UNITED STATES
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 December 31, 2001.
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 Number: 0-29020

ViewCast.com, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	75-2528700
(State of Incorporation)	(I.R.S. Employer Identification No.)
17300 Dallas Parkway, Suite 2000, Dallas, TX	75248
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone Number, Including Area Code: 972-488-7200

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

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

Title of Each Class	Name of Each Exchange on Which Registered:
Common Stock, $.0001 par value	OTC-BB
Redeemable Common Stock Purchase Warrants	OTC-BB

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 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 ☒ or No ☐.

Indicate by a check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) 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 ☐.

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of March 31, 2002 was $8,481,235. As of March 31, 2002, there were 20,764,535 shares of the Company's common stock (par value $0.0001) outstanding.

Documents incorporated by reference: Proxy Statement, Part III.

TABLE OF CONTENTS

PART I

Item 1. Business

The statements contained in this Report on Form 10-K and in the Annual Report that are not purely historical statements are forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, including statements regarding the Company's expectations, beliefs, hopes, intentions or strategies regarding the future. These forward-looking statements involve risks and uncertainties. Our actual results may differ materially form those indicated in the forward-looking statements. Please see "Special Note Regarding Forward-Looking Statements" and the factors and risks discussed in other reports filed from time to time with the Securities and Exchange Commission.

Overview

ViewCast.com, Inc., doing business as ViewCast Corporation, ("ViewCast") develops and markets a variety of products and services that enable networked video communications. We are a leading global provider of enterprise-wide, video communication products for both real-time and on-demand applications. ViewCast maximizes the value of video through its products and services: Osprey® Video provides the streaming media industry's de facto standard capture cards, Niagara™ provides integrated hardware and software applications for encoding, streaming and managing rich media content, Viewpoint VBX™ Systems delivers a wide array of video distribution, gatewaying and conferencing solutions for both digital and analog enterprise video communication, and ViewCast Online provides a rich media Application Service Provider ("ASP") solution for Business to Business ("B2B") and media communication needs. From streaming digital video on the Internet to distribution of broadcast-quality video throughout the corporate enterprise, plus comprehensive video software applications, ViewCast provides the complete range of video communications solutions.

Our customers acquire ViewCast's video products and services to communicate over a variety of networks for security, education, training, marketing and sales, customer service, broadcasting, videoconferencing, financial trading, and to reduce travel and other costs while increasing productivity. Corporations, media organizations, financial institutions, educational networks, healthcare facilities, and government agencies utilize our products and services, as do their customers, vendors and others with whom they may communicate. Our technologies enable users to encode and archive video content, broadcast video over networks, deliver video from web sites, provide interactive video communication (video conferencing), and distribute video within a network. We market and support our products and services either directly or through arrangements with leading OEMs, system integrators, resellers and application developers worldwide.

ViewCast's senior executives are: President and Chief Executive Officer George C. Platt, Chief Financial Officer Laurie L. Latham, Senior Vice President of Sales and Marketing Harry E. Bruner, Senior Vice President/General Manager of Osprey® Technologies Division Neal Page, and Vice President of Operations and Systems David T. Stoner. Our business was established in 1994 and became a public company in 1997. Our common stock and public warrants currently trade on the OTC BB under the symbol "VCST-OB" and "VCSTW-OB". We are located in Dallas, Texas with the Osprey technology office in Morrisville, North Carolina and sales and support in North America and London, UK.

Industry Background

Low cost and highly versatile networks have propagated throughout the media, business, government, and education arenas creating an increased desire for including video applications along with embedded data and voice services. In many instances the organizations also integrate the new technology into their new systems, legacy technologies and a variety of networks within and outside of their enterprises. We believe businesses will increasingly seek manufacturers, integrators and suppliers of video communications technology to implement workable solutions for their applications. We believe there will be increased usage of products and services that enable video communication within the desired quality, scalability and affordability parameters.

Video Communications

Video enhances communications over networks, whether it is video streaming, broadcasting or conferencing. Video is a component of “rich media”, which includes audio, data, animation and other technologies alone or in combination. To transmit live video images (which may contain over 90 million bits per second of data) over communications networks, video content must be digitized and significantly compressed to fit the capacity of these networks (as low as 28,800 bits per second). As video is compressed, redundant data is eliminated and other data is "blended" with similar data to preserve the essence of the original image. The available bandwidth of the network is in inverse proportion to the video compression required. After transmission, the video image is reconstructed for display at the receiving end. The quality of the reconstructed video image is a function of the following:

- the sophistication of the video and audio compression algorithms;
- the capacity that networks, global and enterprise, have to transmit real-time data (bandwidth);
- the power of the video and audio hardware; and
- the speed and power of PCs and workstations (clients).

We believe cost-effective video communication applications and services are now attainable because the performance, capabilities and cost of these four key elements continue to improve significantly. Video can utilize existing network capabilities and equipment but is enhanced with the appropriate matching of hardware, software and networks for the specific application.

Streaming Video

Streaming video allows both audio and video content to begin playing at the viewer's computer or work station before the content has been fully received, therefore a viewer does not have to wait for the full data content file to be downloaded before hearing and viewing the file. Network streaming video makes it possible to receive the impact of video communications on most computers. The advent of the commercial streaming video market has resulted in specialized businesses that offer substantially improved capabilities to produce, host, aggregate, and deliver media over the Internet. These broadband and CDN (Content Delivery Networks) businesses offer services similar to traditional ISPs, but they optimize their network and services to effectively deliver video to clients. These providers are enabling the demand for rich media to be fulfilled from one geographic location to another but often seek partners and providers to supply technologies to create content or to move content within enterprises or across multiple network standards.

Enterprise Video, Videoconferencing and Video Distribution

Video in the enterprise, particularly the familiar application of video conferencing, has been in a state of continuous change since 1995. The problems impeding adoption have been both technological and cultural. Bringing high quality, easy-to-use, cost-efficient, real-time, two-way video to conference rooms and desktops has not been a trivial task. The technology barriers have made recent advancements in that Internet Protocol (IP) has become a practical video delivery medium, enterprise video may be extended beyond point to point video conferencing to multiple or remote sites, video equipment and bandwidth usage cost has dropped, and ability to support users outside the enterprise. But the cultural roadblocks – productivity issues, ease of use, familiarity, “intuitiveness”, and spontaneity – have remained largely unaddressed and have become barriers to mass adoption.

Productivity issues can be addressed by application software but ultimately the mass adoption of business video will not happen until several specific barriers are overcome:

- *Integrated applications*—Business video must be made more compelling for more applications than just videoconferencing, and seamlessly extended to Internet users integrating streaming technologies and collaboration and data sharing application software.

- *Ease of use* – Using video to communicate must be as simple, intuitive, and spontaneous as using the telephone.

- *Unified user experience* - The user interface needs to be identical regardless of where the user is located --at the home office, at a field office, or working at home.

But in the wider context of enterprise video all the barriers identified-- the technology, the quality, the effects of delay and jitter, the ease of use, implementation complexity, preserving network security, and per-minute costs—are all addressed when the proper combination of technologies are applied.

Technologies we already offer at ViewCast.

How ViewCast Technologies Address the Industry.

The chart below shows video applications and the ViewCast products and services that address them

	Osprey Video Cards	Viewpoint VBX	Viewpoint Gateway	Viewpoint Codec Array	Niagara Streaming Systems	Niagara SCX	ViewCast Online
Video Content Capture	x						
Video Content Conversion	x						
Desktop Video Conferencing	x	x	x				
Video Conference Rooms		x	x				
Multiparty video conferencing- MCU		x	x				
Multi-standard bridging (H.320, H.323, NTSC)		x	x	x			
Distance Learning	x	x		x	x	x	x
Premise Video Distribution		x	x				
Personal Security/ Surveillance		x	x	x			
Marketing / Promotional Video Distribution	x				x	x	x
Media and Entertainment Video	x				x	x	x

ViewCast provides:

- ***Technology*** — Our video technology provides a competitive edge to differentiate our products from those of our competitors and to increase our ability to develop customer driven applications.

- ***Products and Applications*** — Our products consist of Video Subsystems, such as capture cards and codecs for encoding, decoding and streaming, Video Systems, and Application Software for digital and analog video. We manufacture and distribute worldwide our Osprey® capture cards and codecs, Niagara™ Streaming Systems, and Viewpoint VBX™ Systems.

- ***Expertise and Services*** — Our comprehensive video expertise enables us to assist resellers and customers in identifying their communication needs and determine appropriate media mechanisms for their business requirements. Technical services can be provided by our internal personnel and/or our channel partners if required by our customers.

To successfully implement our products, we provide installation, training, customer service, integration, customization, and contract development. Our software and firmware integration modules and drivers allow us to integrate our products and systems into a variety of video communication standards and software applications. Our products function on several network standards (some concurrently) and interface with a variety of equipment and PC systems.

The ViewCast Strategy

Our objective is to be the premier supplier of products and services for networked video communications. ViewCast has tailored its capture cards and codecs, its video streaming and enterprise systems and its software offerings to address the requirements of professional media groups, businesses and governmental agencies. Key elements of our strategy include:

- ***Leverage Our Expertise, Development and Technology*** **—** By building on our core competencies, we maximize our return on development, increase margins in our product offerings, and address the essential areas of the growing video communications market. Therefore, we believe we are positioned to grow organically with the market, build market share and add revenues to our top line.

- ***Extend Professional Product Offerings Building on Our Leadership in the Video Communications Market*** — We have introduced the Niagara Streaming Systems and Osprey 2000 MPEG2 capture card and codec product family in early 2001. The Osprey 540 capture card will be available by mid-year 2002. Two new software applications, Niagara SCX Remote Encoder Control and Osprey SimulStream, were introduced late in 2001. Viewpoint VBX enhancements continue to be made on both the hardware and software capabilities. We intend to focus our product offerings to add significant value by continuing to develop competitive hardware products and application software. We believe our recognized technological expertise will allow us to lead the industry and capture market share.

- ***Expand and Leverage Our Strategic Partnerships*** — We have established significant industry partnerships with leaders in the networked video industry. We intend to strengthen these partnerships and continue to establish new partnerships to enhance endorsements, referrals, technology, product development, channel distribution, and sales. We seek companies who can add valuable services or technology to our offerings with the potential of future co-development, merger or acquisition by ViewCast.

- ***Expand Sales, Marketing, and Channel Development Efforts*** **—** Critical to our success is an effective worldwide sales, marketing, and channel partner program. During 2001 we expanded our sales and marketing efforts, both domestically and internationally, through additional reseller marketing programs, improved web site communications, focused lead generation and follow-up programs, developing product/user databases, building brand identity and increasing channel partners. During 2002 we must make these efforts more effective to increase sales as the economy recovers and expand on our successes in the market. Our strategy is to utilize a combination of our direct sales force, resellers, system integrators, OEMs and custom application developers to distribute our product and service solutions.

- ***Implement Growth and Strategic Alternatives*** **—** We have developed and are progressing on plans and alternatives to increase the revenue growth rate and financial resources of the company, including possible divestitures and acquisitions.

ViewCast Products

ViewCast offers an array of products that can be used for multiple video communication applications in the private and public sectors. Our standards-based and multi-standards based products complement each other and can be used in a variety of ways to best serve our customers' needs. Our products also work within the framework of legacy systems, and are flexible enough to meet present and future needs. The ViewCast product family includes the Osprey® line of video capture cards and codecs, the Niagara™ Streaming Systems, and the Viewpoint VBX™ video distribution and switching system.

Video Capture Cards and Codecs

Osprey Video Capture Cards, Codecs and Video Peripheral Products. Under the well-known Osprey® brand, we design, develop, manufacture and market standards-based video and audio capture cards, codecs, and peripheral products for multimedia applications. During 2000 and 2001, we developed and launched several new Osprey products that incorporate features to address the high quality video and audio requirements of professional videographers working within media, corporate and governmental enterprises. Osprey® cards and codecs are sold worldwide through OEMs, integrators, and a worldwide network of VARs and distributors and recommended by both Real Networks and Microsoft. This product line includes:

Product	Description
Osprey® 50 (1)	compact and portable USB video capture device
Osprey® 100	video capture for Windows and Linux operating platforms
Osprey® 200	audio/video capture for Windows platform
Osprey® 210/220	audio/video capture for Windows platform with improved audio and professional input and connectors on the 220 version.
Osprey® 500 **Osprey® 540** (2)	audio and digital video pre-processing, DV encoding and streaming product family allows capture into extended AVI format plus capture of uncompressed digital video beyond the 2GB file limit for full-feature capture and post-production; variety of professional analog and digital (DV and SDI) inputs/outputs available.
Osprey® 1000/G2	audio/video codec for Windows platforms and Real Networks G2 encoding hardware.
Osprey® 1500	audio/video codec with a derivative for Sun workstations (labeled as the SunVideo Plus by Sun Microsystems)
Osprey® 2000 (1)	Capture and codec product family for high quality MPEG 1 & 2 encoding, transcoding and digital archiving; all versions provide audio/video capture; MPEG decoding feature effectively allows real-time transcoding and streaming in one step: variety of professional analog and digital (DV and SDI) inputs/outputs available
SimulStream™ (1)	Software upgrade that enables an Osprey Video card to output multiple instances of video and audio from a single input source to multiple applications.
(1) introduced in 2001 (2) available in 2002	

We believe our Osprey® capture cards offer unique advantages to application developers, integrators and OEMs including a cross-platform API (application programming interface). These cards are in compliance with most popular industry video standards, and we provide an expert support and development staff to enable custom development of required applications.

Our Osprey® codecs provide the necessary capability to allow the one-way transmission of live broadcasts over the Internet and intranets. The codecs capture, digitize, compress, transmit, receive, decompress and display full-motion video. The codecs are compatible with multiple video and audio compression standards and can be used for PCs and workstations that are based on the standard PCI-bus.

Video Systems

Niagara Streaming Systems™. Our Niagara Streaming Systems series of rack mount and portable systems provide a powerful, low-cost, turnkey option for the growing sector of professional media creators, broadcasters and production professionals seeking state-of-the-art streaming solutions. The Niagara product line consists of a series of capture/encoding systems and streaming servers plus accessories and optional software and professional video equipment. Our Niagara Streaming Systems are designed to simplify the encoding and streaming of video. This product family offers capabilities that remove deployment barriers. Niagara Streaming Systems are fully integrated and optimized for media systems with Osprey® video devices and software, encoding management and control software, media capture software, and video encoding and streaming software.

Product	Description
Niagara–Rack Mount Encoders	Integrated single or dual channel encoders, an Osprey 220, 500 or 2000 board, high-speed Pentium processor, Niagara SCX and Osprey SimulStream software, RealProducer Plus, Microsoft Windows Media Encoder, and a variety of professional audio/video input and output options.
Niagara–Rack Mount Servers	Dedicated 2U rack mount server optimized for streaming and pre-configured with Real Networks RealServer 8 Basic or Microsoft Windows Media Server, high-speed Pentium processor, and Windows 2000. Accepts up to 3 additional hot-swap SCSI hard drives.
Niagara MAX – Portable Encoders	Integrated dual channel portable encoders housed in a n aluminum executive briefcase, analog and digital, an Osprey 220 plus either a 500 or 2000 board, high-speed Pentium processor, Niagara SCX and Osprey SimulStream software, RealProducer Plus, Microsoft Windows Media Encoder, display with keyboard and mouse, Ethernet LAN, and a variety of professional audio/video input and output options.
Niagara MAXPAC – Portable	A complete “studio-in-a-box” bundled system including a Niagara MAX system plus Focus Enhancements/Videonics MXProDV digital video mixer and Acccordent PresenterPro SE Software.
Niagara – Standard Portable	Portable, integrated dual channel analog encoder, two Osprey 220 cards, high-speed Pentium processor, Niagara SCX and Osprey SimulStream software, RealProducer Plus, Windows Media Encoder, display with keyboard and mouse, Ethernet LAN, and a variety of professional audio/video input and output options.
Niagara Integrator Kits	Integrator kits for “build your own” Niagara system consisting of Niagara and Osprey plus third-party software and hardware components.
Niagara SCX Remote Encoder Control Software	Software provides monitoring and control of multiple, remote, or distributed streaming encoders throughout an enterprise or across the Internet. User interface provides concurrent view of unlimited encoders while providing control of encoding parameters, video preview, encoder statistics monitoring, supports RealNetworks and Microsoft Windows Media.

Key benefits and features of our Niagara Streaming Systems are:

• Quality and Capacity — All Niagara capture/encoding systems are configured with Real Networks RealProducer and Microsoft Windows Media Encoder. All Niagara streaming servers are configured with Real Networks RealServer or Microsoft Windows Media Server. Our Osprey® cards provide the optimal quality encoding and the capacity to allow multiple streams or multiple bit rates from one Niagara server.

• Professional Platforms and Configurations — Our Niagara product line includes portable field encoders and rack-mounted systems for the prosumer, corporate, ISP and media professional. All systems provide a variety of options for professional audio and video inputs, including DV and SDI.

• Price Performance — We believe our Niagara systems deliver quality performance to our customers at an attractive price point based on the current market.

• Quick Start to Dependable Streaming — Niagara systems are fully optimized and fully configured.

• Exclusive Software Enhancements — Niagara SCX Remote Encoder Control Software and Osprey SimulStream software are included on every Niagara Encoding System to deliver increased productivity, control and value for encoding.

- Added Value Bundling — Value added packages of additional hardware, software and applications deliver increased versatility and value to the marketplace including added storage capacity, control, cataloging, indexing, mixing and special effects options.

Niagara Streaming Systems are distributed directly or through channels to prosumers and to video professionals in media and entertainment enterprises, corporations, ISPs, broadband networks, CDNs, educational institutions and governmental agencies.

Viewpoint VBX™ Systems.

Our Viewpoint VBX™ enterprise-wide video communication system provides switching, distribution, conferencing and gateway capabilities between broadband and narrowband networks and between desktops, conference rooms, and a variety of video communication resources. The VBX system is a combination of hardware and software to run and manage the server switch and codec array, plus, for each end point, a combination of hardware and software to connect and operate the system for broadcasting, conferencing and monitoring. The Viewpoint VBX product line is primarily used in controlling, managing, transporting, and bridging on-premise business video communications. When off-premise participants are included, fully integrated Viewpoint H.320 and H.323 codecs from ViewCast or many off the shelf codecs such as Polycom, Vbrick, and others extend the reach of video.

Viewpoint VBX's conferencing, switching, and codec product line has been applied to manage and deliver multiple simultaneous TV quality video connections to desktops, conference rooms, boardrooms, classrooms, lobbies, visitor centers, medical centers, trading floors, securities trading centers, industrial process control centers, courtrooms, correctional facilities, banks, and airports. Virtually every conceivable type of video source has at one time or another been distributed around the office or around the globe by a Viewpoint VBX – video from VCRs, DVD players, satellite receivers, cable TV receivers, security cameras, desktop workstation cameras, conference room cameras, and process control system video. Display devices range from PC workstations, TV sets, plasma displays, film recorders, streaming encoders, video projectors, and LCD video.

Whatever the application for video, ViewCast technologies either constitute the entire end-to-end solution or bring together technologies from multiple vendors into a common user experience while extending their value to a wider audience. ViewCast extends the value of investment in videoconference room systems from market leaders like Polycom and Tandberg to desktops throughout the Enterprise. Similarly, we extend the value of these systems to users wherever they need video. As an example, we do not manufacture medical imaging equipment, but we make it simple and convenient for doctors to share broadcast quality video from a variety of imaging systems from major manufacturers.

Benefits of the Viewpoint VBX™ include:

- ***Optimal Video Quality –*** The Viewpoint VBX™'s enterprise distribution of uncompressed, TV-quality video provides full resolution, and frame rate video to the desktop or other viewing device with no compressions artifacts or codec latency. Regardless of the application, the highest possible video quality is maintained. The addition of MPEG-2 codecs to the Viewpoint VBX™ extends the TV quality of local VBX communication to multiple sites outside the enterprise.

- ***Scalability –*** The Viewpoint VBX environment can be within a small enterprise or expanded into large, global multi-location environment. Multiple VBX and Codec Array chassis can be interconnected locally or across various networks scaling to hundreds of sites but operating as one contiguous video network.

- ***Variety of Applications*** - - The *variety* of business video applications that can be implemented by the Viewpoint VBX *at the same time*. The VBX environment is a collection of technologies that manage, control, and deliver a common user experience in a variety of applications including video conferencing, video/program content distribution, distance learning, security, surveillance, video resource sharing, and personal video communication.

- ***Interface with the Major Video Communications Standards including Internet****.* - The server and codec array support a suite of video communication standards, including H.323 (video over TCP/IP networks), MPEG-2, and H.320 (video over ISDN). Users can choose a video quality and price performance level based on the content and purpose of each call. The H.323 and MPEG-2 codecs take advantage of the investment in backbone LAN and WAN networks and the Internet to transport video without incurring per-minute charges for circuit-switched networks such as ISDN. The Viewpoint VBX™ can be integrated with our Niagara™ Streaming System to enable a supported standards-based video communication system for originating streaming video broadcasts in either Real Networks or Microsoft formats.

- ***User Convenience*** – The desktop interface with integrated directory allows any user to control video connections using familiar, intuitive methods. Viewpoint VBX™ simplifies video communication by integrating support for multiple applications and multiple standards into a single platform with a single user interface.

- ***Negligible Local Area Network Bandwidth Impact*** - Local VBX clients do not require high bandwidth networks to extend television quality video to the desktop. Uncompressed, TV-quality video is distributed within the premise by the Viewpoint VBX™ over standard unshielded twisted pair (UTP) cabling and provides relief to the LAN, using the LAN only for client-server control.

- ***Bridge Between Legacy and New Equipment*** - Viewpoint VBX™ systems are compatible with any NTSC or PAL audio and video communication products from third party vendors. This capability provides a growth path to new technology.

Software development kits (SDKs) are available for the Viewpoint VBX™, allowing integrators to customize applications to take advantage of the Viewpoint VBX™ capabilities. Viewpoint VBX™ systems are suited for the implementation of video enabled customer service systems, especially for Internet e-commerce applications. SNMP support is available for all supported codecs, enabling network managers to monitor and manage the status of VBX communication resources using standard network management tools.

ViewCast Online Service

ViewCast has created a patent-pending process for providing the creation, management, distribution and viewing of streaming media. Our process is embedded within the outsourced service models that we have developed to address the business market. We have developed extensive account management, measurement, and upload capabilities with a secure database that is optimized for media management and delivery.

We currently offer this service, called EZStream(SM), in the U.S. from our Internet site. We believe a new strategic alliance, channel, or licensing arrangement with a network or ISP company will provide additional growth for this service.

Video Communication Applications

Our product family is designed to meet the fundamentals of video-based applications. Most large entities have a need for many of these video applications at the same time—and few resources can provide a unified solution. Video communication applications include:

- Digital archiving of video by encoding at the highest available level to create a master digital file. Then the archival file can be copied, manipulated, edited and streamed as needed for current and future purposes.

- MPEG transcoding - Archived video files are transcoded from MPEG into popular streaming formats.

- Premise video distribution, where corporate video or broadcast television channels are delivered to desktops, lobbies, waiting rooms, visitor centers, or other locations within a facility.

- Distance learning, an enhanced video conferencing application where an instructor can interactively control cameras and manage other video sources to interactively share live and prerecorded content to participants in distant locations.

- “Personal Security”-- security / surveillance video is captured and distributed locally and beyond the monitoring station to individuals at their desks for informational, collaborative, or personal safety purposes.

- High-definition video collaboration where broadcast quality video is essential—telemedicine, courtroom arraignment, etc.

- Internet streamed video, where corporate messages and promotional videos are shared one way to viewers on the Internet.

- Media, news and entertainment broadcasting of live and archived video within the enterprise and delivered to Internet users.

- Video On Demand (VOD) allows stored-video content to be played back to a user's system in real-time. This entails compressing a video "clip" and storing it on a server that is available to the user through the relevant web page.

- Videoconferencing - Traditional video conferencing between video enabled conference rooms. Desktop video conferencing where some or all participants remain at their PC workstations. Multi-party video conferencing supporting multiple protocols over multipoint bridges.

- Streaming Video Gateway — Our Viewpoint VBX™ and Niagara™ Streaming encoder systems can be combined to deliver solutions for origination of streaming video broadcasts. For example, an H.320 codec combined with a Niagara™ encoder can be configured as a gateway device, turning any H.320 conferencing system into a web video broadcast site. Viewpoint VBX™ systems can also be used as camera concentrators, allowing the selection of any connected camera as the source of a web video broadcast.

- Specific Industry Applications within specific industries such as the financial and health industries. For instance, in the health and medical industry, our products allow doctors to collaborate via videoconferencing, to receive computed tomography (CT) scans, ultrasounds and other diagnostic tests at locations remote from the hospital or patient and to take part in educational and training broadcasts.

Marketing and Sales

We market our products and services primarily via third-party distribution channels including, but not limited to, OEMs, resellers and system integrators. These relationships are non-exclusive and typically require that these resellers participate in the marketing, installation and technical support of our products. In addition, we plan to continue to expand our distribution channels both domestically and internationally.

Our video communication products and services are marketed primarily to media and entertainment, Internet, corporate, financial, educational, security/telejustice, healthcare, governmental and network enterprises. In addition, our products are sold or licensed to integrators and value added resellers to integrate with their products or services.

Our web sites redesigned during 2001 and included a backend database to track, capture, qualify and distribute contact information to the sales organization. This procedure also provides the means to build an opt-in e-mail list to receive monthly information from ViewCast. Our website has experienced significant increase in traffic and product inquiry. In early 2002, we added a retail storefront sales channel to the website offering Osprey and Niagara hardware and software.

The Reseller Marketing program enhances our ability to cover domestic and international geographical territories and market segments in an efficient and cost-effective manner. This multi-tiered program provides benefits and rewards to our reseller partners for aggressively marketing ViewCast products and services. Under the terms of the new reseller program, an authorized reseller of ViewCast products must meet certain qualifications regarding its business, personnel, product and market knowledge, and support and service capabilities. Through this authorized reseller program, we intend to expand and enhance channels of distribution that will most effectively place ViewCast products into the marketplace.

Production and Supply

We build our current products using contract manufacturers in the U.S and Asia. Our operations personnel in Dallas, Texas are responsible for parts planning, procurement, final testing and inspection to quality standards. We plan for most high-volume production to be handled through large OEMs or contract manufacturers.

We have been and will continue to be dependent on third parties for the supply and manufacture of our components and electronic parts, including standard and custom-designed components. We generally do not maintain supply agreements with such third parties but instead purchase components and electronic parts pursuant to purchase orders in the ordinary course of business. We are substantially dependent on the ability of our third-party manufacturers and suppliers to meet our design, performance and quality specifications.

Installation, Service and Maintenance

Most of our subsystem products are customer installable. We depend on our resellers to install and service the majority of our system products. Further, we maintain a small in-house technical support group to assist our resellers and customers as required.

We offer limited warranties covering workmanship and materials, during which period our resellers or ViewCast will replace parts or make repairs. We maintain an in-house staff of engineering personnel and offer telephone support to assist resellers and end-users during normal business hours.

In addition, we enter into annual contracts with end-users to provide software and hardware maintenance on our products.

Research and Development

We continue to focus on research and development activities related to video communications applications. Our recent development efforts have been devoted to the design and development of our products and software applications, primarily in the streaming sector. These include media processing devices (CPUs, DSPs), operating system software, standard computer I/O interfaces, media devices, media API software, and application software such as SimulStream and SCX. We will continue to make investments in core video technology and processing techniques, focusing on how to best apply the latest advancements in the industry into commercially viable products. In some cases, strategic partnerships will be utilized to offset some research and development costs.

New products are scheduled for launch in 2002 in the Osprey® and Niagara™ product families that will provide new capabilities and features for professional streaming video applications. We believe these products will be competitive and feature unique capabilities that will enhance leading video applications. We believe these products will keep us in a leadership position in the marketplace.

We are focusing on expanding the Viewpoint VBX™ hardware and software products to address both market and technology driven applications in the switching, distribution, gateway and conferencing space, providing specific industry applications, software revisions and extending support for new codecs.

We will continue integration efforts with third party application software and hardware for our products and services.

Competition

The market for video communication systems and services is highly competitive and characterized by the frequent introduction of new products based upon innovative technologies. We compete with numerous well-established manufacturers and suppliers of video streaming technologies, videoconferencing, networking, telecommunications and multimedia products, certain of which dominate the existing video communications market for such products. In addition, we are aware of others that are developing, and in some cases have introduced, new video communications systems.

We are not aware of any direct competitors that compete in all of our product families and applications. However, among our direct competitors competing with one or more of our products or applications are Zydacron, Inc., VCON, Ltd., Winnov, LP, Optibase Ltd., Video Network Communications, Inc., Avistar Communications Corp., Pinnacle Systems, Inc., Tandberg Inc., and Polycom, Inc. Electronics manufacturers such as Cisco Systems, Inc. may be sales channels for our products but also actively compete for business in this market.

Patents, Copyrights, Trademarks and Proprietary Information

We hold a U.S. patent covering certain aspects of compressed video and have a patent pending covering certain aspects of a process to create, manage, distribute and view streaming video. Although we do not believe these patents or any other patent is essential to our business operations, we may apply for additional patents relating to other aspects of our products. We also rely on copyright laws to protect our software applications, which we consider proprietary.

We believe that product recognition is an important competitive factor and, accordingly, we promote the ViewCast®, Osprey®, Niagara™, ViewCast Online Solutions™, Viewpoint VBX™, SimulStream™, WorkFone, Niagara SCX™ and EZStream℠ names, among others, in connection with our marketing activities, and have applied for or received trademark registration for such names. Our use of these marks may be subject to challenge by others, which, if successful, could have a material adverse effect on us.

We also rely on confidentiality agreements with our directors, employees, consultants and manufacturers and employ various methods to protect the source codes, concepts, ideas, proprietary know-how and documentation of our proprietary technology. However, such methods may not afford us complete protection, and there can be no assurance that others will not independently develop similar know-how or obtain access to our know-how or software codes, concepts, ideas and documentation. Furthermore, although we have and expect to continue to have confidentiality agreements with our directors, employees, consultants, manufacturers, and appropriate vendors, there can be no assurance that such arrangements will adequately protect our trade secrets.

We purchase certain components that are incorporated into our products from third-party suppliers and rely on their assurances that such components do not infringe on the patents of others. A successful claim against any components used in our products could affect our ability to manufacture, supply and support our products. We use commercially reasonable efforts to ensure third-party supplied components are non-infringing, but there can be no assurances against future claims.

Government Regulation

We are subject to Federal Communications Commission regulations relating to electromagnetic radiation from our products, which impose compliance burdens on us. In the event we redesign or otherwise modify our products or complete the development of new products, we will be required to comply with Federal Communications Commission regulations with respect to such products. Our foreign markets require us to comply with additional regulatory requirements.

Employees

As of February 28, 2001, we had seventy (70) employees, five (5) of whom are in executive positions, twenty-eight (28) of whom are engaged in engineering, research and development, sixteen (16) of whom are engaged in marketing and sales activities, fourteen (14) of whom are engaged in operations and seven (7) of whom are in finance and administration. None of our employees are represented by a labor union. We consider our employee relations to be satisfactory.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements in this Report on Form 10-K under “Business”, “Management’s Discussion and Analysis of Financial Conditions and Results Of Operations”, and elsewhere in the Report constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements regarding ViewCast’s expectations, beliefs, hopes, intentions or strategies regarding the future. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry’s actual results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, product demand and market acceptance risks, the impact of competitive products and pricing, product development, commercialization and technological difficulties, capacity and supply constraints or difficulties, general business and economic conditions, the availability of sufficient working capital, the ability to service our debt, continued significant losses, the effect of our accounting polices and other risks detailed in the Annual Report on Form 10-K for the year ended December 31, 2000, as amended, the Registration Statements on Form S-3 filed on April 26, 2000 and June 30, 2000 and other filings with the Securities and Exchange Commission.

In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “expects”, “should”, “anticipates”, “believes”, “estimates”, “predicts”, “plans”, “potential”, “intends” or “continue” or the negative of such terms or other comparable terminology.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements. We are under no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results.

Item 2. Properties

Our executive offices and some of our sales, design and development activities were relocated early in 2002 and are located in approximately 14,731 square feet of leased space in Dallas, Texas. The lease expires in December 2005 and provides for a base annual rent of $243,061. Our assembly operations are located in approximately 7,760 square feet of leased space in Dallas, Texas. The lease expires in August 2003 and provides for a base annual rent of $63,740.

The Osprey® product development activities are located in approximately 11,900 square feet of leased space in Morrisville, North Carolina. The main lease for approximately 10,000 square feet expires in December 2002 and provides for a base annual rent of $129,550. The remaining 1,900 square feet expires in January 2005 and provides for a base annual rent of $23,831. The lease expiring during 2002 will either be extended or new space will be obtained within the same geographic area.

We also lease office space for domestic sales offices in Burlingame, CA, and Mt. Arlington, NJ. All such leases are on a month-to-month or an annual lease basis. The Burlingame, CA sales office will not be extended after the lease expires in June 2002. The remaining sales office lease provides for a base annual rent of $20,400 for the domestic sale office.

We believe that our facilities are adequate for our current and reasonable foreseeable future needs and our current facilities can accommodate expansion, as required.

Item 3. Legal Proceedings

We are not currently a party to any litigation that we believe could have a material adverse effect on our business or us.

Item 4. Submission of Matters to a Vote of Security Holders

(None)

PART II

Item 5. Market for Registrants Common Equity and Related Stockholder Matters

Common Stock Price Range

Our Common Stock prior to April 4, 2002 was traded on the Nasdaq under the symbol "VCST." Our Public Warrants prior to April 4, 2002 were traded on the Nasdaq under the symbol "VCSTW." As of March 31, 2002, there were 20,764,535 shares of Common Stock and 2,616,348 Public Warrants outstanding. The following table sets forth, for the periods indicated, the high and low sales prices for the Common Stock and the Public Warrants on the Nasdaq. As of April 4, 2002 our Common Stock and Public Warrants are traded on the OTC-BB under the symbol "VCST.OB" and "VCSTW.OB" respectively. These over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. The trading market in our securities may at times be relatively illiquid due to low trading volume.

	Common Stock		Public Warrants	
Fiscal 1999	High	Low	High	Low
1st Quarter	$ 6.94	$ 2.63	$ 3.69	$ 0.81
2nd Quarter	17.38	4.84	13.38	2.13
3rd Quarter	10.81	5.75	6.50	3.13
4th Quarter	8.38	3.06	5.25	1.81

	Common Stock		Public Warrants	
Fiscal 2000	High	Low	High	Low
1st Quarter	$ 8.97	$ 4.03	$ 5.00	$ 2.06
2nd Quarter	7.25	2.25	4.19	1.25
3rd Quarter	4.00	2.00	1.94	1.00
4th Quarter	2.38	0.75	1.13	0.34

	Common Stock		Public Warrants	
Fiscal 2001	High	Low	High	Low
1st Quarter	$ 1.44	$ 0.69	$ 0.69	$ 0.28
2nd Quarter	1.19	0.69	0.57	0.26
3rd Quarter	1.02	0.50	0.61	0.28
4th Quarter	0.84	0.44	0.57	0.27

On March 28, 2002, the last reported sales prices for the Common Stock and the Public Warrants as reported on the Nasdaq were $0.46 and $0.30, respectively.

In February 2002, ViewCast received a Nasdaq Staff Determination indicating that it failed to comply with the minimum net tangible assets or minimum stockholders' equity requirements for continued listing, set forth in Marketplace Rule 4310(c)(2)(B) and that its common stock is therefore subject to delisting from The Nasdaq SmallCap Market. Marketplace Rule 4310(c)(2)(B) states that "For continued inclusion, the issuer shall maintain: (i) stockholders' equity of $2.5 million; (ii) market capitalization of $35 million; or (iii) net income of $500,000 in the most recently completed fiscal year or two of the last three most recently completed fiscal years." ViewCast requested a hearing before a Nasdaq Listing Qualifications Panel to review the Staff Determination, but was unable to meet Nasdaq's timetable for compliance and was delisted from Nasdaq after trading closed on April 3, 2002. ViewCast began trading on the Over-the-Counter-Bulletin Board (OTC-BB) effective with the opening of business on April 4, 2002.

Dividend Policy

We have never paid cash dividends on our Common Stock. The Board of Directors does not anticipate paying cash dividends in the foreseeable future as it intends to retain future earnings to finance the expansion of our business and for general corporate purposes. The payment of future cash dividends will depend on such factors as our earnings levels, anticipated capital requirements, operating and financial condition, consent from our lenders and other factors deemed relevant by our Board of Directors.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with "Managements Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included elsewhere in the Form 10-K. Our historical financial results are not necessarily indicative of results to be expected for any future period.

	Year Ended December 31,				
	1997	1998	1999	2000	2001
CONSOLIDATED STATEMENTS OF OPERATIONS:					
Net sales	$ 3,360,703	$ 8,027,948	$ 7,270,080	$ 10,439,404	$ 7,950,887
Cost of goods sold	1,695,922	4,181,128	3,948,377	4,782,130	3,575,411
Gross profit	1,664,781	3,846,820	3,321,703	5,657,274	4,375,476
Operating expenses:					
Selling, general and administrative	4,243,485	8,352,476	7,543,409	9,545,307	7,604,415
Research and development	2,740,857	3,090,102	2,930,761	4,003,169	4,200,571
Restructuring charge	-	402,800	-	-	219,604
Depreciation and amortization	309,458	524,427	617,086	753,786	932,554
Total operating expenses	7,293,800	12,369,805	11,091,256	14,302,262	12,957,144
Operating loss	(5,629,019)	(8,522,985)	(7,769,553)	(8,644,988)	(8,581,668)
Other income (expense):					
Dividend and interest income	63,613	34,117	249,985	354,315	35,069
Interest expense	(290,492)	(877,873)	(954,168)	(602,558)	(677,087)
Other	28,493	48	62	4,246	150,731
Total other income (expense)	(198,386)	(843,708)	(704,121)	(243,997)	(491,287)
Net loss	$ (5,827,405)	$ (9,366,693)	$ (8,473,674)	$ (8,888,985)	$ (9,072,955)
Net loss per share - basic and diluted	$ (0.75)	$ (1.02)	$ (0.71)	$ (0.62)	$ (0.59)
Weighted average number of common shares outstanding	4,844,706	7,806,378	9,367,537	13,105,884	17,204,891

	Year Ended December 31,				
	1997	1998	1999	2000	2001
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 3,117,202	$ 439,791	$ 4,315,980	$ 3,898,176	$ 851,464
Working capital (deficit)	4,547,850	1,456,778	7,575,154	3,929,039	(928,157)
Total assets	8,211,415	13,611,590	13,565,382	11,713,579	8,871,535
Long-term debt	5,000,000	1,360,000	-	950,000	950,000
Stockholders' equity (deficit)	1,418,264	4,255,308	9,407,614	5,282,309	(202,141)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially form those indicated in the forward-looking statements. Please see the "Special Note Regarding Forward-Looking Statements" elsewhere in the Report on Form 10-K.

Overview

ViewCast.com, Inc., doing business as ViewCast Corporation, ("ViewCast") develops and markets a variety of products and services that enable networked video communications. We are a leading global provider of enterprise-wide, video communication products for both real-time and on-demand applications. ViewCast maximizes the value of video through its products and services: Osprey® Video provides the streaming media industry's de facto standard capture cards, Niagara™ provides integrated hardware and software applications for encoding, streaming and managing rich media content, Viewpoint VBX™ Systems delivers a wide array of video distribution, gatewaying and conferencing solutions for both digital and analog enterprise video communication, and ViewCast Online provides a rich media Application Service Provider ("ASP") solution for Business to Business ("B2B") and media communication needs. From streaming digital video on the Internet to distribution of broadcast-quality video throughout the corporate enterprise, plus comprehensive video software applications, ViewCast provides the complete range of video communications solutions.

Our customers acquire ViewCast's video products and services to communicate over a variety of networks for security, education, training, marketing and sales, customer service, broadcasting, videoconferencing, financial trading, and to reduce travel and other costs while increasing productivity. Corporations, media organizations, financial institutions, educational networks, healthcare facilities, and government agencies utilize our products and services, as do their customers, vendors and others with whom they may communicate. Our technologies enable users to encode and archive video content, broadcast video over networks, deliver video from web sites, provide interactive video communication (video conferencing), and distribute video within a network. We market and support our products and services either directly or through arrangements with leading OEMs, system integrators, resellers and application developers worldwide.

Our business was established in 1994 and became a public company in 1997. Our common stock and public warrants currently trade on the OTC BB under the symbol "VCST-OB" and "VCSTW-OB". We are located in Dallas, Texas with the Osprey technology office in Morrisville, North Carolina and sales and support in North America and London, UK.

Results of Operations

Year Ended December 31, 2001 compared to Year Ended December 31, 2000.

Net Sales. Net sales for the year ended December 31, 2001 decreased 23.8% to $7,950,887 from $10,439,404 reported in 2000. We believe the overall decrease was due principally to slowing demand for information technology ("IT") spending and capital expenditures primarily as result of depressed economic conditions in the United States. These conditions were further impacted by declining demand during the last 3.5 months of 2001 in the wake of the September 11, 2001 terrorist attacks, affecting sales of all ViewCast products.

Osprey Product Sales. During the year ended December 31, 2001, sales of Osprey® video peripheral products decreased 13.4% over 2000 levels and represented 81.8% of total 2001 revenues, compared to 72.0% of total revenues in 2000. 2001 domestic channel sales for Osprey products declined 29.8% over 2000 levels reflecting U.S. economic conditions, the demise of many ".com" companies, and declining purchases from one of its major OEM partners. This decline was offset in part by channel sales growth in Western Europe and the Pacific Rim of 22.3% and 28.5%, respectively. In September 2001, ViewCast announced modifications to its popular Osprey-500 video capture card to make it "streaming neutral" to allow customers the ability to use a broader range of software applications including Windows Media Encoder, RealNetworks' RealSystem Producer, Adobe Premier 6.0, Media 100's Cleaner 5, Sorrenson Broadcaster and other leading applications, as well as streaming directly to Windows Media and Real formats. We also introduced our new Osprey SimulStream™ software for use with the Osprey-210, Osprey-220, Osprey-500 and Osprey-2000 series of products. SimulStream gives users the ability to simultaneously output multiple video and audio streams with independent capture settings from a single Osprey capture card. By taking what used to be six separate encoding tasks and making it a single session, SimulStream reduces encoding time up to 83% while greatly improving the video and audio on the resulting streams. In January 2002, we announced the opening of our new e-commerce site featuring the Osprey streaming/capture cards as well as, Osprey SimulStream and Niagara SCX software products. In addition to the new e-commerce offerings, the site offers a full range of online order processing and tracking services, technical support content and easy access to product drivers and upgrades. We believe the e-commerce site will serve as a complement to our distribution strategy and make it easier for our customers to purchase our products. The utilization of e-commerce will allow single unit purchases to be made quickly and easily, therefore providing the resellers more time to deliver the personalized support necessary for volume purchases. With these product enhancements, the addition of our e-commerce strategy and the anticipated economic recovery in the U.S. market, we expect a substantial rebound in subsystem product sales during 2002.

Niagara® Streaming/Encoding Systems and Viewpoint VBXä Video Distribution System Sales. During the year ended December 31, 2001, combined systems sales totaled $1,119,243 a decrease of 52.6% compared to the prior year. System revenues have been most clearly impacted by the economic slowdown and the general softening and postponement of IT spending, especially in the financial services sector. In May 2001 through November 2001, we reduced and reorganized our workforce associated with the product lines and focused our system sales, marketing and development efforts on education/distance learning, financial services, security/telejustice and media network applications. In September 2001, ViewCast announced the sale of VBX video distribution and conferencing systems to HSBC Bank USA through its reseller Delta Computer Group. The systems provide video distribution capabilities for HSBC's New York and New Jersey locations, as well as connectivity to VBX systems in Europe and Hong Kong. In December 2001, we sold VBX equipment to Siemens Information and Communications Group who was chosen to supply a division of The Standard Bank of South Africa a fully integrated trading solution incorporating their HiPath Product suite. The offering incorporates the Viewpoint VBX video communication system as an integrated touch screen application providing video conferencing and video broadcast capability with point and click ease. Phase I of the project incorporated our video solution in the Johannesburg and Pretoria offices in South Africa and we expect additional follow-on business during 2002 with Phase II installations in Durban and Capetown.

In March 2001, ViewCast introduced its new Niagara® Streaming and Encoding Systems which are fully integrated rack mount and portable platforms that allow corporations, broadcasters, productions houses, Internet ASPs and content producers to stream live video content or create archived video-on-demand content for viewing over the Internet or Corporate intranets. The exclusive Niagara SCX™ software allows remote encoder control and monitoring across networks using industry standard protocols, while its SimulStream™ software allows simultaneous multiple bit rate streaming in Real and Windows formats using only one capture card. The Niagara® family of products incorporates the performance of the Osprey®-220, Osprey®-500 or Osprey®-2000 into its capabilities. In October 2001, ViewCast also announced that it would bundle Accordent Technologies' Presenter PRO software with its ViewCast NiagaraMax portable streaming systems. PresenterPRO enables companies to create live and on demand streaming presentations enhanced by synchronized PowerPoint slides, pictures, Flash, URLs, and other features to create professional streaming presentations in minutes.

With the expected easing of customer budget constraints, the enhanced interest in video gateways and videoconferencing systems as a viable, cost effective alternative to business travel, and the addition of new software to differentiate its products, ViewCast is encouraged by increased sales activities and expects an improved trend in systems sales during 2002.

Other Revenues. Other revenues consisting of software maintenance, training, installation, engineering consulting fees and professional services amounted $324,975 for the year ended December 31, 2001, a decline of 42.7% from the $566,742 reported in 2000. Installation and maintenance revenues during 2001 decreased in proportion to declining system revenues while other revenues in 2000 included $156,000 of engineering consulting fees for contract development of the Osprey®-500 video capture card with no comparable sales in 2001

Cost of Goods Sold/Gross Margin. Cost of goods sold totaled $3,575,411 for the year ended December 31, 2001, a decline of 25.2% from the prior year period reflecting the decrease in sales from 2000. Gross profit margin for the year ended December 31, 2001 was 55.0% compared to 54.2% in 2000. Improved gross margins during 2001 reflect increased unit sales of new subsystem products with improved profit margins. We anticipate that our margins will remain in the 50% - 56% range during 2002 and will be affected in the short-term by promotional activities, price adjustments, the introduction of new products and sales mix of our system vs. subsystem products in any one reporting period.

At December 31, 2001, some portion of inventory, net of reserves, of one of our product lines is at a higher than desired level based on the most recent level of sales. We have developed a program to reduce this inventory to desired levels over the near term and believe no loss will be incurred on its disposition. No estimate can be made of a range of amounts of loss that are reasonably possible should the program not be successful.

Selling, General and Administrative Expense. Selling, general and administrative expenses for year ended December 31, 2001 totaled $7,604,415, a decrease of 20.3% from $9,545,307 reported last year. The decrease reflects workforce reductions and reorganization efforts from May 2001 through December 2001 to trim operating expenses in all product groups. Sales and sales support expenses decreased 29% over last year while finance and administrative, customer support and marketing expenses decreased 12.9%, 12.7%, and 9.0%, respectively compared to a year ago.

Research and Development Expense. Research and development expense for 2001 totaled $4,200,571, an increase of 4.9% over 2000 levels reflecting an increase in hardware and software engineers and expenses associated with the development, testing and certification of ViewCast's Osprey®-2000 line of video capture cards, the development and introduction of the Osprey SimulStream software, the Niagara® line of streaming encoders and streaming servers, and the development of ViewCast Online business applications and systems. The Company continues to invest in new product development to ensure its ability to compete in the distribution and streaming sectors of the video and audio communications industry and to establish and maintain the Company as a leading provider in its target markets.

Restructuring. In April 2001, ViewCast's Board of Directors approved a plan of restructuring that included a reduction in the Company's workforce to decrease operating expenses. Charges during 2001 included costs of $219,604 for employee severance and benefits associated with the involuntary termination of 26 employees. Personnel reductions were made in the Company's finance and administration), marketing and sales, operations, and engineering, research and development departments.

Other (Income) Expense. Total other expense for the twelve months ended December 31, 2001 totaled $491,287, an increase of 101.3% over the prior year period reflecting the addition of interest expense and amortization of debt issue costs associated with ViewCast's 7% Senior Convertible Debentures, interest from additional line-of-credit borrowings and reduction of interest income earned on the Company's cash and cash equivalents during the nine months ended September 30, 2001. These expenses were partially offset by other income of $154,165 from the sale of available-for-sale securities and forfeiture of conversion inducement fees.

Net Loss. Net loss for the year ended December 31, 2001 was $9,072,955, an increase in loss of 2.1% from 2000. Net loss for 2001 reflects decreases in net sales and increases in research and development expense, partially offset by declining selling, general and administrative expenses and improving gross margins.

Year Ended December 31, 2000 compared to Year Ended December 31, 1999.

Net Sales. Net sales for the year ended December 31, 2000 increased 43.6% to $10,439,404 from $7,270,080 reported in 1999. The increase is attributed to growth from our video peripheral and video system products during 2000 compared to 1999.

Osprey Product Sales. During the year ended December 31, 2000, sales of Osprey® video peripheral products increased 48.7% over 1999 and represented 72.0% of total 2000 revenues, compared to 69.5% of total revenues in 1999. Osprey product sales increased during 2000 due to continued strong demand for our capture cards and codecs plus the introduction of the new Osprey-500 product line late in the second quarter. The Osprey-500 product was co-developed with Microsoft as their first digital video capture card.

Niagara® Streaming/Encoding Systems and Viewpoint VBXä Video Distribution System Sales. System sales, which include Niagara™ streaming systems and Viewpoint VBX™ video distribution systems, increased 15.0% in 2000 compared to 1999 and represented approximately 22.6% of total 2000 revenues compared to 28.2% of total revenues in 1999. The improvement in our system sales is attributed to a more focused product definition to the marketplace and better sales execution. During 2000, we released new Viewpoint VBX™ product enhancements and targeted specific vertical markets.

Other Revenues. Other revenue from online services, maintenance and engineering development fees accounted for the remaining 5.4% of total revenues for 2000.

Cost of Goods Sold/Gross Margin. Cost of goods sold increased $833,753 to $4,782,130 for the year ended December 31, 2000 compared to 1999 primarily due to the increase in our product sales described above. Our gross profit margin for 2000 was 54.2%, representing an increase from the 45.7% margin reported during 1999. Gross profit margins showed an increase of approximately 8.5% over 1999 levels due to improved product designs, manufacturing efficiencies and new product introductions in our Osprey video peripheral product family.

Selling, General and Administrative Expense. Selling, general, and administrative expense increased to $9,545,307 for the year ended December 31, 2000 from $7,543,409 reported during 1999 primarily due to increases of our sales staff and related sales activity costs. Additional marketing and customer support expenditures contributed to the increase. The increases in sales, marketing and customer support were partially offset by an overall decrease in administrative expenses during 2000 over 1999 levels primarily generated by reduction in bad debt expense.

Research and Development Expense. Research and development expense increased $1,072,408 or 36.6% to $4,003,169 during 2000 compared to 1999, principally due to development staff increases and expenses related to new product testing for the Osprey 500, Osprey 210/220, and VBX Software Version 2.5 released in 2000, and for the Osprey 2000 and Niagara system product introductions in 2001

Other Income (Expense). For the year ended December 31, 2000, other income (expense) decreased $460,124 to $243,997, primarily due to the reduction in amortization of debt issue costs associated with our line of credit financing consummated in October 1998, which were fully amortized by October 1999. In addition, we had and increase in interest income generated by higher average cash and cash equivalent balances during the year. The current year interest expense includes amortization of debt issue costs and interest expense related to the issuance of 7% Senior Convertible Debentures on April 28, 2000.

Net Loss. Net loss for the year ended December 31, 2000 was $8,888,985, an increase in loss of 4.9% from 1999. Net loss for 2000 reflects increases in net sales offset by and increases cost of goods sold, selling, general and administrative and research and development expense.

Liquidity and Capital Resources

ViewCast's primary sources of funds for conducting its business activities are derived from sales of its products and from sales of its debt and equity securities. ViewCast requires liquidity and working capital primarily to fund operating losses, increases in inventories and accounts receivable associated with expected sales growth, development of its products, debt service and for capital expenditures.

Net cash used in operating activities for the year ended December 31, 2001 totaled $8,898,974 due primarily to the reported net loss of $9,072,955, adjusted for net non-cash operating expenses of $969,698, and to changes in operating assets and liabilities of $795,717, principally due to decreases in accounts payable and accrued liabilities offset in part by improved trade receivable collections and inventory reductions.

ViewCast utilized cash of $405,982 during the year ended December 31, 2001 for capital purchases of computer equipment, test equipment and purchased software to aid the development and testing of its products; for demonstration equipment to showcase its products; and for software development costs associated with its streaming media software applications. These uses were offset in part by $208,675 of proceeds from the sale of available-for-sale securities in June of 2001.

During 2001, ViewCast's financing activities generated cash in the amount of $6,049,569 principally from short-term borrowings, issuance of Series C Convertible Preferred Stock and from the sale of common stock under the terms of the ViewCast's Employee Stock Purchase Plan ("ESPP"). During March through October 2001, ViewCast borrowed $3,938,396 under the terms of its working capital credit facility primarily to fund operating expenses and inventory purchases of its Osprey®–500 and Osprey®-2000 subsystem products. In November 2001, ViewCast received $2.0 million in gross proceeds from the sale of 200,000 shares of newly created Series C Convertible Preferred Stock at $10.00 to Mr. H.T. Ardinger, a principal shareholder and Chairman of the Board of the ViewCast. The Series C preferred stock is convertible into common stock of ViewCast at a fixed price of $0.60 per share, subject to certain requirements, and carries a dividend of 9% payable semiannually in cash or common stock of the ViewCast, at the ViewCast's option. ViewCast intends to use the proceeds for working capital and general corporate initiatives. Also, for the offering periods ended March 31, 2001 and September 30, 2001, ViewCast received $106,569 from the sale of 190,566 shares of common stock pursuant to its ESPP.

In August 2001, ViewCast offered certain of its private warrant holders the right to exercise their warrants at a temporarily reduced exercise price of $0.75 per share of common stock for a period of 30-days. As an inducement for exercise of the warrants, exercising warrant holders received a like number of new warrants to purchase ViewCast common stock at $1.00 per share. ViewCast received proceeds of $24,999 from the exercise of the 33,332 warrants pursuant to this offer and issued 33,332 new five-year warrants to purchase common stock at $1.00 per share which expire February 2007.

ViewCast classifies its equity securities that are free of trading restrictions, or to become free of trading restrictions within one year, as "available-for-sale". Available-for-sale securities at December 31, 2000 and 2001, is comprised solely of DynTek, Inc. ("DYTK") shares that it acquired in a strategic business alliance in 1998. Because all of the DYTK shares held by ViewCast are available for trading under Rule 144 of the Securities and Exchange Commission, those shares are presented at their fair market valued in the consolidated balance sheets as of December 31, 2000 and 2001. The quoted market price of DYTK shares at December 31, 2000, December 31, 2001 and March 28, 2002 was $0.88, $2.12, and $2.10, respectively. In June 2001, ViewCast sold 100,000 shares of DYTK stock at selling prices that averaged $2.09 per share. Realized gains on the stock transactions totaled $47,425.

In January 2002, ViewCast extended the expiration date of its outstanding public and public equivalent common stock purchase warrants to February 3, 2005 from February 3, 2002. Additionally, effective March 1, 2002, ViewCast decreased the effective exercise price per share of common stock of the warrants from $4.19 to $1.00. The warrants are redeemable by ViewCast under certain conditions. As of December 31, 2001, there were 3,799,680 public and public equivalent warrants outstanding. The exercise price reduction and extension of the expiration date also applies to the issuance of up to 262,500 public warrants upon exercise of certain representative warrants.

In December 2001, ViewCast temporarily decreased the conversion price of its outstanding Series B Convertible Preferred Stock from $3.625 per share to $0.60 per share for a period of ninety (90) days. Pursuant to Section 8(b) of the Certificate of Designations of Series B Convertible Preferred Stock, ViewCast was required to temporarily lower the Series B conversion price in conjunction with the issuance of Series C Convertible Preferred Stock in November 2001. In March 2002, holders of $1,450,000 principal amount of Series B Convertible Preferred Stock converted their Series B shares into 2,416,666 shares of common stock at $0.60 per share.

At December 31, 2001, ViewCast had a working capital deficit of $928,157 and cash, cash equivalents and available-for sale securities of $3,268,921. ViewCast has experienced an overall sales decrease of

23.8% during 2001 compared to 2000 levels and, while wary of current economic conditions, anticipates that revenues will rebound during 2002 with the introduction of new products, business relationships and if economic conditions improve. ViewCast plans to improve its working capital position by increasing sales and lower operating expenses, by increases, if any, in the value of the DYTK stock, by exercise of warrants and, as necessary, by additional equity financing such as the $2,000,000 received for the Series C Preferred Stock in November 2001. ViewCast also anticipates that losses will continue in 2002 at a lower level than 2001, and until such time as total profit margins from the sales of its products exceed its total development, selling, administrative and financing costs. In April 2001, ViewCast's Board of Directors approved a plan of restructuring to reduce its workforce and decrease operating expenses. In May 2001 through November 2001, ViewCast reorganized its operations, reduced its workforce by 26 individuals and trimmed other related operating expenses. As a direct result of these measures, total general and administrative expenses decreased $1.94 million, or 20.3%, from 2000 levels. ViewCast will remain vigilant and proactive in managing its operating expenses.

In October 1998, the ViewCast entered into a working capital line of credit financing arrangement with an entity controlled by one of its principal stockholders, who is currently Chairman of the Board. In February 2001, ViewCast amended the facility to increase the credit line commitment from $9.0 million to $12.0 million, extend the maturity date of the agreement to March 15, 2003, and expand the asset base for lending to include DYTK shares owned by ViewCast. The availability of funds under this facility is subject to certain borrowing base limitations based principally on outstanding accounts receivable, inventory and market value of DYTK shares. At December 31, 2001, ViewCast had exceeded its borrowing base by $1.45 million and and had utilized $6.35 million of the line-of-credit facility. The noteholder has agreed to waive through April 30, 2002 the repayment of any outstanding financing that may be in excess of the borrowing base from time to time. The facility will continue to be utilized for working capital by ViewCast to the extent possible depending on future levels of accounts receivable, inventory and market value of DYTK shares. During the first quarter of 2002, ViewCast borrowed an additional $248,608 under the terms of the line of credit financing arrangement.

ViewCast utilizes significant capital to design, develop and commercialize its products and intends to fund its 2002 operating activities and sales growth by utilizing proceeds from the Series C Preferred Stock offering, its available working capital line of credit, cash contributed from operations and sales of its available-for-sale securities to the extent possible. ViewCast anticipates it will require additional equity financing in the during 2002 for working capital to develop and introduce new products and services, to enhance existing product offerings, to address unanticipated competitive threats, technical problems, and adverse economic conditions. Although ViewCast has no firm arrangements with respect to additional financing, it is currently considering several proposals by potential investors relating to the issuance of convertible preferred stock or other equity in exchange for a cash investment in ViewCast. ViewCast has retained an investment banking firm to assist in revenue and strategic alternatives, including divestitures and acquisitions. There can be no assurance that any such additional financing will be available to ViewCast on acceptable terms, or at all. Additional equity financing may involve substantial dilution to our then existing stockholders. In response to the economic slowdown and to enhance financial performance and increase revenue, ViewCast intends to actively pursue other alternatives, including strategic merger and acquisition activities. In the event we are unable to raise additional capital or execute other alternatives, we may be required to sell segments of the business, or substantially reduce or curtail our activities. Such actions could result in charges that could be material to the ViewCast's results of operations or financial position.

At December 31, 2001, ViewCast had no material commitments for capital expenditures.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*. ViewCast adopted SFAS 133 in January 1, 2001. SFAS No. 133, as amended, requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. During the year ended December 31, 2001, ViewCast had no hedging transactions, and the adoption of this standard did not have a significant impact on its financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS No. 141, *Business Combinations*, which addresses financial accounting and reporting for business combinations. Under SFAS No. 141 all business combinations initiated after June 30, 2001 and business combinations with a date of acquisition of July 1, 2001 or later are to be accounted for using the purchase method of accounting. In June 2001, the FASB issued SFAS No. 142, *Goodwill and Other Intangible Assets*, which addresses accounting and reporting for intangible assets acquired individually or with a group of other assets, other than those acquired in a business combination, at acquisition and accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS No. 142, goodwill and certain other intangible assets will no longer be amortized but will remain on the balance sheet and will be reviewed for impairment using the guidance as established in this Statement. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangibles acquired after June 30, 2001, which will be immediately subject to the nonamortization and amortization provisions of this Statement. We anticipate the adoption of these standards will not have a significant impact on our consolidated financial position, results of operations or cash flows unless we make future business acquisitions.

In August 2001, the FASB issued SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which is effective for fiscal years beginning after December 15, 2001. SFAS 144 supersedes FASB Statement No. 121, *Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and the accounting and reporting provisions relating to the disposal of a segment of a business of Accounting Principles Board Opinion No. 30. We are currently assessing the impact of SFAS 144 on our consolidated financial position, results of operations and cash flows but do not anticipate a significant impact on the operating results or financial position of ViewCast.

In September of 2001, the FASB Emerging Issues Task Force ("EITF"), issued EITF Issue No. 01-09, *Accounting for Consideration Given by Vendor to a Customer or a Reseller of the Vendor's Products*, which is a codification of EITF Issues No. 00-25, *Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products*, No. 00-14, *Accounting for Certain Sales Incentives*, and No. 00-22, *Accounting for 'Points' and Certain Other Time-or Volume-Based Sales Incentive Offers and Offers for Free Products or Services to be Delivered in the Future*. EITF 00-25, as codified by EITF 01-09, established the treatment in the statement of operations of vendor consideration to resellers of a vendor's products. EITF 00-25 and 01-09 are effective for the interim and year-end periods beginning after December 15, 2001. We are currently assessing the impact of the adoption of this EITF on our consolidated financial position, results of operations and cash flows but do not anticipate a significant impact on the operating results or financial position of ViewCast.

Critical Accounting Policies

Management's discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. We review the accounting policies we use in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis we evaluate our estimates, including those related to accounts receivable, inventories, investments, warranty obligations, income taxes, restructuring and contingencies and litigation. Our estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

- *Revenue Recognition* – We recognized hardware product revenue using the guidance from SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* and Statement of Financial Accounting Standards No. 48, *Revenue Recognition When Right of Return Exists*. We recognize software revenue in accordance with SOP 97-2, *Software Revenue Recognition,* as amended by SOP 98, Modification of SOP 97-2, *Software Revenue Recognition, with Respect to*

- *Certain Transactions.* Under these guidelines, we defer revenue recognition on transactions where persuasive evidence of an arrangement does not exist, title has not transferred, product payment is contingent upon performance of installation or service obligations, the price is not fixed or determinable or payment is not reasonably assured. In addition we defer revenue associated with maintenance and support contracts and recognize revenue ratably over their term.

- *Allowance for Doubtful Accounts* – We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers or distribution partners were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

- *Excess and Obsolete Inventory* – We write down our inventory for estimated obsolescence and unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less than those projected by management, additional inventory write-downs may be required.

- *Warranty* – We provide for the estimated cost of hardware and product warranties at the time revenue is recognized. While we engage in quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. Should actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability may be required.

- *Deferred Taxes* – We record a valuation allowance to reduce our deferred tax assets to an amount that we believe is more likely than not to be realized. In our opinion, realization of our net operating loss carryforward is not reasonably assured, and a valuation allowance has been provided against deferred tax assets in excess of deferred tax liabilities in the accompanying consolidated financial statements. However, should we in the future determine that realization of deferred tax assets in excess of recorded amounts is likely, an adjustment to the deferred tax assets would increase income in the period such determination was made.

- *Available-for-Sale Securities* – We currently hold equity securities of a Nasdaq publicly traded company DYTK. DYTK shares are stated at fair value each reporting period based on quoted market prices. Future adverse changes in market conditions or poor operating results of this underlying investment could result in losses or an inability to recover the carrying value of the investment that may not be reflected in the investment's current carrying value, thereby requiring an impairment charge in the future.

- *Capitalized Software* – We currently expense the costs of developing new software products and substantial enhancements to existing software products until technological feasibility has been established, after which time additional costs incurred are capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." Amortization of capitalized software development costs begins when products are available for general release to customers, and is computed using the straight-line method over a period not to exceed three years. Future adverse changes in market conditions or poor market performance of these software products could result in losses or an inability to recover the carrying value of the investment that may not be reflected in the investment's current carrying value, thereby requiring an impairment charge in the future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

All of our sales transactions during 2001 were denominated in U.S. dollars and the majority of our operations is based in the U.S. and, accordingly, is also denominated in U.S. dollars. We do have a foreign-based sales office in the London area where transactions are denominated in the foreign currency. The impact of fluctuations in the relative value of that currency for 1999, 2000 and 2001 was not material.

Our interest income earned on cash and cash equivalents is subject to interest rate risk from the changes in the general level of U.S. interest rates, particularly short-term rates.

We hold marketable securities in DYTK that are subject to the market risks of the public U.S. stock markets, in particular the Nasdaq Stock Market. As of December 31, 2001, the market value of our DYTK investment was $2,417,457. If the market price of DYTK common stock decreases, our assets and working capital may decrease proportionately.

Item 8. Financial Statements and Supplementary Data

ViewCast.com, Inc. and Subsidiaries
Index to Consolidated Financial Statements

Report of Independent Auditors

The Board of Directors
ViewCast.com, Inc.

We have audited the accompanying consolidated balance sheets of ViewCast.com, Inc. and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ViewCast.com, Inc. and subsidiaries at December 31, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As more fully described in Note 1, the Company is dependent upon the proceeds from additional sales of its equity securities or other alternative financing, has incurred recurring losses from operations, has a working capital deficit and anticipates negative cash flow from operations during 2002. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

ERNST & YOUNG LLP

Dallas, Texas
March 18, 2002

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2000	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,898,176	$ 851,464
Available-for-sale securities	1,085,271	2,417,457
Accounts receivable, less allowance for doubtful accounts of $177,000 and $137,000 at December 31, 2000 and 2001, respectively	1,241,784	1,100,867
Inventory, net	2,942,621	2,675,088
Prepaid expenses	242,457	150,643
Total current assets	9,410,309	7,195,519
Property and equipment, net	1,504,753	1,069,966
Software development costs, net	494,447	397,227
Deferred charges	231,768	162,237
Deposits	72,302	46,586
Total assets	$ 11,713,579	$ 8,871,535
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 1,432,016	$ 469,817
Accrued compensation	462,573	345,128
Deferred revenue	351,659	301,027
Other accrued liabilities	824,195	660,481
Shareholder line of credit	2,408,827	6,347,223
Short-term debt, other	2,000	-
Total current liabilities	5,481,270	8,123,676
Long-term debt	950,000	950,000
Commitments		
Stockholders' equity (deficit):		
Convertible preferred stock, $.0001 par value:		
Authorized shares - 5,000,000		
Series B - issued and outstanding shares - 945,000 at December 31, 2000 and 2001	95	95
Series C - issued and outstanding shares - none at December 31, 2000 and 200,000 at December 31, 2001	-	20
Common stock, $.0001 par value:		
Authorized shares - 40,000,000 at December 31, 2000 and 2001		
Issued and outstanding shares - 17,140,468 and 18,347,869 at December 31, 2000 and 2001, respectively	1,714	1,835
Additional paid-in capital	52,770,321	55,667,260
Unrealized gain (loss) on securities reported at fair value and accumulated other comprehensive income	(950,229)	524,812
Accumulated deficit	(46,527,686)	(56,384,257)
Treasury stock, 261,497 shares at December 31, 2000 and 2001	(11,906)	(11,906)
Total stockholders' equity (deficit)	5,282,309	(202,141)
Total liabilities and stockholders' equity (deficit)	$ 11,713,579	$ 8,871,535

See accompanying notes.

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	1999	**2000**	**2001**
Net sales	**$ 7,270,080**	**$ 10,439,404**	**$ 7,950,887**
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	3,948,377	4,782,130	3,575,411
Gross profit	**3,321,703**	**5,657,274**	**4,375,476**
Operating expenses:			
Selling, general and administrative	7,543,409	9,545,307	7,604,415
Research and development	2,930,761	4,003,169	4,200,571
Restructuring charge	-	-	219,604
Depreciation and amortization	617,086	753,786	932,554
Total operating expenses	11,091,256	14,302,262	12,957,144
Operating loss	**(7,769,553)**	**(8,644,988)**	**(8,581,668)**
Other income (expense):			
Dividend and interest income	249,985	354,315	35,069
Interest expense	(954,168)	(602,558)	(677,087)
Other	62	4,246	150,731
Total other income (expense)	(704,121)	(243,997)	(491,287)
Net loss	**$ (8,473,674)**	**$ (8,888,985)**	**$ (9,072,955)**
Net loss per share - basic and diluted	**$ (0.71)**	**$ (0.62)**	**$ (0.59)**
Weighted average number of common shares outstanding	**13,105,884**	**15,714,244**	**17,204,891**

See accompanying notes.

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value					
Balance at December 31, 1998	**334,000**	**$ 33**	**400,000**	**$ 40**	**-**	**$ -**	**11,324,974**	**$ 1,132**	**$ 31,947,418**	**$ -**	**$ (27,681,409)**	**$ (11,906)**	**$ 4,255,308**
Sale of convertible preferred stock - Series B, net	-	-	545,000	55	-	-	-	-	5,434,291	-	-	-	5,434,291
Conversion of convertible preferred stock - Series A to common stock	(334,000)	(33)	-	-	-	-	921,505	92	(59)	-	-	-	-
Conversion of 8% convertible notes to common stock	-	-	-	-	-	-	317,313	32	1,162,818	-	-	-	1,162,850
Exercise of options and warrants	-	-	-	-	-	-	1,885,332	189	5,486,491	-	-	-	5,486,680
Value of options and warrants issued for consulting services	-	-	-	-	-	-	-	-	65,347	-	-	-	65,347
Sale of common stock, employee stock purchase plan	-	-	-	-	-	-	44,220	4	99,806	-	-	-	99,810
Convertible preferred stock dividends - Series A and B	-	-	-	-	-	-	131,554	14	708,028	-	(727,618)	-	(19,576)
Unrealized gain on securities reported at fair value	-	-	-	-	-	-	-	-	-	1,410,853	-	-	1,410,853
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(14,330)	-	-	(14,330)
Net loss	-	-	-	-	-	-	-	-	-	-	(8,473,674)	-	(8,473,674)
Comprehensive loss													(7,077,151)
Balance at December 31, 1999	**-**	**$ -**	**945,000**	**$ 95**	**-**	**$ -**	**14,624,898**	**$ 1,463**	**$ 44,904,140**	**$ 1,396,523**	**$ (36,882,701)**	**$ (11,906)**	**$ 9,407,559**

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)- (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Other Comprehensive Income	Accumulated Deficit	Treasury Stock	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value					
Exercise of options and warrants	-	-	-	-	-	-	1,232,077	123	4,108,642	-	-	-	4,108,765
Conversion of 7% convertible debentures to common stock	-	-	-	-	-	-	777,777	78	2,585,050	-	-	-	2,585,128
Value of options and warrants issued for consulting services	-	-	-	-	-	-	-	-	235,958	-	-	-	235,958
Common stock issued for legal services	-	-	-	-	-	-	2,500	-	15,000	-	-	-	15,000
Sale of common stock, employee stock purchase plan	-	-	-	-	-	-	99,990	10	165,480	-	-	-	165,490
Convertible preferred stock dividends - Series B	-	-	-	-	-	-	403,226	40	756,051	-	(756,000)	-	91
Unrealized loss on securities reported at fair value	-	-	-	-	-	-	-	-	-	(2,325,582)	-	-	(2,325,582)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(21,170)	-	-	(21,170)
Net loss	-	-	-	-	-	-	-	-	-	-	(8,888,985)	-	(8,888,985)
Comprehensive loss													(11,235,737)
Balance at December 31, 2000	**-**	**$ -**	**945,000**	**$ 95**	**-**	**$ -**	**17,140,468**	**$ 1,714**	**$ 52,770,321**	**$ (950,229)**	**$ (46,527,686)**	**$ (11,906)**	**$ 5,282,309**

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)- (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Common Stock		Additional Paid-in	Other Comprehensive	Accumulated	Treasury	Total Stockholders'
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Shares	Par Value	Capital	Income (Loss)	Deficit	Stock	Equity (Deficit)
Exercise of options and warrants	-	-	-	-	-	-	33,332	3	24,996	-	-	-	24,999
Sale of convertible preferred stock - Series C, net	-	-	-	-	200,000	20	-	-	1,999,980	-	-	-	2,000,000
Value of options and warrants issued for consulting services	-	-	-	-	-	-	-	-	9,603	-	-	-	9,603
Sale of common stock, employee stock purchase plan	-	-	-	-	-	-	190,556	19	106,550	-	-	-	106,569
Convertible preferred stock dividends - Series B	-	-	-	-	-	-	983,513	99	755,810	-	(756,000)	-	(91)
Convertible preferred stock dividends - Series C	-	-	-	-	-	-	-	-	-	-	(27,616)	-	(27,616)
Unrealized gain on securities reported at fair value	-	-	-	-	-	-	-	-	-	1,493,436	-	-	1,493,436
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	(18,395)	-	-	(18,395)
Net loss	-	-	-	-	-	-	-	-	-	-	(9,072,955)	-	(9,072,955)
Comprehensive loss													(7,597,914)
Balance at December 31, 2001	**-**	**$ -**	**945,000**	**$ 95**	**200,000**	**$ 20**	**18,347,869**	**$ 1,835**	**$ 55,667,260**	**$ 524,812**	**$ (56,384,257)**	**$ (11,906)**	**$ (202,141)**

See accompanying notes.

VIEWCAST.COM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 1999	2000	2001
Operating activities:			
Net loss	$ (8,473,674)	$ (8,888,985)	$ (9,072,955)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of fixed assets	496,169	586,344	743,607
Amortization of software development costs	120,917	167,442	188,947
Non-cash charges to interest expense	584,151	134,370	69,531
Non-cash loss on disposition of property and equipment	-	-	5,435
Non-cash gain on sale of available-for-sale securities	-	-	(47,425)
Non-cash consulting fees exchanged for options, warrants and common stock	65,347	28,588	9,603
Changes in operating assets and liabilities:			
Accounts receivable	453,388	144,611	140,917
Inventory	584,492	(416,525)	267,533
Prepaid expenses	(2,952)	(148,859)	91,814
Deposits	71,123	(7,487)	25,716
Accounts payable	(2,185,560)	784,769	(962,199)
Accrued compensation	92,191	44,213	(117,445)
Accrued restructuring charges	(275,000)	-	-
Deferred revenue	112,888	80,880	(50,632)
Other accrued liabilities	(115,201)	431,573	(191,421)
Net cash used in operating activities	(8,471,721)	(7,059,066)	(8,898,974)
Investing activities:			
Purchase of property and equipment, net of disposition proceeds	(452,268)	(752,954)	(314,255)
Software development costs	(118,919)	(232,388)	(91,727)
Proceeds from sale of available-for-sale securities	-	-	208,675
Net cash used in investing activities	(571,187)	(985,342)	(197,307)
Financing activities:			
Net proceeds from convertible preferred stock - Series B	8,834,346	-	-
Net proceeds from convertible preferred stock - Series C	-	-	2,000,000
Net proceeds from shareholder line of credit	-	-	3,938,396
Repayment of short-term debt-officer	(96,285)	-	-
Repayment of shareholder line of credit, net	(1,278,685)	-	-
Short-term debt, other	(126,767)	(24,011)	(20,395)
Proceeds from exercise of options and warrants	5,486,678	4,108,765	24,999
Net proceeds for the issuance of long-term debt	-	3,376,360	-
Net proceeds from sale of common stock and warrants	99,810	165,490	106,569
Net cash provided by financing activities	12,919,097	7,626,604	6,049,569
Net increase (decrease) in cash and cash equivalents	**3,876,189**	**(417,804)**	**(3,046,712)**
Cash and cash equivalents, beginning of period	**439,791**	**4,315,980**	**3,898,176**
Cash and cash equivalents, end of period	**$ 4,315,980**	**$ 3,898,176**	**$ 851,464**

See accompanying notes.

1. The Company and Description of Business

The accompanying consolidated financial statements include the accounts of ViewCast.com, Inc. dba ViewCast Corporation and its wholly-owned subsidiaries, ViewCast Online Solutions, Inc. (formerly, Viewpoint Systems, Inc.), VideoWare, Inc. and Osprey Technologies, Inc. (collectively, the Company). The Company operates in one business segment and is engaged in designing, developing and marketing advanced, standards-based video products and services that enable real-time and on-demand video communication over the Internet and corporate networks. The Company's Osprey® line of video capture and video compression-decompression cards, its Viewpoint VBX™ video distribution system, and its Niagara™ line of Internet encoding and streaming video servers deliver business applications to encode and archive video content, broadcast video over computer networks (streaming video), deliver video from web sites (on-demand streaming video), provide interactive video communication (video conferencing), and distribute video within a network. The Company’s Online Solutions division provides a rich media application service provider solution for business to business and media communication needs. The Company markets its products and services directly to end-users, through original equipment manufacturers, value-added resellers and computer system integrators, worldwide.

The Company utilizes significant capital to design, develop and commercialize its products. During 2002, the Company expects to fund sales growth and related operational activities by utilizing its working capital line of credit, cash contributed from operations, and proceeds from sales of its available-for-sale securities to the extent possible. At December 31, 2001, the Company had exceeded its line-of-credit borrowing base by $1.45 million and had utilized $6.35 million of the credit facility. The noteholder has agreed to waive through April 30, 2002 the repayment of any outstanding financing that may be in excess of the borrowing base from time to time (See Note 7 regarding the working capital line of credit). The Company anticipates that additional financing will be needed during 2002 in order to meet its working capital requirements and has had preliminary discussions with potential sources of financing, and may seek additional financing to provide additional working capital in the future. Such financing may include the issuance of convertible preferred stock or other equity securities, conversion of debt to equity securities, exercise of warrants, divestiture of business segments, or any combination thereof. The Company has retained an investment banking firm to assist in revenue and strategic alternatives, including divestitures and acquisitions. The can be no assurance that any additional financing will be available to the Company on acceptable terms, or at all. Additional equity financing may involve substantial dilution to the Company’s then existing stockholders. In the event the Company is unable to raise additional capital, it may be required to curtail its activities. Such actions could result in charges that could be material to the Company’s results of operations or financial position.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As reflected in the accompanying consolidated financial statements, the Company incurred significant losses of $8,473,674, $8,888,985 and $9,072,955, for the years ended December 31, 1999, 2000 and 2001, respectively. These losses, in conjunction with the matters discussed above, raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Principals of Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All material inter-company accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consists primarily of purchased electronic components and computer system products, along with the related documentation manuals and packaging materials. Inventory is carried at the lower of cost or market, cost being determined on a standard cost basis, which approximates average cost.

At December 31, 2001, some portion of inventory, net of reserves, of one of the Company's product lines is at a higher than desired level based on the most recent level of sales. Management has developed a program to reduce this inventory to desired levels over the near term and believes no loss will be incurred on its disposition. No estimate can be made of a range of amounts of loss that are reasonably possible should the program not be successful.

Property and Equipment

Property and equipment is recorded at cost. Depreciation is determined using the straight-line method over the estimated useful lives, generally three to five years, of the related assets. Leasehold improvements are amortized over shorter of the useful life or the length of the related leases. Expenditures for repairs and maintenance are charged to operations as incurred; renewals and betterments are capitalized.

Software Development Costs

Costs of developing new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, after which time additional costs incurred are capitalized in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." Amortization of capitalized software development costs begins when products are available for general release to customers, and is computed using the straight-line method over a period not to exceed three years.

Revenue Recognition

The Company recognizes revenue from its hardware product sales, including freight charges, in accordance with SEC Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements*, and Statement of Financial Accounting Standards No. 48, *Revenue Recognition When Right of Return Exists*. The Company recognizes software revenue in accordance with SOP 97-2, *Software Revenue Recognition*, as amended by SOP 98-9, Modification of SOP 97-2, *Software Revenue Recognition, with Respect to Certain Transactions.* Under these guidelines, the Company recognizes revenue on transactions where persuasive evidence of an arrangement exists, title has transferred, product payment is not contingent upon performance of installation or service obligations, the price is fixed or determinable and payment is reasonably assured. The Company accrues warranty costs and sales allowances for promotional activities at time of shipment based on historical experience. Following is a description of our revenue recognition policies:

- *Product Sales* – Revenue from Product sales is recognized upon shipment provided title and risk of loss has passed to the customer, there is evidence of an arrangement, fees are fixed or determinable and collectibility is reasonably assured.

- *System Implementations – S*ystem transactions in which the Company has the sole responsibility for installation, product revenues are deferred until completion of the installation process and system acceptance by the customer.

- *Services* – Post contract elements of software maintenance and support are offered and priced separately after the initial 90-day software warranty expires and are recognized ratably over the maintenance/support period on a straight-line basis.

- *T*raining – Training revenues are based upon objective evidence of fair value and are recognized as these services are provided.

- *Other Revenues* – Other revenues include maintenance, support, training and installation as well as engineering contract services, professional services, and content hosting and distribution services that are recognized as services are provided. Other revenues have historically represented less than 10% of total revenues and are presented combined with product sales in the consolidated statements of operations.

Net Loss Per Share

Basic earnings per share is calculated by dividing net loss by the number of weighted average common shares outstanding for the period. Since the Company has reported net losses for all periods presented, the computation of diluted loss per share excludes the effects of convertible preferred stock, convertible debt, options, and warrants since their effect is anti-dilutive. (See Note 10.)

Loss per share calculations for the years ended December 31, 1999, 2000 and 2001 are as follows:

	For the Year Ended December 31,		
	1999	2000	2001
Net loss	$ (8,473,674)	$ (8,888,985)	$ (9,072,955)
Preferred dividends and accretion of issue costs	(778,381)	(819,828)	(1,038,928)
Net loss applicable to common shareholders	$ (9,252,055)	$ (9,708,813)	$ (10,111,883)
Weighted average number of common shares outstanding	13,105,884	15,714,244	17,204,891
Loss per share as reported in the financial statements: basic and diluted	$ (0.71)	$ (0.62)	$ (0.59)

Deferred Charges

Deferred charges at December 31, 2000 and 2001 consisted of legal, accounting and lead manager fees and expenses associated with the issuance of $4.45 million principal amount 7% senior convertible debentures in April 2000. During September and October of 2000, holders of $3.5 million principal amount of 7% senior convertible debentures converted their notes to common stock of the Company and accordingly, a proportionate share of issue costs in the amount $914,872 was charged against additional paid in capital. Deferred charges amortized to interest for the years ended December 31, 2000 and 2001 were $134,370 and $69,530, respectively.

During 1999, the Company amortized deferred charges associated with the issuance of 8% senior convertible notes in December 1997, as well as fees associated with the procurement of a $9 million working capital credit facility in October 1998. Deferred charges amortized to interest expense for the year ended December 31, 1999 was $584,151.

Risks and Uncertainties

Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents and trade accounts receivable. The Company invests its cash and cash equivalents with a Texas commercial bank and a commercial brokerage firm. The brokerage firm maintains accounts in several banks throughout the country and in government securities. The Company sells its products and services primarily to distributors and resellers without requiring collateral; however, the Company routinely assesses the financial condition of its customers and maintains allowances for anticipated losses. The following table outlines the number of customers that accounted for more than 10% of annual sales and receivable balances:

	Customers Exceeding 10% of Net Sales		Customers exceeding 10% of Year-End Accounts Receivable Balance	
Year	Number of Customers	Combined Percent	Number of Customers	Combined Percent
1999	1	23%	2	54%
2000	0	0%	2	32%
2001	2	25%	3	46%

The Company believes it has no significant credit risk in excess of provided reserves.

The Company is substantially dependent on its third-party suppliers and manufacturers to supply its components and electronic parts, including standard and custom-designed components.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Company utilizes the liability method of accounting for income taxes wherein deferred tax assets and liabilities are determined based upon the differences between the financial statement and tax bases of assets and liabilities, as measured by enacted tax rates expected to be in effect when these differences reverse.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 1999, 2000 and 2001 was $448,859, $732,906 and $526,777, respectively.

Fair Value of Financial Instruments

The Company believes that the carrying amount of certain of its financial instruments, which include cash equivalents, accounts receivable, accounts payable, short-term debt and accrued expenses, approximate fair value due to the short-term maturities of these instruments. At December 31, 2000 and 2001, available-for-sale securities consist of the investment in equity securities of a strategic business alliance partner and are stated at fair market value as determined by quoted market prices. Gross unrealized gains (losses), which have been included as a separate component of stockholders' equity, were ($2,325,582) and $1,493,436 at December 31, 2000 and 2001, respectively. No unrealized holding gains or losses were included in earnings during the years ended December 31, 1999, 2000 and 2001 (See Note 5).

Stock-Based Compensation

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting for Stock-Based Compensation. SFAS 123* defines a fair-value based method of accounting for an employee stock option or similar equity instrument. As permitted by SFAS 123, the Company has elected to continue to measure the cost of its stock-based compensation plans using the intrinsic-value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. See Note 10 to the Consolidated Financial Statements for additional information concerning stock-based compensation.

Segment Information

Under Statement of Financial Accounting Standards No. 131 (SFAS 131), *Disclosures about Segments of an Enterprise and Related Information*, the Company operated, for all periods presented, in a single segment.

Comprehensive Income

Statement of Financial Accounting Standards No. 130 (SFAS 130), *Reporting Comprehensive Income*, requires that total comprehensive income be disclosed with equal prominence as net income and earnings per share. Comprehensive income is defined as changes in stockholders' equity exclusive of transactions with owners such as capital contributions and dividends.

The Company translates assets and liabilities of its foreign operations, whose functional currency is the local currency, at year-end exchange rates. Revenues and expenses are translated at the average rates of exchange prevailing during the year. Adjustments resulting from translating the financial statements of foreign operations are accumulated in other comprehensive income, which is reflected as a separate component of stockholders' equity. Additionally, the Company classifies equity securities it owns that are free of trading restrictions or to become free of trading restrictions within one year as "available-for-sale". Available-for-sale securities are carried at fair value based on quoted market prices, and unrealized gains and losses are accumulated in other comprehensive income, which is a separate component of stockholders' equity. If a market value adjustment results in a loss of value due to an other-than-temporary impairment, a loss will be transferred from accumulated other comprehensive income and charged to other income in the consolidated statement of operations. (See Note 5)

Components of comprehensive of income (loss) for 1999, 2000 and 2001 are as follows:

	Years Ended December 31,		
	1999	2000	2001
Foreign currency translation Adjustment	$ (14,330)	$ (21,170)	$ (18,395)
Unrealized gain or (loss) on available-for-sale securities	$ 1,410,853	$ (2,325,582)	$ 1,493,436
Comprehensive income (loss)	$ 1,396,523	$ (2,346,752)	$ 1,475,041

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. This review consists of a comparison of the carrying value of the asset with the asset's expected future undiscounted cash flows without interest costs. Estimates of expected future cash flows represent management's best estimate based on reasonable and supportable assumptions and projections. If the expected future cash flow exceeds the carrying value of the asset, no impairment is recognized. If the carrying value of the asset exceeds the expected future cash flows, impairment is measured by the excess of the carrying value over the fair value of the asset. Any impairment provisions recognized are permanent and may not be restored in the future. The Company recognized no impairment expense for the years ended December 31, 1999, 2000 and 2001.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*. ViewCast adopted SFAS 133 on January 1, 2001. SFAS No. 133, as amended, requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. During the year ended December 31, 2001, ViewCast had no hedging transactions, and the adoption of this standard did not have any impact on its financial position, results of operations or cash flows.

In June 2001, the FASB issued SFAS No. 141, *Business Combinations*, which addresses financial accounting and reporting for business combinations. Under SFAS No. 141 all business combinations initiated after June 30, 2001 and business combinations with a date of acquisition of July 1, 2001 or later are to be accounted for using the purchase method of accounting. In June 2001, the FASB issued SFAS No. 142, " Goodwill and Other Intangible Assets", which addresses accounting and reporting for intangible assets acquired individually or with a group of other assets, other than those acquired in a business combination, at acquisition and accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Under SFAS No. 142, goodwill and certain other intangible assets will no longer be amortized but will remain on the balance sheet and will be reviewed for impairment using the guidance as established in this Statement. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001, except for goodwill and intangibles acquired after June 30, 2001, which will be immediately subject to the nonamortization and amortization provisions of this Statement. The adoption of these standards by the Company is not expected to have a significant impact on the Company's financial position, results of operations or cash flows.

In August 2001, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which is effective for fiscal years beginning after December 15, 2001. SFAS No. 144 supersedes FASB Statement No. 121, *Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and the accounting and reporting provisions relating to the disposal of a segment of a business of Accounting Principles Board Opinion No. 30. The Company is currently assessing the impact of SFAS No. 144 on the Company's consolidated financial position, results of operations and cash flows.

In September 2001, the FASB Emerging Issues Task Force ("EITF"), issued EITF Issue No. 01-09, *Accounting for Consideration Given by Vendor to a Customer or a Reseller of the Vendor's Products*, which is a codification of EITF Issues No. 00-25, *Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products*, No. 00-14, *Accounting for Certain Sales Incentives*, and No. 00-22, *Accounting for 'Points' and Certain Other Time-or Volume-Based Sales Incentive Offers and Offers for Free Products or Services to be Delivered in the Future*. EITF 00-25, as codified by EITF 01-09, established the treatment in the statement of operations of vendor consideration to resellers of a vendor's products. EITF 00-25 and 01-09 are effective for the interim and year-end periods beginning after December 15, 2001. The Company is currently assessing the impact of the adoption of this EITF on our consolidated financial position, results of operations and cash flows.

3. Business Restructuring

Results of operations for 2001 include charges of $219,604 for resizing and restructuring the Company's operations and workforce. Charges were recorded throughout 2001 in accordance with a plan of restructuring approved by the Company's Board of Directors and included severance costs for work force reductions of 26 employees. Reductions were made in the Company's sales, development, customer support, marketing, manufacturing and finance and administration departments in an effort to reduce operating expenses. There was no liability for the restructuring activity outstanding as of December 31, 2001. No restructuring charges were charged to operations during 1999 and 2000.

4. Inventory

Inventory consists of the following:

	December 31,	
	2000	**2001**
Purchased materials	$ 793,895	$ 749,182
Finished goods	2,432,477	2,395,473
Total	3,226,372	3,144,655
Less reserves for obsolete, slow moving and damaged inventory	(283,751)	(469,567)
Net Inventory	$ 2,942,621	2,675,088

5. Investment in Equity Securities

In September 1998, the Company entered into a strategic business alliance with DynTek, Inc. ("DYTK"), formerly TekInsight.com, Inc., that included a stock purchase agreement whereby the Company acquired 1,240,310 shares of DYTK common stock in exchange for 1,000,000 shares of the Company's common stock. The shares issued by the Company and DYTK are not registered under the Securities Act of 1933, as amended, and may not be sold, transferred or otherwise distributed in the absence of such registration or an applicable exemption therefrom.

At December 31, 2000 and 2001, all DYTK stock was available for sale within the next twelve months; and accordingly, was classified as a current asset and stated at fair market value of $.88 and $2.12 per share, respectively as determined by quoted market prices. At March 28, 2002, the quoted market price of DYTK shares was $2.10. In June 2001, the Company sold 100,000 shares of DYTK stock at selling prices that averaged $2.09 per share. Realized gains on the stock transactions totaled $47,425.

6. Property and Equipment

Property and equipment, at cost, consists of the following:

	December 31,	
	2000	**2000**
Computer equipment	$2,236,447	$2,405,618
Software	561,891	575,672
Leasehold improvements	123,364	132,271
Office furniture and equipment	595,679	643,164
	3,517,381	3,756,725
Less accumulated depreciation and amortization	(2,012,628)	(2,686,759)
	$1,504,753	$1,069,966

7. Shareholder Line of Credit and Other Short-term Debt

Short-term debt consists of the following:

	December 31,	
	2000	**2001**
$12,000,000 working capital credit facility payable to a principal shareholder of the Company, collateralized by substantially all unencumbered assets of the Company, with interest payable monthly at 12%, due March 15, 2003.	$ 2,408,827	$ 6,347,233
Other	4,842	-
	$ 2,413,669	$ 6,347,233

In October 1998, the Company entered into a working capital line of credit facility for up to $9 million with an entity controlled by one of its principal stockholders, Mr. H.T. Ardinger, who also currently serves as a director, and Chairman of the Board of Directors of the Company. This one-year, renewable facility bears interest at 12% per annum and is secured by all assets of the Company. The availability of funds under this facility is subject to certain borrowing base limitations based principally on qualifying accounts receivable and inventory. A portion of the proceeds from this facility was used to retire a Texas commercial bank line of credit. As an incentive to advance the line of credit, Mr. Ardinger was issued 200,000 three-year warrants to purchase Company stock at $4.50 per share. The value of the warrants of $1.33 per share, as determined using the Black-Sholes option valuation model, was charged to interest expense over the initial term of the note. On October 17, 2000, the Company renewed the working capital facility for one year through and until October 22, 2001 inclusive of a provision for automatic renewal through October 22, 2002. In February 2001, the Company amended the facility to increase the credit line commitment from $9.0 million to $12.0 million, extend the maturity date of the agreement to March 15, 2003, and expand the asset base for lending to include certain marketable securities owned by the Company. At December 31, 2001, the Company had exceeded the borrowing base on its existing line of credit by $1.45 million. The noteholder has agreed to waive through April 30, 2002 the repayment of any outstanding financing that may be in excess of the borrowing base from time to time. During 2001 and the first quarter of 2002, the Company borrowed an additional $3,938,396 and $248,608 pursuant to the terms of the facility, respectively.

Interest paid during the years ended December 31, 1999, 2000 and 2001 was $422,169, $323,021 and $567,350, respectively.

8. Long-term Debt

Long-term debt consists of the following:

	December 31,	
	2000	**2001**
7% Senior Convertible Debentures due 2004 with interest payable semi-annually in arrears	$ 950,000	$ 950,000
	$ 950,000	$ 950,000

On December 9, 1997, the Company sold $5,000,000 aggregate principal amount of 8% senior convertible notes due 2002 (the "Notes") at an initial offering price of 100% of the principal amount thereof, less 8% gross commission. The Notes were convertible to common stock of the Company at the initial conversion price of $4.625 per share. In August 1998, the Company exchanged $3,640,000 of its 8% senior convertible notes for 364,000 shares of a newly created Series A convertible preferred stock. The Series A preferred stock carried a dividend of 8.5% per year payable in cash or common stock of the Company, at the Company's option, and was convertible into Common Stock of the Company at a fixed conversion price of $3.625 per share. In February through April 1999, holders of $1,360,000 principal amount of 8% convertible notes exchanged their notes for 317,313 shares of common stock of the Company at conversion prices ranging from of $3.625 to $4.625 per share completing the exchange of all 8% convertible notes outstanding at December 31, 1998.

On April 28, 2000, the Company sold $4,450,000 aggregate principal amount of 7% Senior Convertible Debentures Due 2004 (the "Debentures") pursuant to a placing agreement dated March 28, 2000, and amended on April 28, 2000, by and among the Company and RP&C International Inc. and RP&C International Limited (the "Lead Managers") at an initial offering price of 100% of the principal amount thereof, less 8% gross commission. In addition, the Company issued the Lead Managers a warrant (the "Warrant") on April 28, 2000, in the name of RP&C International (Guernsey) Limited, pursuant to Regulation S, to purchase an aggregate of 89,000 shares of Common Stock, at an exercise price of $5.00 per share, subject to adjustment in the event of adjustment of the Conversion Price of the Debentures. The Warrant has a term of five (5) years and may be exercised as to all or any lesser number of shares of Common Stock covered thereby, commencing twelve (12) months after the date of issuance.

Unless previously redeemed, the Debentures are convertible into shares of Common Stock of the Company at the option of the holder at any time at a fixed conversion price of $5.00 per share of Common Stock, subject to adjustment in certain circumstances (the "Conversion Price"). Upon voluntary conversion of any Debenture by its holder, no payment will be made for interest accrued during the period (i) from the most recent interest payment date preceding the applicable conversion date, or (ii) from the date of issuance of the Debentures if the Debenture is converted before the first interest payment (absent default by the Company, in which event interest shall continue to accrue at a specified default rate). Debentures which are converted prior to the first interest payment date of November 1, 2000 will be converted at a ten percent (10%) discount from the then effective Conversion Price, and Debentures which are converted prior to the second interest payment date of May 1, 2001 will be converted at a five percent (5%) discount from the then effective Conversion Price.

During September through October 2000, holders of $3,500,000 principal amount of the Debentures exchanged their notes for 777,777 shares of common stock of the Company at a conversion price of $4.50 per share. As an incentive for early conversion, the Company paid debenture holders $124,530, which amount has been classified to interest expense.

9. Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), *Accounting for Income Taxes*. SFAS 109 requires a valuation allowance to be recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In the opinion of management, realization of the Company's net operating loss carryforward is not reasonably assured, and a valuation allowance of $16,181,000 and $21,750,000 has been provided against deferred tax assets in excess of deferred tax liabilities in the accompanying consolidated financial statements at December 31, 2000 and 2001, respectively.

The components of the Company's net deferred taxes are as follows:

	December 31, 2000	December 31, 2001
Deferred tax assets:		
Net operating loss carryforward	$ 14,762,000	$ 20,115,000
Revenue deferred for financial statements, recognized for tax	130,000	112,000
Excess of tax over financial statement basis of patent	26,000	30,000
Accruals deductible for tax purposes when paid	401,000	439,000
Excess of tax over financial statement basis of software development costs	968,000	1,091,000
Total deferred tax assets	16,287,000	21,787,000
Less: valuation allowance	(16,181,000)	(21,750,000)
	106,000	37,000
Deferred tax liabilities:		
Excess of financial statement over tax basis of of property and equipment	106,000	37,000
Total deferred tax liabilities	106,000	37,000
Net deferred taxes	$ –	$ –

A reconciliation between the federal income tax benefit calculated by applying U.S. federal statutory rates to net loss and the absence of a tax benefit reported in the accompanying consolidated financial statements is as follows:

	December 31, 1999	December 31, 2000	December 31, 2001
U.S. federal statutory rate applied to pretax loss	$ (2,881,000)	$ (3,022,000)	$ (3,085,000)
State tax net of federal benefit	(235,000)	(260,000)	(257,000)
Change in valuation allowance	3,645,000	3,209,000	5,569,000
Net operating loss carryforward adjustment	(745,000)	-	(2,242,000)
Other	216,000	73,000	15,000
	$ -	$ -	$ -

At December 31, 2001 the Company has federal income tax net operating loss carryforwards of approximately $54,400,000, which expire as follows:

Year Ended	Amount
2009	$ 2,700,000
2010	4,700,000
2011	4,000,000
2012	5,400,000
2018	7,700,000
2019	13,200,000
2020	8,100,000
2021	8,600,000

The Company is subject to limitations existing under Internal Revenue Code Section 382 (Change of Control) relating to the availability of the operating loss carryforward.

No income taxes were paid during the years ended December 31, 1999, 2000 and 2001.

10. Stockholders' Equity

Preferred Stock

In August 1998, the Company exchanged $3,640,000 of its 8% senior convertible notes for 364,000 shares of a newly created Series A convertible preferred stock. The Series A preferred stock carried a dividend of 8.5% per year payable in cash or common stock of the Company, at the Company's option, and was convertible into Common Stock of the Company at a fixed conversion price of $3.625 per share (subject to certain conditions). In September 1998, holders of 30,000 shares of Series A preferred stock converted their shares into 82,770 shares of common stock of the Company and in January through August 1999, holders of 334,000 shares of Series A preferred stock converted their shares into 921,505 shares of common stock completing the conversion of all outstanding shares Series A preferred stock.

In December 1998 through February 1999, the Company received net proceeds of $8,834,346 from the private placement of 945,000 shares of Series B convertible preferred stock at $10 per share. Two principal stockholders of the Company purchased $4,000,000 and $2,000,000 of the offering, respectively and other existing stockholders purchased the balance of $3.45 million. The Series B preferred stock is convertible into common stock of the Company at a fixed price of $3.625 per share, subject to certain requirements, and carries a dividend of 8% per year payable in cash or common stock of the Company, at the Company's option.

In November 2001, the Company received net proceeds of $2,000,000 from the private placement of 200,000 shares of Series C convertible preferred stock at $10 per share with H.T. Ardinger, Jr., a principal shareholder and Chairman of the Board of the Company. The Series C preferred stock is convertible into common stock of the Company at a fixed price of $0.60 per share, subject to certain requirements, and carries a dividend of 9% per year payable in cash or common stock of the Company, at the Company's option.

Holders of Series B and Series C preferred stock have no voting rights except on amendments to the Company's Articles of Incorporation to change the authorized shares, or par value, or to alter or change the powers or preferences of their respective preferred stock issues.

In December 2001, the Company temporarily decreased the Conversion Price of its outstanding Series B Convertible Preferred Stock from $3.625 per share to $0.60 per share for a period of ninety (90) days. Pursuant to Section 8(b) of the Certificate of Designations of Series B Convertible Preferred Stock, the Company was required to temporarily lower the Series B Conversion Price in conjunction with the issuance of Series C Convertible Preferred Stock in November of 2001. Notice was given to Preferred B Stockholders on December 7, 2001 and the temporary Conversion Price Reduction expired at 5:00 p.m. on March 7, 2002. In March 2002, holders of $1,450,000 principal amount of Series B Convertible Preferred Stock converted their Series B shares into 2,416,666 shares of common stock at $0.60 per share.

Common Stock

During 1999, the Company issued 2,461 shares of common stock to Series A preferred stockholders of record on June 1, 1999 as payment of $21,192 of 8.5% dividends accrued for the six months ended June 15, 1999. Series A preferred dividends were paid semi-annually on June 15th and December 15th of each year in cash or, at the option of the Company, in common stock. The common stock was valued at the average of the market prices for the 20 consecutive stock exchange business days ending ten stock exchange business days prior to the dividend payment date. The computed common stock value at December 15, 1998 and June 15, 1998 was $1.81 and $8.61 per share, respectively.

During 1999, the Company issued 34,127 shares of Company common stock to Series B preferred stockholders of record on June 1, 1999 as payment of $293,841 of 8.0% accrued dividends for the six months ended June 15, 1999. During 1999, the Company also issued 91,881 shares of common stock to Series B preferred stockholders of record on December 1, 1999 as payment of $379,035 of 8.0% dividends accrued for the six months ended December 15, 1999. Series B preferred dividends are paid semi-annually on June 15th and December 15th of each year in cash or, at the option of the Company, in common stock. The common stock is valued at the average of the market prices for the 20 consecutive stock exchange business days ending ten stock exchange business days prior to the dividend payment date. The computed common stock value at June 15, 1999 and December 15, 1999 was $8.61 and $4.13 per share, respectively.

During 2000, the Company issued 127,097 shares of Company common stock to Series B preferred stockholders of record on June 1, 2000 as payment of $378,091 of 8.0% accrued dividends for the six months ended June 15, 2000. Also during 2000, the Company issued 276,129 shares of common stock to Series B preferred stockholders of record on December 1, 2000 as payment of $380,000 of 8.0% dividends accrued for the six months ended December 15, 2000. The computed common stock value at June 15, 2000 and December 15, 2000 was $2.97 and $1.37 per share, respectively.

During 2001, the Company issued 391,849 shares of Company common stock to Series B preferred stockholders of record on June 1, 2001 as payment of $376,874 of 8.0% accrued dividends for the six months ended June 15, 2001. Also during 2001, the Company issued 591,664 shares of common stock to Series B preferred stockholders of record on December 1, 2001 as payment of $379,036 of 8.0% dividends accrued for the six months ended December 15, 2001. The computed common stock value at June 15, 2001 and December 15, 2001 was $0.96 and $0.64 per share, respectively.

During 1999, the Company received $1,922,037 from the exercise of 525,791 private and public warrants to purchase 543,710 common shares of the Company at exercise prices ranging from $3.00 to $4.19 per share.

During 2000, the Company received $3,758,188 from the exercise of 1,097,245 private and public warrants to purchase 1,116,556 common shares of the Company at exercise prices ranging from $3.00 to $4.50 per share. Additionally, during August 2000, the Company received $2,450 for the partial exercise of 17,500 underwriter warrants to purchase 17,500 public warrants of the Company at an exercise price of $0.14 per public warrant.

In August 2001, the Company offered certain of its private warrant holders the right to exercise their warrants at a temporarily reduced exercise price of $0.75 per share of common stock for a period of 30-days. As an inducement for exercise of the warrants, exercising warrant holders received a like number of new warrants to purchase Company stock at $1.00 per share. The Company received proceeds of $24,999 from the exercise of 33,332 warrants pursuant to this offer and issued 33,332 new five-year warrants to purchase common stock at $1.00 per share which expire in February 2007.

During 1999, the Company received $3,564,641 from the exercise of stock options to purchase 1,341,622 common shares of the Company at exercise prices ranging from $.10 to $5.84 per share.

During 2000, the Company received $348,127 from the exercise stock options to purchase 115,521 common shares of the Company at exercise prices ranging from $2.06 to $4.63 per share.

During 1999, the Company received $99,810 in proceeds from the sale of 44,220 shares of common stock to employees under the terms of the Company's Employee Stock Purchase Plan. The employee purchase price for the offering periods ended April 30, 1999 and October 31, 1999 was $1.46 and $3.85 per share, respectively.

During 2000, the Company received $165,490 in proceeds from the sale of 99,990 shares of common stock to employees under the terms of the Company's Employee Stock Purchase Plan. The employee purchase price for the offering periods ended April 30, 2000 and October 31, 2000 was $3.04 and $1.21 per share, respectively. In October 2000, the Board of Directors of the Company amended the ESPP to change the commencement dates of the six-month offering periods from April 1 and November 1 to March 1 and October 1 of each year.

During 2001, the Company received $106,569 in proceeds from the sale of 190,556 shares of common stock to employees under the terms of the Company's Employee Stock Purchase Plan. The employee purchase price for the offering periods ended March 31, 2001 and September 30, 2001 was $0.62 and $0.48 per share, respectively.

During 2000, the Company issued 2,500 shares of common stock to a law firm as partial payment for legal services rendered in connection with the Debenture offering. The number of common shares issued was determined by dividing the fair market value of services by an average of the common stock market prices on the date of issuance. The value of legal services was $15,000 and the computed price was $6.00 per share.

In May 1999, the Company registered, in a Registration Statement on Form S-3, 7,933,463 shares of common stock underlying non-redeemable common stock purchase warrants and publicly traded redeemable common stock purchase warrants for offer and sale by the persons holding the warrants. The Company also registered 290,360 shares of common stock underlying warrants held by Network 1 Financial Securities, Inc. received as compensation for services as managing underwriter of the Company's initial public offering in 1997, 69,888 shares of common stock held by RP&C International, Ltd. and 183,108 shares of common stock underlying redeemable and non-redeemable warrants held by RP&C International and Rauscher, Pierce & Resfnes. The common stock may be offered by its holders or their successors in interest from time to time in transactions on the Nasdaq SmallCap Market ("Nasdaq") or in privately negotiated transactions at current market prices or at negotiated prices. The Company will not receive the proceeds of sales of the common stock by its holders, but has received and will receive proceeds from the exercise of warrants, to the extent they are exercised. See Warrants below.

In April 2000, the Company registered, in a Registration Statement on Form S-3, 2,606,896 shares of common stock underlying 945,000 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock"). Each share of Series B Preferred Stock is convertible to common stock at a conversion price of $3.625 per share for each $10.00 liquidation value of Series B Preferred Stock. The Company also registered 126,008 shares of common stock issued as dividends on the Series B Preferred Stock as well as 40,000 shares of common stock underlying warrants issued as compensation for services rendered in connection with the offering of Series B Preferred Stock. The common stock may be offered by its holders or their successors in interest from time to time in transactions on the Nasdaq SmallCap Market (Nasdaq) or in privately negotiated transactions at current market prices or at negotiated prices. ViewCast will not receive any new proceeds from the conversion of the Series B Preferred Stock to common stock, but received gross proceeds of $9,450,000 from the issuance of the Series B Preferred Stock in December 1998 through February 1999. ViewCast will receive proceeds of up to $145,000 from the exercise of warrants (to the extent the warrants are exercised).

In June 2000, the Company registered, in a Registration Statement on Form S-3, (i) up to 1,334,454 shares of common stock and (ii) up to 140,000 Redeemable Common Stock Purchase Warrants ("Public Warrants"). Up to 988,889 of the shares of common stock are issuable upon conversion of $4,450,000 principal amount of 7% Senior Convertible Debentures Due 2004. Up to 89,000 of the common shares are issuable upon exercise of a private warrant to purchase common stock. The Company offered and sold the Debentures and issued the warrant on April 28, 2000 pursuant to Regulation S under the Securities Act of 1933. The Debentures are currently convertible and the private warrant becomes exercisable April 28, 2001. Up to 254,065 of the shares of common stock are shares issuable to certain of the selling securityholders upon exercise of certain Public Warrants and upon exercise of private warrants. The remaining 2,500 shares of common stock covered by the Registration Statement are currently issued and outstanding shares. Each Public Warrant entitles the holder to purchase 1.074 shares of common stock at

$4.50 per share, subject to adjustment under certain circumstances. The Public Warrants are exercisable at any time through February 3, 2002, unless earlier redeemed by the Company. The Company may redeem all, but not less than all, of the Public Warrants, at any time, upon notice of not less than thirty (30) days, at a price of $.10 per Public Warrant, provided that the per share closing price or bid quotation of the Company's common stock, as reported on Nasdaq, for any twenty trading days within a period of thirty consecutive trading days, ending on the fifth day prior to the day on which the Company gives notice of redemption, has been at least 150% (currently $6.75, subject to adjustment) of the initial public offering price per share of our common stock (which was $4.50). The Public Warrants included in this prospectus are, issuable upon exercise of certain private warrants.

The common stock and Public Warrants covered by the Registration Statement may be offered by selling securityholders or their successors in interest from time to time in transactions on the Nasdaq SmallCap Market (Nasdaq) or in privately negotiated transactions at current market prices or at negotiated prices. The Company will not receive any of the proceeds from the sale of securities by selling securityholders.

In July 1999, stockholders of the Company approved a proposal to increase the number of authorized shares of common stock of the Company from 30,000,000 shares to 40,000,000 shares.

Stock Option Plans

In April 1995, the Company adopted its 1995 Stock Plan (the 1995 Stock Option Plan) under which 2,000,000 shares of the Company's common stock was reserved for issuance to officers, key employees and consultants of the Company. The objectives of the stock plan are to attract and retain qualified personnel for positions of substantial responsibility and to provide additional incentives to employees and consultants to promote the success of the Company's business. Options granted under the plan may be incentive stock options or non-qualified stock options. The plan is administered by the Board of Directors. The options are granted at the discretion of the Board of Directors at an option price per share not less than fair market value at the date of grant. In July 1999 and August 2000, stockholders of the Company approved proposals to increase the number of shares available for issuance under the 1995 Stock Plan to 4,900,000 and 5,900,000, respectively.

In April 1995, the Company also adopted the 1995 Director Option Plan under which 250,000 shares of the Company's common stock are reserved for issuance to outside directors of the Company. The objective of the director plan is to attract and retain qualified personnel for service as outside directors of the Company and to encourage their continued service to the Board. Only non-qualified stock options may be granted. Grants under the plan are automatic and nondiscretionary and are issued at an option price per share not less than fair market value at the date of grant.

The Company has issued non-qualified stock options to non-employees and consultants of the Company and accounts for these issuances by estimating their fair value at date of grant using the Black-Scholes option–pricing model. An expense is recognized ratably over the vesting period of the option provided all material terms of the agreement are defined. In instances where the terms are not defined, the option is accounted for as a variable plan and an expense is recognized over the expected period of benefit of the option. Expenses related to these options are recorded based on an estimate of the options value computed at the end of each reporting period. The final expense for the variable plan is recorded when all material terms, i.e. – the number and exercise price of the options, are known and the options have been earned. Expense of $65,347, $28,588 and $9,603 has been recognized for the years ended December 31, 1999, 2000 and 2001, respectively. These amounts have been aggregated with the valuation of warrants and disclosed as a component of Consolidated Statements of Stockholders' Equity.

Following is a summary of stock option activity from December 31, 1998 through December 31, 2001:

	Stock Options		
	Number of Shares	**Price Per Share**	**Weighted-Average Exercise Price Per Share**
Outstanding at December 31, 1998	3,654,003	$0.10 - $5.84	$ 3.00
Granted	1,002,516	2.77 - 9.00	6.23
Exercised	1,341,622	.10 - 5.84	2.66
Canceled/forfeited	552,984	1.77 - 7.14	3.27
Outstanding at December 31, 1999	2,761,913	1.77 - 9.00	4.33
Granted	935,250	1.25 - 6.59	3.61
Exercised	115,521	2.06 - 4.63	3.01
Canceled/forfeited	278,331	2.06 - 7.14	4.11
Outstanding at December 31, 2000	3,303,311	1.25 - 9.00	4.19
Granted	1,576,500	0.58 - 1.09	1.06
Exercised	-	- - -	-
Canceled/forfeited	834,148	1.09 - 8.75	2.64
Outstanding at December 31, 2001	4,045,663	$0.58 - $9.00	$ 3.29

The weighted-average grant-date fair value of options granted was $4.96, $3.07 and $0.92 for the years ended December 31, 1999, 2000 and 2001, respectively.

The following information applies to options outstanding at December 31, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	**Outstanding at December 31, 2001**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Exercisable at December 31, 2001**	**Weighted-Average Exercise Price**
$ 0.00 – 1.00	149,500	9.6	$ 0.71	-	$ -
1.00 – 2.00	1,216,700	9.0	1.16	46,671	1.68
2.01 – 3.00	940,421	4.5	2.68	797,459	2.73
3.01 – 4.00	476,263	2.8	3.51	437,948	3.51
4.01 – 5.00	248,982	4.5	4.54	225,559	4.55
5.01 – 6.00	520,749	6.6	5.61	261,979	5.53
6.01 – 7.00	33,015	4.2	6.43	22,331	6.37
7.01 – 8.00	429,833	7.4	7.10	135,531	7.10
8.01 – 9.00	30,200	3.7	8.87	25,199	8.85
	4,045,663	6.4	$ 3.29	1,952,767	$ 3.89

Statement of Financial Accounting Standards No. 123 (SFAS 123), *Accounting For Stock Based Compensation*, requires the disclosure of pro forma net income and earnings per share information computed as if the Company had accounted for its employee stock options granted subsequent to December 31, 1994 under the fair value method set forth in SFAS 123. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	1999	2000	2001
Risk-free interest rate	5.50%	6.20%	4.88%
Dividend yield	0%	0%	0%
Volatility factor of the market price of the Company's common stock	91%	106%	104%
Expected life of the options (years)	6.6	6.4	5.8

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimated, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. In addition, because SFAS 123 is applicable only to options granted subsequent to December 31, 1994, the pro forma information presented below is not necessarily indicative of the effects on reported net income in future years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting periods. Pro forma information for the years ended December 31, 1999, 2000 and 2001 is as follows:

	1999	2000	2001
Pro forma net loss	$ (10,480,394)	$ (11,453,668)	$ (11,935,440)
Pro forma net loss per share:			
Basic and diluted	$ (.80)	$ (.73)	$ (.69)

Employee Stock Purchase Plan

In May 1995, the Company established an Employee Stock Purchase Plan (ESPP) to provide employees of the Company with an opportunity to purchase common stock through payroll deductions. Under the ESPP, 250,000 shares of common stock have been reserved for issuance, subject to certain antidilution adjustments. The ESPP is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. In August 2000, stockholders of the Company approved a proposal to increase the number of shares available for issuance under the ESPP from 250,000 to 500,000 shares and in June 2001, stockholders approved a proposal to increase the number of shares available for issuance under the ESPP from 500,000 to 1,000,000 shares.

Each ESPP offering is for a period of six months and in October 2000, the Board of Directors of the Company amended the ESPP to change the commencement dates of the six-month offering periods from April 1 and November 1 to March 1 and October 1. Eligible employees may participate in the ESPP by authorizing payroll deductions during an offering period within a percentage range determined by the Board of Directors. Initially, the amount of authorized payroll deductions is not more than ten percent of an employee's cash compensation during an offering period, but not more than $25,000 per year. Amounts withheld from payroll are applied at the end of each offering period to purchase shares of common stock. Participants may withdraw their contributions at any time before stock is purchased, and in the event of withdrawal such contributions will be returned to participants. The purchase price of the common stock is equal to eighty-five percent (85%) of the lower of (i) the market price of common stock immediately before the beginning of the applicable offering period or (ii) the market price of common stock at the end of each offering period. The Company pays all expenses incurred in connection with the implementation and administration of the ESPP. The ESPP terminates in April 2005.

Warrants

The Company has issued private warrants to purchase common stock of the Company in connection with the issuance and repayment of certain notes payable, as inducement for early exercise of private warrants and as compensation for services rendered by various consultants. Additionally, the Company has issued public warrants to purchase common stock of the Company in connection with its initial public offering and concurrent debt retirement and debt for equity exchange.

Following is a summary of warrant activity from December 31, 1998 through December 31, 2001:

	Warrants		
	Number of Warrants	Exercise Price	Weighted-Average Exercise Price
Outstanding and exercisable at December 31, 1998	6,068,656	$1.00 - $4.50	$4.12
Granted - non-public warrants	40,000	3.63	3.69
Exercised	525,791	3.00 - 4.19	3.55
Canceled	-	-	-
Outstanding and exercisable at December 31, 1999	5,582,865	3.00 - 4.50	4.15
Granted - non-public warrants	89,000	5.00	5.00
Granted – public warrants	17,500	4.50	4.50
Exercised	1,097,245	3.00 - 4.50	3.43
Canceled	85,333	4.50	4.50
Outstanding and exercisable at December 31, 2000	4,506,787	3.00 - 4.50	$4.34
Granted - non-public warrants	33,332	1.00	1.00
Granted – public warrants	-		
Exercised	33,332	.75	.75
Canceled	411,667	3.00 - 4.00	3.07
Outstanding and exercisable at December 31, 2001	4,095,120	$1.00 - 4.50	$4.44

In addition, at December 31, 2001 the Company's lead underwriter for the initial public offering and assigns held warrants to purchase 122,500 full units at $6.44 per unit and 17,500 partial units at $6.30 per share, each full unit consisting of one share of common stock at $6.30 and one public warrant at $0.14. Each Public Warrant, when exercised, entitles the holder to purchase 1.074 shares of common stock at $4.50.

At December 31, 2001, the Company had outstanding 2,616,348 redeemable common stock public warrants that were issued in connection with the Company's initial public offering, as well as 1,183,332 redeemable private warrants, with terms similar to the public warrants, that were issued in connection with the early exercise of private warrants during 1998. When initially issued, each redeemable warrant entitled the holder to purchase 1.0 share of common stock at $4.50, subject to adjustment under certain circumstances. In October 1998, the Company reduced the effective exercise price of its then redeemable warrants from $4.50 to $4.19 per share of common stock in accordance with the provisions of its warrant agreements, whereby each redeemable warrant currently entitles the holder to purchase 1.074 shares for

$4.50. Both the public and private redeemable warrants expire February 4, 2002 and are redeemable by the Company, upon notice of not less than thirty days, at a price of $.10 per warrant, provided that the closing price or bid price of the common stock for any twenty trading days within a period of thirty consecutive trading days ending on the fifth day prior to the day on which the Company gives notice of redemption has been at least $6.75 (subject to adjustment under certain circumstances).

At December 31, 2001, the Company also had outstanding 295,440 non-redeemable private warrants with exercise prices ranging from $1.00 to $5.00 per share and with varying expiration dates through February 2007.

During February 1999, the Company issued 40,000 three-year warrants to purchase Company common stock at $3.625 per share for services rendered in connection with its Series B convertible preferred stock offering (see Note 10 - Preferred Stock).

In April 2000, the Company issued to Lead Managers of the Debentures offering a warrant to purchase 89,000 shares of Common Stock at an exercise price of $5.00 per share, subject to adjustment in the event of adjustment of the Conversion Price of the Debentures. The warrant has a term of five (5) years and may be exercised as to all or any lesser number of shares of Common Stock covered thereby, commencing twelve months after the date of issuance.

In August 2000, the Company issued 17,500 Public Warrants upon partial exercise of representative warrants at an exercise price of $0.14 per warrant.

In August 2001, the Company offered certain of its private warrant holders the right to exercise their warrants at a temporarily reduced exercise price of $0.75 per share of common stock for a period of 30-days. As an inducement for exercise of the warrants, exercising warrant holders received a like number of new warrants to purchase Company stock at $1.00 per share. The Company received proceeds of $24,999 from the exercise of 33,332 warrants pursuant to this offer and issued 33,332 new five-year warrants to purchase common stock at $1.00 per share which expire in February 2007.

In January 2002, the Company extended the expiration date of its outstanding public and public equivalent common stock purchase warrants to February 3, 2005 from February 3, 2002. Additionally, effective March 1, 2002, the Company decreased the effective exercise price per share of common stock from $4.19 to $1.00, which was above the market price at that date. The warrants are redeemable by the Company under certain conditions and as of December 31, 2001 there were 3,799,680 public and public equivalent warrants outstanding. The reduction of the exercise price and the extension of the expiration date also apply to the issuance of up to 122,500 public warrants upon exercise of certain representative warrants.

11. Employee Benefit Plan

Effective March 1, 1997, the Company adopted a profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code whereby participants may elect to contribute up to twenty percent (20%) of their compensation subject to statutory limitations. The plan provides for discretionary matching and profit sharing contributions by the Company. All employees are eligible to participate in the plan provided they meet minimum age requirement of eighteen. For the years ended December 31, 1999, 2000 and 2001, the Company made no matching or profit sharing contributions.

12. Commitments and Contingencies

The Company leases various office and manufacturing space under non-cancelable operating leases extending through 2005. The Company also leases certain office and computer equipment under non-cancelable operating leases. Future minimum operating lease payments with initial or remaining terms of one year or more are as follows:

	Operating Leases
Year ended December 31:	
2002	$ 410,351
2003	409,964
2004	233,127
2005	243,061
Total minimum lease payments	$ 1,296,503

Rent expense was $595,169, $774,531 and $760,259 for the years ended December 31, 1999, 2000 and 2001, respectively.

In September 1999, the Company entered into an employment contract with its Chief Executive Officer for an initial term of 18 months that provides for a minimum annual salary and incentives based generally on the Company's performance. The agreement provides for automatic one-year renewals upon the expiration of the initial term unless terminated by either party upon 60-day prior written notice.

13. Related Party Transactions

During 1999, the Company paid consulting fees to its then Chairman and acting Chief Executive Officer in the amount of $147,000 until his resignation in September 1999.

In October 1998, the Company entered into a working capital line of credit facility with a partnership controlled by one of its principal stockholders and now Chairman of the Board of the Company, H. T. Ardinger, Jr.. The one-year, renewable facility, bears interest at 12% per annum and is collateralized by all assets of the Company (See Note 7). During 1999, 2000 and 2001, the Company paid interest of $389,943, $289,123 and 500,850, respectively to the partnership.

In December 1998 through February 1999, the Company received $9.45 million in gross proceeds from the sale of 945,000 shares of a newly created Series B convertible preferred stock at $10 per share. Two principal stockholders of the Company purchased $4,000,000 and $2,000,000, respectively and other existing stockholders purchased the balance of $3.45 million. The Series B preferred stock is convertible into common stock of the Company at a fixed price of $3.625 per share, subject to certain requirements, and carries a dividend of 8% per year payable in cash or common stock of the Company, at the Company's option.

During 1999, the Company received $2,129,207 proceeds from the exercise of 802,549 stock options by officers and directors of the Company at exercise prices ranging from $.20 to $4.03 per share.

During February 2000, the Company received $390,000 proceeds from the exercise of 130,000 private warrants by Mr. Ardinger, Chairman of the Board of the Company, at an exercise price of $3.00 per share.

In November 2001, the Company received net proceeds of $2,000,000 from the private placement of 200,000 shares of Series C convertible preferred stock at $10 per share with H.T. Ardinger, Jr., a principal shareholder and Chairman of the Board of the Company. The Series C preferred stock is convertible into common stock of the Company at a fixed price of $0.60 per share, subject to certain requirements, and carries a dividend of 9% per year payable in cash or common stock of the Company, at the Company's option.

14. Subsequent Events (unaudited)

In February 2002, the Company received a Nasdaq Staff Determination indicating that it failed to comply with the minimum net tangible assets or minimum stockholders' equity requirements for continued listing, set forth in Marketplace Rule 4310(c)(2)(B) and that its common stock is therefore subject to delisting from The Nasdaq SmallCap Market. ViewCast requested a hearing before a Nasdaq Listing Qualifications Panel to review the Staff Determination, but was unable to meet Nasdaq's timetable for compliance and was delisted from Nasdaq after the close of trading on April 3, 2002. The Company began trading on the Over-the-Counter (OTC) Bulletin Board effective with the opening of business on April 4, 2002.

15. Quarterly Results of Operations (unaudited)

	Quarter Ended			
	March 31,	**June 30,**	**September 30,**	**December 31,**
1999:				
Net sales	$ 2,014,164	$ 2,219,826	$ 1,046,292	$ 1,989,798
Gross profit	965,699	1,062,042	367,817	926,145
Net loss	(2,101,720)	(1,724,973)	(2,635,820)	(2,011,161)
Net loss per share - basic and diluted	$ (0.20)	$ (0.15)	$ (0.21)	$ (0.15)
2000:				
Net sales	$ 1,936,658	$ 2,360,138	$ 3,492,744	$ 2,649,864
Gross profit	1,069,947	1,213,647	1,848,954	1,524,726
Net loss	(2,070,584)	(2,449,920)	(2,084,673)	(2,283,808)
Net loss per share - basic and diluted	$ (0.15)	$ (0.17)	$ (0.14)	$ (0.15)
2001:				
Net sales	$ 2,349,764	$ 1,826,213	$ 1,804,668	$ 1,970,242
Gross profit	1,318,735	1,076,824	1,057,881	922,036
Net loss	(2,484,019)	(2,528,929)	(2,194,150)	(1,865,857)
Net loss per share - basic and diluted	$ (0.16)	$ (0.16)	$ (0.14)	$ (0.12)

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements concerning any matter of accounting principle or financial statement disclosure between the Company and its independent auditors.

PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons: Compliance with Section 16(a) of the Exchange Act.

The information required by this item is incorporated by reference to disclosure in the Company's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report ("Proxy Statement").

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference to the Proxy Statement.

Item 13. Certain Relationship and Related Transactions

The information required by this item is incorporated by reference to the Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) The following consolidated financial statements required by this item are included in Part II Item 8 of this report:

(2) The following financial statement schedule is filed as a part of this report under Schedule II on page 59: Valuation and Qualifying Accounts for the three years ended December 31, 2001. All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements and notes thereto in Item 8 above.

(3) Listing of Exhibits:

EXHIBIT INDEX

Exhibit Page No.	Description of Exhibit	Sequential Page No.
2	Agreement and Plan of Merger and Reorganization (1)	
3(a)	Certificate of Incorporation (1)	
3(b)	Amendment to Certificate of Incorporation (1)	
3(c)	Restated By-Laws (3)	
3(d)	Certificate of Designations of Series B Convertible Preferred Stock (4)	
3(e)	Certificate of Designations of Series C Convertible Preferred Stock	
4(a)	Form of Common Stock Certificate (1)	
4(b)	Form of Warrant Certificate (1)	

4(c)	Form of Warrant Agreement between ViewCast and Continental Stock Transfer & Trust Company (1)
4(d)	Form of Representative's Warrant Agreement (1)
4(e)	Form of Trust Indenture - $5,000,000 8% Senior Convertible Notes Due 2002 (2)
4(f)	Form of Lead Managers Warrant Agreement (2)
5(a)	Form of Opinion of Thacher Proffit Wood as to the legality of securities being registered.
9(a)	Voting Trust Agreement between Robert M. Sterling, Jr. and Thomas E. Brown (1)
9(b)	Voting Trust Agreement between Robert P. Bernardi and Richard Bernardi (1)
9(c)	Form of Lock-Up Agreement (1)
9(d)	Lock-Up Agreement with Robert Sterling Trust (1)
9(e)	Lock-Up Agreement with Robert Bernardi Trust (1)
9(f)	Lock-Up Agreement with Michael Nissenbaum (1)
10(a)	Modified Employment Agreement between ViewCast and Glenn A. Norem (1)
10(b)	Modified Consulting Agreement between ViewCast and Sterling Capital Group Inc. (1)
10(c)	Form of Indemnification Agreement between ViewCast and Executive Officers and Directors (1)
10(d)	1995 Stock Option Plan (1)
10(e)	1994 Stock Option Plan (1)
10(f)	1993 Viewpoint Stock Plan (1)
l0(g)	1995 Director Option Plan (1)
10(h)	Lease Agreement between ViewCast and Metro Squared, L P (1)
10(i)	Employee Stock Purchase Plan (1)
l0(j)	Licensing Agreement between ViewCast and Boca Research, Inc. (1)
10(k)	Agreement between ViewCast and Unisys™ (1)
10(l)	Employment Agreement between ViewCast and Philip M. Colquhoun (1)
10(m)	Employment Agreement between ViewCast and William S. Leftwich (1)
10(n)	Employment Agreement between ViewCast and David T. Stoner (1)
10(o)	Employment Agreement between ViewCast and Neal Page (1)
10(p)	Employment Agreement between ViewCast and A. David Boomstein (1)
10(r)	Lease between ViewCast and Burlingame Home Office, Inc. (1)
10(s)	Lease between ViewCast and Family Funds Partnership (1)

10(t)	Agreement between ViewCast and Catalyst Financial Corporation (1)
10(u)	Promissory Note by ViewCast payable to Robert Rubin dated September 5, 1996. (1)
10(v)	Promissory Note by ViewCast payable to M. Douglas Adkins dated November 15, 1996. (1)
10(w)	Promissory Note by ViewCast payable to H.T. Ardinger dated November 15, 1996. (1)
10(x)	Promissory Note by ViewCast payable to H.T. Ardinger dated January 15, 1997. (1)
10(y)	Promissory Note by ViewCast payable to Adkins Family Partnership, Ltd. dated January 15, 1997. (1)
10(z)	Lease between ViewCast and the Air Force Association. (2)
10(aa)	Lease between ViewCast and Airport Boulevard Partners, LLC. (2)
10(bb)	Stock Purchase Agreement between ViewCast and Tadeo Holdings, Inc. (5)
10(cc)	Working Capital Line of Credit Loan Agreement between ViewCast and the Ardinger Family Partnership, Ltd. (5)
10(dd)	Sublease Agreement between ViewCast and Host Communications, Inc.
21	List of Subsidiaries of ViewCast. (1)
23	Consent of Ernst & Young LLP

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(1) Incorporated by reference to the Registration Statement on Form SB-2 and all amendments thereto as declared effective on February 4, 1997.
(2) Incorporated by reference to Form 10-KSB/A filed April 15, 1998.
(3) Incorporated by reference to Form 10-QSB filed November 13, 1998
(4) Incorporated by reference to Form 8-K filed March 15, 1999.
(5) Incorporated by reference to Form 10-KSB filed March 26, 1999.

(b) Reports on Form 8-K

On November 14, 2001, the Company filed a Form 8-K describing the receipt of $2.0 million gross proceeds from the sale of 200,000 shares of Series C Convertible Preferred Stock at $10 per share.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
VIEWCAST.COM, INC. AND SUBSIDIARIES

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts-Describe	Deductions-Describe	Balance at End of Period
YEAR ENDED DECEMBER 31, 2001					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	$ 177,000	$ 26,000	$ -	$ 66,000 (1)	$ 137,000
Reserves for slow-moving, damaged or obsolete inventory	$ 283,751	$ 215,560	$ -	$ 29,744 (2)	$ 469,567
YEAR ENDED DECEMBER 31, 2000					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	$ 117,000	$ 87,000	$ -	$ 27,000 (1)	$ 177,000
Reserves for slow-moving, damaged or obsolete inventory	$ 346,153	$ 60,410	$ -	$ 122,812 (2)	$ 283,751
YEAR ENDED DECEMBER 31, 1999					
Reserves and allowances deducted from asset accounts:					
Allowance for uncollectible accounts	$ 823,000	$ 146,000	$ -	$ 852,000 (1)	$ 117,000
Reserves for slow-moving, damaged or obsolete inventory	$ 199,255	$ 205,000	$ -	$ 58,102 (2)	$ 346,153

(1) Uncollectible accounts written off, net of recoveries.

(2) Inventory written off, net of recoveries.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date	ViewCast.com, Inc.
April 12, 2002	By: /s/ Laurie L. Latham Laurie L. Latham Chief Financial Officer and Senior Vice President of Finance and Administration

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date	ViewCast.Com, Inc.
April 12, 2002	By: /s/ H.T. Ardinger, Jr. H.T. Ardinger, Jr. Director and Chairman of the Board
April 12, 2002	By: /s/ George C. Platt George C. Platt Director, President and Chief Executive Officer
April 12, 2002	By: /s/ Laurie L. Latham Laurie L. Latham Chief Financial Officer and Senior Vice President of Finance and Administration
April 12, 2002	By: /s/ Joseph W. Autem Joseph W. Autem Director
April 12, 2002	By: /s/ David A. Dean David A. Dean Director

EXHIBIT INDEX FOR DOCUMENTS FILED WITH THIS REPORT

Exhibit No.	Description of Exhibit
3(e)	Certificate of Designations of Series C Convertible Preferred Stock
10(dd)	Sublease Agreement between ViewCast and Host Communications, Inc.
23	Consent of Ernst & Young LLP

EXHIBIT 3(e)

CERTIFICATE OF DESIGNATIONS
OF
SERIES C CONVERTIBLE PREFERRED STOCK
OF
VIEWCAST.COM, INC.

ViewCast.com, Inc., dba ViewCast Corporation, a Delaware corporation, DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors of said corporation by virtue of its certificate of incorporation as amended and in accordance with Section 151 of the General Corporation Law of the State of Delaware (the "DGCL"), said Board of Directors has duly adopted a resolution by unanimous consent providing for the issuance of a series of preferred stock, par value $0.0001 per share, designated as Series C Convertible Preferred Stock, which resolution reads as follows:

"BE IT RESOLVED, that the Board of Directors (the "Board of Directors") of ViewCast.com, Inc. (the "Corporation") hereby authorizes the issuance of a series of preferred stock and fixes its designation, powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations and restrictions thereof, as follows:

1) Designation. The distinctive serial designation of said series shall be "Series C Convertible Preferred Stock" (hereinafter called "Series C Preferred Stock"). Each share of Series C Preferred Stock shall be identical in all respects with all other shares of Series C Preferred Stock.

2) Number of Shares. The number of authorized shares of Series C Preferred Stock shall be two hundred thousand (200,000) shares. The number of authorized shares of Series C Preferred Stock may be increased or reduced by the Board of Directors of the Corporation by the filing of a certificate pursuant to the provisions of the DGCL stating that the change has been so authorized. When shares of Series C Preferred Stock are purchased or otherwise acquired by the Corporation or converted into common stock, par value $0.0001 per share, of the Corporation (the "Common Stock"), the Corporation shall take all necessary action to cause the shares of Series C Preferred Stock so purchased or acquired to be canceled and reverted to authorized but unissued shares of Preferred Stock undesignated as to series.

3) Rank. The Series C Preferred Stock shall, with respect to dividend rights and rights on liquidation, winding-up and dissolution, rank (i) junior to all claims of creditors, including holders of the Corporation's outstanding debt securities, (ii) junior to all obligations of the Corporation's Subsidiaries (as defined below), (iii) senior to all classes of Common Stock and to any class of preferred stock established hereafter by the Board of Directors of the Corporation, the terms of which expressly provide that it ranks junior to the Series C Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Corporation (collectively referred to, together with all classes of common stock of the Corporation, as "Junior Stock"), (iv) on parity with the Series B Convertible Preferred Stock (the "Series B Preferred Stock") as to dividend rights and rights on liquidation, winding-up and dissolution and (v) subject to certain conditions, on a parity with each other class of preferred stock established hereafter by the Board of Directors of the Corporation and subject to approval by the majority of the holders of the Series C Preferred Stock, the terms of which expressly provide that such class or series shall rank on a parity with the Series C Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution (collectively with the Series B Preferred Stock referred to a "Parity Stock"). .

4) Dividends.

a) Holders of record, as of the record date therefore, of the outstanding shares of Series C Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation, out of funds legally available therefore, dividends on the Series C Preferred Stock at an annual rate equal to $0.90 per share payable semi-annually in arrears in cash or, at the option of the Corporation, in shares of Common Stock of the Corporation valued at the average of the Market Prices (as defined below) thereof for the twenty (20) consecutive Stock Exchange Business Days (as defined below) ending ten (10) Stock Exchange Business Days prior to the dividend payment date (the "Common Stock Valuation Method").

b) All dividends shall be cumulative, whether or not earned or declared, from the date of issuance and shall be payable semi-annually in arrears on April 30 and October 31 of each year (each a "Dividend Payment Date"), commencing on the first Dividend Payment Date following issuance to holders of record on the April 15 or October 15, as the case may be, immediately preceding the relevant Dividend Payment Date; *provided, however,* that if April 30 or October 31, as the case may be, is not a Stock Exchange Business Day then the dividend shall be payable on the first immediately succeeding Stock Exchange Business Day. Dividends shall be computed on the basis of a 360-day year of twelve 30-day months.

c) No dividends may be declared or paid or funds set apart for the payment of dividends on any Parity Stock for any period unless full cumulative dividends shall have been or contemporaneously are declared and paid in full or declared and, if payable in cash, a sum in cash sufficient for such payment set apart for such payment on the Series C Preferred Stock. If full dividends are not so paid, the Series C Preferred Stock shall share dividends *pro rata* with the Parity Stock. No dividends may be paid or set apart for such payment on Junior Stock (except dividends on Junior Stock payable in additional shares of Junior Stock) and no Junior Stock or Parity Stock may be repurchased or otherwise retired for value nor may funds be set apart for payment with respect thereto, if cumulative dividends have not been paid in full on the Series C Preferred Stock in cash or shares of Common Stock. Dividends on account of arrears for any past dividend period may be declared and paid at any time without reference to any regular Dividend Payment Date, to holders of record on a date not more than forty-five (45) calendar days prior to the payment thereof, as may be fixed by the Board of Directors of the Corporation. No interest shall be payable with respect to any dividend payment that may be in arrears. So long as any shares of the Series C Preferred Stock are outstanding, the Corporation shall not make payment on account of the purchase or other retirement of any Parity Stock or Junior Stock, and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase any Parity Stock, Junior Stock or any warrants, rights, calls or options unless full cumulative dividends determined to be in accordance herewith on the Series C Preferred Stock have been paid (or are deemed paid) in full.

5) <u>Preference on Liquidation</u>.

a) Subject to the liquidation rights of the holders of any Parity Stock, upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, holders of Series C Preferred Stock shall be entitled to be paid, out of the assets of the Corporation available for distribution to stockholders, the liquidation preference of $25.00 per share of Series C Preferred Stock, plus, without duplication, an amount in cash or shares of Common Stock (valued by the Common Stock Valuation Method), at the Corporation's option, equal to all accumulated and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding-up (including an amount equal to a prorated dividend for the period from the last Dividend Payment Date to the date fixed for liquidation, dissolution or winding-up), before any distribution is made on any Junior Stock, including, without limitation, any class of common stock of the Corporation.

b) If, upon any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, the amounts payable with respect to the Series C Preferred Stock and all Parity Stock are not paid in full, then the assets of the Corporation available for distribution among the holders of the Series C Preferred Stock and any Parity Stock shall bear to each other the ratio that the gross amounts invested in Series C Preferred Stock and the gross amounts invested in any Parity Stock bear to each other.

c) After payment of the full amount of the liquidation preference and accumulated and unpaid dividends to which they are entitled, the holders of shares of Series C Preferred Stock shall not be entitled to any further participation in any distribution of assets of the Corporation.

d) For the purposes of this Certificate of Designations, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consolidation) of all or substantially all of the property or assets of the Corporation shall be deemed to constitute a liquidation, dissolution or winding-up of the Corporation. However, any consolidation, merger, share exchange or similar transaction to which the Corporation is a party shall not be deemed to constitute a liquidation, dissolution or winding-up of the Corporation.

e) Written notice of any payment to the holders of Series C Preferred Stock as a result of the liquidation, dissolution or winding-up of the Corporation, stating the payment date or dates when and the place or places where the amounts distributable in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, not less than thirty (30) days prior to any payment date stated therein, to the holders of record of shares of Series C Preferred Stock at their respective addresses as the same shall appear on the books of the transfer agent for the Series C Preferred Stock.

6) Voting Rights. The holders of Series C Preferred Stock shall have no voting rights except as required by law.

7) Conversion Rights. Each holder of shares of Series C Preferred Stock shall have the right, subject as provided herein and to any applicable laws and regulations, at any time commencing one hundred twenty (120) calendar days from the closing of the Company's Series C Preferred Stock Offering at the holder's option to convert the $10.00 gross investment value of each share of Series C Preferred Stock into shares of Common Stock at a conversion price (the "Conversion Price") (subject to adjustment as described in Section 8 below) of $0.600 per share of underlying Common Stock.

a) In order to exercise the conversion right, the holder of each share of Series C Preferred Stock to be converted shall surrender that certificate representing such share, duly endorsed or assigned to the Corporation or in blank, at the office of the transfer agent for the Series C Preferred Stock and shall give written notice to the Corporation in the form of Exhibit A attached hereto. Such notice shall also state the name or names (with address) in which the certificate or certificates for the shares of Common Stock which shall be issuable upon such conversion shall be issued, and shall be accompanied by funds in an amount sufficient to pay any transfer or similar tax required by the provisions of paragraph 7(c) below. Each share surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the name in which such share of the Series C Preferred Stock is registered, be duly endorsed by, or be accompanied by, instruments of transfer (in each case, in form reasonably satisfactory to the Corporation), duly executed by the holder or such holder's duly authorized attorney-in-fact.

b) As promptly as practicable after the surrender of certificates for shares of the Series C Preferred Stock for conversion and the receipt of such notice and funds, if any, as aforesaid, the Corporation shall issue and deliver to such holder, or on such holder's written order, a certificate or certificates for the number of shares of Common Stock issuable upon the conversion of such shares of the Series C Preferred Stock in accordance with the provisions of this Section 7. Each conversion with respect to such shares of the Series C Preferred Stock shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of the Series C Preferred Stock shall have been surrendered and such notice shall have been received by the Corporation as aforesaid, and the Person or Persons entitled to receive the Common Stock issuable upon such conversion shall be deemed for all purposes to be the record holder or holders of such Common Stock upon that date.

c) If a holder converts shares of the Series C Preferred Stock, the Corporation shall pay any and all documentary, stamp or similar issue or transfer tax payable in respect of the issue or delivery of the shares of the Series C Preferred Stock (or any other securities issued on account thereof pursuant hereto) or Common Stock upon the conversion; *provided, however,* the Corporation shall not be required to pay any such tax that may be payable because any such shares are issued in a name other than the name of the holder. In the event that the shares are to be issued in a name other than that of the holder, the holder shall provide the funds necessary to pay any and all of the foregoing taxes.

d) The Corporation shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of all of the outstanding shares of the Series C Preferred Stock. The Corporation shall from time to time, in accordance with the DGCL, increase the authorized amount of its Common Stock if at any time the authorized amount of its Common Stock remaining unissued shall not be sufficient to permit the conversion of the shares of the Series C Preferred Stock at the time outstanding, subject to the foregoing restriction on conversion. All shares of Common Stock delivered upon conversion of the shares of the Series C Preferred Stock will, upon delivery, be duly authorized and validly issued, fully paid and nonassessable, free from all taxes, liens and charges with respect to the issue thereof.

e) In the event of any merger, share exchange or similar transaction to which the Corporation is a party, except (i) a merger in which the Corporation is the surviving corporation or (ii) a share exchange in which the Corporation's shares are issued to stockholders of another corporation, the plan of merger, plan of share exchange or comparable document shall provide that each share of Series C Preferred Stock then outstanding shall be converted into or exchanged for the kind and amount of stock, other securities and property receivable upon such merger, share exchange or similar transaction by a holder of the number of shares of Common Stock of the Corporation into which such share of Series C Preferred Stock might have been converted immediately prior thereto.

8) Conversion Price Adjustments.

a) In the event the Corporation shall effect a subdivision of the outstanding Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision shall become effective shall be proportionately decreased, and conversely in the event the Corporation shall combine the outstanding shares of Common Stock into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the date upon which such combination becomes effective shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

b) In the event the Corporation issues Common Stock or Common Stock Equivalents (as defined below), at a price less than the Conversion Price in effect at the opening of business on the day following such issuance, then the Conversion Price shall be temporarily adjusted to the price at which such shares of Common Stock or Common Stock Equivalents were issued for a period of two (2) calendar years (the "Temporary Conversion Price"), subject to the conditions listed below. The Corporation is required to give notice on any such adjustments not less than ten (10) calendar days prior to the first date on which any such adjustment is effective. The Conversion Price shall be adjusted unless such issuance of Common Stock or Common Stock Equivalents at a price less than the then effective Conversion Price was made (i) pursuant to the conversion or exercise of outstanding shares of Common Stock or Common Stock Equivalents issued and outstanding as of the effective date of this Certificate of Designation; (ii) pursuant to the Corporation's 7% Senior Convertible Notes Due 2004 (the "Notes"); (iii) pursuant to conversion of any securities of the Corporation (including any warrants) issued and outstanding as of the effective date of this Certificate of Designation; (iv) pursuant to any plan adopted by the Corporation for the purchase of stock in connection with any employee compensation or benefit plan of the Corporation or any of its Subsidiaries, whether now in effect or hereafter created or amended, including, but not limited to, the Corporation's 1995 Stock Plan, 1994 Stock Option Plan, 1993 Option Plan, 1995 Director Option Plan and 1995 Employee Stock Purchase Plan; (v) pursuant to any compensation arrangement approved by the Board of Directors of the Corporation with any director, officer or employee or proposed director, officer or employee of the Corporation or any Subsidiary; (vi) pursuant to the incurrence of any senior indebtedness secured primarily by the assets of the Corporation or any of its Subsidiaries; (vii) where the shares are issued for a consideration other than cash (including in connection with an acquisition of assets, stock, or a business) and the Board of Directors of the Corporation determines in good faith that such transaction is fair from a financial point of view and in the best interests of the Corporation; and (viii) where the number of shares of Common Stock pursuant to such issuance shall not exceed two percent (2%) of the number of shares of Common Stock into which the Series C Preferred Stock is then convertible.

c) If the Corporation at any time while any of the Series C Preferred Stock is outstanding shall pay a dividend or other distribution to holders of any Junior Stock payable exclusively in Common Stock or shall pay or make a dividend or other distribution on any other class of capital stock of the Company to holders of any Junior Stock which dividend or distribution includes Common Stock, the Conversion Price in effect at the opening of business the day next following the date the Corporation shall take a record of the holders of its Common Stock for the purpose of receiving such dividend (or if no such record is taken, at the date of such payment) shall be adjusted to that price determined by multiplying the Conversion Price in effect immediately prior to such record date (or if no such record is taken, then immediately prior to such payment) by a fraction (i) the numerator of which shall be total number of shares of Common Stock outstanding immediately after such dividend or other distribution and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or other distribution. For purposes hereof, the number of shares of Common Stock at any time outstanding shall not include any shares thereof then directly or indirectly owned or held by or for the account of the Corporation or its Subsidiaries.

d) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly file with the transfer agent for the Series C Preferred Stock a certificate of an officer of the Corporation setting forth the Conversion Price after the adjustment and setting forth a brief statement of the facts requiring such adjustment and a computation thereof. The Corporation shall promptly cause a notice of the adjusted Conversion Price to be mailed to each registered holder of shares of the Series C Preferred Stock.

e) In any case in which this paragraph provides that an adjustment shall become effective immediately after a record date for an event and the date fixed for such adjustment pursuant to this paragraph occurs after such record date but before the occurrence of such event, the Corporation may defer until the actual occurrence of such event issuing to the holder of any shares of the Series C Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment.

f) In case the Corporation shall take any action affecting the Common Stock, other than actions described in Section 7 or this Section 8, which in the opinion of the Board of Directors would materially adversely affect the conversion right of the holders of the shares of the Series C Preferred Stock, the Conversion Price may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances; *provided, however,* that in no event shall the Board of Directors be required to take any such action.

g) The Corporation will endeavor to list the shares of the Common Stock required to be delivered upon conversion of shares of the Series C Preferred Stock, prior to delivery, upon each national and international securities exchange, if any, upon which the Common Stock is listed at the time of delivery.

9) <u>Optional Conversion by Corporation</u>. The Corporation may, at its option, cause (i) 50,000 shares of the Series C Preferred Stock to be converted into shares of Common Stock at the Conversion Price at any time and from time to time after October 31, 2003, (ii) 50,000 shares of the Series C Preferred Stock to be converted into shares of Common Stock at the Conversion Price at any time and from time to time after October 31, 2004, (iii) 50,000 shares of the Series C Preferred Stock to be converted into shares of Common Stock at the Conversion Price at any time and from time to time after October 31, 2005, and (iv) 50,000 shares of the Series C Preferred Stock to be converted into shares of Common Stock at the Conversion Price at any time and from time to time after October 31, 2006, if the Market Price of the Common Stock for any twenty (20) Stock Exchange Business Days within a period of thirty (30) consecutive Stock Exchange Business Days commencing on or after October 31, 2003, has equaled or exceeded 250% of the then effective Conversion Price. The Corporation is required to give notice that it has met the criteria for mandatory conversion within thirty (30) calendar days of having met such criteria by notifying in writing, each registered holder of Series C Preferred Stock. Upon any mandatory conversion of any Series C Preferred Stock by the Corporation, payment shall be made by the Corporation in either cash or shares of Common Stock for dividends accrued during the period from the most recent dividend payment date to the conversion date. If the Corporation elects to convert less than all of the Series C Preferred Stock, the Corporation shall select which shares of Series C Preferred Stock to convert by lot or such other method, as it shall deem fair and appropriate. Upon expiry of any such notice period as is referred to above, the Corporation shall be bound to convert the Series C Preferred Stock as to which notice has been provided.

10) <u>Registration Rights</u>. Within 180 calendar days of closing of the offering of the Corporation's Series C Preferred Stock, the Corporation shall use its best efforts to register under the Securities Act of 1933 (the "1933 Act") the shares of Common Stock of the Corporation underlying the shares of the Series C Preferred Stock. The Corporation shall use its best efforts to cause such registration to become effective and to keep such registration current under the 1933 Act.

11) <u>Certain Definitions</u>.

“*Alternative Stock Exchange*” means any other national or regional stock exchange or quotation service such as the NASDAQ National Market or any similar quotation service maintained by the National Quotation Bureau or any successor thereto.

“*Capital Stock*” of any Person means the Common Stock or preferred stock of such Person. Unless otherwise stated herein or the context otherwise requires, “Capital Stock” means Capital Stock of the Corporation.

“*Common Stock Equivalents*” means equity or debt securities of the Corporation (other than Common Stock) which are convertible into or exercisable for shares of Common Stock (including, without limitation, shares, units of shares, preferred stock and other convertible securities) so long as the Board of Directors has deemed such securities to have the same value or economic rights as shares of Common Stock.

“*Market Price*” means the weighted average of the high and low sales prices on NASDAQ or any Alternative Stock Exchange on any Stock Exchange Business Day.

“*Person*” means any individual, corporation, partnership, association, trust or other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“*Series B Preferred Stock*” means the Corporation’s Series B Convertible Preferred Stock, $0.0001 par value.

“*Series C Preferred Stock*” means the Corporation’s Series C Convertible Preferred Stock, $0.0001 par value.

“*Stock Exchange Business Day*” means any day (other than a Saturday or Sunday) on which NASDAQ or the Alternative Stock Exchange, as the case may be, is open for business.

“*Subsidiary*” of any Person means any Corporation of which at least a majority of the shares of stock having by the terms thereof ordinary voting power to elect a majority of the Board of Directors of such Corporation (irrespective of whether or not at the time stock of any other class or classes of such Corporation shall have voting power by reason of the happening of any contingency) is directly or indirectly owned or controlled by any one of or any combinations of the Corporation or one or more of its Subsidiaries.

“Transfer Agent” means ViewCast.com, Inc.

* * * * *

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be duly executed on its behalf by its undersigned Chief Executive Officer and attested to by its Chief Financial Officer this 5th day of November 2001.

VIEWCAST.COM, INC.,

a Delaware corporation

By: ______________________________
Name: George C. Platt
Title: Chief Executive Officer

ATTEST:

By: ______________________________
Name: Laurie L. Latham
Title: Chief Financial Officer

`

EXHIBIT A

HOLDER'S CONVERSION NOTICE

To: ViewCast.com, Inc.

The undersigned Holder of the Series C Convertible Preferred Stock, par value U.S. $.0001 (the "Preferred Stock"), of ViewCast.com, Inc. (the "Company"), in the aggregate principal amount of U.S. $______________ irrevocably exercises the option to convert such Preferred Stock into shares of Common Stock of the Company, par value U.S. $0.0001 (the "Common Stock"), in accordance with the terms of the Certificate of Designations relating to the issuance by the Company of the Preferred Stock, and directs that the Common Stock issuable and deliverable upon such conversion be issued and delivered to the undersigned in the name and at the address set forth below.

If the Common Stock is to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith funds in an amount sufficient to pay any such taxes.

All terms used and not otherwise defined herein shall have the respective meanings set forth in the Certificate of Designations.

DATE: ___________________________________

Name of Holder:

Signature(s) of Holder:

Address for Delivery of Shares:

Name for Registration of Shares (if different than Holder):

EXHIBIT 10(dd)

SUBLEASE

This Sublease (this "**Sublease**") is executed as of January 10, 2002, between **Host Communications**, **Inc.,** a Kentucky corporation (as successor-in-interest to Universal Sports America, Inc., a Texas Corporation), ("**Sublessor**") and **ViewCast Corporation**, a Delaware corporation, ("**Sublessee**").

RECITALS

Sublessor has the right to possession of Suite 2000, consisting of 14,731 rentable square feet of space (the "**Premises**"), in the office building located at 17300 North Dallas Parkway, Dallas, Texas 75248, commonly known as Bent Tree Green (the "**Building**"), under that certain lease agreement dated April 13th, 1999 (as amended by Amendment One dated July 16th, 1999) between CMD Realty Investment Fund II, L.P., an Illinois limited partnership, as "**Landlord",** and Sublessor as "**Tenant**" (such lease agreement, as amended to date, is herein referred to as the "**Base Lease**").

Sublessee desires to sublease the space depicted on Exhibit A hereto (the "**Sublease Premises**") which is a portion, consisting of approximately 14,731 rentable square feet, of the Premises demised by the Base Lease.

Sublessor has agreed to lease such space to Sublessee on the terms and conditions contained herein.

AGREEMENTS

In consideration of the premises and other good and valuable consideration, Sublessor and Sublessee agree as follows:

1. **Premises Subleased & Term.** Sublessor hereby subleases to Sublessee the Sublease Premises for a term commencing February 1st, 2002 and continuing through December 31st, 2005.

2. **Rent.** As rent for this Sublease, Sublessee shall pay to Sublessor in advance $20,255.12 per month (the "Rent). Payment of Rent shall be made to Sublessor on the first day of each month at its address written below or at such other address Sublessor may designate in writing, without any offset or deduction whatsoever. Notwithstanding the commencement date as established in Paragraph 1 above, the first payment of Rent hereunder (for April, 2002) shall be made on April 1, 2002. In addition, Sublessee shall receive a rental abatement for one month during the 27th month (April, 2004) of the term. Upon execution of this Sublease, Sublessee shall pay to Sublessor a Security Deposit equal to two month's Rent in the amount of $40,510.24.

3. **Expenses; Taxes**. Sublessee shall pay its Proportionate share of any increases in Taxes or Operating Costs over the Base Year of 2002 as defined in the Base Lease.

4. **Acceptance**. Sublessee acknowledges that it has inspected the Sublease Premises demised hereunder, and is fully satisfied with their condition and accepts the same, "AS IS." Sublessor has made no representation or warranties of any nature whatsoever with regard to the Sublease Premises, other than those set forth herein, and Sublessor shall have no obligation or duty with regard to preparation of the Sublease Premises for occupancy by Sublessee

5. **Base Lease Incorporated.** The provisions of the Base Lease are, except as otherwise herein specifically provided, hereby incorporated in this Sublease with the same effect as if entirely rewritten herein, and shall fix the rights and obligations of the parties hereto with respect to the Sublease Premises with the same effect as if Sublessor and Sublessee were, respectively, the landlord and tenant named in the Base Lease. Sublessee hereby covenants to perform the covenants and undertakings of Sublessor as tenant under the Base Lease to the extent the same are applicable to the Sublease Premises during the term of this Sublease, and agrees not to do or permit to be done any act which shall result in a violation of any of the terms and conditions of said Base lease. Except as otherwise specifically provided herein, Sublessee is to have the benefit of the covenants and undertakings of Landlord in the Base Lease to the extent the same are applicable to the Sublease Premises during the term of this Sublease. It is expressly understood and agreed, however, that Sublessor is not in the position to render any of the services or to perform any of the obligations required of Landlord by the terms of the Sublease, and that performance by Sublessor of its obligations hereunder are conditioned upon due performance by owner of its corresponding obligations under the Base Lease. It is further understood and agreed, therefore, that notwithstanding anything to the contrary contained in this Sublease, Sublessor shall not be in default under this Sublease for failure to render such services or perform such obligations required by Sublessor by the terms of this Sublease that are the responsibility of the Landlord under the Base Lease, but Sublessor agrees to take all responsible measures to insure that Landlord performs said obligations. The term "reasonable measures" shall not include legal action against Landlord for its failure to so perform unless Sublessee agrees to pay all costs and expenses in connection therewith.

6. **Subordinate to Base Lease**. This Sublease is subject and subordinate in all respects to said Base Lease. Sublessee acknowledges that it has received a copy of said Base Lease, which is attached hereto as Exhibit B.

7. **Holdover**. Sublessee shall promptly vacate the sublease Premises upon expiration or termination of this Sublease. Any holding over by Sublessee beyond the expiration date of this Sublease shall be deemed unlawful unless expressly consented to by Sublessor in writing, and Sublessor shall be entitled to any and all remedies in law or in equity by reason of such unlawful holding over by Sublessee. Sublessee agrees to indemnify and save Sublessor harmless against and from any and all loss, cost, expense and liability incurred by Sublessor under the Base Lease by reason of any such holding over.

8. **Indemnification**. Sublessee shall indemnify and save harmless Sublessor against and from any and all liability, damage, expense, cause of action, suits, claims or judgments for injury or death to persons or damage to property sustained by anyone in and about said Sublease Premises or any part thereof, arising out of any way connected with Sublessee's use or occupation of the Sublease Premises or this Sublease.

9. **Assignment or Subletting**. Sublessee shall not, without the prior written consent of Sublessor, assign the term hereby demised, nor suffer or permit it to be assigned by operation of law or otherwise, nor shall the Sublessee, without the prior written consent of Sublessor, let or sublet or permit the said Sublease Premises or any part thereof to be used by others for hire.

10. **Landlord's Consent**. This Sublease is subject to and conditioned upon the written consent of Landlord to this Sublease, such consent to be given by Landlord no later than January 21st, 2002.

11. **Insurance**. Sublessee shall maintain insurance as required under the Base Lease in the amounts stated in the Base Lease, with Sublessor named as an additional insured. Sublessee shall furnish to Sublessor certificates of such insurance and other evidence satisfactory to Sublessor of the maintenance of all insurance coverage required hereunder.

12. **Parking**. Sublessee shall the right to 3.2 parking spaces per 10000 RSF in the premises on a non-exclusive, unassigned "first come, first served" basis in the unreserved areas of the parking facility and at least seventy-five percent (75%) shall be covered parking spaces at no charge throughout the sublease term. Sublessee shall have the right to four (4) reserved spaces in the parking facility at no charge throughout the sublease term.

13. **Notices**. All notices and other communications given pursuant to the Sublease shall be in writing and shall be (a) mailed by first class, Unites States mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the address listed below, (b) hand delivered to the intended addressee, (c) sent by nationally recognized overnight courier, or (d) sent by prepaid telegram, cable, facsimile transmission, or telex followed by a confirmatory letter. Notice sent by certified mail, postage prepaid, shall be effective three business days after being deposited in the United States mail; all other notices shall be effective upon deliver to the address of the addressee. The parties hereto may change their address by giving notice thereof to the other in conformity with this provision.

Sublessor: Host Communications
546 East Main Street
Lexington, Kentucky 40508
Attn: Mr. Jerry Felix
Telephone No. 859-226-4294
Telecopy No. 859-226-4242

Sublessee: ViewCast Corporation
17300 North Dallas Parkway, Suite 2000
Dallas, Texas 75248
Telephone No. 972.488.7285
Telecopy No. 972.241.0940

Landlord: Mr. Robert Gibbons, Regional VP
CMD Realty Investors, L.P.
14850 Quorum Drive, Suite 120
Dallas, Texas 75254
Telephone No. 972-733-6955
Telecopy No. 972-733-6969

14. **Brokerage**. Sublessee warrants that it has not dealt with any broker or agent in connection with the negotiations or execution of this Sublease other than CB Richard Ellis (Pat O'Keefe and Anthony Bolner, Brokers) whose commission shall be paid by Sublessor. Sublessee and Sublessor shall each indemnify the other against all costs, expenses, attorneys' fees, and other liability for commissions or other compensation claimed by any other broker or agent claiming the same by, through, or under the indemnifying party.

15. **Binding Effect; Governing Law**. The Base Lease shall remain in full effect and this Sublease shall be binding upon Sublessor and Sublessee and their respective successors and assigns. If any inconsistency exists or arises between the terms of this Sublease and the terms of the Base Lease, the terms of the Sublease shall prevail. The Sublease shall be governed by the laws of the State in which the Premises is located.

16. **Counterparts**. This Sublease may be executed in multiple counterparts, each of which shall constitute an original, but all of which shall constitute one document.

EXECUTED effective as of the date and year above written.

SUBLESSOR:

____

By:_______________________________
Name:_____________________________
Title:______________________________

SUBLESSEE:

____

By:_______________________________
Name:_____________________________
Title:______________________________

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form SB-2 No. 333-31947, Form S-8 No. 333-53159, Form S-8 No. 333-63799, Form S-3 No. 333-77923, Form S-3 No. 333-35662 and Form S-3 No. 333-40630) of ViewCast.com, Inc. and in the related Prospectuses of our report dated March 18, 2002, with respect to the consolidated financial statements of ViewCast.com, Inc. and subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 2001.

Ernst & Young LLP

Dallas, Texas
April 11, 2002