss) decreased $20.6 million to a loss of $19.8 million in the current six-month period as compared with a profit of $0.8 million in the six months ended December 31, 1998. This decrease is primarily due to a $14.0 million write-off of in-process computer software technology in connection with the acquisition of Vivid Technology (see Note 10 to the financial statements), the inclusion of Vivid Technology's operating expenses in the current quarter, and $2.4 million of restructuring and relocation provision recognized in the quarter ended September 30, 1999 (see Note 8 to the financial statements).

Net Income (Loss) decreased $19.8 million from an income of $0.5 million in the six months ended December 31, 1998 to a loss of $19.3 million in the current six-month period. The decrease is primarily due to the decrease in operating income discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity is dependent on many factors, including sales volume, operating profit ratio, debt service and the efficiency of asset use and turnover. The future liquidity of the Company depends to a significant extent on (i) the actual versus anticipated decline in sales of proprietary systems and service maintenance revenue; (ii) revenue growth from video-on-demand systems; and (iii) ongoing cost control actions. Liquidity will also be affected by: (i) timing of shipments which predominately occur during the last month of the quarter; (ii) 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 Company's borrowing base under its revolving credit facility; (iii) the sales level in the United States where related accounts receivable are included in the borrowing base of the Company's revolving credit facility; and (iv) the number of countries in which the Company will operate, 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.

The Company used cash of $3.3 million in operating activities in the first six months of fiscal year 2000 compared to generating cash of $1.8 million in the first six months of the previous year primarily due to the loss generated by the VOD business. The Company has an agreement providing for an $8 million revolving credit facility through August 1, 2000. At December 31, 1999, no amounts were outstanding under the revolving credit facility. Borrowings under the revolving credit facility bear interest at the prime rate plus .75% and are secured by substantially all of the Company's domestic assets.

The Company invested $2.2 million in property, plant and equipment during each of the six-month periods ended December 31, 1999 and 1998, respectively. Current year capital expenditures primarily relate to computer, development and loaner equipment for the VOD Division and leasehold improvements for the Real-Time Division's new administrative offices.

The Company received $5.4 million in proceeds from the issuance of new shares of common stock to employees and directors who exercised stock options during the six-month period ended December 31, 1999 compared to $0.4 million during the six-month period ended December 31, 1998.

At December 31, 1999, the Company did not have any material commitments for capital expenditures. The Company believes that its existing cash balances, available credit facilities and funds generated by operations will be sufficient to meets its anticipated working capital and capital expenditure requirements for the foreseeable future.

YEAR 2000

The Company has aggressively addressed Year 2000 issues related to the processing of date-sensitive data. A cross-functional team was assembled, and a determination was made as to which systems were Year 2000 non-compliant. The Company believes that all of the critical financial, manufacturing, R&D and other systems are fully compliant. All costs associated with making these systems Year 2000 compliant have been expensed as incurred and have been insignificant.

Concurrent has reviewed customer and supplier relationships, and has a Year 2000 software product available which many of our customers have implemented. While the Company has taken all reasonable efforts, including direct mailings and internet web site, to make information on the Year 2000 readiness of its products available to its customers, this information may not have reached all customers, particularly third-party customers. Although the Company believes it has addressed Year 2000 readiness issues related to its products and through February 11, 2000 has not experienced any significant Year 2000 issues, there may be disruptions and/or product failures that are unforeseen.

The Company has requested, and in many cases obtained, assurances from its major suppliers that they have addressed these issues and that products procured by the Company will function properly in the Year 2000.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

Certain matters discussed in this Form 10-Q may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Concurrent Computer Corporation cautions investors that any forward-looking statements made herein are not guarantees of future performance and that a variety of factors could cause its actual results and experience to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks and uncertainties which could affect Concurrent Computer Corporation's performance or results include, without limitation, 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 the ability of Concurrent Computer Corporation and other companies to enforce their intellectual property rights; the pricing and availability of equipment, materials and inventories; technological developments; delays in testing of new products; rapid technology changes; the highly competitive environment in which Concurrent Computer Corporation operates; the entry of new well-capitalized competitors into Concurrent Computer Corporation's markets, and other risks and uncertainties.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

As of December 31, 1999, the Company had cash and cash equivalents of $8.0

million invested in liquid money market funds or bank accounts with average maturities of less than 90 days. The cash and cash equivalents are subject to interest rate risk and we may receive higher or lower interest income if market interest rates increase or decrease. A hypothetical increase or decrease in market interest rates by 10 percent from levels at March 31, 1999 would not have a material impact on our cash or cash equivalents.

We currently conduct business in a number of foreign countries and we plan to conduct business in additional regions outside of the United States. A decrease in the value of foreign currencies relative to the U.S. dollar could result in losses from foreign currency translations. The Company does not currently hedge its foreign currency risk.

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PART II OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

(10.1) Amended and Restated Employment Agreement of Daniel S. Dunleavy
(10.2) Amended and Restated Employment Agreement of Steve G. Nussrallah
(10.3) Employment Agreement of Steven R. Norton

(11) Statement on computation of per share earnings

(27) Financial Data Schedule

(b) Reports on Form 8-K.

On January 4, 2000, the Company filed a Current Report on Form 8-K announcing the promotion of Steve Nussrallah to President and Chief Executive Officer of the Company effective January 1, 2000. In addition, on January 11, 2000, the Company filed a Current Report on Form 8-K/A which amended the Form 8-K filed on November 12, 1999 announcing the acquisition of Vivid Technology, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly amendment to the report for the quarter ended December 31, 1999 to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 16, 2001 CONCURRENT COMPUTER CORPORATION

By: /s/ Steven R. Norton

Steven R. Norton
Chief Financial Officer

(Principal Financial and Accounting Officer)